

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

FEMA Public Assistance Grant Funds
Awarded to City of Virginia Beach, Virginia

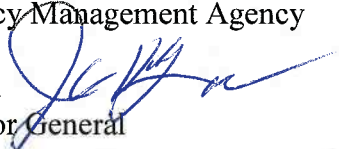




Homeland Security

MAR 27 2012

MEMORANDUM FOR: MaryAnn E. Tierney
Regional Administrator, Region III
Federal Emergency Management Agency

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

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
City of Virginia Beach, Virginia*
FEMA Disaster Number 1862-DR-VA
Audit Report Number DA-12-14

We audited public assistance funds awarded to the City of Virginia Beach, Virginia, (City) (FIPS Code 810-82000-00). 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.

As of August 8, 2011, the City had received a public assistance award totaling \$2.6 million from the Virginia Department of Emergency Management (State), a FEMA grantee, for damages as a result of Tropical Depression Ida and a nor'easter that occurred in November 2009. The award provided 75% FEMA funding for debris removal activities, emergency protective measures, and permanent repairs to facilities. The award included 7 large and 52 small projects.¹

Our audit focused on the \$1.9 million awarded under the seven large projects (See Exhibit, Schedule of Projects Audited). The audit covered the period November 11, 2009, to August 8, 2011, during which the City received \$1.4 million of FEMA funds. At the time of our audit, the City had completed all work under the projects.

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 upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$63,200.

We judgmentally selected project costs (generally based on dollar value); interviewed City, State, and FEMA personnel; 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 its grant activities because it was not necessary to accomplish our objective. However, we did gain an understanding of the City's method of accounting for disaster-related costs and its policies and procedures for administering the activities provided for under the FEMA award.

RESULTS OF AUDIT

The City generally accounted for \$1.9 million of FEMA grant funds according to federal regulations and FEMA guidelines. However, the City's claim included \$175,047 of questionable costs, consisting of \$93,817 of unsupported costs and \$81,230 of ineligible project costs that FEMA should disallow.

Finding A: Supporting Documentation

The City's claim included \$93,817 of charges for force account equipment use that were not supported by adequate documentation. Cost Principles at 2 CFR 225, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, Section C.1.j. state that a cost must be adequately documented to be allowable under federal awards. We question the \$93,817 of unsupported charges as follows:

- Under Project 45, the City claimed \$90,734 for the use of multiple emergency generators and water pumps at various sewer pump stations during the period November 11–17, 2009. However, the City did not have activity logs that identified the specific periods when the equipment was used (i.e., dates of use, along with beginning and ending times). As a result, we could not validate the costs claimed for use of the equipment.
- Under Project 282, the City claimed \$18,054 for various-sized dump trucks used in debris removal activities. However, the City had activity logs to support only \$14,971 of equipment use, or \$3,083 less than the amount claimed.

Finding B: Ineligible Project Costs

The City was reimbursed \$81,230 under several large projects for costs that were not incurred. The overpayments occurred because the State mistakenly reimbursed the City based on estimated costs in the project worksheets rather than the actual costs to complete work authorized under the projects. According to 44 CFR 206.205(b)(1), large projects are funded on documented actual costs. We question the \$81,230, as shown in table 1.

Table 1. Ineligible Project Costs

Project Number	Authorized Work	Amount Awarded	Amount Received	Actual Costs	Amount Questioned
293	Repairs to Guy Avenue Embankment	\$149,216	\$149,216	\$98,744	\$50,472
298	Repairs to Beach Access Sites	\$299,542	\$299,542	\$296,462	\$3,080
282	Debris Removal	\$58,133	\$58,133	\$30,455	\$27,678
Total		\$506,891	\$506,891	\$425,661	\$81,230

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region III:

Recommendation #1: Disallow \$93,817 (federal share \$70,363) of unsupported costs identified under Projects 45 and 282 (finding A).

Recommendation #2: Disallow \$81,230 (federal share \$60,922) of ineligible costs identified under Projects 293, 298, and 282 (finding B).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the audit results with City, State, and FEMA officials during our audit. We also provided a written summary of our findings and recommendations in advance to these officials and discussed them at the exit conference held on November 30, 2011. City officials agreed with all of the findings except for finding A. They said they were going to search for source documentation to support the generator use and provide such documentation in their response to FEMA.

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, Adrienne Bryant, and John Schmidt.

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 III
Audit Liaison, FEMA
Audit Liaison, FEMA HQ (Job Code: G-11-046)
Audit Liaison, DHS

EXHIBIT

**Schedule of Projects Audited
November 11, 2009, to August 8, 2011
City of Virginia Beach
FEMA Disaster No. 1862-DR-VA**

Project Number	Amount Awarded	Amount Claimed	Amount Questioned	Finding
45	\$164,682	\$164,682	\$90,734	A
111	108,973	108,973	-	
138	87,312	87,312	-	
176	113,432	113,432	-	
282	965,919	965,919	30,761	A, B
293	149,216	149,216	50,472	B
298	299,542	299,542	3,080	B
Total	\$1,889,076	\$1,889,076	\$175,047	

ADDITIONAL INFORMATION AND COPIES

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