



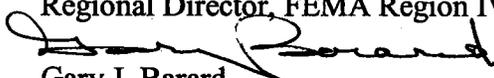
# DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General  
Atlanta Field Office - Audit Division  
3003 Chamblee Tucker Rd  
Atlanta, GA 30341

June 9, 2003

## MEMORANDUM

TO: Kenneth O. Burris, Jr.  
Regional Director, FEMA Region IV

FROM:   
Gary J. Barard  
Field Office Director

SUBJECT: Harrison County, Mississippi  
FEMA Disaster No. 1251-DR-MS  
Audit Report DA-13-03

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The Office of Inspector General (OIG) audited public assistance funds awarded to Harrison County, Mississippi. The objective of the audit was to determine whether the County accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The County received an award of \$5,753,374 from the Mississippi Emergency Management Agency, a FEMA grantee, to remove debris, provide emergency protective measures, and repair buildings damaged as a result of Hurricane Georges in September 1998. The award provided 75 percent FEMA funding for 4 large projects and 18 small projects<sup>1</sup>. Audit work was limited to the 3 completed large projects and 18 small projects (see Exhibit). One large project (No. 4248) was incomplete and excluded from the audit.

The audit covered the period September 1998 through April 2002. During this period, the County claimed \$5,193,678 and received \$3,895,259 of FEMA funds under the 3 large and 18 small projects.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of the County's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

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<sup>1</sup> According to FEMA regulations, a large project costs \$47,800 or more and a small project costs less than 47,800.

## RESULTS OF AUDIT

The County's claim included \$1,723,666 of excessive charges for tree stumps. This matter is still under review by the OIG. Also, FEMA mistakenly awarded \$6,000 of funds under small Project 45672 that should be de-obligated and used elsewhere.

- A. Excess Charges for Tree Stumps. Project 45685 provided for the removal of debris on a countywide basis. To implement the project, the County solicited competitive bids to remove the biodegradable and non-biodegradable debris, and tree stumps that were uprooted and presented a hazard. The FEMA approved scope of work made no mention of tree stump removal. However, the costs of extraction and disposal of uprooted tree stumps are allowable if they present a safety hazard.

Through its competitive bidding process, the County awarded several contracts for debris removal, including two that required the extraction and disposal of uprooted tree stumps. The two stump removal contractors were paid \$2,018,775 for reportedly extracting and removing 8,783 tree stumps. Depending on the size and location, these contractors received \$150 - \$325 per stump.

However, the OIG determined that documentation was not available to show that any of the tree stumps presented a safety hazard and none of the tree stumps were extracted from the ground by the contractors. County and contractor officials stated that the homeowner extracted the trees stumps from their private property and placed them on the curb for pickup and disposal. Nevertheless, the contractors billed and the County paid for the costs of extraction and disposal.

FEMA has a schedule setting forth reasonable cost for the pickup and disposal of tree stumps when the applicant's labor force is used. For the largest stumps (19 to 36 inches in diameter), the FEMA schedule provides for a cost of \$28 per stump. However, the County used contractors to pickup and dispose of stumps and therefore had to pay for profit and overhead. The OIG, in conjunction with FEMA regional officials, determined that 20 percent of cost, for pickup and disposal, would be reasonable reimbursement for these items.

Thus, based on the above factors, the OIG concluded the contractors received and the project was charged excessive costs of \$1,723,666 for extraction of tree stumps, as follows:

Cost Claimed		\$2,018,775
FEMA Unit Price Allowed for Pickup/Disposal	\$28.00	
Profit and Overhead (20%)	<u>5.60</u>	
Total Unit Price Allowed	\$33.60	
Number of Tree Stumps Removed	<u>8,783</u>	
Eligible Cost		\$295,109
Excess Costs Claimed		<u>\$1,723,666</u>

In response to this finding, County officials stated that the contractors visited the debris removal areas to assess the damage and to formulate their bids prior to formal submission. Therefore, County officials believed that the bids submitted and selected contained fair and reasonable prices.

Nonetheless, the County's contract specifications requested bids to extract and remove tree stumps that were uprooted and presented a hazard. Moreover, the fees paid these contractors were consistent with the efforts promulgated by the contract specifications. Therefore, the OIG maintains that the fees paid were excessive, resulting in questioned charges of \$1,723,666.

- B. Excessive Award for Small Project. FEMA awarded \$16,714, under small Project 45672 for equipment costs (\$9,937), labor (\$6,693), and material (\$48). This project was completed at the time FEMA made the award and the amounts awarded for the above items were reportedly based on supporting documentation. However, the OIG determined that the County's support for equipment totaled \$3,973 and that the additional \$6,000 awarded for the equipment was in error. The grantee detected this error and deducted \$6,000 from the amount paid to the subgrantee. However, the grantee did not inform FEMA of the excessive award.

#### RECOMMENDATIONS

The OIG recommend that the Regional Director, in coordination with the grantee:

1. Disallow the \$1,723,666 of excess charges for the picking up and disposing of tree stumps; and
2. De-obligate the excessive \$6,000 awarded under Project 45672.

#### DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The results of the audit were discussed with FEMA, grantee and County officials on May 5, 2003. The comments of County officials are included in the body of this report.

Pursuant to FEMA Instruction 1270.1, please advise the Atlanta Field Office—Audit Division by July 23, 2003 of the actions taken to implement our recommendations. Should you have any questions concerning this report, please contact George Peoples or me at (770) 220-5242.

Harrison County, Mississippi  
FEMA Disaster No. 1251-DR-MS  
Schedule of Claimed and Questioned Costs

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>	<u>Amount for De-obligation</u>
45685	\$4,188,627	\$4,188,627	\$1,723,666	
45689	452,289	414,199	0	
94003	170,404	170,404	0	
18 Small projects	<u>452,134</u>	<u>420,448</u>	<u>0</u>	<u>\$6,000</u>
Total	<u>5,263,454</u>	<u>\$5,193,678</u>	<u>\$1,723,666</u>	<u>\$6,000</u>