

Department of Homeland Security Office of Inspector General

FEMA Public Assistance Grant Funds Awarded to
Massachusetts Department of Conservation and
Recreation

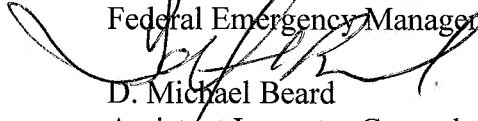




Homeland Security

MAR 14 2012

MEMORANDUM FOR: Paul Ford
Deputy Regional Administrator, Region I
Federal Emergency Management Agency

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

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
Massachusetts Department of Conservation and Recreation
FEMA Disaster Number 1813-DR-MA
Audit Report Number DA-12-12*

We audited public assistance funds awarded to the Massachusetts Department of Conservation and Recreation (Department) in Boston, Massachusetts (FIPS Code: UC8ZK-00). Our audit objective was to determine whether the Department accounted for and expended Federal Emergency Management Agency (FEMA) program funds according to federal regulations and FEMA guidelines.

As of August 15, 2010, the Department had received a public assistance award of \$9.7 million from the Massachusetts Department of Emergency Management (State), a FEMA Grantee, for damages resulting from a severe winter ice storm that occurred in December 2008. The award provided 75% FEMA funding for debris removal, emergency protective measures, and permanent repairs to damaged facilities. The award included 19 large projects and 33 small projects.¹

Our audit focused on \$7.9 million awarded under nine large projects (see Exhibit, Schedule of Projects Audited). The audit covered the period December 18, 2008, to August 15, 2010, during which the Department received \$6.0 million of FEMA funds. At the time of our audit, the Department had completed all work under the projects and had submitted final 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 upon our audit objective. We believe

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$62,400.

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 Department, State, and FEMA personnel; reviewed the Department'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 Department'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 Department'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 Department generally accounted for \$7.9 million in FEMA grant funds according to federal regulations and FEMA guidelines. However, the Department's claim included \$357,332 of questionable costs consisting of \$99,344 of excessive costs and \$257,988 of unsupported costs that FEMA should disallow.

Finding A: Excessive Costs

The Department's claim included \$99,344 of excessive project costs. According to 2 CFR 225, *Cost Principles for State, Local and Indian Tribal Governments*, Appendix A, Section C.1.a, costs under federal awards must be both reasonable and necessary.

- Under Projects 19 and 258, FEMA incorrectly calculated eligible debris removal costs. The Department incurred \$777,657 of costs for removing 9,142 tons of debris in areas affected by the disaster. FEMA reviewed the costs and determined that the debris included 416 tons of ineligible debris, 3,851.3 tons of contaminated debris that was the responsibility of the United States Department of Agriculture (USDA),² and 4,874.7 tons of FEMA-authorized debris. To allocate eligible costs to the FEMA projects, FEMA first divided total costs of \$777,657 by 8,726 tons (9,142 tons collected less 416 of ineligible tons) to arrive at a "per ton" rate of \$89.12. FEMA then multiplied the \$89.12 by the 4,874.70 tons of FEMA-authorized debris to determine eligible costs of \$434,433. FEMA allocated \$308,140 of the costs to Project 19 and \$126,294 to Project 258.

However, FEMA's methodology for calculating the per ton rate of \$89.12 was flawed. It should not have deducted the 416 tons of ineligible debris from the total tons collected because removing such debris from the calculation does not yield the true cost per ton of

² The debris was contaminated with the Asian longhorned beetle (ALB). The ALB is an invasive pest of hardwood trees, including maple, birch, and elm. The spread of the pest would have a serious negative impact on maple sugaring, nursery, tourism, and forest products industries, as well as the state's parks, forests, and street trees. The USDA and the Department had begun an eradication program in these cities prior to the disaster. FEMA and the USDA agreed that USDA would cover the removal costs of such debris.

removing all debris, both eligible and ineligible, in the affected area. The correct cost is \$85.06 per ton, which is derived from dividing the total costs of \$777,657 by the entire 9,142 tons of debris removed. Using this rate, the total eligible cost allocable to the FEMA projects is \$414,642 ($\$85.06 \times 4,874.7$ tons), which is \$19,791 less than the amount calculated by FEMA and claimed by the Department. Therefore, we question the \$19,791—\$13,854 under Project 19 and \$5,937 under Project 258.

- The Department claimed \$102,869 of equipment costs under Project 197, but had actual costs of only \$30,269. The \$72,600 of excessive costs occurred because of a math error made by Department personnel when calculating equipment costs.
- The Department's claim under debris removal Project 317 included \$6,953 of excessive costs because the quantity of debris that the Department claimed did not agree with the information on the work orders. For one line item of cost, the Department claimed \$40,446 for the removal of 90 trees and 71 cubic yards of debris. However, the work order indicated that 71 trees and 90 cubic yards of debris were removed. This error resulted in excessive costs of \$6,304. For another line item of cost, the Department claimed that 273 hanging branches were removed. However, the work order indicated that 263 branches were removed rather than 273. This error resulted in an excess claim of \$649. We question the excessive costs totaling \$6,953 (\$6,304 and \$649).

Finding B: Supporting Documentation

The Department's claim included \$257,988 of debris removal costs that were not adequately supported by source documentation such as debris load tickets, hazard tree inventory sheets, and work orders. 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. Further, FEMA's *Public Assistance Applicant Handbook* (FEMA 323, September 1999, p. 53) states that an applicant is responsible for maintaining all source documentation needed to support large projects.

- Under Projects 19 and 258, the Department claimed \$308,140 and \$126,294, respectively, for the removal of 4,874.70 tons of debris at a rate of \$89.12 per ton. However, load tickets supported removal of only 2,495.40 tons, or 2,379.23 less than the amount claimed. As explained under finding A, we determined that the correct cost of removing the debris was \$85.06 per ton instead of \$89.12. Therefore, we question \$202,377 ($2,379.23$ tons \times \$85.06 per ton) of unsupported debris removal costs, which consists of \$141,664 under Project 19 and \$60,713 under Project 258.
- Under Project 317, the Department claimed \$291,140 for the removal of 420 trees and 2,016 hanging branches on unpaved roads. However, the Department provided documentation to support removal of only 362 trees and 1,563 hanging branches. We question \$45,776 of costs related to the trees and branches claimed, but not supported by source documentation.

- Under Project 989, the Department claimed \$9,835 for the removal of 816 trees, but had documentation to support removal of only 797 trees. We question \$9,835 of costs related to the trees claimed, but not supported by source documentation.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region I:

Recommendation #1: Disallow \$99,344 (federal share \$74,508) of excessive project costs (finding A).

Recommendation #2: Disallow \$257,988 (federal share \$193,491) of unsupported project costs (finding B).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the audit results with Department, State, 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 November 28, 2011. Department officials did not concur with our findings and recommendations. They said that they relied on FEMA's calculation for the costs claimed under the award. After the exit conference, the Department submitted load tickets and other documents, primarily for Projects 19 and 258, for our consideration. We reviewed the documentation and revised some of our findings before the issuance of this report. We did not revise our findings of unsupported costs for Projects 19 and 258 because the load tickets either were for ineligible debris or did not provide information on the quantity of debris removed. Department officials said that they would continue to look for supporting documentation for the questioned costs.

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. We will post the report on our website for public dissemination. Significant contributors to this report were David Kimble, Adrienne Bryant, Mary Stoneham, and Amos Dienye.

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 I
Audit Liaison, FEMA
Audit Liaison, FEMA HQ (Job Code: G-11-047)
Audit Liaison, DHS

EXHIBIT

**Schedule of Projects Audited
December 18, 2008, to August 15, 2010
Massachusetts Department of Conservation and Recreation
FEMA Disaster No. 1813-DR-MA**

Project Number	Amount Awarded	Amount Claimed	Amount Questioned	Finding
19	\$ 308,140	\$ 308,140	\$155,518	A, B
37	4,824,559	4,824,559	0	
127	469,613	469,613	0	
258	126,294	126,294	66,650	A, B
317	550,654	550,654	52,729	A, B
869	401,956	401,956	0	
893	580,715	580,715	0	
989	578,415	578,415	9,835	A
997	123,115	123,115	72,600	B
Total	\$7,963,461	\$7,963,461	\$357,332	

ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this report, please call the Office of Inspector General (OIG) at (202)254-4100, fax your request to (202)254-4305, or e-mail your request to our OIG Office of Public Affairs at DHS-OIG.OfficePublicAffairs@dhs.gov. For additional information, visit our OIG website at www.oig.dhs.gov or follow us on Twitter @dhsoig.

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