




Homeland Security

September 28, 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 Hurricane Katrina Activities
City of Long Beach, Mississippi
FEMA Disaster Number 1604-DR-MS
Report Number GC-MS-06-55*

We performed an interim review of emergency services and debris removal costs associated with Hurricane Katrina activities for the City of Long Beach, Mississippi. 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. We analyzed the city's accounting system, reviewed its disaster costs and contracting policies and procedures, and interviewed FEMA and city officials.

The city received an award of \$32.2 million from the Mississippi Emergency Management Agency (MEMA), a FEMA grantee, for emergency protective measures and debris removal activities. As of December 31, 2005, the cut-off date of our review, the city had received \$15.7 million of FEMA funds and had recorded expenditures of \$14.8 million for emergency services and debris removal activities,

The city accounted for funds on a project-by-project basis consistent with federal regulations for large projects (44 CFR § 206.205). Additionally, it supported expenditures with checks, invoices, and other source documentation. Also, the city's contracts for debris removal activities were generally awarded according to federal procurement regulations (44 CFR §13.36).

The city, however, did not ensure that it obtained the best price for debris contract monitors. The city retained an engineering firm, with whom it had an existing contract for engineering services for various city construction projects, to monitor the activities of debris contractors. Rather than negotiate lower rates for debris monitoring, the city paid the firm rates used for engineering services. The rates ranged from \$45 an hour for debris monitors to \$118 an hour for a debris coordinator.

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 (U. S Office of Management and Budget 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 monitoring activities because the two functions, construction oversight and debris monitoring, are different. City officials said that they believed the hourly rates for debris contract monitors were consistent with rates being charged by other contract monitors in neighboring cities. Although we did not review rates paid in neighboring cities, we believe that the rates were not commensurate with the nature of the work being performed.

Also, the City earned at least \$12,850 of interest on FEMA advances it received for debris removal, but did not remit the interest to FEMA as required by federal regulation 44 CFR §13.21.

We recommend that the Federal Coordinating Officer, in coordination with MEMA:

1. Require the city to negotiate debris monitor labor rates for ongoing work and ensure that under future FEMA-funded projects, rates for services are commensurate with the nature of work performed.
2. Require the city to remit to FEMA the interest earned on FEMA advances.

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

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