

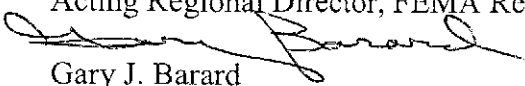


Homeland Security

August 1, 2005

MEMORANDUM

TO: Joseph F. Picciano
Acting Regional Director, FEMA Region II

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Municipality of Coamo
FEMA Disaster No. 1247-DR-PR
Audit Report No. DA-22-05

The Office of Inspector General (OIG) conducted an audit of public assistance funds awarded to the Municipality of Coamo, Puerto Rico. The objective of the audit was to determine whether the Municipality accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Municipality received an award of \$3.8 million from the Puerto Rico Office of Management and Budget, a FEMA grantee, to remove debris, provide emergency protective measures, and repair roads and other public facilities damaged as a result of Hurricane Georges in September 1998. The award provided 90 percent FEMA funding for 4 large projects and 87 small projects¹. The audit covered the period of September 1998 to December 2001. During this period, the Municipality claimed \$3,801,415 (See Exhibit A) and received \$2,815,814 of FEMA funds.

We performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included test of the Municipality's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$47,100.

RESULTS OF AUDIT

The Municipality's claim included \$1,031,165 (FEMA share \$928,049) of costs that we questioned, resulting from excessive and unsupported charges, duplication of benefits, and incomplete implementation of large and small projects.

A. Excessive and Unsupported Charges. The Municipality's claim included excessive and unsupported charges totaling \$494,610, as follows:

1. The Municipality's claim of \$2,025,000 for transporting debris to a temporary storage site was overstated by \$463,833. Federal regulation (44 CFR 13.20) requires subgrantees to maintain supporting documentation for all charges under FEMA projects. For debris removal activities, this includes the maintenance of load tickets to reflect the amount of debris delivered to a temporary storage site (FEMA Guide 325).

The Municipality claimed \$2,025,000 under Project 00661 to compensate a private contractor for transporting 75,000 cubic yards of debris, at \$27 per cubic yards, to a temporary storage site. We determined that the Municipality claim was based on truckload capacity and the number of trips made by the trucks during debris removal operations. However, load tickets were not available to document the amount of actual debris hauled.

FEMA, through a mission assignment, had the United States Corps of Engineers (USCOE) transport the debris from a temporary site to a final disposal site. The USCOE records showed that only 42,205 cubic yards of debris was transported under this effort.

In situations where a grant recipient fails to record actual debris delivered to a temporary site, FEMA policy (established by FEMA's Caribbean Office on February 19, 1999) provides for payment based on the amount removed from the temporary site for disposal at a final site, plus an additional 37 percent for the estimated extent of compaction while stored at the temporary site. Thus, the Municipality was entitled to compensation of \$1,561,167 for a total of 57,821 cubic yards of debris (42,205 cubic yards plus 37 percent compaction equal 57,821). Therefore, we question the excess charges of \$463,833 (\$2,025,000 minus \$1,561,167).

2. Contrary to federal regulation (44 CFR 13.20), the Municipality failed to maintain supporting documentation for force account equipment charges of \$30,777.

Under debris removal Project 00662, the Municipality's claim of \$320,008 included \$49,017 for temporary employees, \$235,621 for rented equipment, and \$35,370 for force account equipment. The Municipality had documentation to support charges for temporary employees and rented equipment (i.e. invoices, equipment utilization records, payroll, cancelled checks, etc.)

However, for the force account equipment charges, the Municipality had summary equipment records to support only \$4,593. Accordingly, we question the \$30,777 of unsupported force account equipment charges.

B. Duplication of Benefits. The Stafford Act does not allow duplication of benefits between FEMA programs and any other assistance program, or damages covered by insurance. The Municipality's claim, however, included \$189,321 that was duplicated through other sources, as illustrate below:

1. The Municipality received \$17,134 under three small projects to replace asphalt on various roads. However, the Municipality also received \$ 9,676 from the United States Department of Housing and Urban Development (HUD) for the same activities. The FEMA projects that received duplicate funding were:

<u>FEMA Project</u>	<u>FEMA Funding</u>	<u>Location</u>	<u>Duplicate Funding</u>	<u>HUD Project</u>
00723	\$11,802	Zanja Blanca Sector, Santa Catalina Ward, PR 553	\$4,940	HUD 03-FC-18-001
00726	1,252	Los Cilantros Sector, PR 150 Interior	656	HUD 03-FC-18-001
00727	<u>4,080</u>	Descalabro Sector, PR 150 Km 15 Off Road	<u>4,080</u>	HUD 03-FC-18-001
Total	<u>\$17,134</u>		<u>\$9,676</u>	

Therefore, we question the \$9,676 of duplicate benefits.

2. FEMA mistakenly funded the same activities under more than one project, resulting in duplicate funding of \$168,359, as follows:

- Under Project 00720, FEMA provided \$1,895 for road repair activities that included the replacement of asphalt at Rio Chiquito Municipal Road. However, FEMA also provided \$1,175 under Project 00721 for the replacement of asphalt on the same road. We question the \$1,175 duplicated under Project 00721.
- The Municipality received \$10,140 under Project 02148 to replace asphalt and construct a retaining wall at Valle Hermoso Municipal Road; however, the same activities were funded with \$10,176 under Project 02101. We question the \$10,140 of duplicate funding under Project 02148.
- The Municipality received \$29,958 under Project 02142 for road repair activities (retaining wall, asphalt, guardrails, etc.) at Quebrada Arriba Ward. However, the Municipality also received \$29,008 under Project 02096 to perform the same activities. We question the \$29,008 of duplicate funding under Project 02096.
- FEMA approved \$44,691, under Project 08656, for road repair activities, including the replacement of asphalt, the removal and installation of a corrugated metal pipe, the removal and construction of a headwall, and the installation of gabions at Hoya Fria Municipal Road. However, under Project

02120, FEMA also provided \$37,482 for the same activities. We question the \$37,482 of duplicate funding under Project 02120.

- Under Project 11404, the Municipality received \$43,628 for road repair activities, the replacement of asphalt and the removal and construction of a sidewalk at Los Llanos Ward. However, the Municipality also received \$23,917 under Project 02110 to perform these activities. We question the \$23,917 of duplicate funding.
 - The Municipality claimed and received \$66,637, under large Project 10799, to construct a temporary access road and a permanent bridge at La Mora Sector. FEMA also provided \$9,764 under small Project 02097, and \$35,683 under small Project 02150 for the same activities. We found that the Municipality implemented these activities under the two small projects and not under the large project. Accordingly, we question the \$66,637 of duplicate funding under large Project 10799.
3. The Municipality is responsible for pursuing full insurance recoveries and crediting FEMA projects with all applicable proceeds. However, the Municipality's claim included \$11,286 of charges covered by insurance.

The Municipality received \$8,816 under Project 00236 for repairs to a Baseball Park at Palmarejo Ward (a bleacher, a grandstand, an electric pole, etc.). However, although insured, the Municipality did not pursue insurance recoveries for these repairs. Therefore, we question the \$8,816 for losses that were fully insured.

Also, under Project 07502, the Municipality received \$24,670 that included \$2,470 to replace a wood sign at the Miguel Carattini Recreational Facility. However, we determined that the Municipality received insurance payment for the wood sign, thus alleviating the need for FEMA funds. Accordingly, we question the \$2,470 duplicate payment.

C. Incomplete Implementation of Small and Large Projects. As a result of field inspections and record review, we found that work valued at \$347,234 under several small projects and a large project was not implemented.

1. In accordance with federal regulations (44 CFR 206.205(a)), the grantee provided the Municipality 100 percent FEMA funding for small projects at the time small projects were awarded. This regulation requires the Municipality to certify that small projects have been completed in accordance with the approved scope of work. Federal payments are to be refunded if all work is not completed.

However, we determined that the Municipality's claim of \$657,969 under several small projects, included work valued at \$331,875 that was certified as completed, but was not performed. Accordingly, we questioned these charges (See Exhibit B).

2. Under large Project 02149, FEMA awarded and the Municipality claimed \$64,413 to repair a bridge at Villa Norat. We determined that the Municipality's claim included \$15,359 for services that were not performed. Specifically, the Municipality entered into a contract to repair the bridge and also perform certain mitigation work authorized under the project. The mitigation work consisted of constructing two box culverts, demolishing two wing walls, and installing a guardrail on the bridge. However, according to FEMA's final inspection report, dated November 2004, the mitigation work was not performed by the contractor. Accordingly, we question the \$15,359 claimed.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$1,031,165 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The results of the audit were discussed with Municipality officials on June 10, 2005, and with FEMA and grantee officials on June 15 and 16, 2005, respectively. Municipality officials agreed with Findings A and B, but withheld comment on finding C pending receipt of the audit report.

Please advise the Atlanta Field Office-Division by October 3, 2005, of the actions taken to implement the OIG recommendations. Should you have any questions concerning this report, please contact me at (770) 220-5242 or Salvador Maldonado-Avila at (787) 294-2532.

Municipality of Coamo
FEMA Disaster 1247 DR-PR
Schedule of Claimed and Questioned Cost

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>	
<u>Large Projects</u>				
00661	\$2,025,000	\$2,025,000	\$463,833	Finding A
00662	320,008	320,008	30,777	Finding A
02149	64,413	64,413	15,359	Finding C
10799	<u>66,637</u>	<u>66,637</u>	<u>66,637</u>	Finding B
Sub-Total	\$2,476,058	\$2,476,058	\$576,606	
<u>Small Projects</u>				
00232	\$43,641	\$43,641	\$43,641	Finding C
00236	8,816	8,816	8,816	Finding B
00239	7,738	7,738	376	Finding C
00719	31,180	31,180	16,913	Finding C
00720	1,895	1,895	717	Finding C
00721	1,175	1,175	1,175	Finding B
00722	5,696	5,696	2,817	Finding C
00723	11,802	11,802	4,940	Finding B
			3,185	Finding C
00724	9,802	9,802	4,736	Finding C
00725	3,724	3,724	3,724	Finding C
00726	1,252	1,252	656	Finding B
00727	4,080	4,080	4,080	Finding B
00728	5,252	5,252	868	Finding C
00729	1,686	1,686	185	Finding C
02096	29,008	29,008	29,008	Finding B
02098	5,389	5,389	5,389	Finding C
02099	5,389	5,389	5,389	Finding C
02100	37,107	37,107	9,930	Finding C
02101	10,176	10,176	6,646	Finding C
02102	29,092	29,092	2,060	Finding C
02104	14,148	14,148	1,035	Finding C
02106	31,863	31,863	6,000	Finding C
02107	24,779	24,779	10,428	Finding C
02110	23,917	23,917	23,917	Finding B
02114	40,252	40,252	7,975	Finding C
02118	20,076	20,076	8,784	Finding C
02120	37,482	37,482	37,482	Finding B
02122	36,990	36,990	13,345	Finding C
02123	13,238	13,238	13,238	Finding C
02125	12,190	12,190	12,190	Finding C

Municipality of Coamo
FEMA Disaster 1247 DR-PR
Schedule of Claimed and Questioned Cost

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>	
02128	31,047	31,047	11,460	Finding C
02131	23,908	23,908	6,219	Finding C
02132	15,305	15,305	7,583	Finding C
02134	3,848	3,848	3,848	Finding C
02135	22,313	22,313	15,822	Finding C
02138	1,192	1,192	1,192	Finding C
02139	2,834	2,834	2,834	Finding C
02140	32,559	32,559	15,124	Finding C
02141	46,034	46,034	34,256	Finding C
02142	29,958	29,958	29,958	Finding C
02146	1,175	1,175	717	Finding C
02148	10,140	10,140	10,140	Finding B
07502	24,470	24,470	2,470	Finding B
08656	44,691	44,691	23,291	Finding C
Other Small Projects (43)	<u>527,048</u>	<u>527,048</u>	<u>-0-</u>	
Sub-Total	\$1,325,357	\$1,325,357	\$454,559	
Total	<u>\$3,801,415</u>	<u>\$3,801,415</u>	<u>\$1,031,165</u>	

Municipality of Coamo
FEMA Disaster 1247 DR-PR
Small Project Not Implemented

Exhibit B

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Questioned</u>	<u>Location</u>	<u>Activities Not Implemented</u>
00232	\$ 43,641	\$ 43,641	Villa Norat Sector	Bridge Repair
00239	7,738	376	Sabana Hoyos Baseball Park	Realign Bleachers Columns
00719	31,180	16,913	Rio Chiquito Municipal Road (PR 150 KM 18.5)	Replace Asphalt, Aggregate Base and Scarification, Shaping and Compacting
00720	1,895	717	Rio Chiquito Municipal Road- Off Road PR 150 1.2 miles inside	Replace Asphalt, Aggregate Base and Scarification, Shaping and Compacting
00722	5,696	2,817	Rio Chiquito Municipal Road -Off Road 150	Replace Asphalt, Aggregate Base and Scarification, Shaping and Compacting
00723	11,802	3,185	Zanja Blanca Sector, Santa Catalina Ward, PR 553	Construct Concrete Swales and a Slope Protection, Excavation and Backfill
00724	9,802	4,736	El Rio Rural Road, Santa Catalina Ward	Replace Asphalt
00725	3,724	3,724	Rio Jueyes Sector, San Idelfonso Ward	Remove Debris, Replace Backfill, Construct a Concrete Sidewalk and a Rip Rap
00728	5,252	868	Santa Catalina Ward (PR 150 KM 16.1)	Replace Asphalt
00729	1,686	185	La Escritura Municipal Road (PR 150 KM 16.2)	Replace Asphalt
02098	5,389	5,389	Quebrada Arriba Sector	Temporary Bridge
02099	5,389	5,389	Villa Norat Sector	Temporary Bridge
02100	37,107	9,930	Quebrada Arriba Road (PR 555 KM 1.3 Site 3 and 4)	Replace Asphalt and Construct a Reinforced Concrete Swales and a Rip Rap
02101	10,176	6,646	Valle Hermoso Municipal Road	Replace Asphalt and Construct a Reinforced Concrete Headwall
02102	29,092	2,060	La Pollera Sector PR 553, Santa Catalina Ward	Replace Asphalt, Aggregate Base and Scarification, Shaping and Compacting
02104	14,148	1,035	Rio Chiquito Municipal Road- Off Road PR 150 KM 0.7 and 1.5 miles inside	Replace Asphalt, Aggregate Base and Scarification, Shaping and Compacting and Construct a Concrete Structure
02106	31,863	6,000	Quebrada Arriba (PR 555 KM 1.3, Site 6B and 6C)	Construct 500 lf of Side Ditch
02107	24,779	10,428	Quebrada Arriba (PR 555 KM 1.3, Site 7,8,9, and 10)	Construct 869 lf of Side Ditch
02114	40,252	7,975	Sabaneta Municipal Road, Pedro Garcia Ward (Site 4)	Remove and Install 20 lf of a 36' CMP and Structural Walls
02118	20,076	8,784	Municipal Road and Park Area, Pedro Garcia Ward	Replace Asphalt, Aggregate Base and Scarification, Shaping and Compacting and Remove and Install 20 lf of a 36" CMP
02122	36,990	13,345	Julito Santiago Municipal Road, Santa Ana Ward	332 cy of Excavation, Construct a Concrete Curb Gutter, Remove a 60" RCP and Replace Asphalt
02123	13,238	13,238	Municipal Road, Rincones Sector,	Remove a Concrete Slab, Remove a 30" CMP, Remove Headwalls and Install a 30" CMP
02125	12,190	12,190	Palmarejo Ward Asomante Sector	Replace Asphalt, Aggregate Base and Scarification, Shaping and Compacting
02128	31,047	11,460	Turquia Sector (Site 1 and 4)	Remove 2 Pipes 24", Construct a Curb Gutter and Remove a 36" RCP
02131	23,908	6,219	La Mora Municipal Road, Coamo Arriba Ward (PR 555 KM 8.9)	Replace 1,309.23 sy/in of Asphalt
02132	15,305	7,583	Los Rolones Path, Cuyon Ward	Replace Asphalt, Aggregate Base and Scarification, Shaping and Compacting
02134	3,848	3,848	Los Nazarios Municipal Road	Replace Asphalt, Aggregate Base and Scarification, Shaping and Compacting
02135	22,313	15,822	Sabaneta Municipal Road, Pedro Garcia Ward (Site 5 and 6)	Construct a Headwall and Replace Asphalt
02138	1,192	1,192	San Luis Sector, Pueblo Ward	Replace Asphalt, Aggregate Base and Scarification, Shaping and Compacting
02139	2,834	2,834	Sabana Hoyos Baseball Park	Roof Replacement, Remove and Repair a Chain Link Fence and Debris Removal
02140	32,559	15,124	Las Calabazas Municipal Road, Calabazas Sector	Install a Guard Rail, Repair a Floor Slab and a Railing Post
02141	46,034	34,256	El Quenepo Road	Remove 3 RCP 48" and Replace 3 CMP 48"
02142	29,958	29,958	Quebrada Arriba Sector, Coamo Arriba Ward	Construct a Retaining Wall, Walls and Guardrail and Replace Backfill
02146	1,175	717	Rio Chiquito Municipal Road, (PR 150 KM 15.5)	Replace Asphalt, Aggregate Base and Scarification, Shaping and Compacting
08656	<u>44,691</u>	<u>23,291</u>	Hoya Fria Municipal Road	Excavation, Install Gabions, Replace Asphalt Aggregate Base Course, Backfill, Cleaning a 36" Sewer Pipe, Install a 36" RCP, Bridge Railing and Structural Concrete
Total	<u>\$657,969</u>	<u>\$331,875</u>		

