

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

FEMA Public Assistance Grant Funds Awarded to
South Florida Water Management District Under
Hurricane Charley





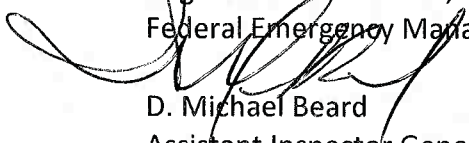
OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

AUG 27 2012

MEMORANDUM FOR: Major P. (Phil) May
Regional Administrator, Region IV
Federal Emergency Management Agency

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

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
South Florida Water Management District Under
Hurricane Charley*
FEMA Disaster Number 1539-DR-FL
Audit Report Number DA-12-23

We audited Public Assistance (PA) grant funds awarded to the South Florida Water Management District (District) (FIPS Code 000-U03C1-00). Our audit objective was to determine whether the District accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines.

As of November 10, 2011, the District had received a PA award of \$4.4 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Charley, which occurred in August 2004. The award provided 100 percent FEMA funding for the first 72-hours of emergency protective measures and debris removal activities, and 90 percent funding thereafter for these two activities. The award also provided 90 percent FEMA funding for permanent repairs to buildings, roads and flood control facilities. The award included 8 large and 15 small projects.¹

We audited eight large projects and eight small projects with awards totaling \$4.3 million (see Exhibit A, Schedule of Projects Audited). The audit covered the period August 13, 2004, to November 10, 2011, during which the District submitted claims totaling \$4.3 million. At the time of our audit, the District had completed work on all large projects and, therefore, had submitted final claims to the State for large project expenditures.

¹ Federal regulations in effect at the time of Hurricane Charley set the large project threshold at \$54,100.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

We conducted this performance audit between October 2011 and June 2012 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 by applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We judgmentally selected project costs (generally based on dollar value); interviewed District, State, and FEMA personnel; reviewed the District's procurement policies and procedures; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances to accomplish our audit objective. We did not assess the adequacy of the District's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective. However, we gained an understanding of the District's method of accounting for disaster-related costs and its policies and procedures for administering activities provided for under the FEMA award.

RESULTS OF AUDIT

The District did not account for project expenditures on a project-by-project basis as required by Federal regulations. In addition, the District was awarded \$3.1 million for repairs to flood control facilities that were ineligible for FEMA assistance. Finally, the District's claim included \$24,622 in excess equipment costs.

Finding A: Project Accounting

The District did not account for large projects on a project-by-project basis. According to 44 CFR 13.20(a)(2), fiscal control and accounting procedures of a state and its subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Further, 44 CFR 206.205(b) requires that large project expenditures be accounted for on a project-by-project basis.

The District commingled disaster-related receipt and expenditure transactions with nondisaster transactions in its general account, with no separate accounting establishing project balances, receipts, or expenditures. As a result, total costs claimed under individual projects could not be readily identified and traced to supporting documentation without direct assistance from District officials.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

District Response. District officials generally disagreed with this finding, saying that they had purchase orders, invoices, and the like for the costs claimed. They also said that they now have a system in place to capture grant costs as required by Federal regulations and FEMA guidelines.

OIG Response. Although the District may have had accounting records for project costs, it did not establish a separate accounting of costs for each project. As described in the finding, we could not trace specific project costs to supporting documentation without direct assistance from District officials.

Finding B: Ineligible Project Funding

The District received \$3,138,070 of project funding for permanent repairs to flood control facilities (canals, locks, and dams) that were not eligible for FEMA assistance. The facilities are under the United States Army Corps of Engineers’ (Corps) Rehabilitation Inspection Program (RIP). The Corps requires that the District maintain the facilities and determines when funding is necessary for repairs to facilities damaged by floods, hurricanes, or storms. Federal regulations prohibit FEMA funding for facilities that are covered under this program. Therefore, we question the \$3,138,070, as shown in table 1.

Table 1. Ineligible Project Funding for Flood Control Facilities

Project Number	Work Location	Amount Awarded
Large Projects:		
4644	Canal C-31 - Lump sum contract	\$108,302
4731	Canal C-38 - Lump sum contract	478,265
4965	Canal C-39 and C-40 - Lump sum contract	985,000
5041	Canal C-41 - Lump sum contract	598,000
5252	Canal C-41A - Lump sum contract	544,649
7029	S-65A Locks and Dam Area - Lump sum contract	272,411
Small Projects:		
4651	Canal C-37 erosion repairs	11,518
4652	Canal C-32C erosion repairs	8,036
4695	Canal C-34 erosion repairs	2,677
4698	Canal C-33 erosion repairs	11,706
4719	Canal C-29A erosion repairs	23,630
4729	Canal C-32F erosion repairs	8,075
5360	Canal C-35 erosion repairs	40,419
7021	S-65 Locks and Dam Area erosion repairs	45,382
Total		\$3,138,070



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Federal regulation 44 CFR 206.226(a) states that generally disaster assistance will not be made available under the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, when another Federal agency has specific authority to restore facilities damaged or destroyed by an event that is declared a major disaster. In addition, FEMA *Public Assistance Guide* (FEMA 322, October 1999, pages 55–56) states that federally funded flood control works are not eligible for FEMA funding. Finally, FEMA Policy 9524.3 (*Rehabilitation Assistance for Levees and Other Flood Control Works*, September 1996) prohibits emergency and permanent repairs to flood control facilities under the RIP.

District officials said that, on the advice of FEMA officials, they sought funding from the Corps for damages to the flood control facilities after the disaster occurred in August 2004. According to District officials, the Corps denied the request because there was no evidence that debris or siltation decreased the channel's hydraulic capacity to 75 percent or less of pre-flood capacity. District officials said that FEMA advised them to apply for PA funding after being denied funding from the Corps. However, neither the District nor the Corps could provide us with the denial notifications.

On October 17, 2011 (the week before the start of our audit), FEMA Region IV officials notified the District that the permanent repair projects were ineligible for FEMA funding. However, instead of deobligating the funds at that time, FEMA requested that we perform an independent analysis on the eligibility of the projects.

District Response. The District disagreed with the finding, saying that the regulations do not specifically prohibit FEMA funding.

OIG Response. We disagree with the District. Both FEMA policy and Federal regulation describe specific costs for activities that are not eligible for FEMA funding. The types of costs we are questioning pertain to repairs that FEMA policy and guidelines clearly state are ineligible for FEMA assistance.

Finding C: Excess Equipment Costs

Under Project 7087, the District overstated its claim for generator use at two water control facilities by \$24,622. This occurred because of an error made when applying the FEMA Schedule of Equipment rate. The District inadvertently applied a rate of \$266 per hour for the generators. However, the actual hourly FEMA rate for the kilowatt capacity of the generators was \$226. Federal regulation 44 CFR 206.228 (a)(1) states that equipment rates used by the subgrantee for use of its own equipment must not exceed FEMA's established guidelines on eligible equipment rates. Using the equipment rate hourly difference of \$40, we question the \$24,622 of excessive costs, as shown in table 2.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table 2. Ineligible Equipment Costs

Water Control Facility	Hours Claimed	Excess Hourly Charge	Questioned Costs
G372	464.00	\$40.00	\$18,560
S9	151.55	40.00	6,062
Total			\$24,622

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV:

Recommendation #1: Instruct the State to reemphasize to the District its need to account for FEMA project expenditures on a project-by-project basis as required by Federal regulations (44 CFR 206.205(b) and 44 CFR 13.20(a)(2)) (finding A).

Recommendation #2: Deobligate and put to better use \$3,138,070 (Federal share \$2,824,263) of ineligible project funding awarded under the flood control projects (finding B).

Recommendation #3: Disallow \$24,622 (Federal share \$22,160) of excess equipment costs claimed under Project 7087 (finding C).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with District, State, and FEMA officials during our fieldwork. We also provided a draft report in advance to these officials and discussed it at the exit conference held on June 27, 2012. District officials agreed with finding C, but disagreed with findings A and B. Their comments, where appropriate, are included in the body of the report. FEMA and State officials withheld comments pending receipt of the final report.

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.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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. We will post the report on our website for public dissemination.

Major contributors to this report were David Kimble, Eastern Region Audit Director; Felipe Pubillones, Audit Manager; Helen White, Auditor-in-Charge; Angelica Esquerdo, Program Analyst; and Larry Jones, Auditor.

Please call me with any questions, or your staff may contact David Kimble, Eastern Region Audit Director, at (404) 832-6702.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

EXHIBIT A

Schedule of Projects Audited
August 13, 2004, to November 10, 2011
South Florida Water Management District, FL
FEMA Disaster Number 1539-DR-FL

Project Number	Amount Awarded	Amount Questioned	Funds Put To Better Use	Federal Share	Finding
7086	\$ 165,408				
7087	1,013,955	\$24,622		\$ 22,160	C
4644	108,302		\$ 108,302	97,472	B
4731	478,265		478,265	430,439	B
4965	985,000		985,000	886,500	B
5041	598,000		598,000	538,200	B
5252	544,649		544,649	490,184	B
7029	272,411		272,411	245,170	B
4651	11,518		11,518	10,366	B
4652	8,036		8,036	7,232	B
4695	2,677		2,677	2,409	B
4698	11,706		11,706	10,535	B
4719	23,630		23,630	21,267	B
4729	8,075		8,075	7,268	B
5360	40,419		40,419	36,377	B
7021	45,382		45,382	40,844	B
Total	\$4,317,433	\$24,622	\$3,138,070	\$2,846,423	



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

EXHIBIT B

Report Distribution List
South Florida Water Management District, FL
FEMA Disaster Number 1539-DR-FL

Department of Homeland Security

Secretary
Chief Financial Officer
Under Secretary for Management
Audit Liaison, DHS

Federal Emergency Management Agency

Administrator
Chief of Staff
Chief Financial Officer
Chief Counsel
Director, Risk Management and Compliance
Audit Liaison, FEMA Region IV
Audit Liaison, FEMA (Job Code G-12-021)

Grantee

Executive Director, Florida Division of Emergency Management

State

Deputy Inspector General, Florida Division of Emergency Management

Subgrantee

Finance Bureau Chief, South Florida Water Management District

ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this document, please call us at (202) 254-4100, fax your request to (202) 254-4305, or e-mail your request to our Office of Inspector General (OIG) Office of Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

For additional information, visit our website at: www.oig.dhs.gov, or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).

OIG HOTLINE

To expedite the reporting of alleged fraud, waste, abuse or mismanagement, or any other kinds of criminal or noncriminal misconduct relative to Department of Homeland Security (DHS) programs and operations, please visit our website at www.oig.dhs.gov and click on the red tab titled "Hotline" to report. You will be directed to complete and submit an automated DHS OIG Investigative Referral Submission Form. Submission through our website ensures that your complaint will be promptly received and reviewed by DHS OIG.

Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

The OIG seeks to protect the identity of each writer and caller.