

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

**FEMA Should Recover \$209,170 of Public Assistance
Grant Funds Awarded to City of Daytona Beach,
Florida – Hurricane Frances**





OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

FROM: John V. Kelly
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Should Recover \$209,170 of Public Assistance
Grant Funds Awarded to City of Daytona Beach, Florida –
Hurricane Frances*
FEMA Disaster Number 1545-DR-FL
Audit Report Number DA-13-27

We audited Public Assistance grant funds awarded to the City of Daytona Beach, Florida (City) (FIPS Code 127-16525-00). 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 totaling \$2.6 million from the Florida Department of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Frances, which occurred in September 2004. The award provided 100 percent FEMA funding for the first 72 hours of debris removal and emergency protective measures undertaken as a result of the disaster and 90 percent funding thereafter. The award also provided 90 percent funding for permanent repairs to buildings and other facilities. The award consisted of 7 large projects and 28 small projects.¹

We audited three large projects and six small projects with awards totaling \$1.8 million (see Exhibit, Schedule of Projects Audited and Questioned Costs). We limited our review of small projects to determining whether the City (1) completed the projects, and (2) received duplicate benefits for the projects. The audit covered the period September 3, 2004, to January 19, 2010, during which the City claimed \$1.8 million of FEMA funds under the projects reviewed. At the time of our audit, the City had completed work on all large projects and had submitted final claims to the State for large project expenditures.

¹ Federal regulations in effect at the time of the Hurricane Frances set the large project threshold at \$54,100.



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We conducted this performance audit between November 2012 and May 2013 pursuant to the *Inspector General Act of 1978*, as amended, 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. To conduct this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We judgmentally selected and reviewed project costs (generally based on dollar value); interviewed City, State, and FEMA personnel; reviewed the City'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 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

FEMA should recover \$209,170 of grant funds awarded to the City. Although the City generally accounted for FEMA funds according to Federal regulations and FEMA guidelines, its claim included \$209,170 (Federal share \$203,471) of questionable costs, which consisted of \$152,176 of unsupported equipment costs, \$55,969 of ineligible debris disposal costs, and \$1,025 of costs for small projects not completed.

Finding A: Supporting Documentation

The City's claim included \$152,176 for force account equipment that the City did not support with adequate documentation.² Cost principles at 2 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.

The City claimed equipment costs totaling \$152,176 under Project 9400, which included \$74,968 for the police department and \$77,208 for other City departments. However, the City did not have adequate documentation to support the costs. For the police department, City officials provided a spreadsheet for vehicle assignments that they created and used in conjunction with the police officer's timesheets to calculate the claim. However, the City did

² Force account refers to the City's personnel and equipment.



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not have other documentation such as vehicle rosters or fleet records to identify the dates and times that specific vehicles were assigned to police officers.

For the remaining departments, the City used a summary equipment form to record equipment use. The summary form contained the name of the employee, the piece of equipment assigned to the employee, the hours of use, and the equipment rate. The City calculated the hours of use for each piece of equipment using information contained in the employee's timesheet. For instance, if an employee worked an 8-hour day, the City claimed 8 hours of use for each piece of equipment assigned to the employee on that day. The City did not have any source documentation to support the hours claimed, such as equipment activity logs or equivalent documentation that identified the dates and the beginning and ending times the employees used the equipment.

Both methodologies the City used to calculate equipment costs assume that employees used the equipment continuously throughout their workday and, therefore, do not consider idle time, which FEMA considers ineligible (*Public Assistance Guide*, FEMA 322, October 1999, p. 37). We question the \$152,176 claimed for equipment use, as shown in table 1, because the City's documentation was insufficient for us to verify the accuracy and eligibility of the costs.

Table 1: Supporting Documentation

Department	Activities Not Supported	Amount Awarded	Amount Questioned
Police	Police Vehicles	\$74,968	\$74,968
Various	Pickup trucks, generators, debris removal equipment	77,208	77,208
Total		\$152,176	\$152,176

City officials disagreed with the finding. City officials told us a 2009 flood destroyed the equipment activity logs. They also told us that equipment summaries and other file summaries are sufficient documentation to support the equipment use claim.

Finding B: Ineligible Debris Disposal Costs

The City's claim under Project 7557 included \$55,969 of ineligible debris disposal costs. The City claimed \$122,602 for the loss of landfill air space consumed by 21,509.15 cubic yards of disaster-related vegetative mulch deposited at the City's landfill. The City based its claim on a rate of \$5.70 per cubic yard of vegetative debris brought to the landfill. According to the debris management plan for the landfill, the City planned for the mulch to decompose and become quality topsoil usable for other City projects. Because this strategy would not have resulted in permanent loss of landfill air space, the City's claim is not eligible for reimbursement under the Public Assistance program.



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However, in 2008, the Florida Department of Environmental Protection notified the City that it could not allow the vegetative mulch to decompose at the City's landfill because the debris produced ammonia that was contaminating the water table. As a result, the City removed a majority of the mulch from the landfill and moved it to another location for a cost of \$66,633.

Cost principles at 2 CFR 225, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, Section (C)(3)(a.), state that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative-benefits received. Because debris disposal costs are eligible costs under the Public Assistance program, the City would be entitled to reimbursement of the \$66,633 that it incurred to remove the debris from the landfill, but no costs for lost landfill air space because the City lost no space indefinitely. Therefore, we question \$55,969 of excessive costs which represents the net of the \$122,602 the City claims, less the \$66,633 it spent to move the mulch to an offsite disposal location.

City officials disagreed with this finding. They asserted that because the original plan of using the mulch for City projects did not occur because of the mulch contamination and subsequent removal, they claimed the City is entitled to the lost air space of the mulch that the contractor did not remove. However, because the original management plan was to use the mulch, the City should not have claimed it because no air space would be lost. Additionally, if the landfill lost air space the City did not provide support documenting how much airspace was actually lost.

Finding C: Small Project Work Not Completed

The City's claim included \$1,025 for permanent work under a small project that the City did not complete. According to 44 CFR 206.205(a), failure to complete work under a small project may require that the Federal payment be refunded. In addition, FEMA's *Public Assistance Guide* (FEMA 322, October 1999, p. 114) states that a grant recipient has 18 months from the disaster declaration date to complete work under permanent repair projects. The State, as grantee, has the authority to grant extensions for an additional 30 months under extenuating circumstances, and FEMA may grant extensions beyond the State's authority appropriate to the situation.

The City received \$5,185 of FEMA funding under Project 8787 to make various repairs, which included replacing an awning at the Brennan Water Plant damaged by the disaster. However, as of March 2013, or 8 years and 6 months after the disaster, the City neither provided evidence that it replaced the awning nor obtained a time extension to complete the work from the State or FEMA. Therefore, we question the \$1,025. City officials agreed with this finding.



RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV:

Recommendation #1: Disallow \$152,176 (Federal share \$152,176) of unsupported costs unless the City can provide additional evidence to support the costs claimed (finding A).

Recommendation #2: Disallow \$55,969 (Federal share \$50,372) of ineligible debris disposal costs (finding B).

Recommendation #3: Disallow \$1,025 (Federal share \$923) of ineligible costs for work not completed under Project 8787 unless the City can provide additional evidence that it completed the project (finding C).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the audit results with City, State, and FEMA officials during our audit. We also provided a written summary of our findings and recommendations in advance to these officials and discussed them at the exit conference held on May 30, 2013. City officials partially agreed with our findings and recommendations. We included their comments, where appropriate, in this 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 we receive and evaluate your response, we will consider the recommendations as open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we will provide 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 are David Kimble, Director; William Johnson, Audit Manager; and John Schmidt, Auditor-in-Charge.

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



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Exhibit

Schedule of Projects Audited and Questioned Costs

Project Number	Category Of Work	Description Of Work	Amount Awarded	Amount Questioned	Federal Share	Finding
Large Projects:						
7557	A	Debris Removal	\$1,075,316	\$55,969	\$50,372	B
8555	E	Permanent Repairs	306,186			
9400	B	Emergency Protective Measures	370,476	152,176	152,176	A
Small Projects:						
8076	E	Permanent Repairs	\$9,291			
8178	E	Permanent Repairs	1,523			
8215	G	Permanent Repairs	12,541			
8711	G	Permanent Repairs	35,934			
8784	G	Permanent Repairs	6,817			
8787	E	Permanent Repairs	5,185	\$1,025	\$923	C
Total			\$1,823,269	\$209,170	\$203,471	



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