






Homeland Security

August 14, 2006

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

FROM:  C. David Kimble  
Audit Director
Atlanta Field Office

SUBJECT: Review of Hurricane Katrina Activities
Stone County, Mississippi
FEMA Disaster No *1604-DR-MS*
Report No. GC-MS-06-48

We performed a review of debris removal costs associated with Hurricane Katrina for Stone County, Mississippi. The objective of the review was to determine whether the county was properly accounting for disaster-related costs and whether such costs were eligible for funding under FEMA's disaster assistance programs.

The county received an award of \$22.4 million from the Mississippi Emergency Management Agency (MEMA), a FEMA grantee, for emergency protective measures and debris removal activities. The award provided funding for two large projects. As of October 26, 2005, the cut-off date of our review, the county had received no FEMA funds and had recorded expenditures of \$4.0 million for debris removal activities.

Our review included an analysis of the county's accounting system, disaster costs, and contracting policies and procedures, as well as interviews with county officials. The nature and brevity of this assignment precluded the use of normal audit protocols. Therefore, it was not conducted according to 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 county accounted for funds on a project-by-project basis consistent with federal regulation for large projects (44 CFR § 206.205). Additionally, expenditures were supported by checks, invoices, and other source documents. Also, the county's contracts for debris removal activities were generally awarded according to federal procurement regulations (44 CFR § 13.36).

However, the county did not ensure that it obtained the best price for debris contract monitors. The county elected to retain an engineering firm, with whom it had an existing contract, to monitor the activities of debris contractors. Under that contract, the firm was providing inspection of construction work related to county sewers and roads. Rather than attempt to negotiate a lower price for debris monitoring, the county paid the firm the rates in the existing contract. The rates ranged from \$35 an hour for monitors to \$85 an hour for supervisors.

The basic functions performed by monitors are to observe debris pickups in the field and sign trip tickets that truckers take to disposal sites. According to federal cost principles (OMB Circular A-87), compensation for services should be commensurate with the nature of work performed. The engineering labor rates should not have been used for debris monitors because the two functions, construction oversight and debris monitoring, are different. Consequently, there is no assurance that the construction oversight rate is commensurate with debris monitoring.

RECOMMENDATION

We recommend that the Federal Coordinating Officer, in coordination with MEMA, require the county to take immediate action to determine whether the rates charged by the engineering firm for debris monitoring activities are reasonable, and adjust its claim for such services, as appropriate.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our review with county, MEMA, and FEMA officials on March 16, 2006. County officials concurred with our finding.

Please advise me by September 29, 2006, of the action taken to implement the recommendation. Your response should be sent to:

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

Auditors Mary Stoneham and Billy Howard performed this review. Should you have any questions concerning this report, please contact me at (770) 220-5240.

cc: Under Secretary for Management
Under Secretary for Federal Emergency Management
Office of General Counsel, DHS
Chief Financial Officer, DHS
Chief Procurement Officer, DHS
Audit Liaison, DHS
Audit Liaisons, FEMA
Chief Financial Officer, FEMA
Deputy Director, Gulf Coast Recovery
Regional Director, FEMA Region IV
Mississippi State Coordinating Officer