

Office of Inspector General


U.S. Department of Homeland Security  
 Eastern Region  
 Office of Disaster Assistance Oversight  
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# Homeland Security

February 12, 2007

MEMORANDUM FOR: Jeff Byard  
 Acting Director  
 FEMA's Transitional Recovery Office  
 Biloxi, Mississippi

FROM: C. David Kimble   
 Director  
 Eastern Regional Office

SUBJECT: *Review of Hurricane Katrina Activities*  
*Jones County, Mississippi*  
*FEMA Disaster 1604-DR-MS*  
*Report Number DA-07-08*

We performed an interim review of debris removal costs associated with Hurricane Katrina activities for Jones 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 programs,

The county received an award of \$29.4 million from the Mississippi Emergency Management Agency, a FEMA grantee, for debris removal activities. The award was funded under six large projects<sup>1</sup>, as follows:

<b>Project Number</b>	<b>Amount Awarded</b>
3005	\$17,534,679
6893	420,963
6896	602,209
7684	8,664,986
7741	1,995,384
7760	164,400
<b>Total</b>	<b>\$29,382,621</b>

<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$55,000

As of October 23, 2006, the cut-off date of our review, the county had received \$23.5 million of FEMA funds and had recorded expenditures of \$30.3 million under the six projects.

We performed this review under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The review included analysis of the county's grant accounting system, review of its disaster costs and contracting policies and procedures, and interviews of FEMA and county officials.

### RESULTS OF REVIEW

The county accounted for funds on a project-by-project basis consistent with federal regulations for large projects. Additionally, expenditures were supported with checks, invoices, and other source documentation. Also, the county's contracts for debris removal activities were generally awarded according to federal procurement regulations.

The county, however, did not ensure that it obtained the best price for debris contract monitors. The county retained an engineering firm, with whom it had an existing contract to provide engineering services for county's projects, to monitor the activities of debris contractors. Rather than negotiate lower rates for debris monitoring, the county paid the firm rates used for engineering services. The rates ranged from \$45 an hour for field monitors to \$125 an hour for a project manager.

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 (U.S. Office of Management and Budget Circular A-87, 2 CFR Part 225), compensation for services should be commensurate with the nature of the work performed. The engineering labor rates should not have been used for debris monitors because the two functions, construction oversight and debris monitoring, are different. Consequently, there is no assurance that the construction oversight rate is commensurate with debris monitoring.

### RECOMMENDATION

We recommend that the Director of the Biloxi Transitional Recovery Office, in coordination with the grantee, require the county to take immediate action to determine whether the rates charged by the engineering firm for debris monitoring activities are reasonable, and adjust its claim for such services, as appropriate.

DISCUSSION WITH MANAGEMENT AND FOLLOW-UP

We discussed the results of our review with county, grantee, and FEMA officials on November 21, 2006. County officials concurred with our finding.

Please advise us within 60 days of the actions taken or planned to implement the recommendation. Should you have any questions concerning this report, please call me at (404) 832-6702.

cc: DHS Audit Liaison  
FEMA Audit Liaison  
Deputy Director, Gulf Coast Recovery  
Chief Financial Director, Gulf Coast Recovery