

U.S. Department of Homeland Security
 Eastern Region
 Office of Emergency Management Oversight
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Homeland Security

November 12, 2008

MEMORANDUM FOR: Robert Ives, Acting Director
 FEMA's Florida Long Term Recovery Office

FROM: *C. David Kimble*
 C. David Kimble, Director
 Eastern Regional Office

SUBJECT: *Hurricanes Katrina and Wilma Activities for Miami-Dade
 County Parks and Recreation Department*
 Public Assistance Identification Number: 086-99086-00
 FEMA Disaster Nos. 1602 and 1609-DR-FL
 Report Number DA-09-01

At the request of the Florida Long Term Recovery Office, we performed a review of public assistance funds awarded to Miami-Dade County Parks and Recreation Department for activities associated with Hurricanes Katrina and Wilma. The objectives of the review were to determine whether the department was properly accounting for disaster-related costs and whether such costs were eligible for funding under the Federal Emergency Management Agency's (FEMA) disaster assistance programs.

As of April 3, 2007, the cut-off date of our review, the department had received awards totaling \$24 million from the Florida Department of Community Affairs, a FEMA grantee, for emergency protective measures and debris removal activities. The awards consisted of 8 large¹ projects — \$2.3 million under Hurricane Katrina and \$21.7 million under Hurricane Wilma — as shown in the table below.

Project Number	Project Activity	Disaster	Amount Awarded
1363	Debris Removal	Katrina - 1602	\$ 667,812
1425	Protective Measures	Katrina - 1602	65,078
1434	Debris Removal	Katrina - 1602	1,601,411
Subtotal			\$ 2,334,301
8841	Debris Removal	Wilma - 1609	\$ 6,288,673
8842	Debris Removal	Wilma - 1609	9,151,925
8843	Debris Removal	Wilma - 1609	3,400,000
8893	Debris Removal	Wilma - 1609	379,421
9133	Debris Removal	Wilma - 1609	2,459,303
Subtotal			\$21,679,322
Total			\$24,013,623

¹ Federal regulations in effect at the time of Hurricanes Katrina and Wilma set the large project threshold at \$55,500 and \$57,500, respectively.

At the time of our fieldwork, the department had not submitted any costs to FEMA for reimbursement and had not received any FEMA funds under the projects.

We performed this review under the authority of the Inspector General Act of 1978, as amended, and according to *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency. Our work included a review of the department's disaster grant accounting system and contracting policies and procedures, a judgmental sample of contract documents and billings, interviews of Department, grantee, and FEMA personnel, and other procedures necessary under the circumstances.

RESULTS OF REVIEW

The department did not account for expenditures on a project-by-project basis as required by federal regulations (44 CFR § 13.20 and 206.205). The department established separate control accounts within its accounting system to record disaster expenditures for both disasters by specific category of work (i.e., Category A, B, etc.) but not on a project-by-project basis. In addition, disaster expenditures had not been recorded into the control accounts and were commingled with non-disaster expenditures within its accounting system. As a result, eligibility tests could not be readily applied to disaster expenditures. Therefore, we suspended our review and plan to follow-up with an audit at a later date once separate accountability of project expenditures has been established.

However, prior to suspending our work, the department provided us with invoices totaling \$15.2 million for work performed by debris removal contractors under the two disasters (\$1.2 million under Katrina and \$14 million under Wilma). Based upon limited tests of the billings, we identified \$717,234 of costs that are ineligible for FEMA reimbursement, as follows:

- The department hired a contractor to remove disaster-related vegetative debris under the two disasters. According to the contract terms, the contractor was to bill the Department at a rate of \$23 per cubic yard for its services. However, the contractor billed the Department at a rate of \$23.50, or \$.50 over the contract rate. This error resulted in excess charges of \$552,141 (1,104,282 cubic yards x \$.50).
- The department withheld 2.25% or \$165,093 from contractor billings to defray the costs of its procurement department (2.0 %) and for mandatory random audits (.25%). However, the department recorded the full amount billed by the contractors to be reimbursed by FEMA and not the amount actually paid.

Under the Stafford Act, the department receives an administrative allowance based on a statutory formula to cover the cost associated with requesting, obtaining, and administering FEMA awards. Federal regulations (44 CFR 206.228) limit funding for administrative and indirect cost of the subgrantee allowance. The 2.25% retained from the contractors' billings represents cost for administrative activities, which are covered by the statutory administrative allowance. Accordingly, the \$165,093 to be retained by the department and billed to FEMA represents duplicate funding and is not eligible for FEMA reimbursement.

RECOMMENDATIONS

We recommend that the Director of the Florida Long Term Recovery Office, in conjunction with the grantee:

1. Require the department to establish and maintain separate accountability for expenditures under each FEMA project for each disaster.
2. Inform the department that \$717,234 of costs are not eligible for FEMA funding, which consists of \$552,141 of excessive contract charges and the \$165,093 withheld from contractor invoices for administrative activities.

DISCUSSION WITH MANAGEMENT AND REVIEW FOLLOW-UP

We discussed the results of our review with the FEMA officials on April 3, 2007, and with department and grantee officials on April 5, 2007. Department officials concurred with our findings.

Please advise this office by January 12, 2009, of actions taken or planned to implement our recommendations, including target completion dates for any planned actions. Should you have any questions concerning this report, please call me at (404) 832-6702. Key contributors to this assignment were Oscar Andino and Sharon Mitchell.

cc: DHS Audit Liaison
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