



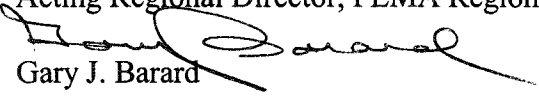
DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Atlanta Field Office-Audit Division
3003 Chamblee Tucker Rd
Atlanta, GA 30341

January 12, 2004

MEMORANDUM

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

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Municipality of Río Grande
FEMA Disaster No. 1247-DR-PR
Audit Report No. DA-08-04

The Office of Inspector General (OIG) audited public assistance funds awarded to the Municipality of Río Grande, Puerto Rico. The objective of the audit was to determine whether the Municipality accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Municipality received an award of \$5,286,905 from the Puerto Rico Office of Management and Budget, a FEMA grantee, to remove debris, provide emergency protective measures, and repair roads and other public facilities damaged as a result of Hurricane Georges in September 1998. The award provided 90 percent FEMA funding for 13 large projects and 43 small projects¹. The audit covered the period of September 1998 to December 2002. During this period, the Municipality claimed \$4,673,533 (see Exhibit) and received \$3,987,336 of FEMA funds. At the time of the review, the Municipality reported that 11 large projects and 28 small projects were completed.

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 test of the Municipality's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

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¹ According to FEMA regulations, a large project costs \$47,100 or more and a small project costs less than \$47,100.

RESULTS OF AUDIT

The Municipality's grant accounting system did not provide adequate details to support expenditures allocable to FEMA projects. Additionally, the Municipality's claim included questioned costs of \$361,077 (FEMA share \$324,969) resulting from pre-disaster damages, duplication of benefits, incomplete implementation of large and small projects, small projects with errors in funding, and unsupported and unauthorized project charges.

- A. Poor Grant Accounting. Contrary to federal regulations (44 CFR, Section 13.20), the Municipality did not maintain accounting records to adequately account for project expenditures. The Municipality established a special account to record costs under each project. However, all project expenditures were not reflected in that account. Some expenditures were recorded in the Municipality's General Fund Account with no reference to the FEMA projects. As a result, the accuracy of the Municipality's claim could not be readily verified.

The Municipality did maintain separate file folders that contained contracts, invoices and payment vouchers for expenditures related to each FEMA project. The OIG used these records to perform the audit.

- B. Pre-Disaster Damages. Federal regulation (44 CFR 206.223) states that to be eligible for FEMA funding, an item of work must be required as the result of the disaster.

To comply with this requirement, FEMA decided to limit its participation on certain road repair projects because such roads needed major repairs before Hurricane Georges. Rather than agreeing to participate in 100 percent of total repair costs, FEMA agreed to participate (with 90 percent Federal sharing) in 67 percent of total repair costs.

However, despite this arrangement, the Municipality based its claim on total repair costs resulting in excess charges of \$82,857. The affected projects are:

<u>Project Number</u>	<u>Location</u>	<u>100 % Project Costs Claimed</u>	<u>67% of Project Cost</u>	<u>Excess Charges</u>
11314	Santiago Medina Path	\$ 51,634	\$ 34,595	\$17,039
13402	Los Olmedos Path	51,484	34,494	16,990
13403	Muñiz & Muñiz Sector	66,717	44,700	22,017
13405	Piedra Angular Path	65,707	44,024	21,683
13411	Emilio Figueroa Path	<u>15,540</u>	<u>10,412</u>	<u>5,128</u>
		<u>\$251,082</u>	<u>\$168,225</u>	<u>\$82,857</u>

- C. Duplication of Benefits. The Stafford Act does not allow duplication of benefits between FEMA programs and insurance benefits, or any other disaster assistance programs. However, the Municipality received \$132,709 of FEMA funds that were duplicated by other sources.

Specifically, the Municipality received \$362,487 under two large projects and five small projects for road repairs activities. However, the Commonwealth Rural Development Corporation (CRDC) also provided \$116,206 for the same repair activities, as follows:

FEMA Project	FEMA Funding	Duplicated Funded Activities	CRDC Funding	CRDC Project
13405	\$ 94,274	Piedra Angular Path / Asphalt Replacement	\$ 5,270	98-61-4-314
13410	61,191	Los Elias Path / Asphalt Replacement and Construction of Concrete Swales	57,073	99-61-3-423
07555	26,400	Casiano Cepeda Road / Asphalt Replacement and Construction of Concrete Swales	21,045	99-61-3-414
13406	45,435	Los Marquez Path / Construction of Concrete Swales	5,274	98-61-4-298
13412	44,950	Los Lopez Path / Asphalt Replacement and Construction of Concrete Swales	12,287	99-61-4-352
13425	43,302	Los Reyes Path / Asphalt Replacement and Construction of Concrete Swales	3,521	99-61-3-420
13426	<u>46,935</u>	Villalongo Path / Asphalt Replacement and the Installation of a Concrete Pipe	<u>11,736</u>	98-61-4-388
Total	<u>\$362,487</u>		<u>\$116,206</u>	

FEMA also provided funding under two projects to perform the same road repair activities. Project 11314 provides \$49,275 to repair various roads, including \$8,793 for the Los Gonzalez Path. Project 13415 also provides \$45,705 to repair various roads including \$16,503 for the Los Gonzalez Path. The OIG determined that the Municipality used \$8,793 to repair the Los Gonzalez Path under Project 11314 and no activity occurred on this site under Project 13415. Accordingly, the OIG questions the \$16,503 of duplicate funds under Project 13415.

D. Incomplete Implementation of Small and Large Projects. The OIG found, as a result of field inspections of small and large projects, that work valued at \$94,484 was not implemented, as follows:

1. In accordance with federal regulations (44 CFR 206.205), the grantee provided the Municipality 100 percent FEMA funding for small projects at the time small projects were awarded. This regulation do not require the Municipality to specify the amount spent under small projects, but do require the Municipality to certify that small projects have been completed in accordance with the approved scope of work. Federal payments are to be refunded if all work is not completed. However, the OIG auditors found that work valued at \$70,778 under 13 small projects was not performed, as follow:

Project Number	Amount Awarded	Amount Questioned	Location /Activities Not Implemented
11313	\$ 46,818	\$ 6,252	Los Rivera Path / Construct Concrete Swales
13400	47,078	10,810	La Rueda Path / Replace a 30" Concrete Pipe
13408	47,096	2,692	Los Tapia Path / Replace a 30" Concrete Pipe and Construct a Concrete Headwall
13407	46,332	1,020	Arboleda Path / Construct Concrete Swales
		3,516	Jupiter Street / Construct Concrete Swales
13415	45,705	3,543	Vidal Morales Path / Prepare Grading, Aggregate Base and Remove Pavement
13417	47,041	4,807	Crispin Path / Prepare Grading, Remove Pavement and Construct Concrete Swales

13418	46,854	12,190	Hacienda Jimenez Roads / Prepare Grading, Remove Pavement, Replace Asphalt Overlay, and Construct Concrete Swales
13419	46,258	804	Los Ramos Path / Construct a Concrete Headwall
13422	46,905	10,688	Matibulen Path / Prepare Grading, Remove Pavement, Replace a 30" Concrete Pipe, and Construct Concrete Swales
13423	46,411	4,319	Viuda Pagán Path / Construct Concrete Swales, Construct a Concrete Headwall, and Replace a 30" Concrete Pipe
		2,059	Blasina Path / Construct a Concrete Headwall and Replace a 30" Concrete Pipe
13424	45,958	6,902	El Hoyo Community / Prepare Grading, Remove Pavement, and Construct Concrete Swales
13429	46,444	336	Los Ortiz Path / Prepare Grading and Remove Pavement
13431	<u>44,258</u>	<u>840</u>	Los Matos Path / Construct Concrete Swales
Total	<u>\$603,158</u>	<u>\$70,778</u>	

2. The Municipality's claim of \$222,372 under three large projects, included work valued at \$15,141 that was certified as completed, but was not performed. Accordingly, the OIG questions these charges, as follows:

<u>Project Number</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>	<u>Location /Activities Not Implemented</u>
13402	\$ 83,298	\$11,982	Los Olmedos Path / Construct Concrete Swales And Replace a 30" Concrete Pipe
13403	73,367	2,178	Muñiz & Muñiz Community / Replace a 30" Concrete Pipe
13405	<u>65,707</u>	<u>981</u>	Piedra Angular Path / Construct Concrete Swales
Total	<u>\$222,372</u>	<u>\$15,141</u>	

3. The Municipality's claim of \$484,842 under Project 10206 included \$8,565 for the installation of plastic sheeting on four roofs for which the homeowner's reported was not performed. Accordingly, the OIG questions charges totaling \$8,565.

- E. Small Projects with Errors in Funding. The Municipality received \$369,195 for road repair activities under eight small projects. However, the OIG determined that the Municipality incorrectly measured the roads resulting in excess FEMA funding of \$28,042. The affected projects are:

<u>Project Number</u>	<u>Amount Approved</u>	<u>Approved Square Meters Road Measurements</u>	<u>Actual Square Meters Road Measurements</u>	<u>Excess Square Meters Road Measurements</u>	<u>Asphalt Cost For Excess Square Meters</u>
11316	\$ 43,698	1,564	1,453	111	\$ 2,166
13400	47,078	1,952	1,640	312	2,506
13401	47,075	2,209	1,823	386	3,021
13407	46,332	942	727	215	3,990
13415	45,705	1,169	668	501	9,291
13422	46,905	854	788	66	912
13424	45,958	1,512	727	785	4,617
13429	<u>46,444</u>	<u>1,922</u>	<u>1,307</u>	<u>615</u>	<u>1,539</u>
Total	<u>\$369,195</u>	<u>12,124</u>	<u>9,133</u>	<u>2,991</u>	<u>\$28,042</u>

- F. Unsupported Charges. The Municipality claimed \$745,885 under two large projects for the installation of plastic sheeting on damaged roofs. However, the Municipality had installation reports, provided by the contractors, to support only \$730,420. Accordingly, the OIG questions the difference of \$15,465, as follows.

<u>Project Number</u>	<u>Project Expenditures</u>	<u>Amount Supported</u>	<u>Amount Questioned</u>
10206	\$484,842	\$470,838	\$14,004
06008	<u>261,043</u>	<u>259,582</u>	<u>1,461</u>
Total	<u>\$745,885</u>	<u>\$730,420</u>	<u>\$15,465</u>

G. Unauthorized Project Charges. Project 13402 authorized the Municipality to perform various road repair activities including the repair of 1,708 square meters of asphalt pavement at the Los Olmedos Path. The Municipality charged the project \$83,298 for the road repair activities under the project. However, the Municipality's claim included 2,911 square meters of asphalt repair, or 1,203 square meters in excess of the scope of work authorized by FEMA. The OIG questions these excess repairs and the associated cost of \$7,520.

RECOMMENDATIONS:

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

1. Instruct the Municipality, for future declarations, to implement accounting procedures that adequately account for project expenditures.
2. Disallow the \$361,077 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of the audit with FEMA officials on June 6, 2003, with grantee officials on June 12, 2003, and with Municipality officials on August 13, 2003. Municipality officials concurred with findings A, B, E, F, and G, but indicated that they wanted to further research the questioned costs under findings C and D.

Please advise the Atlanta Field Office-Audit Division by March 12, 2004, of the actions taken to implement the OIG recommendations. Should you have any questions concerning this report, please contact me at (770) 220-5242 or Salvador Maldonado-Avila at (787) 296-3527.

Municipality of Rio Grande
FEMA –Disaster 1247-DR-PR
Schedule of Claimed and Questioned Costs

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Pre-Disaster Damages</u>	<u>Duplication of Benefits</u>	<u>Large and Small Projects Not Completely Implemented</u>	<u>Small Projects with Errors in Funding</u>	<u>Unsupported and Unauthorized Charges</u>	<u>Questioned Costs</u>
<u>Large Projects</u>								
00441	\$1,875,620	\$1,875,620						\$ 0
06008	261,043	261,043					\$ 1,461	1,461
10206	468,916	484,842			\$ 8,565		14,004	22,569
11314	49,275	51,634	\$17,039					17,039
11910	527,515	527,515						0
12468	48,810	48,810						0
16458	(2,493)	(2,493)						0
12491	65,100	65,100						0
13402	70,525	83,298	16,990		11,982		7,520	36,492
13403	54,975	73,367	22,017		2,178			24,195
13404	51,341	0						0
13405	94,274	65,707	21,683	\$ 5,270	981			27,934
13410	61,191	0		57,073				57,073
13411	<u>62,509</u>	<u>28,550</u>	<u>5,128</u>					<u>5,128</u>
Sub-Total	\$3,688,601	\$3,562,993	\$82,857	\$62,343	\$23,706		\$22,985	\$191,891
<u>Small Projects</u>								
07552	\$ 27,379	\$ 27,379						\$ 0
07555	26,400	26,400		\$ 21,045				21,045
11313	46,818	46,818			\$ 6,252			6,252
11316	43,698	43,698				\$ 2,166		2,166
11317	33,695	33,695						0
11318	33,097	33,097						0
11320	12,370	12,370						0
13400	47,078	47,078			10,810	2,506		13,316
13401	47,075	47,075				3,021		3,021
13406	45,435	0		5,274				5,274
13407	46,332	46,332			4,536	3,990		8,526
13408	47,096	47,096			2,692			2,692
13409	46,995	46,995						0
13412	44,950	44,950		12,287				12,287
13415	45,705	45,705		16,503	3,543	9,291		29,337
13417	47,041	47,041			4,807			4,807
13418	46,854	46,854			12,190			12,190
13419	46,258	46,258			804			804
13420	45,268	45,268						0
13422	46,905	46,905			10,688	912		11,600
13423	46,411	46,411			6,378			6,378
13424	45,958	45,958			6,902	4,617		11,519
13425	43,302	0		3,521				3,521
13426	46,935	46,935		11,736				11,736
13427	24,939	24,939						0
13428	42,834	42,834						0
13429	46,444	46,444			336	1,539		1,875
13431	44,258	44,258			840			840
13566	18,550	18,550						0
13567	13,197	13,197						0
Other Small Projects (13)	<u>399,027</u>	<u>-0-</u>						
Sub-Total	<u>\$1,598,304</u>	<u>\$1,110,540</u>	<u>\$ 0</u>	<u>\$ 70,366</u>	<u>\$70,778</u>	<u>\$28,042</u>	<u>\$ 0</u>	<u>\$169,186</u>
Total	<u>\$5,286,905</u>	<u>\$4,673,533</u>	<u>\$82,857</u>	<u>\$132,709</u>	<u>\$94,484</u>	<u>\$28,042</u>	<u>\$22,985</u>	<u>\$361,077</u>