

Department of Homeland Security **Office of Inspector General**

FEMA Public Assistance
Grant Funds Awarded to City of
Miami Beach, Florida – Hurricane Katrina

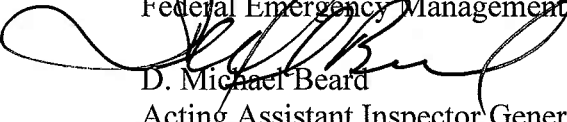




Homeland Security

January 6, 2012

MEMORANDUM FOR: Major P. (Phil) May
Regional Administrator, Region IV
Federal Emergency Management Agency

FROM: 
D. Michael Beard
Acting Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
City of Miami Beach, Florida – Hurricane Katrina*
FEMA Disaster Number 1602-DR-FL
Audit Report Number DA-12-05

We audited public assistance funds awarded to the City of Miami Beach, Florida (City) (FIPS Code 086-45025-00). Our audit objective was to determine whether the City accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

The City received a public assistance award of \$1.7 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. The award provided 100% FEMA funding for three large projects and eight small projects.¹

We reviewed costs totaling \$1.5 million claimed under three large projects (see Exhibit, Schedule of Audited Projects). The audit covered the period from August 24, 2005, to February 1, 2011, during which the City received \$1.2 million of FEMA funds under the projects reviewed. At the time of the audit, work under the projects was complete, but the City had not submitted a final claim on project expenditures to the State.

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 on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our

¹ Federal regulations in effect at the time of Hurricane Katrina set the large project threshold at \$55,500.

audit objective. We conducted this audit according to the statutes, regulations, and FEMA policies in effect at the time of the disaster.

We interviewed FEMA, State, and City officials; reviewed judgmentally selected samples of claimed costs (generally based on dollar value); reviewed the City's procurement 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 City's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. However, we gained an understanding of the City's method of accounting for disaster-related costs and its policies and procedures for administering activities provided for under the FEMA award.

RESULTS OF AUDIT

The City did not account for costs on a project-by-project basis as required. We also identified \$39,887 of unrelated and unsupported charges.

Finding A: Project Accounting

The City did not account for large projects on a project-by-project basis. According to Code of Federal Regulations (CFR) Title 44, Part 13.20(a)(2), fiscal control and accounting procedures of the State and its subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Further, 44 CFR 206.205(b) requires that large project expenditures be accounted for on a project-by-project basis.

The City commingled disaster-related receipt and expenditure transactions with non-disaster transactions in its general account, with no separate accounting establishing project balances, receipts, or expenditures. As a result, total costs claimed under individual projects could not be readily identified, thus increasing the risk of expenses being duplicated among projects.

Finding B: Non-Disaster-Related Charges

The City's claim under debris removal Project 1002 included \$2,096 of landfill tipping fees for disposing of domestic garbage rather than disaster-related debris. However, federal regulations at 44 CFR 206.223 require, among other things, an item of work to be the result of a major disaster event to be eligible for FEMA financial assistance. Therefore, we question the \$2,096 of ineligible charges.

Finding C: Supporting Documentation

The City's claim under Project 999 contained \$37,791 of contract charges for travel-related expenditures that were not supported by source documentation, such as hotel bills, car rental invoices, and mileage logs. However, according to 2 CFR 225, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, Section C.1.j, a cost must be adequately

documented to be allowable under federal awards.² Therefore, we question the \$37,791 of unsupported costs.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV:

Recommendation #1: Instruct the City, for future declarations, to account for FEMA funding on a project-by-project basis as required by federal regulations (finding A).

Recommendation #2: Disallow \$2,096 of non-disaster-related charges (finding B).

Recommendation #3: Disallow \$37,791 of unsupported charges (finding C).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the audit results with City, State, and FEMA officials during our audit. We also provided written summaries of our findings and recommendations in advance to these officials and discussed them at an exit conference held on September 13, 2011. City officials agreed with finding A but disagreed with findings B and C. They said they are developing a response to FEMA, and have requested source documentation from the contractor for costs questioned under findings B and C.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

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. Significant contributors to this report were David Kimble, William Johnson, and Oscar Andino.

Should you have questions concerning this report, please contact me at (202) 254-4100 or David Kimble at (404) 832-6702.

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

² OMB Circular A-87, in effect at the time of the disaster, was relocated to 2 CFR 225, on August 31, 2005.

Audit Liaison, DHS

Schedule of Audited Projects
August 24, 2005, to February 1, 2011
City of Miami Beach, Florida
FEMA Disaster Number 1602-DR-FL

Project Number	Project Funding	Unrelated Charges	Unsupported Charges	Total Costs Questioned	Finding
942	\$ 185,063	\$ 0	\$ 0	\$ 0	
999	206,446	0	37,791	37,791	C
1002	<u>1,083,583</u>	<u>2,096</u>	<u>0</u>	<u>2,096</u>	B
Total	<u>\$1,475,092</u>	<u>\$2,096</u>	<u>\$37,791</u>	<u>\$39,887</u>	

ADDITIONAL INFORMATION AND COPIES

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