


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

March 18, 2009

MEMORANDUM FOR: Robert Ives, Director
FEMA Florida Recovery Office

FROM: C. David Kimble, Director 
Eastern Regional Office

SUBJECT: *Hurricane Wilma Activities for the City of Hollywood, Florida*
Public Assistance Identification Number: 011-32000-00
FEMA Disaster No. 1609-DR-FL
Report Number DA-09-13

We performed an audit of disaster costs associated with Hurricane Wilma activities for the City of Hollywood, Florida. The objectives of the audit were to determine whether the city 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 November 29, 2007, the cut-off date of our audit, the city had received a public assistance grant award of \$25.3 million from the Florida Department of Community Affairs, a FEMA grantee, for emergency protective measures and debris removal activities. The award provided 100% FEMA funding for 9 large projects and 2 small projects.¹ We reviewed costs totaling \$20.9 million under 3 large projects (see Exhibit). The audit covered the period October 19, 2005 to November 29, 2007, during which the city received \$18.8 million of FEMA funds under the 3 projects.

We conducted this performance audit under the authority of 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the city's disaster-grant accounting system and procurement policies and procedures; selected judgmental samples of project cost documentation (generally based on dollar value); interviewed city, grantee, and FEMA personnel; and performed other procedures considered necessary under the circumstances. We did not assess the adequacy of the city's internal controls applicable to its grant activities because it was not necessary to accomplish our objectives. We did, however, gain an understanding of the city's grant accounting system and its policies and procedures for administering the activities provided for under the FEMA award.

¹ Federal regulations in effect at the time of Hurricane Wilma set the large project threshold at \$57,500.

RESULTS OF AUDIT

The city accounted for FEMA funds on a project-by-project basis according to federal regulations for large projects, and complied with federal procurement standards when contracting for debris removal activities. However, the city's claim included questioned costs of \$4,984,110 resulting from unsupported and excessive debris removal charges, costs covered by another federal agency, and excessive equipment charges.

A. Debris Removal Charges. Federal regulation 44 CFR 13.20(b) requires subgrantees to maintain supporting documentation for all charges under FEMA projects. Under Project 69, the city claimed \$8.3 million of contract costs associated with hauling, processing, and disposing of disaster-related vegetative debris. However, the claim contained \$3,601,568 of unsupported and excessive charges as follows:

1. *Debris Hauled to Temporary Sites*. Debris removal contractors billed the city \$6.3 million for collecting and hauling 457,853 cubic yards (CYs) of vegetative debris. The debris consisted of 369,944 CYs hauled to temporary disposal sites, where it was reduced to mulch by grinding, and 87,909 CYs hauled directly to the landfill for final disposition. However, project documentation did not support the contractor's billings for the 369,944 CYs of debris hauled to the temporary sites. According to the documentation, only 208,441 CYs of debris was processed in the grinding operations at the temporary sites, or 161,504 CYs less than the "haul-in" volume billed by the contractors. Using the average contract rate of \$11.92 per CY, we question \$1,925,128 related to the 161,504 CYs of debris that is not supported by documentation.

City officials acknowledged that the supporting documentation for the debris haul-in was inconsistent with grinding operation documentation. They said they plan to work with their debris monitoring contractor to locate documentation to support the questioned costs.

2. *Mulch Hauled from Temporary Sites to Landfill*. Debris removal contractors billed the city \$2.1 million for transporting 252,220 CYs of mulch from temporary disposal sites to a landfill operated by Broward County, Florida. However, we determined that the volume of mulch billed by the contractors was excessive. According to FEMA debris removal guidance (*Debris Operations Job Aid*, FEMA 9580.1, August 2000, page 22), grinding vegetative debris reduces its volume by approximately 75%. As indicated in No. 1 above, we determined that the city had support for 208,441 CYs of vegetative debris brought into the temporary sites. Using FEMA's 75% reduction factor, the 208,441 CYs of debris would have been reduced to approximately 52,110 CYs of mulch to be transported to the landfill. This amount is significantly lower than the 252,220 CYs billed by the contractors. Moreover, load tickets from the landfill show that only 59,304 CYs of mulch was received from the contractors, or 192,916 CYs less than the amount contained on the contractors' billings. Using the average contract rate of \$8.69 for haul-out to final disposition site, we question \$1,676,440 related to the 192,916 CYs.

- B. Federal-Aid Roads. The city's claim under Project 69 included \$1,340,672 for removing debris on federal-aid roads that are the responsibility of the Federal Highway Administration (FHWA). According to the Stafford Act (Section 312), FEMA funds cannot be used for activities covered by other federal programs. Subsequent to our fieldwork, the city received FHWA reimbursement of \$1,340,672. However, project costs had not been reduced by such amount by either the city or FEMA. Therefore, we question the \$1,340,672 of duplicate funding.
- C. Equipment Charges. The city used the FEMA Schedule of Equipment rates to claim costs for city-owned equipment used under the FEMA award. However, the city's claim was overstated by \$41,870, as follows:
- Under Project 69, the city inadvertently claimed equipment rates for aerial lift trucks that were higher than the allowable rates listed on the FEMA equipment schedule. This error resulted in excessive equipment charges of \$24,849.
 - Under Project 5973, the city claimed both an hourly rate and a mileage rate for police vehicles used under the project. However, FEMA reimbursement for use of the vehicles should have been based solely on hourly rates because they were used by police officers to assist in directing traffic at intersections. Therefore, we question the mileage charges claimed of \$17,021.

RECOMMENDATION

We recommend that the Director, Florida Recovery Office, in coordination with the grantee, disallow the \$4,984,110 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the audit results with city, FEMA, and grantee officials on September 16, 2008. City officials concurred with Findings B and C, and said that they would continue to look for documentation to support the questioned costs under Finding A. Their comments, where appropriate, are included in the body of the report.

Please advise this office by May 18, 2009, of actions taken or planned to implement our recommendation. Should you have any questions concerning this report, please call me at (404) 832-6702 or Felipe Pubillones, Audit Manager, at (404) 832-6705. Key contributors to this assignment were Oscar Andino, Sharon Mitchell, and Ronald Cummings.

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

City of Hollywood, Florida
FEMA Disaster No. 1609-DR-FL
Schedule of Amount Awarded, Claimed, and Questioned
October 19, 2005, to November 29, 2007

Project Number	Amount Awarded	Amount Claimed	Amount Questioned
69	\$20,546,248	\$17,705,482	\$4,967,089
5943	2,050,711	2,164,982	0
5973	1,024,772	983,784	17,021
Total	\$23,621,731	\$20,854,248	\$4,984,110