



Homeland
Security

December 11, 2006

MEMORANDUM FOR: Nick Russo
Federal Coordinating Officer
Mississippi Transitional Recovery Office
Biloxi, Mississippi

FROM: C. David Kimble
Director
Eastern Regional Office

A handwritten signature in black ink that reads "C. David Kimble".

SUBJECT: *Review of Hurricane Katrina Activities
Hancock County, Mississippi
FEMA Disaster Number 1604-DR-MS
Report Number DA-07-05*

We performed an interim review of emergency services and debris removal costs associated with Hurricane Katrina activities for Hancock 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. We analyzed the county's disaster grant accounting system, reviewed its disaster costs and contracting policies and procedures, and interviewed FEMA and county officials.

The county received an award of \$22.2 million from the Mississippi Emergency Management Agency (MEMA), a FEMA grantee, for emergency protective measures and debris removal activities. The award provided for 26 large projects¹. As of April 24, 2006, the cut-off date of our review, the county had received \$6.4 million of FEMA funds and had recorded expenditures of \$11.0 million for emergency services and \$8 million for debris removal activities.

RESULTS OF REVIEW

The county accounted for funds on a project-by-project basis according to federal regulation for large projects. Additionally, project expenditures were supported by checks, invoices, and other source documentation. However, the county did not always comply with federal procurement standards when contracting for debris removal activities.

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

Federal regulations and FEMA guidelines place restrictions on the use of time-and-material contracts because this method of procurement does not provide an incentive for contractors to control costs. Federal regulation (44 CFR §13.36) allows a grant recipient to use time-and-material contracts but only after a determination has been made that no other form of contracting is suitable and with a contract ceiling price that the contractor exceeds at its own risk. Additionally, FEMA guidelines limit time-and-material contracts for debris removal to a maximum of 70 hours of actual emergency debris clearance².

Despite these restrictions, the county awarded 55 time-and-material contracts under Project 4656 (removal of debris from county ditches) without a determination of whether more suitable contracting arrangements existed and without a ceiling price. Moreover, work under these contracts lasted for several months (from November 2005 through March 2006). The contractors were paid a total of \$7,186,750.

Also, the county did not ensure that it obtained a fair price for debris removal contract monitors under the project. The county paid \$61,440 for debris monitoring activities based on the contractor's proposed rate of \$60 an hour for debris monitors and supervisors. However, the county did not perform a cost or price analysis to determine the reasonableness of the proposed contract price as required by federal regulation (44 CFR §13.36).

We were unable to determine whether any costs savings could have been realized had the county followed proper procurement standards when awarding the contracts. In addition, under the contracting practices used by the county, FEMA has no assurance that the work performed was obtained at a fair and reasonable price.

RECOMMENDATIONS

We recommend that the Federal Coordinating Officer, in coordination with MEMA:

1. Instruct the county to comply with federal procurement regulations when awarding contracts for FEMA-funded activities, and
2. Require the county to take immediate action to determine whether the rates charged by the contractor for debris monitoring activities are reasonable, and adjust its claim for such services, as appropriate.

² Debris Management Guide, FEMA Publication 325, dated April 1999. However, under this disaster, FEMA allowed time-and-material contracts to continue for a short period beyond the 70 hours guidelines on a case-by-case basis.

DISCUSSION WITH MANAGEMENT AND FOLLOW-UP

We discussed the results of our review with county and FEMA officials on October 25, 2006, and with MEMA officials on October 27, 2006. County officials agreed with our findings.

Please advise me within 30 days of actions taken or planned to implement the recommendation. Your response should be sent to:

U.S. Department of Homeland Security
Office of Inspector General – Audit
The Millennium Midtown
10 Tenth Street, N.E., Suite 750
Atlanta, GA 30309

The nature and brevity of this assignment precluded the use of our normal audit protocols. Therefore, it was not conducted according to generally accepted government auditing standards. Had we followed such standards, other matters may have come to our attention.

This review was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal government in the aftermath of Hurricanes Katrina, Rita, and Wilma. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors' General review of this important subject.

Should you have any questions concerning this report, please contact me at (404) 832-6702.

cc: Chief Procurement Officer, DHS
Chief Financial Officer, DHS
Deputy Director, Gulf Coast Recovery
Audit Liaison, DHS
Audit Liaison, FEMA
Regional Director, Region IV