



# Homeland Security

January 5, 2011

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

FROM: C. David Kimble, Director  
Eastern Regional Office

A handwritten signature in black ink that reads "C. David Kimble".

SUBJECT: *Harrison County, Mississippi*  
*Hazard Mitigation Grant Program*  
FIPS Code: 047-99047  
FEMA Disaster No. 1604-DR-MS  
Report No. DA-11-06

We audited Hazard Mitigation Grant Program (HMGP) funds awarded to Harrison County, Mississippi (County). The objective of the audit was to determine whether the County accounted for and expended Federal Emergency Management Agency (FEMA) HMGP funds according to federal regulations and FEMA guidelines.

The HMGP, authorized under Section 404 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, provides grants to States and local governments as well as eligible private, non-profit organizations and Indian tribes for long-term hazard mitigation measures following a major disaster declaration. The purpose of the HMGP is to reduce the loss of life and property due to natural disasters and to enable mitigation measures to be implemented during the immediate recovery from a disaster.

As of May 18, 2010, the County had received an HMGP award of \$16.3 million from the Mississippi Emergency Management Agency (MEMA), a FEMA grantee. The award included 75% FEMA funding for a multi-jurisdictional mitigation plan and 100% FEMA funding for generators to provide back-up power for schools to be used as shelters and for construction of three community shelters.<sup>1</sup>

We reviewed costs totaling \$2.4 million under 4 projects awarded for the generators and shelters as shown in the following table.

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<sup>1</sup> The non-Federal match for the HMGP must be at least 25 percent. However, it is not necessary for the non-Federal match to be 25 percent on each individual project. It is only necessary that the cost-share ratio for all combined HMGP projects for the disaster be at least 25 percent.

Project Number	Scope of Work	Amount Awarded	Amount Paid
10-050	Generators	\$3,136,255	\$ 2,139,946
255	Community shelter	4,463,493	130,115
260	Community shelter	4,386,524	93,764
261	Community shelter	4,321,121	64,949
Total		\$16,307,393	\$2,428,774

The audit covered the period from August 29, 2005, to May 18, 2010. During this period, the County received \$2.4 million of FEMA funds under the 4 projects. At the time of our audit, the projects were in various stages of completion and the County had not submitted final claims for project expenditures to MEMA.

We conducted this performance audit under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government audit 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 County, MEMA, and FEMA personnel; reviewed the County's disaster grant accounting system and procurement policies and procedures; reviewed applicable federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances. 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. We did, however, gain an understanding of the County's grant accounting system and its policies and procedures for administering activities provided for under the FEMA award.

## RESULTS OF AUDIT

The County did not always comply with federal procurement requirements and guidelines when procuring services under the award, which may result in excessive contract charges. Also, we question \$347,900 of contract costs awarded for duplicative activities.

- A. Procurement Procedures. The County hired a project management firm to manage work under the mitigation projects through solicitation of competitive proposals. The contract was awarded to the firm by a selection panel based on evaluation factors that included experience, qualifications, and capacity for performance, but not price. The contract price was negotiated with the firm after it had been selected. According to 44 CFR 13.36(d)(3), price should be one of the evaluation factors when using the competitive proposals process to award contracts for non-architectural/engineering services. As a result of the County's procurement procedures, FEMA has no assurance that the contract was awarded to the responsible firm whose proposal was most advantageous, with price and other factors considered during the selection process.

- B. Contract Type. According to 44 CFR 13.36(f)(4), cost plus a percentage of cost and percentage of construction cost methods of contracting shall not be used. The County entered into a contract for architectural services for the construction of three community shelters (Projects 255, 260, and 261). However, the contract terms included a percentage of construction cost component for resident project representative (RPR) services with compensation calculated at 3% of the construction cost. With total construction costs estimated to be \$11.6 million, the cost of the RPR services is valued at \$348,543.

At the time of our audit, construction work under the projects had not been completed, and the County had not submitted any claims for RPR services. However, because federal regulations prohibit the use of percentage of cost and percentage of construction costs methods of contracting, FEMA should carefully review the County's claim for the RPR services, when submitted for reimbursement, to determine the reasonableness of the costs.

- C. Duplicate Costs. According to 44 CFR 13.36(b)(4), grantee and sub-grantee procedures will provide for a review of proposed procurements to avoid purchase of unnecessary or duplicative items. Also, the *Hazard Mitigation Grant Program Desk Reference* (October 1999, page 13-4) states that the administrative allowance provided to subgrantees covers the costs of such activities as preparation of quarterly reports and the filing of reimbursement claims to the State.

The County contracted for project management services valued at \$347,900 under Projects 255, 260, and 261 for construction of community shelters. However, the list of services to be performed in the contract included numerous items such as site visits for the monitoring and verification of construction progress that duplicate the services already provided by the resident project representative (RPR) contract. Also, the contracted services included numerous administrative activities whose costs are covered by the administrative allowance such as assisting the County with submitting FEMA reimbursement claims and quarterly reports. Therefore, we question the \$347,900 awarded for duplicative activities.

## RECOMMENDATIONS

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

**Recommendation #1.** Instruct the County to comply with the procurement requirements prescribed in 44 CFR 13.36 (Findings A and B).

**Recommendation #2.** Disallow costs for RPR services, if later claimed, that are determined to be unreasonable. (Finding B).

**Recommendation #3.** De-obligate the \$347,900 of contract costs awarded for duplicative activities. (Finding C).

## **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP**

We discussed the results of our audit with County, FEMA, and MEMA 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 October 7, 2010. County officials decided to withhold official comments until the final report is issued.

Please advise me by March 7, 2011, of the actions planned or taken to implement the recommendations contained in this report, including target completion dates for planned actions. Should you have any questions concerning this report, please call me at (404) 832-6702, or Larry Arnold, Audit Manager, at (228) 822-0346. Key contributors to this assignment were Larry Arnold and Pat McGowan.

cc: Mary Lynne Miller, Deputy Regional Administrator  
Jesse Munoz, Director Recovery  
Valerie Rhoads, Branch Chief of PA  
Denise Harris, Regional Audit Coordination  
Dennis Kizziah, MS Recovery Office Director  
Bryan Taylor, Emergency Analyst  
Audit Liaison, FEMA

Harrison County, Mississippi  
FEMA Disaster No. 1604-DR-MS  
Schedule of Projects Reviewed  
August 29, 2005, through May 18, 2010

Project Number	Amount Awarded	Funds to Be De-Obligated
10-050	\$3,136,255	\$0
255	4,463,493	115,967
260	4,386,524	115,967
261	4,321,121	115,966
Totals	\$16,307,393	\$347,900