

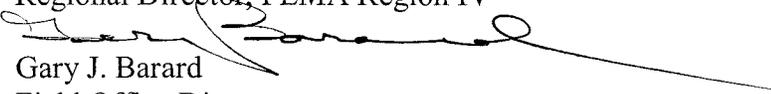


Homeland
Security

June 24, 2005

MEMORANDUM

TO: Kenneth O. Burris, Jr.
Regional Director, FEMA Region IV

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Monroe County School District
Key West, Florida
FEMA Disaster 1249-DR-FL
Audit Report No. DA-17-05

The Office of Inspector General (OIG) audited public assistance funds awarded to the Monroe County School District, Key West, Florida. The objective of the audit was to determine whether the District accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The District received an award of \$6.5 million from the Florida Department of Community Affairs, a FEMA grantee, to remove debris and repair or replace buildings damaged as a result of Hurricane Georges in September 1998. The award provided 75 percent FEMA funding for 6 large projects and 16 small projects.¹ The audit covered the period September 1998 to June 2003. During this period, the District claimed \$6,457,456 (see Exhibit) and received \$4,843,093 of FEMA funds under the projects.

We performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of the District's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The District's claim included questioned costs of \$548,035 (FEMA share \$411,026) resulting from charges that were either excessive or covered by insurance.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$47,100.

A. Excess Charges. The District's claim was overstated by \$287,949, as follows:

- The District claimed \$360,367 under Project 285 for engineering and design services related to the replacement of a high school auditorium substantially damaged during the disaster. However, the claim was based on an estimate rather than actual costs. We determined that the actual engineering and design costs incurred for construction of the auditorium totaled \$191,808, or \$168,559 less than the amount claimed. Accordingly, we question the excess claim of \$168,559.
- The District could have but did not obtain \$282,762 of insurance coverage for its high school auditorium under FEMA's National Flood Insurance Program (NFIP). In this situation, the amount of disaster assistance for replacement of the auditorium should have been reduced by the amount of available insurance coverage (44 CFR 206.252). However, we found that a FEMA inspector reduced project costs by only \$234,763 for lack of required flood insurance under the auditorium replacement project (No. 285). The inspector mistakenly gave the District a \$47,999 credit for depreciation. However, under the NFIP's flood insurance policy, a depreciation credit applies only to an insured's principal residence and not general property such as the auditorium. Accordingly, we question the \$47,999 of excess charges.
- The District claimed \$213,056 under Project 162 for repairs to Key West High School. However, actual project costs were \$141,665, or \$71,391 less than the claimed amount. The difference resulted from a mathematical error made by District officials when totaling costs for the repairs. We question the excess claim of \$71,391.

B. Costs Covered by Insurance. The District claimed \$337,902 under several projects to cover the costs of making disaster-related repairs at several schools. The amount claimed was based on the costs to complete the necessary repairs less anticipated insurance recoveries. However, the claim was overstated by \$260,086 because the actual insurance proceeds under the projects exceeded the estimated insurance recoveries. Moreover, for three of the projects (Nos. 20915, 20909, and 39598), actual recoveries exceeded total project costs, thus alleviating the need for FEMA funding. Federal regulation (44 CFR 206.253) prohibits the use of public assistance funds for damages covered by insurance. Accordingly, we question the \$260,086 of losses covered by insurance, as follows:

Project Number	Total Costs to Complete Project	Actual Insurance Proceeds	Amount Eligible for FEMA Funding	Amount Claimed	Amount Questioned
177	\$10,515	\$3,657	\$6,858	\$10,515	\$3,657
156	33,547	3,657	29,890	33,547	3,657
178	26,200	3,657	22,543	26,200	3,657
179	13,283	3,656	9,627	13,283	3,656
20915	115,735	992,116	0	115,735	115,735
20900	65,879	60,248	5,631	26,927	21,296
20909	53,808	143,355	0	34,174	34,174
20911	19,451	16,184	3,267	5,148	1,881
39598	158,421	159,755	0	72,373	72,373
Total	\$496,839	\$1,386,285	\$77,816	\$337,902	\$260,086

RECOMMENDATION

We recommend that the Regional Director, in coordination with the grantee, disallow the \$548,035 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of the audit with District, grantee, and FEMA officials on April 29, 2005. District officials withheld comment, stating that they wanted to further research the questioned costs.

Please advise the Atlanta Field Office-Division by September 23, 2004, of actions taken to implement our recommendation. Should you have any questions concerning this report, please contact me or David Kimble at (770) 220-5242

Monroe County School District
FEMA Disaster Number 1249-DR-FL
Schedule of Claimed and Questioned Costs

Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
39598	\$ 72,373	\$ 72,373	\$ 72,373
20910	60,786	60,786	
20913	140,965	140,965	
20915	115,735	115,735	115,735
162	213,056	213,056	71,391
285	<u>5,545,210</u>	<u>5,545,210</u>	<u>216,558</u>
Subtotal	<u>\$6,148,125</u>	<u>\$6,148,125</u>	<u>\$476,057</u>

Small Projects

178	\$ 26,200	\$ 26,200	\$ 3,657
156	33,547	33,547	3,657
177	10,515	10,515	3,657
179	13,283	13,283	3,656
20900	26,927	26,927	21,296
20901	2,901	2,901	
20902	16,540	16,540	
20903	17,225	17,225	
20904	42,707	42,707	
20905	19,660	19,660	
20906	9,100	9,100	
20907	38,567	38,567	
20908	5,287	5,287	
20909	34,174	34,174	34,174
20911	5,148	5,148	1,881
20912	<u>7,550</u>	<u>7,550</u>	
Subtotal	<u>\$ 309,331</u>	<u>\$ 309,331</u>	<u>\$ 71,978</u>
Total	<u>\$6,457,456</u>	<u>\$6,457,456</u>	<u>\$548,035</u>