

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

**FEMA Should Recover \$234,034 of Public Assistance  
Grant Funds Awarded to City of  
Daytona Beach, Florida – Hurricane Charley**





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Department of Homeland Security

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SEP 5 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 \$234,034 of Public Assistance  
Grant Funds Awarded to City of Daytona Beach, Florida –  
Hurricane Charley*  
FEMA Disaster Number 1539-DR-FL  
Audit Report Number DA-13-26

We audited Public Assistance grant funds awarded to the City of Daytona Beach, Florida (City) (FIPS Code 127-16525-00). 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 \$3.0 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Charley, which occurred in August 2004. The award provided 100 percent FEMA funding for the first 72 hours of debris removal and emergency protective measures undertaken as a result of the disaster and 90 percent funding thereafter. The award also provided 90 percent funding for permanent repairs to buildings and other facilities. The award consisted of 13 large projects and 26 small projects.<sup>1</sup>

We audited seven large projects and six small projects with awards totaling \$1.9 million (see Exhibit, Schedule of Projects Audited and Questioned Costs). We limited our review of small projects to determining whether the City (1) completed the projects, and (2) received duplicate benefits for the projects. The audit covered the period August 11, 2004, to December 9, 2009, during which the City claimed \$1.9 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 November 2012 and May 2013 pursuant to the *Inspector General Act of 1978*, as amended, according to generally accepted government

<sup>1</sup> Federal regulations in effect at the time of Hurricane Charley set the large project threshold at \$54,100.



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 and reviewed 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 \$234,034 of grant funds awarded to the City. Although the City generally accounted for FEMA funds according to Federal regulations and FEMA guidelines, its claim included \$234,034 (Federal share \$224,117) of questionable costs, which consisted of \$173,077 of unsupported equipment costs, \$55,551 of ineligible debris disposal costs, and \$5,406 of costs for small projects not completed.

### **Finding A: Supporting Documentation**

The City's claim included \$173,077 for force account equipment that the City did not support with adequate documentation.<sup>2</sup> According to Cost principles at 2 CFR 225, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, Section (C)(1)(j), a cost must be adequately documented to be allowable under Federal awards.

The City claimed equipment costs totaling \$173,077 under Projects 6942 and 6954. This claim included \$38,643 for the police department and \$134,434 for other City departments. However, the City did not have adequate documentation to support the costs. For the police department, City officials provided a spreadsheet for vehicle assignments that they created and used in conjunction with the police officer's timesheets to calculate the claim. However, the City did not have other documentation such as vehicle rosters or fleet records to identify the dates and times that specific vehicles were assigned to police officers.

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<sup>2</sup> Force account refers to the City's personnel and equipment.



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For the remaining departments, the City used a summary equipment form to record equipment use. The summary form contained the name of the employee, the piece of equipment assigned to the employee, the hours of use, and the equipment rate. The City calculated the hours of use for each piece of equipment using information contained in the employee’s timesheet. For instance, if an employee worked an 8-hour day, the City claimed 8 hours of use for each piece of equipment assigned to the employee on that day. The City did not have any source documentation to support the hours claimed such as equipment activity logs or equivalent documentation that identified the dates and the beginning and ending times the employees used the equipment.

Both methodologies the City used to calculate equipment costs assume that employees used the equipment continuously throughout their workday and, therefore, do not consider idle time, which FEMA considers ineligible (*Public Assistance Guide*, FEMA 322, October 1999, p. 37). Therefore, we question the \$173,077 claimed for equipment use, as shown in table 1, because the City’s documentation was insufficient for us to verify the accuracy and eligibility of the costs.

**Table 1: Supporting Documentation**

<b>Project Number</b>	<b>Activities Not Supported</b>	<b>Costs Claimed</b>	<b>Amount Questioned</b>
6954	Debris Removal	\$38,215	\$38,215
6942	Emergency Protective Measures – Various Departments	134,862	134,862
<b>Total</b>		<b>\$173,077</b>	<b>\$173,077</b>

City officials disagreed with the finding. City officials told us a 2009 flood destroyed the equipment activity logs. They also told us that equipment summaries and other file summaries are sufficient documentation to support the equipment use claim.

**Finding B: Ineligible Debris Disposal Costs**

The City’s claim under Projects 248 and 5868 included ineligible debris disposal costs totaling \$55,551. The City claimed \$121,918 for the loss of landfill air space consumed by 21,389 cubic yards of disaster-related vegetative mulch deposited at the City’s landfill. The City based its claim on a rate of \$5.70 per cubic yard of vegetative debris brought to the landfill. According to the debris management plan for the landfill, the City’s long-term strategy called for allowing the mulch to decompose and become quality topsoil usable for other City projects. Because this strategy would not have resulted in permanent loss of landfill air space, the City’s claim is not eligible for reimbursement under the Public Assistance program.

However, in 2008, the Florida Department of Environmental Protection notified the City that it could not allow the vegetative mulch to decompose at the City’s landfill because the debris



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Department of Homeland Security

produced ammonia that was contaminating the water table. As a result, the City removed a majority of the mulch from the landfill and moved it to an offsite disposal location for a cost of \$66,367.

Cost principles at 2 CFR 225, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, Section (C)(3)(a.), state that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative-benefits received. Because debris disposal costs are eligible costs under the Public Assistance program, the City would be entitled to reimbursement of the \$66,367 that it incurred to remove the debris from the landfill, but no costs for lost landfill air space because the City lost no space indefinitely. Therefore, we question \$55,551 of excessive costs, which represents the net of the \$121,918 the City claimed less the \$66,367 it spent to move the mulch to an offsite disposal location.

**Table 2: Ineligible Debris Disposal Costs**

Project Number	Cubic Yards Disposed at Landfill @ \$5.70 Cubic Yard	Total Claimed	Amount Questioned
248	9,834.63	\$ 56,057	\$25,553
5868	11,554.61	65,861	29,998
<b>Total</b>	<b>21,389.24</b>	<b>\$121,918</b>	<b>\$55,551</b>

City officials disagreed with this finding. They asserted that because the original plan of using the mulch for City projects did not occur because of the mulch contamination and subsequent removal, they claimed the City is entitled to the lost air space of the mulch that the contractor did not remove. However, because the original management plan was to use the mulch with no air space to be lost, the City should not have claimed it. Additionally, if the landfill lost airspace the City did not provide support documenting how much airspace was actually lost.

**Finding C: Small Project Work Not Completed**

The City’s claim included \$5,406 for permanent work under one small project that the City did not complete. According to 44 CFR 206.205(a), failure to complete work under a small project may require that the Federal payment be refunded. In addition, FEMA’s *Public Assistance Guide* (FEMA 322, October 1999, p. 114) states that a grant recipient has 18 months from the disaster declaration date to complete work under permanent repair projects. The State, as grantee, has the authority to grant extensions for an additional 30 months under extenuating circumstances, and FEMA may grant extensions beyond the State’s authority appropriate to the situation.

The City received \$21,296 of FEMA funding under Project 6959 to make repairs to the “Lube Rack” facility damaged by the disaster in August 2004. However, as of March 2013, or 8 years



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### Department of Homeland Security

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and 7 months after the disaster, the City neither provided evidence that it completed repair items totaling \$5,406 under the project, nor obtained a time extension to complete the work from the State or FEMA. Therefore, we question the \$5,406. City officials agreed with this finding.

### RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV:

**Recommendation #1:** Disallow \$173,077 (Federal share \$169,256) of unsupported costs unless the City can provide additional evidence to support the costs claimed (finding A).

**Recommendation #2:** Disallow \$55,551 (Federal share \$49,996) of ineligible debris disposal costs claimed for lost landfill capacity from disaster-related mulch (finding B).

**Recommendation #3:** Disallow \$5,406 (Federal share \$4,865) of ineligible costs for work not completed under Project 6959 unless the City can provide additional evidence that it completed the project (finding C).

### DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the audit results with City, State, and FEMA officials during our audit. We also provided a written summary of our findings and recommendations in advance to these officials and discussed them at the exit conference held on May 30, 2013. City officials partially agreed with our findings and recommendations. We included their comments, where appropriate, 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, we will consider the recommendations as 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.



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Major contributors to this report are David Kimble, Director; William Johnson, Audit Manager; and John Schmidt, Auditor-in-Charge.

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



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**Exhibit**

**Schedule of Projects Audited and Questioned Costs**

Project Number	Category Of Work	Description Of Work	Amount Awarded	Amount Questioned	Federal Share	Finding
Large Projects:						
248	A	Debris Removal	\$471,490	\$25,553	\$22,998	B
776	A	Debris Removal	76,828			
5868	A	Debris Removal	667,427	29,998	26,998	B
6535	A	Debris Removal	82,279			
6824	G	Permanent Repairs	150,219			
6942	B	Emergency Protective Measures	276,031	134,862	134,862	A
6954	A	Debris Removal	66,352	38,215	34,394	A
Small Projects:						
1127	E	Permanent Repairs	\$1,090			
4595	G	Permanent Repairs	24,650			
6532	E	Permanent Repairs	30,911			
6477	G	Permanent Repairs	52,816			
6958	E	Permanent Repairs	14,869			
6959	E	Permanent Repairs	21,296	5,406	4,865	C
<b>Total</b>			<b>\$1,936,258</b>	<b>\$234,034</b>	<b>\$224,117</b>	



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