



**Homeland
Security**

August 14, 2006

MEMORANDUM FOR: Nick Russo
Federal Coordinating Officer
Mississippi Joint Field Office
Biloxi, Mississippi

FROM: *dk* C. David Kimble *MadA*
Audit Director
Atlanta Field Office

SUBJECT: *Review of Hurricane Katrina Activities
Pearl River County, Mississippi
FEMA Disaster Number 1604-DR-MS
Report Number GC-MS-06-47*

We performed a review of debris removal costs associated with Hurricane Katrina activities for Pearl River County, Mississippi. The objective of the review was to determine whether the county was properly accounting for disaster-related costs and whether such costs were eligible for funding under FEMA's disaster assistance program.

The county received an award of \$49.7 million from the Mississippi Emergency Management Agency (MEMA), a FEMA grantee, for the removal of debris. The award provided funding for three large projects. As of October 26, 2005, the cut-off date of our review, the county had received \$9.4 million of FEMA funds and had recorded expenditures of \$6.1 million for debris removal activities.

Our review consisted of an analysis of the county's accounting system, related disaster costs, contracting policies and procedures, and interviews with county officials. The nature and brevity of the assignment precluded the use of our normal audit protocols. Therefore, it was not conducted in accordance with generally accepted government auditing standards. Had we followed such standards, other matters may have come to our attention.

The review was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the federal government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security working group, which is coordinating the Inspectors General review of this important subject.

RESULTS OF REVIEW

The county accounted for funds on a project-by-project basis consistent with federal regulation for large projects (44 CFR § 206.205). Additionally, expenditures were supported by checks, invoices, and other source documents. Also the county's contracts for debris removal activities were competitively awarded and generally complied with federal regulation (44 CFR § 13.36).

However, the county did not take action to ensure that it obtained the best price for debris contract monitors. The county elected to retain an engineering firm, with whom it had an existing contract relationship, to monitor the activities of debris contractors. Under the existing contract, the firm was providing oversight and certification of construction work related to county buildings and road projects. Rather than attempt to negotiate a lower price for debris monitoring, the county paid the firm the rates in the existing contract. The rates appeared to be high for the services provided. They ranged from \$40 an hour for on-site monitors and data processing personnel to \$65 an hour for field coordinators.

The basic functions performed by monitors are to observe debris pickups in the field and sign trip tickets that truckers take to disposal sites. According to federal cost principles (OMB Circular A-87), compensation for services should be commensurate with the nature of work performed. The existing and unrelated engineering labor rates should not have been used for debris monitors because they appeared not to be commensurate with the nature of the work.

RECOMMENDATION

We recommend that the Federal Coordinating Officer, in coordination with MEMA, require the county to take immediate action to negotiate labor rates for any existing debris monitors and ensure that under future FEMA projects, rates for services are commensurate with the nature of work performed.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our review with county, MEMA, and FEMA officials on March 16, 2006. County officials concurred with our finding.

Please advise me by September 29, 2006, of the action taken to implement the recommendation. Your response should be sent to:

U.S. Department of Homeland Security
Office of Inspector General
3003 Chamblee-Tucker Road
Atlanta, GA 30341

Auditors Mary Stoneham and Billy Howard performed this review. Should you have any questions concerning this report, please call me at (770) 220-5240.

cc: Under Secretary for Management
Under Secretary for Federal Emergency Management
Office of General Counsel, DHS
Chief Financial Officer, DHS
Chief Procurement Officer, DHS
Audit Liaison, DHS
Audit Liaisons, FEMA
Chief Financial Officer, FEMA
Deputy Director, Gulf Coast Recovery
Regional Director, FEMA Region IV
Mississippi State Coordinating Officer