

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

FEMA Public Assistance Grant Funds Awarded to City  
of Orlando, Florida - Hurricane Charley

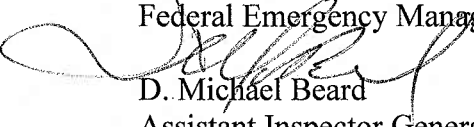




# Homeland Security

FEB 22 2012

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

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

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to  
City of Orlando, Florida — Hurricane Charley*  
FEMA Disaster Number 1539-DR-FL  
Audit Report Number DA-12-10

We audited public assistance funds awarded to the City of Orlando, Florida, (City) (FIPS Code 095-53000-00). 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.

As of February 1, 2011, the City had received an award of \$17.1 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Charley, which occurred in August 2004. The award provided 90% FEMA funding for debris removal activities, emergency protective measures, and permanent repairs to buildings and facilities. The award consisted of 31 large projects and 192 small projects.<sup>1</sup>

Our review focused on \$13.1 million awarded and claimed under 13 large projects and 37 small projects after deductions for insurance (see Exhibit, Schedule of Projects Audited). Our testing of small projects was limited to duplication of benefits and project implementation. The audit covered the period August 11, 2004, to January 25, 2006, during which the City received \$10.3 million of FEMA funds under the projects reviewed. At the time of our audit, the City had not submitted final claims 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

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

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 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 City, State, and FEMA personnel; 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 did gain an understanding of the City'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 City accounted for project expenditures on a project-by-project basis as required by federal regulation. However, the City's claim included \$809,052 of costs that FEMA should disallow because they are covered by insurance.

Section 312 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (Stafford Act), as amended, prohibits the use of public assistance funds for damages covered by insurance. Prior to our audit, FEMA reviewed \$1,641,340 of project costs claimed by the City under 13 large projects and 37 small projects and disallowed \$530,978 for activities covered by insurance. We reviewed the City's insurance policy, which included a detailed Schedule of Properties identifying the location, building number, address, occupancy, construction structure, and building and personal limit coverage for insured facilities. Based on our analysis of the insurance policy and the scopes of work authorized under all projects, we identified an additional \$809,052 of costs claimed for activities covered by the City's insurance policy. Therefore, we question the \$809,052.

City Response. City officials disagreed with our finding, saying that the costs should be allowed because FEMA had accepted them during closeout of the projects.

OIG Response. We disagree. The Stafford Act prohibits the use of public assistance funds for damages covered by insurance. FEMA's review of project costs for insurance coverage did not include all of the projects included in our audit scope. Further, the review or acceptance of costs by a federal agency does not affect its right to disallow costs and recover funds on the basis of a later audit (44 CFR 13.51(a)).

## RECOMMENDATION

We recommend that the Regional Administrator, FEMA Region IV:

**Recommendation #1:** Disallow the \$809,052 (federal share \$728,147) of costs that are ineligible for FEMA funding because they are covered by insurance.

## DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the audit results with City, State, and FEMA officials during our audit. We also provided a written summary of our finding and recommendation in advance to these officials and discussed them at the exit conference held on September 21, 2011. City officials' comments are included in the body of this report.

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 recommendation 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, Felipe Pubillones, Salvador Maldonado-Avila, Larry Jones, and Angelica Esquerdo.

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 Florida Recovery Office  
Audit Liaison, FEMA Region IV  
Audit Liaison, FEMA (Job Code G-11-025)  
Audit Liaison, DHS

**EXHIBIT**

**Schedule of Projects Audited  
August 11, 2004, to January 25, 2006  
City of Orlando, Florida  
FEMA Disaster Number DR-1539-FL**

Project Number	Gross Amount Awarded	Amount Disallowed by FEMA for Insurance Coverage	Net Amount Awarded	Amount Claimed/Reviewed	Amount Questioned
Large Projects:					
578	\$4,497,665	\$0	\$4,497,665	\$4,497,665	\$0
751	2,707,983	0	2,707,983	2,707,983	0
997	232,000	0	232,000	232,000	14,281
1679	244,690	0	244,690	244,690	0
5068	208,589	0	208,589	208,589	0
5147	1,066,835	0	1,066,835	1,066,835	0
5408	952,828	0	952,828	952,828	0
5411	879,744	447,336	432,408	432,408	432,408
5413	66,638	0	66,638	66,638	65,947
6119	241,139	0	241,139	241,139	35,578
6126	429,071	0	429,071	429,071	0
6228	184,045	0	184,045	184,045	26,561
6997	1,337,794	0	1,337,794	1,337,794	0
Small Projects:					
1713	38,045	0	38,045	38,045	35,135
1903	4,092	0	4,092	4,092	4,049
1938	1,535	0	1,535	1,535	1,519
2063	3,015	0	3,015	3,015	2,984
2800	15,657	0	15,657	15,657	4,018
2802	5,327	0	5,327	5,327	5,272
2807	5,688	0	5,688	5,688	5,629
3309	7,861	0	7,861	7,861	7,780
3311	2,845	0	2,845	2,845	2,816
3313	9,226	6,745	2,481	2,481	2,481
3517	2,235	0	2,235	2,235	2,212
3858	8,687	0	8,687	8,687	8,597
3874	1,308	0	1,308	1,308	1,295

**EXHIBIT (Continued)**

**Schedule of Projects Audited  
August 11, 2004, to January 25, 2006  
City of Orlando, Florida  
FEMA Disaster Number DR-1539-FL**

Project Number	Gross Amount Awarded	Amount Disallowed by FEMA for Insurance Coverage	Net Amount Awarded	Amount Claimed/ Reviewed	Amount Questioned
4426	\$13,189	\$0	\$13,189	\$13,189	\$3,420
4520	2,496	0	2,496	2,496	684
4621	27,168	0	27,168	27,168	246
4792	4,988	3,166	1,822	1,822	427
4914	4,892	0	4,892	4,892	4,892
5824	50,865	13,058	37,807	37,807	8,041
5826	2,058	0	2,058	2,058	312
5885	45,900	0	45,900	45,900	22,661
5891	2,840	0	2,840	2,840	430
5924	95,031	43,678	51,353	51,353	51,353
5975	4,275	0	4,275	4,275	4,164
6079	34,684	1,126	33,558	33,558	4,101
6152	5,528	0	5,528	5,528	1,056
6176	4,545	0	4,545	4,545	314
6223	23,368	0	23,368	23,368	8,636
6225	36,386	0	36,386	36,386	9,688
6253	14,552	3,134	11,418	11,418	507
6257	3,743	0	3,743	3,743	3,164
6352	4,239	0	4,239	4,239	1,204
6353	10,567	2,465	8,102	8,102	8,102
6435	29,751	0	29,751	29,751	1,169
6459	13,659	10,270	3,389	3,389	3,389
6493	1,665	0	1,665	1,665	354
6513	26,843	0	26,843	26,843	12,176
<b>Total</b>	<b>\$13,617,774</b>	<b>\$530,978</b>	<b>\$13,086,796</b>	<b>\$13,086,796</b>	<b>\$809,052</b>

## ADDITIONAL INFORMATION AND COPIES

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