

Department of Homeland Security **Office of Inspector General**

FEMA Public Assistance Grant Funds
Awarded to City of Pompano Beach, Florida -
Hurricane Katrina






OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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MAY - 3 2012

MEMORANDUM FOR: Major P. (Phil) May
Regional Administrator, Region IV
Federal Emergency Management Agency

FROM: D. Michael Beard 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
City of Pompano Beach, Florida – Hurricane Katrina*
FEMA Disaster Number 1602-DR-FL
Audit Report Number DA-12-17

We audited public assistance funds awarded to the City of Pompano Beach, Florida, (City) (FIPS Code 011-58050-00). Our audit objective was to determine whether the City accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines.

The City received a public assistance award of \$658,530 from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. The award provided 100% FEMA funding for debris removal, emergency protective measures, and repairs to a facility. The award consisted of two large projects and two small projects.¹

We reviewed costs totaling \$581,141 claimed under one large project (Project 502). The audit covered the period from August 24, 2005, to July 20, 2011, during which the City received \$581,141 of FEMA funds under the project. At the time of the audit, work under the project was complete, but the City had not submitted a final claim on project expenditures to the State.

We conducted this performance audit between August 2011 and February 2012 pursuant to 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, appropriate evidence to provide

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



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit applying the statutes, regulations, and FEMA policies in effect at the time of the disaster.

We interviewed FEMA, State, and City officials and judgmentally selected samples of project costs (generally based on dollar value); reviewed the City's 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 City's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective. However, we gained an understanding of the City's method of accounting for disaster-related costs and its policies and procedures for administering activities provided for under the FEMA award.

RESULTS OF AUDIT

The City accounted for FEMA projects on a project-by-project basis as required by Federal regulations and FEMA guidelines. However, we identified \$230,980 of questioned costs under Project 502, consisting of \$150,668 of ineligible debris removal charges and \$80,312 of unsupported costs.

Finding A: Debris Removal Charges

The City's claim contained \$150,668 of excessive debris removal charges. The City claimed \$581,141 to collect and haul vegetative and construction and demolition (C&D) debris citywide. The debris work was divided into two phases. Phase I consisted of collecting and hauling the debris from the rights-of-way to a staging area, and phase II consisted of hauling the debris from the staging area to a final disposal site. The debris was reduced at the final disposal site (landfill).

During phase I, the City claimed that 23,123 cubic yards of vegetative and C&D debris was collected and hauled to the staging area by the City's force account and a contractor. Under phase II, the City claimed that 33,290 cubic yards of debris was transported by the contractor from the staging area to the landfill. However, this amount is 10,167 cubic yards more than what was collected under phase I. The 10,167 cubic yards represents 695 cubic yards of vegetative debris and 9,472 cubic yards of C&D debris. The City's claims for both phases were fully supported by load tickets.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

City officials could not explain the reason for the discrepancy of 10,167 cubic yards. Therefore, as shown in table 1, we question \$150,668 of charges related to the 10,167 cubic yards of debris that the City claimed was transported from the staging area to the landfill, but not collected under phase I.

Table 1: Excessive Contract Charges

Description of Work	Vegetative (Cubic Yards)	C&D (Cubic Yards)	Total Cubic Yards
Debris hauled from rights-of-way to staging area (Phase I)	19,102.85	4,020.00	23,122.85
Debris hauled from staging area to landfill (Phase II)	19,798.00	13,492.00	33,290.00
Cubic yards claimed in excess	695.15	9,472.00	10,167.15
Rate	\$10.25	\$14.25	
Total excess charges	\$7,125.29	\$134,976.00	\$142,101.29
Additional fuel surcharge (0.060287)	429.56	8,137.30	8,566.86
Totals	\$7,554.85	\$ 143,113.30	\$150,668.15

Finding B: Supporting Documentation

The City’s claim under Project 502 included \$80,312 of unsupported costs. The City claimed \$80,312 for the use of force account equipment (trash trucks, loaders, vehicles, and a boat) to collect debris from the rights-of-way and haul it to a staging area. However, the City did not have equipment activity logs to support the use of the equipment. Cost Principles in Code of Federal Regulation (CFR) 225, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, Section C.1.j, state that a cost must be adequately documented to be allowable under federal awards.² Therefore, we question the \$80,312 of unsupported costs.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV:

Recommendation #1: Disallow \$150,668 of ineligible debris removal costs claimed (finding A).

Recommendation #2: Disallow \$80,312 of unsupported charges (finding B).

² OMB Circular A-87, in effect at the time of the disaster, was relocated to 2 CFR, Part 225, on August 31, 2005.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the audit results with City, State, and FEMA 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 February 24, 2012. City officials did not concur with our findings at the exit conference and requested additional time to review and/or locate documentation to support the questioned costs. On March 7, 2012, City officials provided additional documentation for our consideration. However, the documentation did not contain any new information to cause us to revise our findings.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Major contributors to this report were David Kimble, Eastern Region Audit Director; William Johnson, Audit Manager; Oscar Andino, Auditor-in-charge; Jerry Aubin, Auditor; and Calbert Flowers, Auditor.

Please call me with any questions, or your staff may contact David Kimble, Eastern Region Audit Director, at (404) 832-6702.

cc: Administrator, FEMA
Audit Liaison, FEMA Region IV
Audit Liaison, FEMA (Job Code G-12-001)
Audit Liaison, DHS

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