

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

**Palm Beach County, Florida, Appropriately Expended
\$4.8 Million of FEMA Public Assistance Funds
Awarded for Beach Renourishment Activities Under
Tropical Storm Fay**



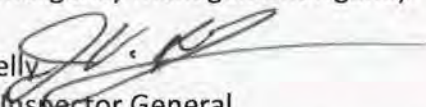


OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

JUL 9 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: *Palm Beach County, Florida, Appropriately Expended \$4.8 Million of FEMA Public Assistance Funds Awarded for Beach Renourishment Activities Under Tropical Storm Fay*
FEMA Disaster Number 1785-DR-FL
Audit Report Number DA-13-21

We audited Public Assistance funds awarded to Palm Beach County, Florida (County) (FIPS Code 099-99099-00). Our audit objective was to determine whether the County accounted for and expended Federal Emergency Management Agency (FEMA) funds according to Federal regulations and FEMA guidelines.

The County received a Public Assistance grant award totaling \$5.1 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Tropical Storm Fay, which occurred in August 2008. The award provided 75 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to buildings, roads, and recreational facilities. The award consisted of 4 large projects and 13 small projects.¹

We audited 3 large projects with awards totaling \$4.8 million (see Exhibit, Schedule of Projects Audited) for beach renourishment activities. The audit covered the period August 18, 2008, to March 7, 2013, during which the County claimed \$4.6 million under the projects reviewed. At the time of our audit, the County had completed work on all projects included in our review and had submitted a final claim to the State for project expenditures.

We conducted this performance audit between July 2012 and April 2013 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$60,900.

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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 County, State, and FEMA personnel; reviewed the County's procurement policies and procedures; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our audit objective. We did not assess the adequacy of the County'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 County'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

The County generally expended Public Assistance grant funds according to Federal regulations and FEMA guidelines for the three projects included in our review. However, it did not account for the project expenditures on a project-by-project basis as required. According to 44 Code of Federal Regulations (CFR) 13.20(a)(2), fiscal control and accounting procedures of a State and its subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Further, 44 CFR 206.205(b) requires that large project expenditures be accounted for on a project-by-project basis.

The County initially set up FEMA disaster-account codes to capture disaster costs. However, it recorded very little expenditure in the accounts. Instead, the County commingled nearly all disaster-related receipt and expenditure transactions with nondisaster transactions in its general accounts, with no separate accounting establishing project balances, receipts, or expenditures. As a result, we could not readily identify and trace total costs claimed under individual projects to supporting documentation without direct assistance from County department personnel.

County officials disagreed that project expenditures were not recorded separately in the County's accounting system. However, the evidence supports our finding.

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RECOMMENDATION

We recommend that the Regional Administrator, FEMA Region IV:

Recommendation #1: Instruct the State to reemphasize to the County its need to account for FEMA project expenditures on a project-by-project basis as required by Federal regulations (44 CFR 206.205(b) and 44 CFR 13.20(a)(2)).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with County, State, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at the exit conference held on April 29, 2013. County officials' comments, where appropriate, are incorporated into the body of 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, we will consider the recommendation as open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing 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 Region Audit Director; Adrienne Bryant, Audit Manager; Helen White, Auditor-in-Charge; Vilmarie Serrano, Senior Auditor; and Jerry Aubin, Program Analyst.

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

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Exhibit

Schedule of Projects Audited

Project Number	Project Scope	FEMA Category of Work	Amount Awarded²	Amount Claimed
1080	Beach Renourishment – Juno Beach	G	\$2,960,556	\$2,958,466
1515	Beach Renourishment – South Palm/Lantana Beach	G	1,209,106	1,206,504
1533	Beach Renourishment – Singer Island Beach	G	679,928	426,263
Total			\$4,849,590	\$4,591,233

² The amount awarded includes direct administrative costs.

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