

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

FEMA Public Assistance Grant Funds Awarded to  
City of Miami Beach, Florida – Hurricane Wilma

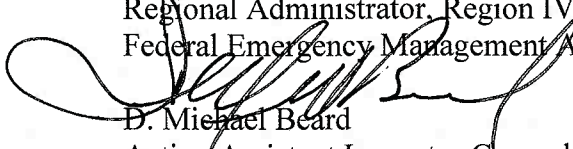




# Homeland Security

JAN 3 2012

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

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

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to  
City of Miami Beach, Florida – Hurricane Wilma*  
FEMA Disaster Number 1609-DR-FL  
Audit Report Number DA-12-04

We audited public assistance funds awarded to the City of Miami Beach, Florida, (City) (FIPS Code 086-45025-00). 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 of \$8.5 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Wilma, which occurred in October 2005. The award provided 100% FEMA funding for 25 large projects and 33 small projects.<sup>1</sup>

We reviewed costs totaling \$4.5 million claimed under four large projects. We also reviewed seven small projects totaling \$123,406 to determine whether the City completed the authorized scopes of work (See Exhibit, Schedule of Audited Projects). The audit covered the period from October 24, 2005, to February 1, 2011, during which the City received \$2.2 million of FEMA funds under the projects reviewed. At the time of the audit, work under the projects was complete, but the City had not submitted a final claim on project expenditures to the State.

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 on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our

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<sup>1</sup> Federal regulations in effect at the time of Hurricane Wilma set the large project threshold at \$57,500.

audit objective. We conducted this audit according to the statutes, regulations, and FEMA policies in effect at the time of the disaster.

We interviewed FEMA, State, and City officials; reviewed judgmentally selected samples of claimed costs (generally based on dollar value); reviewed the City'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 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

The City did not account for costs on a project-by-project basis as required. We also identified \$154,922 of questioned costs resulting from duplication of benefits, and unsupported and ineligible project charges.

### **Finding A: Project Accounting**

The City did not account for large projects on a project-by-project basis. According to Code of Federal Regulations (CFR) Title 44, Part 13.20(a)(2), fiscal control and accounting procedures of a state and its subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Further, 44 CFR 206.205(b) requires that large project expenditures be accounted for on a project-by-project basis.

The City commingled disaster-related receipt and expenditure transactions with non-disaster transactions in its general account, with no separate accounting establishing project balances, receipts, or expenditures. As a result, total costs claimed under individual projects could not be readily identified, thus increasing the risk of expenditures being duplicated among projects.

### **Finding B: Duplication of Benefits**

The City claimed \$70,292 under Project 6513 for debris removal activities on federal-aid roads that are the responsibility of the Federal Highway Administration. Section 312 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, prohibits duplicate benefits such as the use of public assistance funds for damages covered under any other program, insurance, or any other source. The City requested Federal Highway Administration reimbursement for the expenditures and planned to have FEMA reduce project costs at closeout for such activity. At the completion of our audit, the costs remained in the City's claim. Therefore, we question the \$70,292 claimed for activities that are the responsibility of another federal agency.

### **Finding C: Supporting Documentation**

The City's claim under Project 6204 contained \$70,068 of unsupported costs. It claimed \$70,068 for travel expenses of contract debris monitoring personnel, but did not have source documentation such as hotel bills, car rental invoices, or mileage logs to support the costs. 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.<sup>2</sup> Therefore, we question the \$70,068 of unsupported costs.

### **Finding D: Incomplete Small Project Work**

The City did not complete work totaling \$14,562 under Project 7541. According to 44 CFR 206.205(a), failure to complete authorized work under a small project may require that the federal payment be refunded. FEMA awarded \$23,628 under Project 7541 for the repair of 10 police vehicles that were damaged by fallen trees. However, the City repaired eight of the damaged vehicles at a cost of \$9,066 and opted to auction two vehicles due to their low salvage value. Therefore, we question \$14,562 (\$23,628 less \$9,066).

## **RECOMMENDATIONS**

We recommend that the Regional Administrator, FEMA Region IV:

**Recommendation #1:** Instruct the City, for future declarations, to account for FEMA funds on a project-by-project basis as required by federal regulations (finding A).

**Recommendation #2:** Disallow \$70,292 of costs that are ineligible because they are a duplication of benefits (finding B).

**Recommendation #3:** Disallow \$70,068 of unsupported charges (finding C).

**Recommendation #4:** Disallow \$14,562 of ineligible costs claimed for work not implemented under Project 7541 (finding D).

## **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP**

We discussed the audit results with City, State, and FEMA officials during our audit. We also provided written summaries of our findings and recommendations in advance to these officials and discussed them at an exit conference held on September 13, 2011. City officials generally agreed with findings A, B, and D and the related recommendations, but disagreed with finding C. They said they are developing a response to FEMA, and have requested source documentation from the contractor for costs questioned under finding C.

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<sup>2</sup> OMB Circular A-87, in effect at the time of the disaster, was relocated to 2 CFR 225 on August 31, 2005.

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, William Johnson, and Oscar Andino.

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

cc: Administrator, FEMA  
Executive Director, FEMA Florida Recovery Office  
Audit Liaison, FEMA Region IV  
Audit Liaison, FEMA (Job Code G-12-001)  
Audit Liaison, DHS

**Schedule of Audited Projects**  
**October 24, 2005, to February 1, 2011**  
**City of Miami Beach, Florida**  
**FEMA Disaster Number 1609-DR-FL**

Project Number	Project Funding	Ineligible Costs	Unsupported Costs	Total Costs Questioned	Finding
<i>Original Audit Scope</i>					
2484	\$ 313,788	\$ 0	\$ 0	\$ 0	
5505	296,789	0	0	0	
6204	573,125	0	70,068	70,068	C
6513	<u>3,352,077</u>	<u>70,292</u>	<u>0</u>	<u>70,292</u>	B
Subtotal	<u>\$ 4,535,779</u>	<u>\$70,292</u>	<u>\$ 70,068</u>	<u>\$ 140,360</u>	
<i>Small Projects Added to Audit Scope</i>					
4831	\$ 19,544	\$ 0	\$ 0	\$ 0	
5484	8,691	0	0	0	
5774	14,838	0	0	0	
6645	21,500	0	0	0	
7298	16,905	0	0	0	
7541	23,628	14,562	0	14,562	D
8791	<u>18,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Subtotal	<u>\$ 123,406</u>	<u>\$ 14,562</u>	<u>\$ 0</u>	<u>\$ 14,562</u>	
Grand Total	<u>\$ 4,659,185</u>	<u>\$84,854</u>	<u>\$ 70,068</u>	<u>\$ 154,922</u>	

## ADDITIONAL INFORMATION AND COPIES

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