



Homeland Security

February 24, 2011

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

FROM: C. David Kimble, Director 
Eastern Regional Office

SUBJECT: *Broward Sheriff's Office – Disaster Activities Related to
Hurricane Wilma*
Public Assistance Identification Number 011-03F38-00
FEMA Disaster No. 1609-DR-FL
Report Number DA-11-08

We audited public assistance funds awarded to the Broward Sheriff's Office (Sheriff's Office), located in Broward County Florida. The audit objective was to determine whether the Sheriff's Office accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The Sheriff's Office received a public assistance award totaling \$8.9 million from the Florida Division of Emergency Management (FDEM)¹, a FEMA grantee, for damages related to Hurricane Wilma that occurred in October 2005. The award provided 100% FEMA funding for emergency protective measures and permanent repairs to damaged facilities. The award consisted of 1 large project and 15 small projects.²

We reviewed costs totaling \$8.8 million under the disaster, which consisted of \$8.6 million for 1 large project for emergency protective measures and \$239,081 for 13 small projects for emergency protective measures and permanent repairs (see Exhibit). The audit covered the period of October 24, 2005, to July 16, 2010, during which the Sheriff's Office received \$7.5 million of FEMA funds for the projects reviewed. At the time of our audit, the Sheriff's Office had not submitted final claims on project expenditures to the FDEM.

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

¹ The Florida Division of Emergency Management is administratively housed within the Florida Department of Community Affairs.

² Federal regulations in effect at the time of Hurricane Wilma set the large project threshold at \$57,500.

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 reviewed judgmentally selected project cost documentation (generally based on dollar value); interviewed Sheriff's Office, FDEM, and FEMA personnel; reviewed the Sheriff's Office grant accounting and procurement policies and procedures; reviewed applicable federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances to accomplish our objective. We did not assess the adequacy of the Sheriff's Office internal controls applicable to its grant activities because it was not necessary to accomplish our objective. We did, however, gain an understanding of the Sheriff's Office grant accounting system and its policies and procedures for administering the activities provided for under the FEMA awards.

RESULTS OF AUDIT

The Sheriff's Office grant accounting system did not account for expenditures on a project-by-project basis or provide a means to readily trace project expenditures to source documents. We also could not validate that the Sheriff's Office pursued full insurance recoveries for \$3.9 million in damages. In addition, we determined that \$42,757 of costs claimed for overtime fringe benefits were excessive.

- A. Grant Accounting. According to 44 CFR 13.20(a)(2), fiscal control and accounting procedures of the state and its subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of restrictions and prohibitions of applicable statutes. Further, 44 CFR 206.205(b) requires that large project expenditures be accounted for on a project-by-project basis. The Sheriff's Office established separate cost codes within its accounting system to record expenditures for the disaster. However we were unable to trace expenditures on a project-by-project basis. As a result, the eligibility of project expenditures could not be readily validated.

The Sheriff's Office did maintain separate file folders that contained invoices, time sheets, equipment usage records, and receipt and expenditure records related to the FEMA projects. We used those records to perform the audit.

- B. Insurance. FEMA awarded \$8.8 million under several projects to repair damaged facilities, replace and repair mobile radio/antenna equipment, replace office contents, and perform emergency services work. Section 312 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, prohibits the use of public assistance funds for damages covered by insurance. As such, grant recipients are responsible for pursuing full insurance recoveries and crediting FEMA projects with insurance proceeds that apply to such projects. However, we could not validate that the Sheriff's Office pursued full insurance recoveries for \$3.9 million of damages claimed under the projects.

After the storm, personnel from the Sheriff's Office risk management department and an independent adjuster worked jointly to assess real and personal property losses countywide. On October 27, 2005, the Sheriff's Office filed an insurance claim with its insurance carrier for losses identified during the assessment. According to risk management personnel, the claim was

officially withdrawn on May 10, 2006, because the total damages were less than the insurance deductible. However, neither risk management personnel nor the insurance adjuster could provide us with an official statement of loss showing the break down of damages and losses per location so we could validate this assertion. Also, an official certification from the insurance carrier was not provided to us to validate that the claim was denied. Therefore, we question the \$3.9 million as shown in the following table.

Project Number	Damaged Facility	Amount Awarded	Amount Questioned
670	Fleet Service Center	\$ 12,156	\$ 12,156
681	South Broward-District HQ	13,024	8,024
690	Fire Station 106	11,000	11,000
1781	Child Protective Services	12,958	12,958
1891	Main Courthouse-District 6	3,211	3,211
2278	Day Reporting (Drug Center)	43,614	43,614
2281	North Broward Bureau	6,386	6,386
2289	Sub-Station District-9	21,281	21,281
4075	Weather Station	28,800	28,800
5507	BSO Facilities Location	8,602,125	3,711,783
7157	Communication Tower-Citywide	14,851	14,851
7255	Communication Tower-Countywide	15,770	15,770
7262	Main Jail-BCC	29,566	29,566
7294	Communication Antennas-Countywide	26,464	26,464
Total		\$8,841,207	\$3,945,865

After notifying risk management department officials of our finding, they told us their insurance carrier plans to reopen and examine all pertinent claim files to assure compliance with applicable insurance law, and that the insurance carrier is committed to working with them and FEMA for a quick resolution. Additionally, they are working with the insurance carrier to ensure that each claim submitted contains appropriate documentation to support reimbursement or denial of loss.

- C. Fringe Benefits. The Sheriff's Office claimed \$1,246,567 of overtime fringe benefits under Project 5507 for police and fire rescue personnel who performed emergency protective measures during the disaster. However, the claim was overstated as a result of an error in the payroll system used to calculate the costs for the benefits. Using a revised payroll register provided by the human resources department, we determined that the amount claimed was overstated by 3.43%. Based on this factor, we calculated that the FEMA projects should have been charged \$1,203,810 or \$42,757 less than the amount claimed. Therefore, we question the \$42,757 of excessive costs.

RECOMMENDATIONS

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

Recommendation #1: Instruct the Sheriff's Office to separately account for project costs on a project-by-project basis and to maintain supporting documentation that facilitates the tracing of project expenditures in its accounting system, as required by federal regulation (Finding A).

Recommendation #2: Disallow \$3,945,865 of ineligible costs for damages covered by insurance (Finding B).

Recommendation #3: Disallow \$42,757 of ineligible overtime fringe benefits (Finding C).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW UP

We discussed the audit results with the Sheriff's Office, FEMA, and FDEM officials during our audit. We also provided written summaries of our findings and recommendations in advance to these officials and discussed them at an exit conference held on December 14, 2010. The Sheriff's Office officials generally agreed with our findings. Their comments, where appropriate, have been incorporated into the body of this report.

Please advise me by May 24, 2011, of actions taken or planned to implement the recommendations contained in this report, including target completion dates for any planned actions. Should you have any questions concerning this report, please contact me at (404) 832-6702, or Felipe Pubillones, Audit Manager, at (404) 832-6705. Key contributors to this assignment were Felipe Pubillones, Oscar Andino, and Carlos Aviles.

cc: Mary Lynne Miller, Deputy Regional Administrator
Jesse Munoz, Director Recovery
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EXHIBIT

Broward Sheriff's Office
FEMA Disaster No. 1609-DR-FL
Schedule of Amount Awarded, Claimed, and Questioned
October 24, 2005 to July 16, 2010

Project Number	Amount Awarded	Amount Claimed	Amount Questioned
670	\$ 12,156	\$ 12,156	\$12,156
681	13,024	13,024	8,024
690	11,000	11,000	11,000
1781	12,958	12,958	12,958
1891	3,211	3,211	3,211
2278	43,614	43,614	43,614
2281	6,386	6,386	6,386
2289	21,281	21,281	21,281
4075	28,800	28,800	28,800
5507	8,602,125	8,602,125	3,754,540
7157	14,851	14,851	14,851
7255	15,770	15,770	15,770
7262	29,566	29,566	29,566
7294	26,464	26,464	26,464
Total	\$8,841,206	\$8,841,206	\$3,988,621