



Homeland Security

November 16, 2006

MEMORANDUM FOR: Scott Morris
Director
FEMA's Florida Long Term Recovery Office
Orlando, Florida

FROM: C. David Kimble 
Director
Eastern Regional Office

SUBJECT: *Review of Hurricane Wilma Activities
City of Port Saint Lucie, Florida
FEMA Disaster No. 1609-DR-FL
Report Number DA-07-04*

We performed an interim review of emergency services and debris removal costs associated with Hurricane Wilma activities for the City of Port Saint Lucie, Florida. 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 public assistance program. We analyzed the city's accounting system, reviewed its disaster costs and contracting policies and procedures, and interviewed FEMA, city, and contractor officials.

The city received an award of \$4.0 million from the Florida Department of Community Affairs, a FEMA grantee, for emergency protective measures and debris removal. The award provided FEMA funding for eight large projects and ten small projects¹. We limited our review to the \$3.9 million awarded under seven large projects, as follows:

Project	Approved Scope of Work	Amount Awarded
3367	Debris Removal	\$2,053,554
3463	Monitoring Debris Removal Services	429,405
719	Emergency Protective Measures	64,556
4741	Emergency Protective Measures	348,419
4768	Emergency Protective Measures	385,429
4841	Emergency Protective Measures	178,744
5098	Emergency Protective Measures	419,705
Total		\$3,879,812

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$57,500

As of May 30, 2006, the cut-off date of our review, the city had recorded \$2.8 million in project expenditures and had received \$2,495,144 of FEMA funds.

RESULTS OF REVIEW

The city lacked an effective system for accounting for disaster-related costs and did not comply with federal procurement standards when contracting for debris removal monitoring services. Moreover, the city's project expenditures contained \$623,459 of costs that are ineligible for FEMA funding.

- A. Weak Project Accounting. Federal regulation (44 CFR § 206.205) requires recipients to separately account for FEMA funds awarded under each project. However, the city did not establish a separate cost code or account for the seven projects included in the \$3.9 million award. Expenditures for the projects were commingled with non-disaster costs in general ledger accounts for various city departments (public works, police, fire, etc.). Although the city compiled invoices and other documentation in support of project expenditures, the absence of a separate expenditure account for each project, with the recording of each expenditure and reference to supporting documentation, renders the accuracy of the city's grant accounting questionable.
- B. Improper Contracting Practice. Federal regulation (44 CFR § 13.36) requires subgrantees to conduct all procurement transactions under federal grants in a manner that provides full and open competition². The regulation also requires subgrantees to perform a cost or price analysis in connection with every procurement action, including contract modifications, to determine the reasonableness of the proposed contract price.

The city, however, did not comply with these requirements when awarding a contract for \$466,703 for debris monitoring services. Rather than solicit competitive bids, the city retained an engineering firm, with whom it had an existing contract, to monitor the activities of debris removal contractors. Under that contract, the firm was providing professional engineering services related to the inspection of construction work on city streets. Moreover, the city paid the firm based on the engineering rates in the existing contract without analyzing such rates to determine whether they were reasonable for the nature of work performed by debris monitors. As a result of the city's actions, less than full and open competition occurred and FEMA has no assurance that the debris monitoring services were obtained at the best price.

Although the city failed to comply with applicable federal procurement regulations, the contract costs may be reasonable. We compared the hourly rates paid by the city to those paid by nearby communities that had contracted for similar debris monitoring services using a competitive process. This analysis showed the rates to be comparable to those paid by the other communities. Accordingly, we are not recommending disallowance of any costs due to the city's failure to comply with federal procurement regulations.

² Non-competitive procurement may be used only under certain circumstances (44 CFR 13.36(d)(4)(i)), one of which is when the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation. FEMA has determined that non-competitive contracts cannot be justified when contracting for long-term debris removal activities (FEMA Policy No. 9580.4, dated January 19, 2001).

C. Ineligible Regular-time Labor Costs. Federal regulation (44 CFR § 206.228) allows for overtime salaries, but not straight or regular-time salaries of permanent employees who perform debris removal and emergency services work. However, the city's project expenditures included \$447,116 of regular-time salaries for permanent city employees who performed emergency services work. The affected projects and related costs are, as follows:

Project	Amount Claimed	Amount Ineligible
5098	\$ 340,409	\$275,798
4741	348,419	123,938
4768	385,429	47,380
Total	\$1,074,257	\$447,116

D. Debris Removal Charges for Federal-Aid Roads. According to the Stafford Act (Section 312), FEMA funds cannot be used for activities covered by other federal sources. Under projects number 3367 and 3463, FEMA previously disallowed \$153,152 and \$23,191, respectively, for costs associated with removing debris from federal-aid roads, which are the responsibility of the Federal Highway Administration (FHWA). However, during our review we noted that the city had not removed those costs in its compilation of expenditures under the projects. As a result, the previously disallowed costs could be inadvertently funded by FEMA when the city submits final project costs during the closeout process.

RECOMMENDATIONS

We recommend that the Director of the Florida Long Term Recovery Office, in conjunction with the grantee:

1. Instruct the city, for future declarations, to establish and maintain separate accountability for expenditures under each FEMA project, and to comply with federal procurement regulations when awarding contracts for FEMA-funded activities.
2. Disallow the \$447,116 of regular-time salary costs related to emergency work.
3. Inform the city that it should remove the previously disallowed debris removal costs of \$176,343 associated with federal-aid roads from FEMA project expenditures, and seek reimbursement of those costs from FHWA.

DISCUSSION WITH MANAGEMENT AND FOLLOW-UP

We discussed the results of our review with city officials on August 16, 2006, and with FEMA and grantee officials on August 16, 2006. City officials concurred with our findings.

Please advise me within 30 days of actions you take or plan to implement the recommendations. Your response should be sent to:

U.S. Department of Homeland Security
Office of Inspector General - Audit
The Millennium Midtown
10 Tenth Street, N.E., Suite 750
Atlanta, Georgia 30309

The nature and brevity of this assignment precluded the use of our normal audit protocols. Therefore, we did not conduct this review according to generally accepted government auditing standards. Had we followed such standards, other matters may have come to our attention.

We conducted this review 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, Rita, and Wilma. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors' General reviews of this important subject.

Should you have any questions concerning this report, please contact me at (404) 832-6700.

cc: Chief Procurement Officer, DHS
Chief Financial Officer, DHS
Deputy Director, Gulf Coast Recovery
Audit Liaison, DHS
Audit Liaison, FEMA
Regional Director, Region IV