



# Homeland Security

April 6, 2006

MEMORANDUM FOR: Mike Bolch  
Federal Coordinating Officer  
Joint Field Office  
Montgomery, Alabama

FROM: *C. David Kimble*  
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Gulf Coast Audit Manager

SUBJECT: *Black Warrior Electric Membership Cooperative  
FEMA Disaster 1605-DR-AL  
Audit Report GC-AL-06-31*

We audited public assistance funds awarded to Black Warrior Electric Membership Cooperative, Demopolis, Alabama. The objective of the audit was to determine whether the Cooperative accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Cooperative received an award of \$2.5 million from the Alabama Emergency Management Agency, a FEMA grantee, for emergency protective measures, removal of debris, and repair of electrical distribution lines damaged as a result of Hurricane Katrina in August 2005. The award provided FEMA funding<sup>1</sup> for three projects, as follows:

Project Number	Amount Awarded	Amount Claimed
667	\$2,191,032	\$2,191,032
222	170,518	170,518
590	167,096	167,096
<b>Totals</b>	<b>\$2,528,646</b>	<b>\$2,528,646</b>

The audit covered the period August 2005 to December 2005. During this period, the Cooperative received \$337,614 of FEMA funds under the three projects. At the time of our audit, all work under the FEMA projects was complete and the Cooperative had submitted its final costs to the grantee.

<sup>1</sup> For debris removal and emergency protective measures, FEMA provided 100 percent funding for the first 60 days following the disaster declaration, and 75 percent thereafter. FEMA provided funding of 75 percent for repairing the electrical distribution lines.

However, a final inspection of the projects had not been performed. 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 Cooperative's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

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, we have forwarded a copy of the report to the PCIE Homeland Security Working Group that is coordinating Inspectors General review of this important subject.

#### RESULTS OF AUDIT

The Cooperative accounted for FEMA funds according to federal regulations and FEMA guidelines. However, the Cooperative did not credit Project 667 with \$2,242 (FEMA share \$1,682) that it received from the sale of disaster-related scrap electrical wire. Federal regulation (44 CFR 13.25) states that income directly generated from a grant supported activity shall be deducted from total allowable costs to determine the net allowable costs. Accordingly, we question the \$2,242 overcharge.

#### RECOMMENDATION

We recommend that the Federal Coordinating Officer, in coordination with the grantee, disallow the \$2,242 of excess charges.

#### DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of the audit with Cooperative officials on March 6, 2006, and with FEMA and grantee officials on March 7, 2006. Cooperative officials concurred with our finding.

Please inform us by April 21, 2006, of action taken to implement our recommendation. Your response should be sent to Gary J. Barard, Gulf Coast Audit Coordinator, at:

U.S. Department of Homeland Security,  
Office of Inspector General  
3003 Chamblee-Tucker Road  
Atlanta, Georgia, 30341.

Auditors Marvin Burr and Ronald Cummings performed this review. Should you have any questions concerning this report, please contact me at (770) 220-5242.

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