

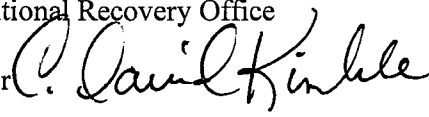
U.S. Department of Homeland Security  
Eastern Region  
Office of Emergency Management Oversight  
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# Homeland Security

December 8, 2008

MEMORANDUM FOR: Benjamin A. (Alec) Watson, Acting Director  
FEMA Mississippi Transitional Recovery Office

FROM: C. David Kimble, Director   
Eastern Regional Office

SUBJECT: *Hurricane Katrina Activities for Jasper County, Mississippi*  
Public Assistance Identification Number: 061-99061-00  
FEMA Disaster Number 1604-DR-MS  
Report Number DA-09-05

We performed an audit of disaster costs associated with Hurricane Katrina activities for Jasper County, Mississippi. The objectives of the audit were to determine whether the county 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 April 23, 2007, the cut-off date of our review, the county received an award of \$6.5 million from the Mississippi Emergency Management Agency (MEMA), a FEMA grantee, for debris removal, emergency protective measures, and repair of roads, buildings and equipment damaged as a result of the disaster. The award provided 100% funding for 11 large projects<sup>1</sup> and 28 small projects. Audit work was limited to \$5.8 million awarded for 6 large projects for debris removal. The audit covered the period August 29, 2005 to April 23, 2007, during which the county received \$5.4 million of FEMA funds for the 6 large 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We selected samples of project cost documentation (generally based on dollar value); interviewed county, MEMA, and FEMA personnel; reviewed the county's disaster grant accounting system and its procurement policies and procedures; and performed other procedures considered necessary under the circumstances to accomplish our objective. We did not assess the adequacy of the county's internal controls applicable to its grant activities because it was not necessary to accomplish

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<sup>1</sup> Federal regulations in effect at the time of Hurricane Katrina set the large project threshold at \$55,500.

our audit objectives. We did, however, gain an understanding of the county's method of grant accounting and its policies and procedures for administering the activities provided for under the FEMA award.

## RESULTS OF AUDIT

The county did not separately account for large project expenditures on a project-by-project basis as required by federal regulations. Additionally, we question \$513,000 of charges claimed by the county for debris removal activities.

- A. Accounting System. The county's grant accounting system did not separately account for large project expenditures on a project-by-project basis as required by federal regulations (44 CFR 206.205). The county established an account for each beat<sup>2</sup> and one for the entire county, however, there was no project-by-project identification of expenditures. As a result, total costs claimed under each project could not be readily identified and the risk of potential duplication of expenditures among projects was increased.

County officials said that they were unaware that large project costs had to be accounted for separately.

- B. Hazardous Tree and Stump Removal Costs. The county's claim included \$382,318 of ineligible costs for hazardous tree and stump removal, as follows:

1. *Hazardous Trees*. FEMA guidelines (Debris Management Guide 325, Chapter 3, p. 24) state that a tree must be a minimum of 6 inches in diameter to be eligible as hazardous. The County removed 3,182 trees less than 6 inches in diameter. Therefore, we question the \$353,330 associated with removing the trees that did not meet FEMA's eligibility criteria. The distribution of questioned costs for each beat is shown in the table below.

Project Number	Beat	Trees Removed (less than 6 inches)	Cost Per Tree	Extended Cost
5352	5	2,238	\$115	\$257,370
5352	5	140	\$25	3,500
5387	4	804	\$115	92,460
<b>Totals</b>		<b>3,182</b>		<b>\$353,330</b>

2. *Stump Removal*. Amendments to debris removal contracts for Beats 3 and 4 stated that, effective October 17, 2005, all eligible hazardous stumps removed would be billed on a per cubic yard price of \$9.95 for Beat 4 and \$9.75 for Beat 3 rather than on a per stump price. However, the contractors continued to charge on a per stump basis after the effective date, resulting in overcharges of \$28,988 as shown in the table below.

<sup>2</sup> Jasper County is divided into 5 areas called beats; each beat has an elected supervisor.

Project Number	Beat	Number of Stumps	Per Stump Costs	Total Cubic Yards	Cubic Yard Costs	Cost Difference
5392	3	51	\$23,100	320	\$3,120	\$19,980
5387	4	22	\$10,650	165	\$1,642	\$9,008
<b>Totals</b>		<b>73</b>	<b>\$33,750</b>	<b>485</b>	<b>\$4,762</b>	<b>\$28,988</b>

C. Debris Removal and Monitoring Costs. The county's claim contained \$120,770 of excessive debris removal and monitoring costs, as follows:

1. *Debris Removal.* Under Projects 5387 (Beat 4) and 5352 (Beat 5), we identified 2,995 load tickets where debris monitors had estimated that the debris removal contractor's trucks were filled to 90% capacity and greater. In many of those instances, the trucks were indicated as being 90% to 100% full. According to a MEMA debris specialist we interviewed, hauling different types of debris such as trees, limbs, etc., generally causes voids and that it was very unlikely that a truck could be filled to 100% capacity. In the specialist's view, the average load for the type of debris removed would be approximately 85%. In addition, the average load for beats 1 and 3, which were not questioned, was approximately 83%. Therefore, using an estimated 85% capacity fill rate, we recalculated the 2,995 load tickets and determined that the County's claims under the projects were overstated by \$107,367 — \$72,697 under Project 5387 and \$34,670 under Project 5352.
2. *Monitoring.* One primary responsibility of debris monitors is to document the location and quantity of debris. In fulfilling this responsibility, debris monitors should be able to satisfactorily estimate debris quantities, differentiate between debris types, and properly fill out load tickets. As explained in the preceding paragraph, we are questioning a total of \$107,367 of debris removal costs under Projects 5387 and 5352 because of incorrect estimates made by debris monitors when calculating debris quantities. The county used its own personnel to monitor debris removal activities under Project 5387 and did not claim any associated costs. However, for work performed under Project 5352, the county claimed \$155,845 of contract monitoring costs. Federal cost principles state that to be allowable, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards (OMB Circular A-87, Attachment A, C.1.a.). We question 8.6% of the \$155,845 claimed for contract monitors, which is \$13,403 (Project 7876), because the monitors did not effectively perform their monitoring responsibilities.<sup>3</sup>

<sup>3</sup> We questioned \$34,670 under Project 5352 for inaccurate truck capacity fill rates, which was 8.6% of the total project costs of \$400,980. Therefore, we applied the same percentage to total monitoring costs to determine questioned costs for ineffective performance of the monitoring contractor.

- D. Federal-Aid Roads. The county's claim under Project 515 (Beat 3) contained \$9,755 of debris removal charges that are the responsibility of the Federal Highway Administration (FHWA). In September 2005, FHWA representatives completed a debris removal estimate of \$38,350. Those FHWA funds were made available to the county to cover costs of removing debris from federal-aid roadways located in Beat 3. However, during our review of project costs, we noted that the county had included \$9,755 of costs for debris removal on federal-aid roads. According to Section 312 of the Stafford Act, FEMA funds cannot be used for expenditures recoverable from another federal program. Therefore, we question the \$9,755.

## RECOMMENDATIONS

We recommend that the Acting Director, Mississippi Transitional Recovery Office, in coordination with MEMA:

**Recommendation #1.** Inform the county that it must establish and maintain separate accountability for expenditures under each large project as required by federal regulations (44 CFR 206.205).

**Recommendation #2.** Disallow the \$512,843 of questioned costs.

## DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the audit results with MEMA, FEMA, and county officials on February 7, 2008. County officials generally agreed with our findings.

Please advise me by February 10, 2009 of actions taken to implement the recommendations contained in this report. Should you have any questions concerning this report, please call me at (404) 832-6702 or Larry Arnold at (228) 385-1717. Key contributors to this assignment were Larry Arnold and Jerry Aubin.

cc: DHS Audit Liaison  
FEMA Audit Liaison  
Deputy Director, GCRO  
Chief Financial Director, Gulf Coast Recovery Office  
Regional Director, FEMA Region IV  
Public Assistance Office, FEMA Mississippi Transitional Recovery Office  
Chief of Staff, FEMA Mississippi TRO  
Mississippi State Coordinating Officer  
Mississippi Legislative Auditor  
Director of Finance, Gulf Coast Recovery Office

Jasper County, Mississippi  
FEMA Disaster No. 1604-DR-MS  
Schedule of Amounts Awarded, Claimed, and Questioned  
August 29, 2005 through April 23, 2007

<b>Project Number</b>	<b>Amount Awarded</b>	<b>Amount Claimed</b>	<b>Amount Questioned</b>
5352	\$1,176,103	\$1,187,864	\$295,540
5387	2,877,702	2,560,774	174,167
5392	727,431	727,431	19,978
5475	555,415	499,874	0
7876	296,330	266,697	13,403
515	151,237	151,237	9,755
<b>Totals</b>	<b>\$5,784,218</b>	<b>\$5,393,877</b>	<b>\$512,843</b>