

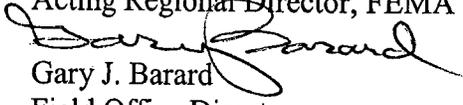


# Homeland Security

June 30, 2004

## MEMORANDUM

TO: Joseph F. Picciano  
Acting Regional Director, FEMA Region II

FROM:   
Gary J. Barard  
Field Office Director

SUBJECT: University of the Virgin Islands  
FEMA Disaster No. 1067-DR-VI  
Audit Report No. DA-30-04

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The Office of Inspector General (OIG) audited public assistance funds awarded to the University of the Virgin Islands (UVI). The objective of the audit was to determine whether the UVI accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The UVI received an award of \$4.4 million from the V.I. Office of Management and Budget (OMB), a FEMA grantee, for debris removal, emergency protective measures, and repairing and providing code upgrades to buildings damaged as a result of Hurricane Marilyn in September 1995. The award provided 90 percent FEMA funding for 18 large projects and 98 small projects.<sup>1</sup> The audit covered the period September 1995 to August 2002. During this period, the UVI claimed \$4,441,740 (see Exhibit) and received \$3,943,381 of FEMA funds.

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 UVI'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 cost \$43,600 or more and a small project cost less than \$43,600.

## RESULTS OF AUDIT

The Stafford Act prohibits the use of public assistance funds for damages covered by insurance. As such, grant recipients are responsible for pursuing commercially reasonable insurance recoveries and crediting FEMA projects with all applicable proceeds. However, the UVI's claim included \$1,818,638 of building repair cost (FEMA share - \$1,636,774) that was covered by insurance.

Specifically, the UVI received \$1,586,953 of FEMA funds under 11 projects for losses that were fully covered by insurance. The UVI received \$3.1 million of insurance proceeds and incurred project costs of \$2.2 million for these projects. Thus, insurance proceeds were more than sufficient to cover the costs of repairs, alleviating the need for FEMA funds. The affected projects are:

| <u>Project No.</u> | <u>Project Costs</u>      | <u>Insurance Proceeds</u> | <u>Amount Approved/Claimed</u> | <u>Questioned Costs</u>   |
|--------------------|---------------------------|---------------------------|--------------------------------|---------------------------|
| 85205              | \$ 417,479                | \$ 464,592                | \$ 363,559                     | \$ 363,559                |
| 85212              | 851,437                   | 1,130,760                 | 977,198                        | 977,198                   |
| 85219              | 510,619                   | 646,254                   | 114,474                        | 114,474                   |
| 85202              | 114,525                   | 184,400                   | 26,737                         | 26,737                    |
| 85215              | 24,645                    | 27,297                    | 11,364                         | 11,364                    |
| 85218              | 33,307                    | 122,515                   | 7,106                          | 7,106                     |
| 85222              | 27,863                    | 55,648                    | 11,121                         | 11,121                    |
| 85224              | 35,056                    | 44,394                    | 7,865                          | 7,865                     |
| 85226              | 23,360                    | 24,013                    | 13,684                         | 13,684                    |
| 85234              | 24,681                    | 26,211                    | 12,289                         | 12,289                    |
| 85247              | 158,102                   | 394,285                   | 41,556                         | 41,556                    |
| <b>Total</b>       | <b><u>\$2,221,074</u></b> | <b><u>\$3,120,369</u></b> | <b><u>\$1,586,953</u></b>      | <b><u>\$1,586,953</u></b> |

The insurance proceeds of \$414,846 for three other projects covered only part of the \$1,170,767 repair costs. In this case, FEMA should have funded the short fall of \$755,921. However, the UVI claimed and received FEMA funds of \$987,606, or \$231,685 in excess of needs.

| <u>Project No.</u> | <u>Project Costs</u>      | <u>Insurance Proceeds</u> | <u>Costs not covered by Insurance</u> | <u>Amount Approved/Claimed</u> | <u>Questioned Costs</u> |
|--------------------|---------------------------|---------------------------|---------------------------------------|--------------------------------|-------------------------|
| 85207              | \$ 177,251                | \$ 80,354                 | \$ 96,897                             | \$139,863                      | \$ 42,966               |
| 85235              | 122,104                   | 56,758                    | 65,346                                | 66,754                         | 1,408                   |
| 85240              | 871,412                   | 277,734                   | 593,678                               | 780,989                        | 187,311                 |
| <b>Total</b>       | <b><u>\$1,170,767</u></b> | <b><u>\$414,846</u></b>   | <b><u>\$755,921</u></b>               | <b><u>\$987,606</u></b>        | <b><u>\$231,685</u></b> |

In an attempt to determine the cause of the above conditions, the OIG discovered that FEMA's Caribbean Office sent an insurance expert to the UVI to review insurance matters and ensure that appropriate credits were applied to the various projects. However, the efforts of the insurance expert were not discernible, and there was no evidence that a review of insurance recoveries was done on a project by project basis. Moreover, the UVI based its claim on the amounts approved by FEMA without regard to actual insurance recoveries.

## RECOMMENDATIONS

The OIG recommends that the Regional Director, in coordination with the OMB:

1. Disallow the \$1,818,638 of questioned costs, and
2. Verify insurance recoveries on a project by project basis and ensure that future FEMA grants are credited with the appropriate amounts.

## DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

The results of the audit were discussed with FEMA, grantee, and UVI officials on June 8, 2004. UVI officials agreed with our findings, but indicated that their records may not reflect all costs for building repairs. They stated that they would research records for additional repair costs.

Please advise the Atlanta Field Office-Audit Division by September 30, 2004, of actions taken to implement our recommendations. Should you have questions concerning this report, please contact me at (770) 220-5242.

University of the Virgin Islands  
Disaster No. 1067-DR-VI  
Schedule of Claimed and Questioned Costs

Large Projects

| <u>Project<br/>Number</u> | <u>Amount<br/>Awarded</u> | <u>Amount<br/>Claimed</u> | <u>Amount<br/>Questioned</u> |
|---------------------------|---------------------------|---------------------------|------------------------------|
| 66813                     | \$ 79,056                 | \$ 79,056                 | \$ 0                         |
| 38614                     | 98,402                    | 98,402                    | 0                            |
| 66686                     | 500,000                   | 500,000                   | 0                            |
| 85203                     | 63,902                    | 63,902                    | 0                            |
| 85205                     | 363,559                   | 363,559                   | 363,559                      |
| 85207                     | 139,863                   | 139,863                   | 42,966                       |
| 85212                     | 977,198                   | 977,198                   | 977,198                      |
| 85213                     | 62,838                    | 62,838                    | 0                            |
| 85219                     | 114,474                   | 114,474                   | 114,474                      |
| 85221                     | 109,745                   | 109,745                   | 0                            |
| 85223                     | 76,305                    | 76,305                    | 0                            |
| 85228                     | 56,173                    | 56,173                    | 0                            |
| 85235                     | 66,754                    | 66,754                    | 1,408                        |
| 85240                     | 780,989                   | 780,989                   | 187,311                      |
| 85249                     | 159,530                   | 159,530                   | 0                            |
| 84184                     | 32,245                    | 32,245                    | 0                            |
| 77651                     | 4,428                     | 4,428                     | 0                            |
| 58674                     | <u>42,003</u>             | <u>42,003</u>             | <u>0</u>                     |
| Sub-totals                | \$3,727,464               | \$3,727,464               | \$1,686,916                  |

Small Projects

|                |                    |                    |                    |
|----------------|--------------------|--------------------|--------------------|
| 85202          | 26,737             | 26,737             | 26,737             |
| 85215          | 11,364             | 11,364             | 11,364             |
| 85218          | 7,106              | 7,106              | 7,106              |
| 85222          | 11,121             | 11,121             | 11,121             |
| 85224          | 7,865              | 7,865              | 7,865              |
| 85226          | 13,684             | 13,684             | 13,684             |
| 85234          | 12,289             | 12,289             | 12,289             |
| 85247          | 41,556             | 41,556             | 41,556             |
| All other      |                    |                    |                    |
| Small projects | <u>582,696</u>     | <u>582,554</u>     | <u>0</u>           |
| Sub-total      | \$ 714,418         | \$ 714,276         | \$ 131,722         |
| Totals         | <u>\$4,441,882</u> | <u>\$4,441,740</u> | <u>\$1,818,638</u> |