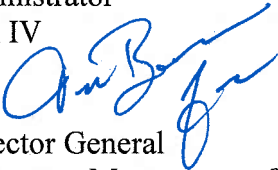




Homeland Security

August 5, 2011

MEMORANDUM FOR: Major P. (Phil) May
Regional Administrator
FEMA Region IV

FROM: Matt Jadacki 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
Gulf Shores Utilities, Gulf Shores, Alabama*
Public Assistance Identification Number 003-UB35S-00
FEMA Disaster Number 1549-DR-AL
Audit Report Number DA-11-20

We audited public assistance grant funds awarded to Gulf Shores Utilities (Utility), Gulf Shores, Alabama. The audit objective was to determine whether the Utility accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

The Utility received a public assistance award totaling \$7.6 million¹ from Alabama Emergency Management Agency (AEMA), a FEMA grantee, for damages related to Hurricane Ivan, which occurred in September 2004. The award provided 100% FEMA funding for the first 72 hours of debris removal and emergency protective measures undertaken during the disaster and 90% funding thereafter. The award also provided 90% FEMA funding for repairs to facilities and other public buildings.

We reviewed costs totaling \$7.4 million claimed under four large projects, as shown in table 1 on the following page. The audit covered the period from September 15, 2004, to May 7, 2009, during which the Utility received \$6.7 million of FEMA funds under the projects reviewed. At the time of our audit, the Utility had completed all projects and had submitted its final claim on expenditures to AEMA.

¹ The award consisted of five large projects and three small projects. Federal regulations in effect at the time of Hurricane Ivan set the large project threshold at \$54,100.

Table 1: Schedule of Audited Projects		
Project Number	Amount Awarded	Amount Claimed
2965	\$ 633,182	\$ 633,182
3037	334,620	334,620
3090	5,897,682	5,897,682
3148	540,868	540,868
Total	\$7,406,352	\$7,406,352

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 that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit according to the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We reviewed judgmentally selected samples of project costs (generally based on dollar value); interviewed Utility, AEMA, and FEMA personnel; reviewed the Utility's disaster grant accounting system and contracting 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 Utility's internal controls applicable to its grant activities because it was not necessary to accomplish our objective. We did, however, gain an understanding of the Utility's method of grant accounting and its policies and procedures for administering the activities provided for under the FEMA award.

RESULTS OF AUDIT

We determined that the Utility accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

DISCUSSION WITH MANAGEMENT

We discussed the audit results with Utility, FEMA, and AEMA officials on June 29, 2011. Because the audit did not identify issues requiring further action from FEMA, we consider this audit closed. Significant contributors to this report were David Kimble, Adrienne Bryant, and Jerry Aubin.

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.

Should you have questions concerning this report, please contact me at (202) 254-4100 or David Kimble at (404) 832-6701.

cc: Audit Liaison, FEMA Region IV
Audit Liaison, FEMA (Job Code G-11-019)
Audit Liaison, DHS