

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

FEMA Public Assistance Grant Funds Awarded to
Puerto Rico Highway and Transportation Authority –
Flood Events of October 2005

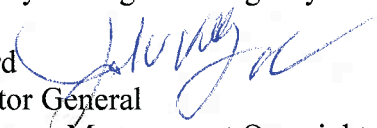




Homeland Security

FEB 16 2012

MEMORANDUM FOR: Lynn G. Canton
Regional Administrator, Region II
Federal Emergency Management Agency

FROM: D. Michael Beard 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to Puerto Rico
Highway and Transportation Authority – Flood Events of October 2005*
FEMA Disaster Number 1613-DR-PR
Audit Report Number DA-12-07

We audited public assistance funds awarded to the Puerto Rico Highway and Transportation Authority (Authority) (FIPS Code 000-UA8CE-00). Our audit objective was to determine whether the Authority accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

As of March 21, 2011, the Authority had received a public assistance award of \$1.2 million from the Puerto Rico Office of Management and Budget (Commonwealth), a FEMA grantee, for damages resulting from floods, mudslides, and landslides that occurred in October 2005. The award provided 75% FEMA funding for debris removal activities, emergency protective measures, and repair of roads and bridges. The award included three large and two small projects.¹

Our audit focused on the \$1.2 million awarded to the Authority (see Exhibit, Schedule of Projects Audited). Our review of small projects was limited to duplication of benefits. The audit covered the period from October 9, 2005, to March 21, 2011, during which the Authority received \$787,134 of FEMA funds. At the time of our audit, the Authority had not completed all work under the projects.

We conducted this performance audit pursuant to the *Inspector General Act of 1978*, as amended, and 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. We

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

conducted this audit applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We judgmentally selected project costs (generally based on dollar value); interviewed Authority, Commonwealth, and FEMA personnel; reviewed the Authority's procurement policies and procedures; reviewed applicable federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our audit objective. We did not assess the adequacy of the Authority's internal controls applicable to its grant activities because it was not necessary to accomplish our objective. However, we did gain an understanding of the Authority's method of accounting for disaster-related costs and its policies and procedures for administering the activities provided for under the FEMA award.

RESULTS OF AUDIT

The Authority generally accounted for and expended FEMA funds according to federal regulations and FEMA guidelines. However, we identified \$64,340 of unneeded project funding that FEMA should deobligate and put to better use. We also determined that the Authority's claim included \$62,963 of questionable costs consisting of \$45,652 of duplicate benefits, \$11,744 of excessive contract charges, and \$5,567 of unsupported charges that FEMA should disallow.

Finding A: Funds Not Needed

The Authority no longer needs \$64,340 of FEMA funding obligated under Project 257. FEMA awarded the Authority \$64,340 under the project to make road repairs at kilometer 4.8 in Collores Ward on state road PR 512. However, the cost of the repairs was funded by the Federal Highway Administration (Project No. PR 512-(042)). Therefore, FEMA should deobligate the \$64,340 of unneeded funds and put them to better use.

Finding B: Duplication of Benefits

The Authority's claim included \$45,652 for road repairs that were completed with FEMA funding received by another department. According to Section 312 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, federal disaster assistance may not be duplicated, meaning that an entity may not receive funds to cover losses that another program, insurance, or any other source covered.

The Authority received \$45,652 of FEMA funds under Project 258 for excavation activities, construction of a structural retaining wall, repair of a sidewalk, and the replacement of sections of damaged asphalt at kilometer 5.2 in Collores Ward on state road PR 512. However, these activities were actually performed under FEMA Project 387 awarded to the Puerto Rico Department of Transportation. Therefore, we question the \$45,652 received by the Authority for such activities.

Finding C: Excessive Contract Charges

The Authority’s claim under debris removal Project 574 included \$11,744 of excessive contract charges. The contractor billed the Authority for 932.50 hours of equipment usage for various pieces of equipment. However, operator hours billed for use of the equipment totaled only 652 hours. The excess 280.50 hours, totaling \$11,744, represents idle time, which is unallowable under federal cost principles (2 CFR 225, *Cost Principles for State, Local and Indian Tribal Governments*, Appendix B, Section 21). We question the \$11,390 of excessive equipment charges as identified in table 1.

Table 1: Excessive Equipment Charges

Description	Equipment		Idle Time (Hrs.)	Hourly Rate	Idle Time Charges
	Hrs. Claimed	Hrs. Usage			
Rollo Caterpillar	164.50	108.50	56.00	\$ 24.52	\$ 1,373
Bulldozer JD 450	124.00	52.00	72.00	21.87	1,575
Digger Caterpillar 4x4	181.00	149.00	32.00	13.62	436
Electric Generator	185.50	161.50	24.00	1.18	28
Bulldozer Komatsu	67.00	51.00	16.00	78.09	1,249
Bulldozer Komatsu	23.00	0.00	23.00	126.55	2,911
Excavator Kobelco	20.00	10.00	10.00	80.60	806
Excavator Linkbelt	167.50	120.00	47.50	70.86	3,366
Total	932.50	652.00	280.50		\$ 11,744

Finding D: Supporting Documentation

The Authority’s claim under Project 563 included \$5,567 of contract charges that were not supported by adequate documentation. 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 Authority claimed \$781,195 to construct a temporary access bridge for disaster survivors prevented access to/from their homes by landslides and flooding at kilometer 11.2 in the Municipality of Juana Diaz on state road PR 511. However, the Authority had documentation (contracts, invoices, and payment documents) to support only \$775,628, or \$5,567 less than the amount claimed. We question the \$5,567.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region II:

Recommendation #1: Deobligate \$64,340 (\$48,255 federal share) of unneeded project funding and put it to better use (finding A).

Recommendation #2: Disallow \$45,652 (\$34,239 federal share) of ineligible costs resulting from a duplication of benefits (finding B).

Recommendation #3: Disallow \$11,744 (\$8,808 federal share) of ineligible contract charges resulting from idle equipment time (finding C).

Recommendation #4: Disallow \$5,567 (\$4,175 federal share) of unsupported contract charges (finding D).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the audit results with Authority, Commonwealth, 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 September 30, 2011. Authority officials agreed with all of the findings.

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 your response is received and evaluated, the recommendations will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. To promote transparency, this report will be posted to our website, with the exception of sensitive information identified by your office. Significant contributors to this report were David Kimble, Adrienne Bryant, and Vilmarie Serrano-Rosario.

Should you have questions concerning this report, please contact me at (202) 254-4100 or David Kimble at (404) 832-6702.

cc: Administrator, FEMA
Audit Liaison, FEMA Region II
Audit Liaison, FEMA Caribbean Recovery Office
Audit Liaison, FEMA HQ (Job Code: GA-11-034)
Audit Liaison, DHS

EXHIBIT

Schedule of Projects Audited
October 9, 2005, to March 21, 2011
Puerto Rico Highway and Transportation Authority
FEMA Disaster No. 1613-DR-PR

Project Number	Amount Awarded	Amount Claimed	Funds Put to Better Use	Questioned Costs	Finding
Large Projects:					
257	\$64,340	\$ 0	\$64,340	\$ 0	A
563	824,975	781,195	-	5,567	D
574	219,392	219,733		11,744	C
Subtotal	\$1,108,707	\$1,000,928	\$64,340	\$17,311	
Small Projects:					
258	45,652	45,652	-	45,652	B
566	15,621	15,621	-	-	
Subtotal	\$61,273	\$61,273	-	\$45,652	
Total	\$1,169,980	\$1,062,201	\$64,340	\$62,963	

ADDITIONAL INFORMATION AND COPIES

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