



Homeland Security

October 19, 2010

MEMORANDUM FOR: Major P. (Phil) May, Regional Administrator
FEMA Region IV

FROM: C. David Kimble, Director 
Eastern Regional Office

SUBJECT: *Miami-Dade County Public Schools*
Public Assistance Identification Number: 086-UUVDE-00
FEMA Disaster Number: 1602-DR-FL
Report Number DA-11-02

We performed an audit of public assistance funds awarded to Miami-Dade County Public Schools (School District) in Miami, Florida. The audit objective was to determine whether the School District accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The School District received a public assistance grant award of \$6.4 million from the Florida Department of Community Affairs (DCA), a FEMA grantee, for damages resulting from Hurricane Katrina in August 2005. The award provided 100% FEMA funding for debris removal, emergency protective measures, and repairs to buildings and facilities. The award included 8 large projects and 10 small projects.¹

We reviewed \$5.8 million awarded under 5 large projects (see Exhibit). The audit covered the period August 28, 2005, to November 17, 2009.² During this period, the School District claimed \$3.1 million and received \$2.8 million of FEMA funds under the 5 projects. At the time of our audit, the projects were in various stages of completion and the School District had not submitted final claims for project expenditures to the DCA.

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.

¹ Federal regulations in effect at the time of Hurricane Katrina set the large project amount at \$55,500.

² November 17, 2009, was the date of the last FEMA payment received by the School District for the projects included in our audit scope.

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

RESULTS OF AUDIT

The School District did not account for FEMA funds on a project-by project basis as required by federal regulations. We determined that \$2,738,848 of FEMA funds can be de-obligated and put to better use because the funds are no longer needed to complete work under the project. We also question \$1,662,178 of costs as unsupported, excessive, or ineligible.

- A. Project Accounting. Federal regulations 44 CFR 13.20 and 206.205(b) require subgrantees to maintain a system that accounts for FEMA funds on a project-by-project basis and provides accurate, current, and complete disclosure of financial results of FEMA-funded activities. While the School District maintained separate file folders for each project, most of the files were incomplete and did not include sufficient evidence such as summaries of documentation, work orders, invoices, purchase orders, contracts, or checks to support the award. As a result, project expenditures claimed under individual projects could not be readily identified.

A similar condition was also reported in a 2007 internal audit report by the School District's Office of Management and Compliance Audits. The report noted that the School District needed to improve systems and resources of its emergency management and recovery program in order to provide timely, comprehensive and well supported claims. The report also stated the improvements would reduce the risk of lost opportunities to adequately fund recovery efforts and reduce the risk of losses arising from damages to, and cleanup of, facilities and personal property from available funding sources.

School District Response. School District officials said project files were not in order at the time of our audit because they had not asked that DCA close out the projects. They said School District staff was in the process of compiling proper project documentation in preparation of project closeout when notified of the OIG audit. Additionally, they said they had implemented the recommendations contained in the 2007 internal audit report.

OIG Response. Federal regulation CFR 13.20(a) requires that a grant recipient maintain fiscal control and accounting procedures sufficient to establish that federal funds have not been used in violation of the restrictions and prohibition of applicable statutes. At the time of our audit, the School District had received \$2.8 million in FEMA funding for the five projects reviewed. Our audit began in February 2010, which was over four years after the disaster declaration. We believe that the School District had ample time to prepare and document expenditures under the award prior to our audit. While the School District may have implemented improvements to their systems, they had not applied those efforts to their expenditures for Hurricane Katrina.

B. Project Funding. FEMA awarded \$4,051,320 under debris removal Project 152. According to School District records, work under the project was complete and total costs were \$1,312,472, or \$2,738,848 less than the amount awarded. Therefore, the \$2,738,848 of unneeded funding should be de-obligated and put to better use.

School District Response. School District officials concurred that the \$2,738,848 of project funding should be de-obligated.

C. Debris Removal Charges. The School District claimed \$1,312,472 of costs under debris removal Project 152. However, we determined that the project costs were unsupported, ineligible, or excessive. We question the \$1,312,472, as follows:

1. *Unsupported Charges*. Office of Management and Budget Circular A-87 (*Cost Principles for State, Local and Indian Tribal Governments*), Attachment A, Paragraph C.1, requires that costs be adequately documented to be allowable under a federal award. Moreover, *FEMA Debris Management Guide* (FEMA 325, April 1999, pages 23-24) states that a subgrantee should use their own personnel or hire a local engineering consulting firm to serve as contract monitors to ensure that contract haulers are in compliance with their contract. According to the guide, monitors should fill out a load ticket that includes: preprinted ticket number; contract number; prime contractor’s name; date; truck number; truck capacity in cubic yards; load size, either cubic yards or tons; and truck driver’s name. FEMA’s *Public Assistance Guide* (FEMA 322, October 1999, page 47) also requires that removal of hazardous stumps be adequately documented to show their threat to public health and safety. However, the School District’s claim included debris hauling and stump removal costs totaling \$1,052,548 that were not supported by load tickets and adequate documentation indicating the hazardous nature of the stumps. We question the \$1,052,548 of unsupported costs.
2. *Excessive Charges*. The School District’s claim included \$246,462 of excessive charges related to several purchase orders. The excess charges occurred because the full purchase order amounts of \$911,397 were claimed although actual payments to the vendors were \$246,462 less. We question the \$246,462 difference as shown in the table below.

Purchase Order Number	Amount Claimed to FEMA	Amount Paid to Vendors	Amount Questioned
F02260721	\$150,000	\$48,079	\$101,921
F02260709	\$276,397	\$276,388	\$9
L02266275	\$ 50,000	\$15,492	\$34,508
L02260410	\$ 50,000	\$10,000	\$40,000
L02260409	\$ 85,000	\$53,550	\$31,450
L02260759	\$250,000	\$231,494	\$18,506
L02258336	\$ 50,000	\$29,932	\$20,068
Total	\$911,397	\$664,935	\$246,462

3. *Ineligible Charges*. Under Project 152, School District officials determined that \$13,462 of charges were not eligible for FEMA funding, but inadvertently included the charges in the claim. Therefore, we question the \$13,462 of ineligible costs.

School District Response. School District officials said they attempted to follow FEMA guidelines as deemed applicable to the size of the storm. They did not concur with the OIG’s position that all project costs related to the removal of disaster-related vegetative debris should be questioned because the School District had expended the funds and therefore should be reimbursed for such activity. However, the officials concurred with the \$246,462 overpayment and the ineligible costs of \$13,462.

D. Labor Charges. The School District’s claim for force account labor under Projects 765 and 698 included \$257,477 of unsupported labor costs and \$10,899 of excess fringe benefits, as follows:

- The School District claimed \$1,528,687 of labor costs, but had documentation to support only \$1,271,210. We question the difference of \$257,477 as shown in the table below:

Project Number	Amount Claimed	Amount Supported	Amount Questioned
765	\$1,275,750	\$1,062,933	\$212,817
698	\$252,937	\$208,277	\$44,660
Total	\$1,528,687	\$1,271,210	\$257,477

- The School District claimed fringe benefits on labor charges using a rate of 19.99%. However, the actual rate was 18.97% or 1.02% less. We question \$10,899 related to the 1.02% difference as shown below:

Project Number	Labor Charges	Amount Questioned
765	\$893,447	\$9,113
698	\$175,067	\$1,786
Total	\$1,068,514	\$10,899

School District Response. School District officials withheld comment on the unsupported labor cost finding pending a discussion with their State Public Assistance Coordinator. They concurred that the fringe rate for the labor should have been 18.97%.

E. Food Replacement Charges. Under Project 317, the School District claimed \$158,448 for replacement of food spoiled as a result of a power outage. However, actual eligible expenditures totaled only \$77,118, or \$81,330 less than the amount claimed. As a result, we question \$81,330.

School District Response. School District officials withheld comment on this finding pending further review of project documentation with FEMA.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV, in coordination with DCA:

Recommendation #1. Instruct the School District to account for disaster costs on a project-by-project basis (Finding A).

Recommendation #2. De-obligate \$2,738,848 of funds awarded under Project 152 that are not needed to complete project work (Finding B).

Recommendation #3. Disallow \$1,312,472 of unsupported, excessive, and ineligible debris removal costs under Project 152 (Finding C).

Recommendation #4. Disallow \$268,376 of unsupported labor and excessive fringe benefits (Finding D).

Recommendation #5. Disallow \$81,330 of excess charges for food replacement (Finding E).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our audit with School District, DCA, and FEMA officials during our audit. We provided written summaries of our findings and recommendations in advance to these officials and discussed them at an exit conference held on August 26, 2010. City officials concurred with some of our audit findings. Their comments, where appropriate, have been incorporated into the body of this report.

Please advise me by December 20, 2010, of actions taken or planned to implement our recommendations, including target completion dates for any planned actions. Should you have questions concerning this report, please contact me at (404) 832-6702 or Modupe Akinsika, Audit Manager, at (404) 832-6704. Key contributors to this report were Modupe Akinsika, Mary Stoneham, Jerry Aubin, Larry Jones, and Harold Simpson.

cc: Mary Lynne Miller, Deputy Regional Administrator
Jesse Munoz, Director Recovery
Valerie Rhoads, Branch Chief of PA
Denise Harris, Regional Audit Coordination
Robert Ives, FL Recovery Office Director
Hope Ayers, TRO Coordinator
Audit Liaison, FEMA

Miami-Dade County Public Schools
Schedule of Projects Reviewed
August 28, 2005, through November 17, 2009

Project Number	Amount Awarded	Amount Claimed	Amount Questioned	Amount To Be De-obligated
152	\$4,051,320	\$1,312,472	\$1,312,472	\$2,738,848
765	1,284,863	1,284,863	221,930	
698	254,723	254,723	46,446	
317	158,448	158,448	81,330	
1264	65,301	65,301		
Total	\$5,814,655	\$3,075,807	\$1,662,178	\$2,738,848