



# Homeland Security

August 15, 2009

MEMORANDUM FOR: Robert Ives, Director  
 FEMA Florida Recovery Office

FROM: C. David Kimble, Director  
 Eastern Regional Office

SUBJECT: *Orange County, Florida*  
 Public Assistance Identification Number: 095-99095-00  
 FEMA Disaster No.'s 1539, 1545 and 1561-DR-FL  
 Report Number DA-09-22

We audited public assistance funds awarded to Orange County, Florida. The objective of the audit was to determine whether the county accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

As of November 4, 2008, the cut-off date of our review, the county had received public assistance awards totaling \$67.7 million from the Florida Department of Community Affairs (DCA), a FEMA grantee, for debris removal and emergency protective measures undertaken as a result of Hurricane Charley in August 2004 and Hurricanes Frances and Jeanne in September 2004. The awards provided 100% FEMA funding for the first 72 hours after the disaster and 90% funding thereafter for 45 large projects and 27 small projects.<sup>1</sup>

We reviewed costs totaling \$49.3 million under the three disasters, which consisted of \$33.7 million for debris removal and \$15.6 million for emergency protective measures work. The projects included in our scope can be found in the Exhibit. The table below shows the specifics for each disaster.

Disaster	Disaster No.	Date of Disaster (Month/Year)	Amount Awarded (Millions)	Large Projects Awarded	Small Projects Awarded	Audit Scope (Millions)
Hurricane Charley	1539	Aug. 2004	\$27.5	20	12	\$17.9
Hurricane Frances	1545	Sept. 2004	\$20.8	12	6	\$18.0
Hurricane Jeanne	1561	Sept. 2004	\$19.4	13	9	\$13.4
Total			\$67.7	45	27	\$49.3

The audit covered the period of August 11, 2004, to November 4, 2008, during which the county received \$35.5 million of FEMA funds under the projects included in our audit scope. At the time of our audit, the county had not submitted final claims on project expenditures to DCA.

<sup>1</sup> Federal regulations in effect at the time of Hurricanes Charley, Frances, and Jeanne set the large project threshold at \$54,100.

We conducted this performance audit under the authority of 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 on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We judgmentally selected samples of project cost documentation (generally based on dollar value); interviewed county, DCA, and FEMA personnel; reviewed the county's grant accounting and procurement policies and procedures; reviewed applicable federal regulations and FEMA guidelines; and performed other procedures considered necessary to conduct and complete our review. We did not assess the adequacy of the county'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 county's grant accounting system and its policies and procedures for administering the activities provided for under the FEMA award.

### RESULTS OF AUDIT

The county accounted for FEMA funds on a project-by-project basis according to federal regulations for large projects. However, we identified \$3,422,738 of questioned costs resulting from ineligible, excessive, unsupported, and duplicate project charges. The county also received excess funding of \$1,760,080 under several debris removal projects.

A. Force Account Labor Costs. The County claimed \$8,904,053 of force account labor costs for permanent employees who performed emergency protective measures under the three disasters. This consisted of \$3,350,147 under Hurricane Charley, \$4,072,210 under Hurricane Frances, and \$1,481,696 under Hurricane Jeanne. However, \$1,276,605 of the charges were determined to be ineligible, as follows:

- \$1,223,692 for regular-time salaries and benefits. According to 44 CFR 206.228(a)(4), the straight or regular-time salaries and benefits of a subgrantee's permanently employed personnel are not eligible in calculating the cost of eligible emergency work.
- \$52,913 of excessive charges that consisted of \$49,568 from the county mistakenly applying incorrect emergency pay compensation rates and \$3,345 from data entry errors.

The table below identifies the project numbers and applicable ineligible costs.

Project Number	Disaster	Amount Ineligible		Total Ineligible Charges
		Regular-Time Salaries & Benefits	Excessive Charges	
6468	Hurricane Charley	\$ 359,513	\$ 3,591	\$ 363,104
6472	Hurricane Charley	130,253	11,831	142,084
8209	Hurricane Frances	59,368	17,752	77,120
8210	Hurricane Frances	354,176	8,421	362,597
5331	Hurricane Jeanne	75,750	10,343	86,093
5335	Hurricane Jeanne	244,632	975	245,607
Total		\$1,223,692	\$52,913	\$1,276,605

B. Costs for Ineligible Activities. According to 44 CFR 206.223(a)(3), an item of work must be the legal responsibility of an applicant to be eligible for FEMA funding. As a result of Hurricanes Charley, Frances, and Jeanne, the county developed the Community Action Response Team and Senior Assistance Team (CART/SAT) concept to assist with hurricane recovery efforts. The primary mission of the CART/SAT was to clear trees and storm debris from major roadways and secondary streets for access by emergency units; to help mitigate life safety hazards to citizens, public works, and utility crews; and to clear debris and hazards from roadsides and sidewalks to facilitate safe pedestrian traffic. In addition, the CART/SAT groups were responsible for helping protect private residences from further damage by applying tarps to provide temporary coverage to roofs.

A county official acknowledged in a July 11, 2005, memorandum to a FEMA representative that 43% of the CART/SAT activities related to protecting private houses and structures from further damages were ineligible for FEMA reimbursement. As a result, the county adjusted its force account labor claim for CART/SAT activities by 43%. However, the county did not reduce its claim of \$1,598,251 for force account equipment, rental equipment, and material costs associated with the ineligible activities. We reviewed such costs and determined that \$241,844 of the costs were related to ineligible CART/SAT activities. Therefore, we question the \$241,844 as shown in the table below.

Project Number	Disaster	Amount Claimed	Amount Ineligible
6468	Hurricane Charley	\$ 545,608	\$ 81,566
6472	Hurricane Charley	151,834	16,574
8209	Hurricane Frances	184,992	21,641
8210	Hurricane Frances	470,646	101,518
5331	Hurricane Jeanne	113,054	6,385
5335	Hurricane Jeanne	132,117	14,161
Total		\$1,598,251	\$241,844

C. Project Charges Not Supported. According to federal regulation 44 CFR 13.20(b)(6), expenditures under a federal award must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract and subcontract award documents, etc. The county's claim included \$14,359 of unsupported costs, as follows:

- The county claimed \$195,391 under Project 6468 for mutual aid expenses incurred by its utilities department under Hurricane Charley, but had invoices and cancelled checks to support charges of only \$193,422. Similarly, the county claimed mutual aid expenses of \$18,063 for the utilities department under Project 6472, but had invoices and cancelled checks to support only \$16,014 of the charges. We question the \$4,018 unsupported charges — \$1,969 under Project 6468 and \$2,049 under Project 6472.
- The county claimed \$381,295 under Project 8210 for force account labor costs incurred by its public works department under Hurricane Frances. However, the engineering division had payroll records to support only \$20,762, or \$10,341 less than the amount claimed of \$31,103. Therefore, we question unsupported difference of \$10,341.

D. Duplicate Charges. The county's claim included duplicate charges of \$15,460, as follows:

- A \$700 invoice (No. OCNTY826CHAR) was charged twice to Project 6468 (Hurricane Charley).
- \$12,600 and \$2,160, respectively, charged under Project 8209 (Hurricane Frances) and Project 8210 (Hurricane Frances), but also charged under Project 8257. The charges were applicable to Project 8257. We were informed of this duplication by county officials.

E. Debris Removal Charges. Federal regulation 44 CFR 13.20(b)(6) requires grant recipients to maintain supporting documentation for all project charges such as cancelled checks, paid bills, payrolls, time and attendance records, contract award documents, etc. The county's claim of \$31,936,259 for debris removal activities contained \$1,874,472 of charges that were unsupported, as follows:

1. *Debris Hauled*. The county claimed \$19,275,103 of contract costs for collecting and hauling 1.699 million cubic yards of vegetative debris under the three disasters, but had invoices and load tickets to support only 1.680 million cubic yards. We question the unsupported charges of \$230,473, as shown in the table below.

Disaster	Amount Claimed	Cubic Yards Claimed	Cubic Yards Supported	Unsupported Cubic Yards	Questioned Costs
Hurricane Charley	\$7,104,797	595,510	580,787	14,723	\$182,566
Hurricane Frances	6,773,843	609,393	609,393	0	0
Hurricane Jeanne	5,396,463	494,232	490,368	3,863	47,907
Total	\$19,275,103	1,699,135	1,680,548	18,586	\$230,473

2. *Debris Processed*. The county claimed contract costs of \$12,661,156 for processing 1.933 million cubic yards of vegetative debris under the three disasters. However, as indicated in No. 1 above, we determined that the county had support for only 1.680 million cubic yards of debris collected and hauled-in by the contractors. Therefore, we question \$1,643,999 of costs associated with the 252,745 of unsupported cubic yards, as shown in the table below.

Disaster	Amount Claimed	Cubic Yards Claimed	Cubic Yards Supported	Unsupported Cubic Yards	Questioned Costs
Hurricane Charley	\$3,939,718	609,026	580,787	28,239	181,916
Hurricane Frances	\$4,581,826	697,259	609,393	87,866	\$567,578
Hurricane Jeanne	\$4,139,612	627,008	490,368	136,640	\$894,505
Total	\$12,661,156	1,933,293	1,680,548	252,745	\$1,643,999

F. Excess Funding. The county received a total of \$21,035,185 of funding from DCA for debris removal projects under the three disasters. However, actual costs under the projects totaled \$19,275,105, or \$1,760,080 less than the amount received by the county. Federal regulation 44 CFR 206.205(b) requires that payments under large projects be based on actual costs incurred for eligible work. Therefore, we question the \$1,760,080 of excess funding. The table below identifies the affected projects and disaster.

Project Number	Amount Paid	Actual Project Expenditures	Excess Payments
Hurricane Charley:			
575/579	\$5,794,654	\$5,788,525	\$6,129
3592	151,565	151,565	0
1167/1176	1,198,644	1,164,708	33,936
Total	\$7,144,863	\$7,104,798	\$40,065
Hurricane Frances:			
3925/3664	\$4,047,661	\$3,512,897	\$534,764
2585/522	3,410,859	3,260,946	149,643
Total	\$7,458,250	\$6,773,843	\$648,407
Hurricane Jeanne:			
1505/1506	\$3,621,573	\$3,050,060	\$571,513
2079/2080	2,810,499	2,346,404	464,095
Total	\$6,432,072	\$5,396,464	\$1,035,608
Grand Total			
	\$21,035,185	\$19,275,105	\$1,760,080

## RECOMMENDATIONS

We recommend that the Director of the Florida Recovery Office, in conjunction with DCA:

1. Disallow \$1,276,605 of ineligible force account labor charges.
2. Disallow \$241,844 of charges for ineligible activities.
3. Disallow \$14,359 of unsupported project charges.
4. Disallow \$15,460 of duplicate charges.
5. Disallow \$1,874,472 of unsupported debris removal charges.
6. Deobligate \$1,760,080 of excess funding received for debris removal activities.

## DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed preliminary audit results with county, FEMA, and DCA officials on March 26, 2009. During this discussion, county officials requested that we conduct a joint review with FEMA on additional support documentation for debris removal activities. We agreed and concluded the review of the additional documentation on April 17, 2009. On June 2, 2009, we held a formal exit conference to discuss the audit findings with county and FEMA officials. County officials withheld comment pending receipt of the final audit report.

Please advise me by October, 12, 2009, of the actions taken or planned to implement the recommendations contained in this report, including target completion dates for any planned actions. Should you have any questions concerning this report, please contact me at (404) 832-6702 or Felipe Pubillones, Audit Manager, at (404) 832-6705. Key contributors to this assignment were Felipe Pubillones, Oscar Andino, Nadine Ramjohn, Ronald Cummings, Amos Dienne, and Calbert Flowers.

cc: Regional Administrator, FEMA Region IV  
Audit Liaison, FEMA Region IV  
Audit Liaison, FEMA

Orange County, Florida  
 FEMA Disaster No. 1539, 1545 and 1561-DR-FL  
 Schedule of Amount Awarded, Claimed, and Questioned  
 August 1, 2004 to April 17, 2009

*Hurricane Charley – Disaster No. 1539*

Project Number	Amount Awarded	Amount Claimed	Amount Questioned	Funds Put to Better Use
<b>Debris Removal:</b>				
575/579	\$8,833,640	\$8,827,511	\$310,566	\$6,129
3592	243,211	243,211	31,009	0
1167/1176	2,007,729	1,973,793	22,906	33,936
Sub-total	\$11,084,580	\$11,044,515	\$364,481	\$40,065
<b>Emergency Protective Measures:</b>				
6468	\$4,691,576	\$4,691,576	\$447,339	0
6472	2,143,188	2,143,188	160,707	0
Sub-total	\$6,834,764	\$6,834,764	\$608,046	0
<b>Total</b>	<b>\$17,919,344</b>	<b>\$17,879,279</b>	<b>\$972,527</b>	<b>\$40,065</b>

*Hurricane Frances – Disaster No. 1545*

<b>Debris Removal:</b>				
3925/3664	\$6,327,340	\$5,792,576	\$466,572	\$534,764
2585/522	5,712,736	5,563,093	101,006	149,643
Sub-total	\$12,040,076	\$11,355,669	\$567,578	\$684,407
<b>Emergency Protective Measures:</b>				
8209	\$2,917,533	\$2,917,533	\$111,361	0
8210	2,990,331	2,990,331	476,615	0
Sub-total	\$5,907,864	\$5,907,864	\$587,976	0
<b>Total</b>	<b>\$17,910,318</b>	<b>\$17,263,533</b>	<b>\$1,155,554</b>	<b>\$684,407</b>

*Hurricane Jeanne – Disaster No. 1561*

<b>Debris Removal:</b>				
1505/1506	\$6,066,137	\$5,494,625	\$385,775	\$571,513
2079/2080	4,505,547	4,041,450	556,637	464,095
Sub-total	\$10,571,684	\$9,536,075	\$942,412	\$1,035,608
<b>Emergency Protective Measures:</b>				
5331	\$1,052,328	\$1,052,308	\$92,477	0
5335	1,786,982	1,786,982	259,768	0
Sub-total	\$2,839,310	\$2,839,290	\$352,245	0
<b>Total</b>	<b>\$13,410,994</b>	<b>\$12,375,365</b>	<b>\$1,294,657</b>	<b>\$1,035,608</b>

<b>Grand Total</b>	<b>\$49,278,278</b>	<b>\$47,518,177</b>	<b>\$3,422,738</b>	<b>\$1,760,080</b>
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