

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

FEMA Should Recover \$401,046 of Public Assistance  
Grant Funds Awarded to the  
City of Palm Beach Gardens,  
Florida — Hurricanes Frances and Jeanne





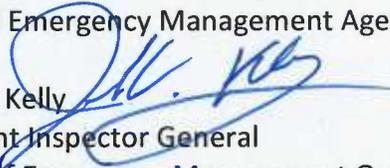
# OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

JUN 11 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 \$401,046 of Public Assistance Grant Funds Awarded to the City of Palm Beach Gardens, Florida — Hurricanes Frances and Jeanne*  
FEMA Disaster Numbers 1545 and 1561-DR-FL  
Audit Report Number DA-13-19

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 Public Assistance grant awards totaling \$5.6 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricanes Frances and Jeanne, which occurred in September 2004. The awards provided 100 percent FEMA funding for the first 72 hours of emergency protective measures and debris removal activities and 90 percent funding thereafter for those two activities. The awards also provided 90 percent FEMA funding for permanent repairs to buildings, roads, and park facilities. Table 1 provides the specifics for each disaster.

**Table 1. Disaster-Specific Information**

Disaster	Disaster No.	Date of Disaster	Amount Awarded (Millions)	Large <sup>1</sup> Projects Awarded	Small Projects Awarded
Hurricane Frances	1545	09/04/2004	\$3.6	5	30
Hurricane Jeanne	1561	09/25/2004	\$2.0	6	13
Total			\$5.6	11	43

We audited 4 large projects and 12 small projects with awards totaling \$4.3 million under the two disasters (see Exhibit, Schedule of Projects Audited). The audit covered the period September 3, 2004, to April 16, 2012, during which the City claimed \$4.3 million of costs

<sup>1</sup> Federal regulations in effect at the time of hurricanes Frances and Jeanne set the large project threshold at \$54,100.



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under the projects reviewed. 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 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 awards.

## RESULTS OF AUDIT

FEMA should recover \$401,046 of grant funds awarded to the City. Although the City accounted for expenditures on a project-by-project basis as required by Federal regulations and FEMA guidelines, its claim included \$401,046 of ineligible costs, which consisted of \$63,214 covered by insurance proceeds, \$31,214 covered by another Federal agency, and \$306,618 that were unsupported. Table 2 identifies the ineligible costs specific to each disaster.

**Table 2. Summary of Questioned Costs**

Disaster	Insurance Recoveries	Funded by Another Agency	Unsupported Charges	Total Amount Questioned
Hurricane Frances	\$39,575	\$22,564	\$0	\$62,139
Hurricane Jeanne	23,639	8,650	306,618	338,907
Total	\$63,214	\$31,214	\$306,618	\$401,046

### **Finding A: Duplication of Benefits**

The City’s claim included \$94,428 for activities covered by insurance proceeds and by another Federal agency. Section 312(a) of the *Robert T. Stafford Disaster Relief and*



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*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 \$94,428, as follows:

- The City’s claims under the two disasters included \$50,714 of project costs covered by insurance proceeds. The City received insurance proceeds totaling \$804,166 to cover damages to facilities and applied \$311,196 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 \$39,575 and \$11,139 of proceeds were for facilities damaged by Hurricanes Frances and Jeanne, respectively, but not used to offset FEMA project costs. City officials said that they gave all insurance information to a FEMA representative who determined the amount applied to the projects. We question the \$39,575 for Hurricane Frances (see Table 3) and the \$11,139 for Hurricane Jeanne (see Table 4).

**Table 3. Insurance Recoveries – Hurricane Frances**

Project	Facility Name	Amount Questioned
3335	Public Works	\$16,725
3340	Plant Drive Park	3,579
3354	Fire Station #1	1,893
3363	PGA National Park Facilities	4,401
4170	Lake Catherine Park	4,490
5106	Marisol Park	6,910
5381	Marisol Park	1,577
<b>Total</b>		<b>\$39,575</b>

**Table 4. Insurance Recoveries – Hurricane Jeanne**

Project	Facility Name	Amount Questioned
2490	PGA National Park Facilities	\$ 1,018
3058	Lake Catherine Park	2,950
2488	Plant Drive Park	7,171
<b>Total</b>		<b>\$11,139</b>

- The City’s claim included \$12,500 of debris removal costs covered by insurance proceeds. The City received \$12,500 of insurance proceeds under Hurricane Jeanne to cover costs of removing vegetative debris (trees and shrubs) from various City locations. However, the City did not reduce FEMA project costs for such amount.



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Therefore, we question the \$12,500. The statement of loss did not identify the specific FEMA projects affected by the proceeds. Therefore, the State and FEMA should review and make a determination as to which projects the proceeds should be credited.

- The City's claim under several projects included \$31,214 of debris removal costs covered by the Federal Highway Administration. The City requested and received \$265,209 from the Federal Highway Administration to cover debris removal costs incurred on Federal-aid roads. During project closeout, a FEMA closeout specialist noted the proceeds received from Federal Highway Administration, but inadvertently reduced project costs by \$233,995, rather than the \$265,209 actually received. Therefore, we question the difference of \$31,214, which consists of \$22,564 under Project 5130 (Hurricane Frances) and \$8,650 under Project 2883 (Hurricane Jeanne).

City officials disagreed with our insurance finding, saying that almost all of the questioned amounts were for damages covered by the City's insurance deductible, not insurance proceeds. However, they did not provide us with adequate documentation to support their assertion. They also disagreed with our finding on Federal-aid roads, saying that the City did not claim debris removal costs for Federal-aid roads to FEMA. However, our review of the project worksheets and supporting documentation indicated otherwise.

**Finding B: Supporting Documentation**

The City's claim under Project 2883 (Hurricane Jeanne) included \$306,618 of contract charges that were not supported by adequate documentation. Federal Regulation 2 CFR 225, *Costs Principles for State, Local and Indian Tribal Governments*, Appendix A, Section C.1.j, states that costs must be adequately documented to be allowable under Federal awards. We question the \$306,618, as follows:

- The City did not have landfill records to support \$217,333 of debris removal charges. The City claimed \$587,506 to collect, manage, and haul 39,167.04 cubic yards of construction and demolition and mixed debris to a final disposal site. Because of the nature of the debris, the contractor did not reduce the debris prior to hauling it to the landfill. However, landfill records show that the contractor deposited only 24,678.20 cubic yards of debris at the landfill or 14,488.84 cubic yards less than the amount billed. At the negotiated rate of \$15.00 per cubic yard to pick up, haul, and process, the result was an overcharge of \$217,333 ( $\$15.00 \times 14,488.84$  cubic yards). On June 28, 2012, we met with City officials to discuss the discrepancy. However, they could not explain the reason for the discrepancy or provide additional documentation to support the charges. Therefore, we question the \$217,333 of unsupported debris removal charges.



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- The City did not have landfill records to support \$76,908 of tipping fee charges. The City's debris removal contractor billed \$81,021 for tipping fees associated with hauling and depositing 40,510.45 cubic yards of processed vegetative debris (mulch) to a landfill. However, landfill records supported only 2,056.60 cubic yards of mulch deposited at the landfill by the contractor, or 38,453.85 cubic yards less than the amount billed. City officials said that the contractor hauled the remaining cubic yards of mulched debris to private family farms. However, under such a scenario, the contractor would not have incurred landfill tipping fees to be billed to the City. City officials could not provide any other explanation as to why the landfill records did not agree with the contractor's billings. Therefore, we question the \$76,908 of unsupported tipping fees (38,453.85 cubic yards times the contracted rate of \$2.00 per cubic yard).
- The City received \$12,377 of excess funding under several projects because of an error made by a FEMA inspector during project closeout. The City received awards totaling \$4,181,004 under Projects 4917, 5130, 2877, and 2883 for debris removal activities citywide. However, the City had documentation to support only \$4,168,627 of costs, or \$12,377 less than the amount awarded. The \$12,377 of unsupported costs occurred under Project 2883 because the FEMA closeout specialist based the final project award amounts on estimated costs rather than actual project costs incurred by the City. Therefore, we question the \$12,377.

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 \$39,575 (Federal share \$35,618) for insurance recoveries not credited to FEMA projects under Hurricane Frances unless the City can provide additional evidence showing that the insurance allocation was correct (Finding A).

**Recommendation #2:** Disallow \$11,139 (Federal share \$10,025) for insurance recoveries not credited to FEMA projects under Hurricane Jeanne unless the City can provide additional evidence showing that the insurance allocation was correct (Finding A).

**Recommendation #3:** Disallow \$12,500 (\$11,250 Federal share) under Hurricane Jeanne for insurance recoveries not credited to FEMA projects unless the City can provide additional evidence showing that the insurance allocation was correct (Finding A).



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**Recommendation #4:** Disallow \$22,564 (Federal share \$20,308) for Federal Highway Administration funds received for debris removal activities that were not credited to FEMA projects under Hurricane Frances unless the City can provide additional evidence showing that the funds should not be allocated to the FEMA project (Finding A).

**Recommendation #5:** Disallow \$8,650 (Federal share \$7,785) for Federal Highway Administration funds received for debris removal activities that were not credited to FEMA projects under Hurricane Jeanne unless the City can provide additional evidence showing that the funds should not be allocated to the FEMA project (Finding A).

**Recommendation #6:** Disallow \$306,618 (Federal share \$275,956) under Hurricane Jeanne for unsupported project costs 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 the City, State, and FEMA officials during our audit. 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 disagreed 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 dates 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.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

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 B)	Unsupported Costs (Finding C)	Total Amount Questioned	Federal Share
<b>Hurricane Frances (Disaster 1545)</b>						
Large:						
4917	\$1,781,866	0	0	0	0	0
5130	869,964	0	\$22,564	0	\$22,564	\$20,308
<b>Subtotal</b>	<b>\$2,651,830</b>	<b>0</b>	<b>\$22,564</b>	<b>0</b>	<b>\$22,564</b>	<b>\$20,308</b>
Small:						
3335	\$16,725	\$16,725	0	0	\$16,725	\$15,053
3340	3,579	3,579	0	0	3,579	3,221
3354	3,652	1,893	0	0	1,893	1,704
3361	12,000	0	0	0	0	0
3363	4,401	4,401	0	0	4,401	3,961
4170	4,490	4,490	0	0	4,490	4,041
4687	14,222	0	0	0	0	0
5106	6,910	6,910	0	0	6,910	6,219
5381	1,577	1,577	0	0	1,577	1,419
<b>Subtotal</b>	<b>\$67,556</b>	<b>\$39,575</b>	<b>0</b>	<b>0</b>	<b>\$39,575</b>	<b>\$35,618</b>
<b>Total</b>	<b>\$2,719,386</b>	<b>\$39,575</b>	<b>\$22,564</b>	<b>0</b>	<b>\$62,139</b>	<b>\$55,926</b>

<b>Hurricane Jeanne (Disaster 1561)</b>						
Large:						
2877	\$421,894	0	0	0	0	0
2883	1,107,279	0	\$8,650	\$306,618	\$315,268	\$283,741
<b>Subtotal</b>	<b>\$1,529,173</b>	<b>0</b>	<b>\$8,650</b>	<b>\$306,618</b>	<b>\$315,268</b>	<b>\$283,741</b>
Small:						
2488	\$7,171	\$7,171	0	0	\$7,171	\$6,454
2490	1,018	1,018	0	0	1,018	916
3058	3,400	2,950	0	0	2,950	2,655
Other <sup>2</sup>	0	12,500	0	0	12,500	11,250
<b>Subtotal</b>	<b>\$11,589</b>	<b>\$23,639</b>	<b>0</b>	<b>0</b>	<b>\$23,639</b>	<b>\$21,275</b>
<b>Total</b>	<b>\$1,540,762</b>	<b>\$23,639</b>	<b>\$8,650</b>	<b>\$306,618</b>	<b>\$338,907</b>	<b>\$305,016</b>
<b>Grand Total</b>	<b>\$4,260,148</b>	<b>\$63,214</b>	<b>\$31,214</b>	<b>\$306,618</b>	<b>\$401,046</b>	<b>\$360,942</b>

<sup>2</sup> See Finding A, bullet 2. The State and FEMA need to make a determination on which projects to apply the \$12,500 of questioned costs.



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