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June 11, 2007

MEMORANDUM FOR: Scott Morris
Director
FEMA's Florida Long Term Recovery Office
Lake Mary, Florida

FROM: C. David Kimble 
Director
Eastern Regional Office

SUBJECT: *Audit of Hurricane Katrina and Wilma Activities*
City of Miami, Florida
Public Assistance Identification Number 086-45000-00
FEMA Disasters Nos. 1602 and 1609-DR-FL
Report Number DA-07-11

We performed an audit of emergency services and debris removal costs for activities associated with hurricanes Katrina and Wilma for the city of Miami, Florida. The objective of the audit was to determine whether the city was properly accounting for disaster-related costs and whether such costs were eligible for funding under FEMA's public assistance programs.

The city received awards of \$12.1 million and \$28.6 million, respectively, under hurricanes Katrina and Wilma, from the Florida Department of Community Affairs, a FEMA grantee, for emergency protective measures and debris removal activities. The awards provided FEMA funding for 11 large¹ projects and 11 small projects under Hurricane Katrina and 17 large projects and 10 small projects under Hurricane Wilma.

We reviewed costs totaling \$32.6 million under the awards, consisting of \$11.8 million under Hurricane Katrina and \$20.8 million under Hurricane Wilma (see Exhibit). The audit covered the period August 24, 2005, to September 22, 2006, during which the city claimed costs totaling \$31,940,576 and received FEMA funds totaling \$20,314,826 under the two disasters.

We performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to *Government Auditing Standards* issued by the Comptroller General of the United States. The audit included a review of the city's disaster grant accounting system and contracting policies and procedures, a judgmental sample of project expenditures, interviews of city, grantee, and FEMA personnel, and other procedures considered necessary under the circumstances.

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.

RESULTS OF AUDIT

The city had an effective system for accounting for disaster-related costs. A separate cost account had been established to record project expenditures and accounting entries could be systematically traced to supporting source documents. However, we identified questioned costs of \$3,817,991 (FEMA share \$3,374,876) resulting from excess and non-disaster-related charges, an unapplied credit, losses covered by insurance, and excessive contract labor charges. The findings are discussed below.

- A. Excess Charges. The city's claim under Hurricane Wilma included \$1,458,976 of charges that exceeded actual costs. The excess charges occurred because the city's claim was based on estimated costs contained in the FEMA project worksheets rather than actual costs. We question the \$1,458,976 claimed and received over actual costs, as follows:
- Under Project 7388, the city claimed \$2,480,644 for contract costs associated with reducing 300,684 cubic yards of debris. However, project records showed that the contractor reduced only 193,208 cubic yards of debris at a total cost of \$1,593,966, or \$886,678 less than the amount claimed.
 - Under Project 7379, the city claimed \$1,100,000 for contract costs associated with collecting, processing, and hauling debris. Our review of project records showed that project work was completed at a total cost of \$527,702, or \$572,298 less than the amount claimed.
- B. Non-Disaster Related Charges. The city's claim under several projects included tipping fees of \$2,245,052 associated with the disposal of non-disaster related debris. Federal regulation (44 CFR § 206.223) states that an item of work must be required as a direct result of the declared event to be eligible for federal assistance.

During the first month after hurricanes Katrina and Wilma, the city jointly collected normal trash and disaster-related debris and deposited such items into landfills without separately accounting for tipping fee costs of the two activities. Under Project 1091 (Hurricane Katrina), the city claimed \$1,338,527 of tipping fees for both activities. Similarly, under projects 7965 and 7968 (Hurricane Wilma), tipping fees of \$328,973 and \$959,471, respectively, were claimed. Using 6-months of historical data from the city's solid waste department, we determined that the tipping fees related to normal yard waste under the projects totaled \$712,590 — \$303,995 under Project 1091, \$76,400 under Project 7965, and \$332,195 under Project 7968. Accordingly, we question the \$712,590 related to the non-disaster yard waste.

Additionally, under projects 7968 and 7965 (Hurricane Wilma), the city claimed tipping fees of \$1,532,462 associated with the disposal of debris collected by force account personnel during the period January through April 2006. Through interviews of city officials and review of project documents we determined that disaster-related debris removal activities by force account personnel were concluded in December 2005. Accordingly, we question the \$1,532,462 claimed for non disaster-related activities occurring after December 2005. The affected projects and related questioned costs are, as follows:

Project Number	Amount Claimed				Amount Questioned
	January	February	March	April	
7965	\$ 63,505	\$ 52,410	\$ 57,781	\$ 28,891	\$ 202,587
7968	384,280	326,815	375,884	242,896	1,329,875
Total	\$447,785	\$379,225	\$433,665	\$271,787	\$1,532,462

- C. Unapplied Credit. Federal cost principles (U.S. Office of Management and Budget, Circular A-87, 2 CFR Part 225, Appendix A) state that costs claimed under a federal award must be reduced by applicable credits (e.g., purchase discounts and rebates, refunds, erroneous charges, etc.). Under Project 1321 (Hurricane Katrina), the city received \$885,385 for contract costs associated with the removal and disposal of approximately 26,000 hangers in trees and 150 overturned trees and stumps. In our review of project records we noted the city failed to reduce project costs by \$70,494 for adjustments made to the payment of the contractor's invoices due to erroneous and ineligible charges.
- D. Losses Covered by Insurance. The Stafford Act prohibits the use of FEMA public assistance funds for damages covered by insurance. The city received funding of \$34,821 under hurricanes Katrina and Wilma for debris removal activities in city parks that were fully covered by insurance. This included \$25,638 (Project 1436) for Simpson Park and Virginia Key Beach Park under Hurricane Katrina, and \$9,183 for Virginia Key Beach Park (Project 7508) under Hurricane Wilma.
- E. Excessive Contract Labor Charges. According to city policy (Project Manual, Volume 1, dated March 2005), labor costs charged by contractors performing work under the job order contracting system for the city should be based on hourly rates contained in the *Construction Task Catalog*, a commercial pricing guide for various construction tasks. The city's claim under debris removal Project 1367 (Hurricane Katrina) included \$8,648 of contract charges that were in excess of prices contained in the pricing guide. We question the \$8,648 of excess charges, as follows:

Position	Hours Charged	Hourly Rate Charged	Total Amount Charged	Correct Hourly Rate	Correct Amount Chargeable	Excessive Charges
Flagman	34	\$ 30.62	\$ 1,041.08	\$18.62	\$ 633.08	\$ 408.00
Supervisor	36	113.64	4,091.04	38.04	1,369.44	2,721.60
Supervisor	36	113.64	4,091.04	38.04	1,369.44	2,721.60
Supervisor	17	113.64	1,931.88	38.04	646.68	1,285.20
Supervisor	20	113.64	2,272.80	38.04	760.80	1,512.00
Total			\$13,427.84		\$4,779.44	\$8,648.40

RECOMMENDATION

We recommend that the Director of the Florida Long Term Recovery Office, in coordination with the grantee, disallow the \$3,817,991 in questioned costs — \$408,775 under Hurricane Katrina and \$3,409,216 under Hurricane Wilma.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The audit results were discussed with grantee officials and city officials on October 27, 2006, and with FEMA officials on October 25, 2006. City officials concurred with the findings.

Please advise me by August 10, 2007, of the actions taken to implement the recommendation contained in this report. Should you have any questions, please contact me at (404) 832-6702. Key contributors to this assignment were Salvador Maldonado-Avila and Vilmarie Serrano.

City of Miami, Florida
FEMA Disaster Nos. 1602 and 1609 DR-FL
Schedule of Awarded, Claimed and Questioned Costs

Hurricane Katrina- Disaster No. 1602

Project Number	Amount Awarded	Amount Claimed	FEMA Funding	Amount Questioned
0933	\$ 65,090	\$ 65,090	\$ 48,817	
0972	498,384	498,384	498,384	
1025	2,153,000	1,456,316	1,092,236	
1026	3,432,529	3,432,529	2,574,397	
1028	1,058,295	1,058,295	793,723	
1091	3,058,306	3,058,306	2,293,729	\$ 303,995
1133	136,348	136,348	136,348	
1311	67,285	67,285	50,464	
1321	885,385	885,385	664,039	70,494
1367	138,387	138,387	103,790	8,648
1436	293,560	293,560	220,170	25,638
Total	\$11,786,569	\$11,089,885	\$8,476,097	\$ 408,775

Hurricane Wilma- Disaster No. 1609

Project Number	Amount Awarded	Amount Claimed	FEMA Funding	Amount Questioned
3840	\$ 68,574	\$ 68,574		
3843	93,979	93,979		
6205	68,898	68,898		
6212	105,474	105,474	\$105,474	
6234	87,465	87,465	65,598	
7377	296,892	296,892	296,892	
7379	6,204,925	6,204,925	4,653,693	\$ 572,298
7382	895,419	895,419	895,419	
7388	5,130,492	5,130,492	3,847,869	886,678
7508	219,574	219,574	164,681	9,183
7965	2,160,288	2,160,288	1,620,216	278,987
7968	5,127,237	5,127,237		1,662,070
7969	139,625	139,625		
7979	251,849	251,849	188,887	
Total	\$20,850,691	\$20,850,691	\$11,838,729	\$3,409,216
Grand Total	\$32,637,260	\$31,940,576	\$20,314,826	\$3,817,991