



Homeland  
Security

March 2, 2007

MEMORANDUM FOR: E.C. Smith, Director  
FEMA Texas Transitional Recovery Office  
*Tonda L. Hadley*

FROM: Tonda L. Hadley, Director  
Central Regional Office

SUBJECT: *Interim Review of Hurricane Rita Activities*  
*Jefferson County, Texas*  
FEMA Disaster Number DR-1606-TX  
Public Assistance Identification Number 245-99245-00  
Report Number DD-07-07

We performed an interim review of public assistance funds awarded to Jefferson County, Texas (County). Our objective was to determine whether the County expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

As of August 25, 2006, the cut-off date for our review, the County received an award of \$45.6 million from the Texas Governor's Division of Emergency Management, a FEMA grantee, for damages resulting from Hurricane Rita. The award was for 126 FEMA-eligible projects funded at 100% for emergency work and 90% for permanent work. We reviewed costs for four projects totaling \$35.1 million, or 77% of the award (see Exhibit).

We performed this review under the authority of the Inspector General Act of 1978, as amended, and according to Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. Our review included interviews of County, State, and FEMA officials; reviews of the County's accounting system, disaster cost documentation, and contracting policies and procedures; and other procedures considered necessary under the circumstances.

### **RESULTS OF REVIEW**

In general, the County expended and accounted for FEMA funds according to federal regulations and FEMA guidelines. The County properly accounted for FEMA funds by project and supported project expenditures with invoices, copies of checks, and other documentation. Also, with minor exceptions, the County followed federal procurement regulations to contract for debris removal and

monitoring. Therefore, we commend the County and State for a job well done. We identified the following issues that resulted in questionable costs:

- In November 2005, FEMA advanced the County \$24.5 million, of which the County has spent \$23.2 million. As of July 2006, the County earned \$186,393 interest on the FEMA funds. According to 44 CFR 13.21(i), subgrantees should promptly remit interest earned on advances.
- The County purchased small generators under Project 3062 to provide electric power during the disaster. With power restored, County officials no longer needed the generators and sold them for net proceeds of \$49,686. FEMA policy defines small equipment purchases under \$5,000 each as supplies.<sup>1</sup> If the aggregate fair market value of remaining supplies exceeds \$5,000, 44 CFR 13.33(b) requires subgrantees to reimburse FEMA for the net sales proceeds.
- The County claimed \$3,372 twice for the cost of vehicle hours claimed under Project 2901.
- Under Project 3062, the County purchased and retained supplies costing \$15,531, including laptop computers, portable printers and an ID badge machine used during the disaster. According to FEMA policy, when remaining supplies exceed \$5,000 and cannot be used for any other federally sponsored program, the sub-grantee must reimburse FEMA the fair market value of the supplies. Therefore, the County should either reduce its claim by the fair market value of the supplies or use the supplies for other federally funded programs.

### **RECOMMENDATIONS**

We recommend that the Director, Texas Transitional Recovery Office:

1. Recover the \$186,393 interest earned on FEMA funds as of July 2006 plus additional interest earned after that date.
2. Disallow \$53,058 questioned as proceeds from excess supplies (\$49,686), and duplicate vehicle costs (\$3,372).
3. Ensure County officials either remit the fair market value of the remaining supplies to FEMA or use the supplies for other federally funded programs.

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<sup>1</sup> Response and Recovery Directorate Policy Number 9525.12.

## **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP**

We discussed the results of our review with County officials on September 13, 2006, and with State and FEMA officials on December 06, 2006. These officials concurred with our findings and recommendations. Please advise this office by May 2, 2007, of the action taken or planned to implement the recommendations, including target completion dates for any planned actions. Should you have any questions concerning this report, please call me at (940) 891- 8900 or Audit Manager Christopher Dodd at (940) 465-4018.

cc: DHS Audit Liaison  
FEMA Audit Liaison  
Chief Financial Director, Gulf Coast Recovery Office  
Deputy Director, Gulf Coast Recovery Office  
Regional Director, FEMA Region VI  
Public Assistance Officer, FEMA Texas Transitional Recovery Office  
Chief of Staff, FEMA Texas Transitional Recovery Office  
Texas State Coordinating Officer  
Texas State Auditor

**EXHIBIT**

**Schedule of Projects Reviewed  
Jefferson County, Texas  
FEMA Disaster Number DR-1606-TX**

<b>Project Number</b>	<b>Award Amount<sup>2</sup></b>	<b>Amount Claimed<sup>3</sup></b>	<b>Questioned Costs</b>
3	\$32,640,000	\$23,157,997	\$186,393
2901	1,443,179	1,443,179	49,686
3062	457,324	457,320	3,372
3446	599,040	599,040	
<b>Totals</b>	<b><u>\$35,139,543</u></b>	<b><u>\$25,657,536</u></b>	<b><u>\$239,451</u></b>

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<sup>2</sup>The total \$45.6 million award was for 126 FEMA-approved projects, 43 large and 83 small. Federal regulations in effect at the time of the disaster set the large project threshold at \$55,500.

<sup>3</sup>Represents the amount claimed as of August 25, 2006, the cut-off date for our review. At that time, the four projects reviewed remained open.