

Department of Homeland Security **Office of Inspector General**

FEMA Should Recover \$129,248 of Public
Assistance Grant Funds Awarded to City of Palm
Beach Gardens, Florida – Hurricane Wilma Activities





OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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JUN 4 2013

MEMORANDUM FOR: Major P. (Phil) May
Regional Administrator, Region IV
Federal Emergency Management Agency

FROM: John V. Kelly 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Should Recover \$129,248 of Public Assistance
Grant Funds Awarded to City of Palm Beach Gardens, Florida –
Hurricane Wilma Activities*
FEMA Disasters Number 1609-DR-FL
Audit Report Number DA-13-16

We audited Public Assistance grant funds awarded to the City of Palm Beach Gardens, Florida (City) (FIPS Code 099-54075-00). Our audit objective was to determine whether the City accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines.

The City received a Public Assistance grant award of \$3.3 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Wilma, which occurred in October 2005. The award provided 100 percent FEMA funding for debris removal activities, emergency protective measures, and permanent repairs to buildings and other facilities. The award consisted of 9 large projects and 16 small projects.¹

We audited four large projects and six small projects with awards totaling \$2.5 million (see Exhibit, Schedule of Projects Audited). The audit covered the period October 24, 2005, to April 16, 2012, during which the City received \$2.5 million of FEMA funds. At the time of our audit, the City had completed work on all large projects and had submitted final claims to the State for large project expenditures.

We conducted this performance audit between April 2012 and February 2013 pursuant to the *Inspector General Act of 1978*, as amended, according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. To conduct this audit, we

¹ Federal regulations in effect at the time of Hurricane Wilma set the large project threshold at \$57,500.



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applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We judgmentally selected project costs (generally based on dollar value); interviewed City, State, and FEMA personnel; reviewed the City's procurement policies and procedures; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances to accomplish our audit objective. We did not assess the adequacy of the City's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective. However, we gained an understanding of the City's method of accounting for disaster-related costs and its policies and procedures for administering activities provided for under the FEMA award.

RESULTS OF AUDIT

FEMA should recover \$129,248 of grant funds awarded to the City. Although the City generally accounted for FEMA projects according to Federal regulations and FEMA guidelines, its claim included \$129,248 of ineligible costs that were covered by insurance or by another Federal agency, or were unsupported.

Finding A: Duplication of Benefits

The City's claim included \$47,540 for activities covered by insurance proceeds and another Federal agency. Section 312(a) of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, states that no entity will receive assistance for any loss for which financial assistance has already been received from any other program, from insurance, or from any other source. We question the \$47,540 as follows:

- The City's claim included \$45,372 of project costs that were not reduced for insurance proceeds. The City received \$501,758 of insurance proceeds to cover damages to facilities and applied \$40,406 of the proceeds to reduce FEMA project costs. We reviewed the schedule of properties insured and the statement of losses that contained information related to the facility location, building number, building values for structure and contents, losses claimed under each facility, adjustments for insurance deductibles and depreciation, and insurance losses paid. Based on our analysis of the documentation, we determined that an additional \$45,372 of proceeds was for damages sustained to the facilities, but was not used to offset FEMA project costs. City officials said that they gave all insurance information to a FEMA representative who determined the amount of insurance proceeds that was applied to the projects. We question the \$45,372 as shown in table 1.



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Table 1. Questioned Costs – Insurance Recoveries

Project Number	Damaged Facility	Questioned Costs
7372	Aquatic Complex	10,362
7498	Marisol Park	15,362
7677	PGA National Park Facilities	5,585
7864	Gardens Park	14,063
Total		\$45,372

- The City’s claim under Project 57 included \$2,168 of debris removal costs reimbursed by the Federal Highway Administration. This occurred because the FEMA inspector, during the closeout process, credited the project with an incorrect amount for Federal Highway Administration proceeds. The Federal Highway Administration reimbursed the City \$147,891 for debris work performed on Federal-aid roads. The reimbursement was for hauling and grinding 8,772 cubic yards of vegetative debris and disposing of 2,924 cubic yards of vegetative and mixed debris. However, the inspector deducted costs associated with hauling and grinding 8,652.92 cubic yards of vegetative debris, and disposing of 2,829 cubic yards of vegetative and mixed debris. This error resulted in a shortfall of \$2,168 that was not credited to the project. Therefore, we question the \$2,168.

City officials disagreed with our insurance finding, saying that a majority of the costs questioned were for damages covered by the City’s insurance deductible, not insurance proceeds. They also said that the \$2,168 of costs questioned under bullet 2 was for debris removal from railways, not Federal-aid roads. However, they did not provide us with adequate documentation to support their assertions.

Finding B: Supporting Documentation

The City’s claim under Project 57 included \$81,708 of unsupported contract charges for debris removal activities. Cost Principles at 2 CFR 225, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, Section C.1.j, state that a cost must be adequately documented to be allowable under Federal awards.

The City hired a contractor to collect and dispose of disaster-related vegetative, and construction and demolition debris. The contractor collected 121,422 cubic yards of debris, which included 112,130 cubic yards of vegetative debris and 9,292 cubic yards of construction and demolition debris. The contractor reduced the vegetative debris at a temporary site and hauled the remaining mulch to a landfill. The construction and demolition debris was hauled directly to a landfill owned by the Palm Beach County Solid Waste Authority. The contractor billed the City a total of \$1,814,998 for the debris removal work. However, the contractor’s billings for mulching and disposing of the vegetative debris was based on the total 121,422



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cubic yards of debris collected, which included the 9,292 cubic yards of construction and demolition debris that was not reduced. Therefore, we question \$81,708 of charges incorrectly billed by the contractor, which consists of \$28,805 for mulching (\$3.10 per cubic yard × 9,292 cubic yards) and \$52,903 for disposal (\$7.75 per cubic yard × the reduced volume of 6,826.19 cubic yards).

City officials disagreed with the finding, but did not provide us with adequate documentation to cause us to change our position.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV:

Recommendation #1: Disallow \$45,372 for insurance recoveries not credited to FEMA projects unless the City can provide additional evidence showing that the insurance allocation was correct (finding A).

Recommendation #2: Disallow \$2,168 for Federal Highway Administration proceeds not credited to FEMA Project 57 unless the City can provide additional evidence showing that the Federal Highway Administration funds should not be allocated to the FEMA project (finding A).

Recommendation #3: Disallow \$81,708 of unsupported contract charges billed for debris removal activities unless the City can provide additional evidence supporting those charges (finding B).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with City, State, and FEMA officials during our fieldwork. We also provided a draft report in advance to FEMA, State and City officials, and discussed it at the exit conference held on March 25, 2013. City officials partially agreed with our findings and recommendations. Their comments, where appropriate, are included in this report.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until we receive and evaluate your response, the recommendations will be considered open and unresolved.



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Major contributors to this report are David Kimble, Eastern Regional Audit Director; William Johnson, Audit Manager; and Oscar Andino, Auditor-in-Charge.

Please call me with any questions at (202) 254-4100, or your staff may contact David Kimble, Eastern Regional Audit Director, at (404) 832-6702.



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Exhibit

Schedule of Projects Audited

Project Number	Award Amount	Insurance Recoveries (Finding A)	Duplication of Benefits (Finding A)	Unsupported Costs (Finding B)	Total Amount Questioned
Small:					
7494	\$24,893	\$ 0	\$0	\$0	0
8033	9,240	0	0	0	0
7372	14,733	10,362	0	0	10,362
7498	22,569	15,362	0	0	15,362
7677	10,817	5,585	0	0	5,585
7864	17,143	14,063	0	0	14,063
Large:					
8040	62,500				
2629	425,297	0	0	0	0
54	190,524	0	0	0	0
57	1,762,888	0	2,168	81,708	83,876
Total	\$2,540,604	\$45,372	\$2,168	\$ 81,708	\$129,248



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