

U.S. Department of Homeland Security
Eastern Region
Office of Emergency Management Oversight
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Atlanta, Georgia 30309



Homeland Security

February 2, 2010

MEMORANDUM FOR: Michael Moriarty, Acting Regional Administrator
FEMA Region II

FROM: C. David Kimble, Director
Eastern Regional Office

SUBJECT: *Municipality of Utuado, Puerto Rico*
Public Assistance Identification Number: 141-99141-00
FEMA Disasters No.'s 1501, 1552, and 1613
Report Number: DA-10-05

We audited public assistance funds awarded to the Municipality of Utuado, Puerto Rico. The audit objective was to determine whether the municipality accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The municipality received an award of \$3.7 million from the Commonwealth of Puerto Rico Office of Management and Budget, a FEMA grantee, for three declared disasters — floods and mudslides in November 2003, Tropical Storm Jeanne in September 2004, and floods and mudslides in October 2005. The awards provided 75% FEMA funding for 10 large projects and 158 small projects¹ for debris removal, emergency protective measures, and repairs to roads and public facilities.

The specifics of each disaster are shown in the table below.

Disaster	Disaster No.	Date of Disaster (Month/Year)	Amount Awarded	Large Projects Awarded	Small Projects Awarded
Floods & Mudslides	1501	Nov. 2003	\$ 989,944	3	40
Tropical Storm Jeanne	1552	Sept. 2004	\$ 486,646	1	33
Floods & Mudslides	1613	Oct. 2005	\$2,223,509	6	85
Total			\$3,700,099	10	158

¹ Federal regulations in effect at the time of the disasters set the large project threshold at \$54,100 for the floods of 2003 and Hurricane Jeanne, and \$57,500 for the floods of 2005.

We reviewed costs totaling \$1.3 million claimed under the 10 large projects as shown in the Exhibit. The audit covered the period of November 10, 2003, to July 1, 2008, during which the municipality received \$890,412 of FEMA funds under the 10 large projects.

We conducted this performance audit under the authority of 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 sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We judgmentally selected project cost documentation (generally based on dollar value); interviewed municipality, grantee, and FEMA personnel; reviewed the municipality's grant accounting and 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 municipality's internal controls applicable to its grant activities because it was not necessary to accomplish our objective. We did, however, gain an understanding of the municipality's grant accounting system and its policies and procedures for administering the activities provided for under the FEMA awards.

RESULTS OF AUDIT

The municipality accounted for large project expenditures on a project-by-project basis consistent with federal regulations. However, we identified \$179,565 of questioned costs resulting from non-disaster related repair charges.

FEMA awarded the municipality \$260,047 under Project 605 (Disaster 1501) for repairs to a retaining wall and surrounding facilities damaged during a severe storm on November 21, 2003. The approved scope of work authorized under the project included \$179,565 to repair 30 lineal feet of a collapsed pre-cast concrete retaining wall, 180 square feet of concrete sidewalk, and 80 lineal feet of cyclone fencing.

At the time of the November 2003 storm, the retaining wall and surrounding area was under repair for damages sustained from Hurricane Georges in September 1998. The work authorized under Project 605 was located in an area that had already undergone restoration. We reviewed daily activity reports and monthly progress reports maintained by the engineer hired by the municipality to monitor the repairs necessitated by Hurricane Georges. Upon review of such documentation, we concluded that \$179,565 of project funding was for damages caused by a flood event in October 2003 rather than the November 21, 2003, declared event. Federal regulation 44 CFR 206.223 states that an item of work must be the result of a presidentially declared disaster event to be eligible for FEMA financial assistance. Accordingly, we question the charges shown in the following table.

Engineer's Damage Report Date	Damage Description	Unit	Quantity	Amount Approved/ Claimed
October 24, 2003	Retaining Wall	Lineal Feet	20	\$118,507
October 30, 2003	Retaining Wall	Lineal Feet	10	59,253
November 6, 2003	Side Walk	Sq. Feet	180	765
November 6, 2003	Cyclone Fence	Lineal Feet	80	1,040
Total				\$179,565

RECOMMENDATION

We recommend that the Acting Regional Administrator, FEMA Region II, in coordination with the grantee, disallow the non-disaster damages of \$179,565.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the audit results with municipality and FEMA officials on November 5, 2009, and with grantee officials on November 9, 2009. Municipality officials withheld comments pending receipt of the final report.

Please advise me by April 5, 2010, of actions taken or planned to implement the recommendation contained in this report, including target completion dates for any planned actions. Should you have any questions concerning this report, please contact Felipe Pubillones at (404) 832-6705, or me at (404) 832-6702. Key contributors to this assignment were Felipe Pubillones, Salvador Maldonado-Avila, and Vilmarie Serrano.

cc: Regional Administrator, FEMA Region II
 Audit Liaison, FEMA Region II
 Audit Liaison, FEMA

Municipality of Utuado, Puerto Rico
FEMA-Disaster Nos. 1501, 1552, and 1613
Schedule of Amount Awarded, Claimed and Questioned

Severe Floods - Disaster No. 1501

Project Number	Amount Awarded	Amount Claimed	Amount Questioned
237	\$ 66,517	\$ 66,517	\$ 0
273	128,426	128,426	0
605	260,048	260,048	179,565
Sub-Total	\$454,991	\$454,991	\$179,565

Hurricane Jeanne – Disaster No. 1552

302	\$104,980	\$104,980	\$0
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Severe Floods – Disaster No. 1613

003	\$ 74,817	\$ 74,817	\$0
139	100,361	100,361	0
150	90,926	90,926	0
365	174,133	174,133	0
369	254,811	254,811	0
370	66,371	66,371	0
Sub-Total	\$761,419	\$761,419	\$0

Grand Total	\$1,321,390	\$1,321,390	\$179,565
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