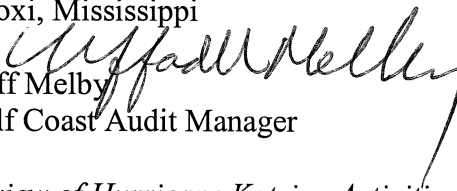




# Homeland Security

March 22, 2006

MEMORANDUM FOR: Nick Russo  
Federal Coordinating Officer  
Mississippi Joint Field Office  
Biloxi, Mississippi

FROM: Cliff Melby   
Gulf Coast Audit Manager

SUBJECT: *Review of Hurricane Katrina Activities  
City of Biloxi, Mississippi  
FEMA Disaster No 1604-DR-MS  
Report No. GC-MS-06-25*

We performed a review of emergency services and debris removal costs associated with Hurricane Katrina activities for the City of Biloxi, MS. The objective of the review was to determine whether the city was properly accounting for disaster related costs and whether such costs were eligible for funding under FEMA's disaster assistance programs.

The city received an award of \$41.4 million from the Mississippi Emergency Management Agency (MEMA), a FEMA grantee, for emergency protective measures necessitated by Hurricane Katrina. As of October 24, 2005, the cut-off date of our review, the city received \$12.5 million of FEMA funds and had recorded expenditures of \$7.3 million for debris removal activities and \$345,908 for emergency services.

Our review consisted of an analysis of the city's accounting system and disaster costs, contracting policies and procedures, and interviews with city officials. The nature and brevity of this assignment precluded the use of our normal audit protocols. Therefore, this review was not conducted in accordance with generally accepted government auditing standards. Had we followed such standards, other matters may have come to our attention.

This review was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General review of this important subject.

## RESULTS OF REVIEW

The city accounted for funds on a project-by-project basis consistent with federal regulations for large projects (44 CFR §206.205). Additionally, project expenditures were supported by invoices, cancelled checks, and other source documentation. However, FEMA award and the city records included \$1.9 million for debris removal from federal aid roads that are the responsibility of the Federal Highway Administration (FHA). According to 44 CFR §206.191, FEMA cannot pay for the cost of activities that are the responsibility of another federal agency.

We also noted that as of October 24, 2005, the city had spent only \$7.3 million from a \$12.5 million FEMA advance for disaster-related debris removal activities. The city calculated \$23,874 of interest due FEMA on the advance and agreed to remit these funds as required in 44 CFR §13.21(i).

## RECOMMENDATIONS

We recommend that the Federal Coordinating Office, in conjunction with MEMA:

1. Disallow the \$1.9 million of debris removal costs for federal aid roads and inform the city to request reimbursement from FHA for debris removal on federal aid roads.
2. Require the city to remit to FEMA the interest earned on FEMA advance.

## DISCUSSION WITH MANAGEMENT AND FOLLOW-UP

We discussed the results of our review with MEMA officials on February 3, 2006, and city officials and the FEMA project officer on February 6, 2006. City officials withheld comment on our finding concerning federal aid roads pending discussions with FHA. Therefore, we consider the first recommendation unresolved. The second recommendation is considered resolved but cannot be closed until remittance of the interest earned.

Please inform us by March 31, 2006, of actions taken or planned to implement the recommendations. Your response should be submitted to Gary J. Barard, Gulf Coast Audit Coordinator, at:

U.S. Department of Homeland Security  
3003 Chamblee-Tucker Road  
Atlanta, GA 30341

Auditors Chris Gamble and Adrienne Bryant performed this review. Should you have any questions concerning this report, please contact me at (404) 486-3629.

cc: Under Secretary for Management  
Acting Director, FEMA  
Chief Financial Officer, DHS  
Chief Procurement Officer, DHS  
Audit Liaison, DHS  
Senior Procurement Officer, FEMA  
Deputy Director, Gulf Coast Recovery  
FEMA Regional Director, Region IV  
Mississippi State Coordinating Officer