

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

FEMA Public Assistance Grant Funds Awarded to  
South Florida Water Management District Under  
Hurricane Jeanne





## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

AUG 27 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  
South Florida Water Management District Under  
Hurricane Jeanne*  
FEMA Disaster Number 1561-DR-FL  
Audit Report Number DA-12-24

We audited Public Assistance (PA) grant funds awarded to the South Florida Water Management District (District) (FIPS Code 000-U03C1-00). Our audit objective was to determine whether the District accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines.

As of November 10, 2011, the District had received a PA award of \$3.4 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Jeanne, which occurred in September 2004. The award provided 100 percent FEMA funding for the first 72 hours of emergency protective measures and debris removal activities, and 90 percent funding thereafter for these two activities. The award also provided 90 percent FEMA funding for permanent repairs to buildings, roads, and flood control facilities. The award included 4 large and 14 small projects.<sup>1</sup>

We audited four large projects with awards totaling \$3.3 million (see Exhibit A, Schedule of Projects Audited). The audit covered the period September 24, 2004, to November 10, 2011, during which the District submitted claims totaling \$3.3 million. At the time of our audit, the District had completed work on all large projects and had submitted final claims to the State for large project expenditures.

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<sup>1</sup> Federal regulations in effect at the time of Hurricane Jeanne set the large project threshold at \$54,100.



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We conducted this performance audit between October 2011 and June 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 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 by applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We judgmentally selected project costs (generally based on dollar value); interviewed District, State, and FEMA personnel; reviewed the District's procurement policies and procedures; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances to accomplish our audit objective. We did not assess the adequacy of the District'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 District'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 District did not account for project expenditures on a project-by-project basis as required by Federal regulations. We also determined that the District was awarded \$1.8 million for repairs to flood control facilities that were ineligible for FEMA assistance, which should be deobligated and put to better use.

#### **Finding A: Project Accounting**

The District did not account for large projects on a project-by-project basis. According to 44 CFR 13.20(a)(2), the fiscal control and accounting procedures of a 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 the 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 District commingled disaster-related receipt and expenditure transactions with nondisaster transactions in its general account, with no separate accounting establishing project balances, receipts, or expenditures. As a result, total costs claimed under individual projects could not be readily identified and traced to supporting documentation without direct assistance from District officials.



District Response. District officials generally disagreed with this finding, saying that they had purchase orders, invoices, and the like for the costs claimed. They also said that they now have a system in place to capture grant costs as required by Federal regulations and FEMA guidelines.

OIG Response. Although the District may have had accounting records for project costs, it did not establish a separate accounting of costs for each project. As described in the finding, we could not trace specific project costs to supporting documentation without direct assistance from District officials.

**Finding B: Ineligible Project Funding**

The District received \$1,814,495 of project funding for emergency and permanent repairs to flood control facilities (canals and a canal road) that were not eligible for FEMA funding. The facilities are under the U.S. Army Corps of Engineers' (Corps) Rehabilitation Inspection Program (RIP). The Corps requires that the District maintain the facilities and determines when funding is necessary for repairs to facilities damaged by floods, hurricanes, or storms. Federal regulations prohibit FEMA funding for facilities that are covered under this program. Therefore, we question the \$1,814,495, as shown in table 1.

**Table 1. Ineligible Project Funding for Flood Control Facilities**

Project Number	Work Location	Amount Awarded
6373	Emergency Repairs to Canals at S-65A and S-65	\$1,022,495
4109	Permanent Repairs to L-8 Canal Road	792,000
<b>Total</b>		<b>\$1,814,495</b>

Federal regulation 44 CFR 206.226(a) states that disaster assistance will not be made available under the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, when another Federal agency has specific authority to restore facilities damaged or destroyed by an event that is declared a major disaster. In addition, FEMA's *Public Assistance Guide* (FEMA 322, October 1999, pp. 55–56) states that federally funded flood control works are not eligible for FEMA funding. Finally, FEMA Policy 9524.3 (Rehabilitation Assistance for Levees and Other Flood Control Works, September 1996) prohibits emergency and permanent repairs to flood control facilities under the RIP.

District officials said that, on the advice of FEMA officials, they sought funding from the Corps for damages to the flood control facilities after the disaster occurred in September 2004. According to District officials, the Corps denied the request because there was no evidence of debris or siltation that decreased the channel's hydraulic



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capacity to 75 percent or less of preflood capacity. Further, District officials said that FEMA advised them to apply for PA funding after being denied funding from the Corps. However, neither the District nor the Corps could provide us with the denial notifications.

District Response. The District disagreed with the finding, saying that the regulations do not specifically prohibit FEMA funding.

OIG Response. We disagree with the District. Both FEMA policy and Federal regulations describe specific costs for activities that are not eligible for FEMA funding. The types of costs we are questioning pertain to repairs that FEMA policy and guidelines clearly state are ineligible for FEMA assistance.

### RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV:

**Recommendation #1:** Instruct the State to reemphasize to the District its need to account for FEMA project expenditures on a project-by-project basis as required by Federal regulations (44 CFR 206.205(b) and 44 CFR 13.20(a)(2)) (finding A).

**Recommendation #2:** Deobligate and put to better use \$1,814,495 (Federal share \$1,633,046) of ineligible project funding awarded under the flood control projects (finding B).

### DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with District, State, and FEMA officials during our fieldwork. We also provided a draft report in advance to these officials and discussed it at the exit conference held on June 27, 2012. District officials did not agree with our findings and recommendations. Their comments, where appropriate, are included in the body of the report. FEMA and State officials withheld comments pending receipt of the final report.

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.



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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; Felipe Pubillones, Audit Manager; Helen White, Auditor-in-Charge; Angelica Esquerdo, Program Analyst; and Larry Jones, Auditor.

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



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**EXHIBIT A**

**Schedule of Projects Audited  
September 24, 2004, to November 10, 2011  
South Florida Water Management District, FL  
FEMA Disaster Number 1561-DR-FL**

Project Number	Amount Awarded	Funds Put to Better Use	Federal Share	Finding
6370	\$ 265,087			
6371	1,235,411			
6373	1,022,495	\$1,022,495	\$920,246	B
4109	792,000	792,000	712,800	B
Total	\$3,314,993	\$1,814,495	\$1,633,046	



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**EXHIBIT B**

**Report Distribution List**  
**South Florida Water Management District, FL**  
**FEMA Disaster Number 1561-DR-FL**

**Department of Homeland Security**

Secretary  
Chief Financial Officer  
Under Secretary for Management  
Audit Liaison, DHS  
Acting Chief Privacy Officer

**Federal Emergency Management Agency**

Administrator  
Chief of Staff  
Chief Financial Officer  
Chief Counsel  
Director, Risk Management and Compliance  
Audit Liaison, FEMA Region IV  
Audit Liaison, FEMA (Job Code G-12-022)

**Grantee**

Executive Director, Florida Division of Emergency Management

**State**

Deputy Inspector General, Florida Division of Emergency Management

**Subgrantee**

Finance Bureau Chief, South Florida Water Management District

## ADDITIONAL INFORMATION AND COPIES

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