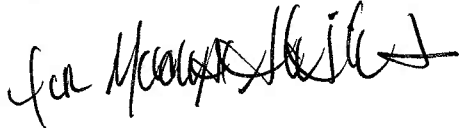




Homeland Security

July 13, 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: *Review of Hurricane Wilma Activities
City of Pembroke Pines, Florida
Public Assistance Identification No. 011-55775-00
FEMA Disaster No. 1609-DR-FL
Report Number DA-FL-07-12*

We reviewed Hurricane Wilma emergency services and debris removal costs for the city of Pembroke Pines, Florida. Our objective was to determine whether the city was properly accounting for disaster-related costs and whether such costs were eligible for funding under FEMA's disaster assistance programs.

The city received an award of \$28.1 million from the Florida Department of Community Affairs, a FEMA grantee, for emergency protective measures and debris removal activities. The award provided 75 percent FEMA funding¹ for 8 large projects². We reviewed costs totaling \$29 million incurred under the 8 projects (see Exhibit). The audit covered the period October 24, 2005 to June 30, 2006, during which the city received \$18.6 million of FEMA funds under the projects.

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 FEMA funding was limited to 75 percent except for debris removal Project 2929, which was funded at 100 percent.

² Federal regulations in effect at the time of the disaster set the large project threshold at \$57,500.

RESULTS OF REVIEW

The city accounted for funds on a project-by-project basis consistent with federal regulations for large projects. However, the city did not always comply with federal procurement standards when contracting for disaster-related services. We also identified the following conditions:

- \$3,177,297 of charges that were either excessive, ineligible, the responsibility of another federal agency, or the result of an unapplied credit;
- \$122,794 of excess federal funding resulting from costs that were reimbursed at an incorrect cost share; and
- Inadequate documentation for \$1.4 million claimed for hazardous stump removal.

- A. Contracting Procedures. Federal regulation (44 CFR § 13.36) allows a grant recipient to use time-and-material contracts when 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. For debris removal activities, FEMA guidelines³ limit time-and-material contracts to a maximum of 70 hours of actual emergency debris clearance. Federal regulations require a cost or price analysis to be performed for every procurement action.

The city did not comply with federal procurement regulations when it awarded over \$2.4 million to 10 contractors to remove debris and perform electrical repairs. The city awarded time-and-materials contracts without determining whether more suitable contracting opportunities existed, establishing cost ceilings, or performing a cost or price analysis. The work was performed under time-and-materials purchase orders without clearly defined scopes of work and some of the work continued for several months beyond the 70-hour time limit. As a result, FEMA has no assurance that the contract costs are reasonable.

- B. Contract Charges. The city's claims for debris removal and electrical repair work performed by time-and-material contractors included \$361,156 of excess charges. Under Projects 2929 and 3017, a debris removal contractor charged the city \$526,198 based on rates of \$40 per hour for debris removal and \$87.50 per hour for debris monitoring. These rates were excessive because city officials said the contractor verbally agreed to charge the city the same hourly rates contained in the city's written contract with its primary debris removal contractor. These contract rates were \$28 per hour for debris removal and \$42 per hour for debris monitoring. Using those rates, we calculated that the city should have paid the contractor \$287,268 for its services, or \$238,930 less than the \$526,198 paid and claimed to the FEMA projects.

Under Project 3017, a contractor charged the city \$227,306 for electrical repairs based on rates of \$78.50 and \$87.50 per hour. However, a few months prior to the disaster, the same contractor charged the city \$40 per hour for similar electrical repair work. The contractor lowered its charge for electrical repairs to \$40 per hour on later invoices. Because there was no justification for the higher rates, the \$40 per hour rate should have been applied throughout the contract. Using the rate of \$40 per hour, we calculated that the city should have paid the contractor \$105,080, or \$122,226 less than the \$227,306 paid and claimed to the FEMA project.

³ *Debris Management Guide*, FEMA Publication 325, dated April 1999.

City officials said that the higher hourly charges could have been the result of the contractor performing complex electrical work, which would have required more skill resulting in a higher rate. The city could not provide us with any documentation to support this assertion and the contractor's invoices did not indicate that the charges were for activities other than routine electrical repair work.

- C. Federal-Aid Roads. The city's expenditures under debris removal Project 3017 included \$2,187,145 for debris removal on federal-aid roads that are the responsibility of the Federal Highway Administration (FHWA). The expenditures consisted of \$2,095,540 for the removal of debris and \$91,605 for monitoring activities. According to the Stafford Act (Section 312), FEMA funds cannot be used for activities covered by other federal sources.

City officials said they were aware that debris removal costs on federal-aid roads would not be reimbursed by FEMA. The project worksheets also indicated that FEMA would adjust project costs at closeout to account for such activity. However, at the time of our review, neither FEMA nor the city had yet determined the amount to be claimed to FHWA. As a result, we worked with an FHWA representative to determine the costs applicable to federal-aid roads.

- D. Ineligible Project Costs. The city's expenditures included \$27,438 of ineligible project costs. Under Project 2929, a debris removal contractor billed the city \$7,500 for two work crews (truck Nos. 11 and 13) that performed work on October 30, 2005. The billing was based on three charges of \$1,500 for truck No. 11 and two charges of \$1,500 for truck No. 13. However, the contract stipulated that the contractor charge only \$1,500 a day for each work crew. The total billing for the day should have been \$3,000, or \$4,500 less than the amount billed.

Additionally, the city charged \$22,938 under Project 3017 for replacing sod in the city's parks where golfing and other recreational activities are performed. FEMA Public Assistance Guide (FEMA 322) states that grass and sod are ineligible for FEMA funding unless necessary to stabilize slopes and minimize sediment run-off. The areas where the sod was placed were mostly level and the sod was not necessary to stabilize slopes or minimize runoff.

- E. Excess Funding. FEMA provided 100 percent federal funding under Project 2929 for debris removal work during the 72-hour period of October 29 - 31, 2005. All eligible debris removal work occurring outside this 3-day period was federally funded at 75 percent. However, the city's claim under the project included \$491,175 for eligible work occurring on October 26, 2005, and during November 7, 2005 to December 16, 2005. These costs should have been 75 percent federally funded under project 3017. The city received an excess federal payment of \$122,794 (25 percent of \$491,175) under Project 2929.
- F. Excess Fringe Benefits. The city's claim of \$697,398 for overtime fringe benefits under Project 5273 was overstated by \$114,781. The claim was based on fringe benefit components that were not applicable to overtime such as workers compensation, health insurance, vacation, holiday, and sick leave. The claim should have only included retirement and FICA costs. The excess fringe benefits are as follows:

Employees	Labor Cost	Cost Claimed for Fringe Benefits	Actual Costs for Fringe Benefits	Excess Charges
Police and Fire Departments	\$1,201,605	\$601,343 (50.045%)	\$506,476 (42.15 %)	\$94,867
Other Departments	\$191,937	\$96,055 (50.045%)	\$76,141 (39.67 %)	\$19,914
Totals		\$697,398	\$582,617	\$114,781

We discussed this finding with city officials during our fieldwork. At the exit conference, they provided us with documentation that showed a corrected claim had been submitted to FEMA. We consider this finding to be resolved and closed.

- G. Unapplied Credits/Reimbursement. Under Project 3017, the city identified \$1,792,670 of credits due from a debris removal contractor as a result of billing errors. The contractor billed the city for processing debris at the city's temporary disposal site and then transporting it to the landfill. However, the debris was not processed at the temporary site, but taken directly to the landfill. At the time of our audit, the city had not applied the credits to reduce project costs.

In addition, the city paid the contractor only 90 percent of the amount billed, but requested and received FEMA reimbursement for 100 percent of the amount invoiced by the contractor. According to a city official, the 10 percent withheld, which totaled \$1,184,993 at the cut-off date of our review, was to be paid at a later date contingent upon the outcome of a reconciliation of the contractor's billings. FEMA reimbursement requests should be based on their actual costs at the time the request is made.

At the exit conference, city officials provided us with a credit memo from the contractor that showed that the 10 percent retained from contractor payments was netted against the billing errors resulting in a credit of \$486,777 due to the city from the contractor. Subsequent to our fieldwork, we reviewed data in the grantee's financial system and noted that the city had not applied the credit to project costs. Therefore, we question the unapplied contractor credit of \$486,777.

- H. Stump Removal Costs. According to FEMA's Public Assistance Guide (FEMA 322), stump removal is not eligible for FEMA funding unless stumps pose a public safety hazard. Under Project 5332, FEMA awarded \$1.4 million for the removal of hazardous stumps based on contractor invoices submitted by the city. In the project worksheet narrative, FEMA stated that the eligibility of project costs for stump removal was subject to validation at closeout using photographs, location descriptions, and monitoring reports. We noted project records did not indicate the methodology city personnel used to determine that the stumps were hazardous and contained photographs of the ground after the stumps were removed rather than prior to removal. As a result, FEMA will not be able to readily determine the eligibility of the stump removal costs at project closeout.

RECOMMENDATIONS

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

1. Inform the city, for future declarations, to comply with applicable federal regulations and FEMA guidelines for procurement.
2. Disallow the \$3,062,516 of project costs related to excessive contract charges, debris removal from federal-aid roads, ineligible project costs, and the unapplied credit.
3. De-obligate the excess funding of \$122,794 received under Project 2929 for debris removal activities outside the authorized 72-hour period.
4. Inform the city, for future declarations, to adequately document the hazardous nature of stumps before removal to ensure reimbursement.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our review with city, FEMA, and grantee officials on November 1, 2006. The city's comments, where appropriate, have been incorporated into the body of this report.

Please advise me by September 13, 2007, of the actions taken to implement the recommendations contained in this report. Should you have any questions concerning this report, please contact me at (404) 832-6702. Key contributors to this assignment were Helen Greeson, Calbert Flowers, and Adrienne Bryant.

City of Pembroke Pines, Florida
FEMA Disaster No. 1609-DR-FL
Schedule of Funds Awarded, Costs Incurred, and Questioned Costs
October 24, 2005 through June 30, 2006

Project No.	Amount Awarded	Project Costs Incurred	Amount Questioned	Funds Put to Better Use
3017		\$21,964,024	\$3,046,419	
2929		1,458,794	16,097	122,794
5332		1,345,920		
5415		296,159		
5418		0		
5273		2,506,062		\$114,781
5599		1,324,668		
5288		121,607		
Total	\$28,109,428	\$29,017,234	\$3,062,516	\$237,575