

U.S. Department of Homeland Security
 Eastern Region
 Office of Emergency Management Oversight
 10 Tenth Street, Suite 750
 Atlanta, Georgia 30309



Homeland Security

May 14, 2009

MEMORANDUM FOR: Robert Ives, Director
 FEMA Florida Recovery Office

FROM: C. David Kimble, Director
 Eastern Region Office

SUBJECT: *Seminole Tribe of Florida - Activities for 2004 and
 2005 Florida Hurricanes*
 Public Assistance Identification Number: 000-UGAGA-00
 FEMA Disaster Nos. 1545, 1561, 1602, and 1609-DR-FL
 Report Number DA-09-16

We audited Federal Emergency Management Agency (FEMA) Public Assistance funds awarded to the Seminole Tribe of Florida as a result of Hurricanes Frances and Jeanne in 2004, and Hurricanes Katrina and Wilma in 2005. The objective of the audit was to determine whether the Tribe accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

As of November 19, 2008, the cut-off date of our review, the Tribe had received awards totaling \$7.7 million from the Florida Department of Community Affairs (DCA), a FEMA grantee, for the four disasters. The awards provided funding for emergency protective measures, repairs to housing and buildings, and other disaster-related activities. At the time of our audit, the Tribe had not submitted final claims for expenditures.

We limited our review to \$5.2 million incurred under 27 large projects and 23 small projects (see Exhibit).¹ The audit covered the period of September 16, 2004, to November 19, 2008, during which the Tribe had received \$1.4 million of FEMA funds. The specifics for each disaster are shown in the table below.

Disaster	Disaster No.	Date of Disaster (Month/Year)	Amount Awarded (Millions)	Federal Cost Share	Federal Funds Received (Millions)
Hurricane Frances	1545	Sept. 2004	\$0.8	90%	\$0.7
Hurricane Jeanne	1561	Sept. 2004	\$1.7	90%	\$0.7
Hurricane Katrina	1602	Aug. 2005	\$0.1	100%	-
Hurricane Wilma	1609	Oct. 2005	\$5.1	100%	-
Total			\$7.7		\$1.4

¹ Federal regulations in effect at the time of the disasters set the large project threshold at \$54,100 under Hurricanes Frances and Jeanne, \$55,500 under Hurricane Katrina, and \$57,500 under Hurricane Wilma.

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

RESULTS OF AUDIT

The Tribe accounted for the costs of each disaster separately, but did not account for individual project expenditures on a project-by-project basis as required by federal regulations. We identified questioned costs of \$2,507,336 (FEMA Share \$2,468,293) resulting from charges covered by insurance, unsupported equipment and repair costs, and ineligible project charges.

- A. Project Accounting. The Tribe did not account for individual project expenditures on a project-by-project basis as required by federal regulations 44 CFR 13.20 and 44 CFR 206.205. Expenditures for the projects were commingled with non-disaster costs in the general ledger accounts for various departments (i.e., public works, police, etc.). As a result, total costs claimed under individual projects could not be readily identified and there was high risk of expenditures being duplicated among projects.
- B. Costs Covered by Insurance. Federal regulation 44 CFR 206.191 requires that grant recipients pursue full insurance recoveries and credit FEMA projects with insurance proceeds that apply to such projects. The Tribe's project expenditures included \$1,669,960 of costs for repairs to various facilities that were covered by insurance proceeds, as follows:
- \$313,596 for roof repairs to several housing units damaged during Hurricanes Frances and Jeanne at Brighton Reservation.
 - \$1,000,000 for repairs to various non-casino facilities (e.g. museum, communication tower, boys/girls club, gym, airport hanger, rodeo barn) damaged during Hurricane Wilma located on the Immokalee, Hollywood, Big Cypress, and Brighton Reservations.
 - \$356,364 for repairs to several housing units damaged during Hurricane Wilma located on the Immokalee, Hollywood, Big Cypress and Brighton Reservations.

The affected projects and related questioned costs are identified in the Exhibit under each disaster.

- C. Equipment and Repair Costs. Federal regulation 44 CFR 13.20(b) (6) requires subgrantees to maintain supporting documentation for all charges under FEMA projects. However, the Tribe's claim included \$795,456 of unsupported charges, as follows:
- \$28,248 under Project 3679 for police vehicles used to patrol and direct traffic during Hurricane Frances that was not supported by equipment activity reports.
 - \$6,677 under several projects for repairs to housing units damaged by Hurricane Jeanne that were not supported by accounting records such as purchase orders or invoices. The units were located on the Immokalee, Hollywood, Big Cypress and Brighton Reservations.
 - \$46,363 under Project 3561 for vehicles used by public works employees to clean up and respond to emergency situations during Hurricane Wilma that was not supported by equipment activity reports.
 - \$69,023 under several Hurricane Wilma projects for repairs to non-casino facilities located on the Immokalee, Hollywood, Big Cypress and Brighton Reservations that were not supported by accounting records such as contracts, purchase orders, or invoices. The affected projects and related questioned costs are identified in the Exhibit.
 - \$218,215 and \$426,930 under Projects 5103 and 5116, respectively, for repairs to several housing units damaged by Hurricane Wilma that were not supported by accounting records such as contracts, purchase orders, or invoices. The units were located on the Immokalee, Hollywood, Big Cypress and Brighton Reservations.
- D. Project Charges. Project 5169 provided for reimbursement of Hurricane Frances emergency sheltering costs of tribal members at the Seminole Hard Rock Hotel and Casino in Hollywood, Florida, from September 2 through September 13, 2004. In our review of project costs, we identified \$41,920 of charges for food and beverage items consisting of alcohol, in-room service, mini-bar items, etc. for tribal members housed at the hotel. Office of Management and Budget Circular No. A-87 (*Cost Principles for State, Local, and Indian Tribal Governments*), Attachment B, states that costs of alcohol and entertainment, including amusement, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable. Therefore, we question the \$41,920. Tribal officials acknowledged that these items were not necessary to protect the health and safety of the individuals and said that they had planned to reduce their claim for such costs.

RECOMMENDATION

We recommend that the Director of the Florida Recovery Office, in conjunction with the DCA, disallow the \$2,507,336 of questioned costs (FEMA Share \$2,468,293).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the audit results with Tribal, FEMA, and grantee officials on November 19, 2008. Tribal officials concurred with our findings.

Please advise me by July 13, 2009, of actions planned or taken to implement our recommendation. Should you have any questions concerning this report, please contact me at (404) 832-6702, or Modupe Akinsika, Audit Manager at (404) 832-6704. Key contributors to this assignment were Modupe Akinsika, Adrienne Bryant, Raul Adrian, and Harold Simpson.

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

Seminole Tribe of Florida
FEMA Disaster Nos. 1545, 1561, 1602, and 1609-DR-FL
Schedule of Amount Awarded, Incurred, and Questioned
September 16, 2004 through November 19, 2008

Hurricane Frances – Disaster No. 1545 (90% Cost Share)

Project Number	Amount Awarded	Amount Incurred	Amount Questioned		
			Insurance Recoveries	Unsupported/ Ineligible	Federal Cost Share
7198	\$183,475	\$183,475	\$-	\$-	\$-
7385	295,842	295,842	-	-	-
3679	74,805	74,805	-	28,248	25,423
5169	109,346	109,346	-	41,920	37,728
7604	54,446	54,446	54,446	-	49,001
7619	28,881	28,881	28,881	-	25,993
Sub-Total	\$746,795	\$746,795	\$83,327	\$70,168	\$138,145

Hurricane Jeanne – Disaster No. 1561 (90% Cost Share)

5290	\$235,102	\$235,102	\$-	\$-	\$-
4731	56,481	54,096	54,096	2,385	50,833
4733	57,332	56,345	56,345	987	51,599
4738	69,900	67,272	67,272	2,628	62,910
4833	824,595	824,595	-	-	-
4736	53,233	52,556	52,556	677	47,910
Sub-Total	\$1,296,643	\$1,289,966	\$230,269	\$6,677	\$213,252

Hurricane Katrina – Disaster No. 1602 (100% Cost Share)

841	\$137,480	137,480	\$-	\$-	\$-
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Hurricane Wilma – Disaster No. 1609 (100% Cost Share)

541	\$175,000	\$ 175,000	\$163,701	\$11,299	\$175,000
554	95,700	95,700	89,521	6,179	95,700
559	72,968	72,968	68,257	4,711	72,968
584	127,861	127,861	119,605	8,256	127,861
1352	68,940	68,940	64,489	4,451	68,940
1404	87,479	87,479	87,479	-	87,479
1658	130,761	130,761	122,318	8,443	130,761
3561	97,386	97,386	-	46,363	46,363
5463	57,400	57,400	53,694	3,706	57,400
5103	487,099	487,099	268,884	218,215	487,099
5116	426,930	426,930	-	426,930	426,930
5121	242,972	242,972	-	-	-
5137	176,466	176,466	-	-	-
5354	406,681	406,681	-	-	-
547	16,751	16,751	15,669	1,082	16,751
548	2,524	2,524	2,361	163	2,524

Hurricane Wilma – Disaster No. 1609 (continued)

Project Number	Amount Awarded	Amount Incurred	Amount Questioned		
			Insurance Recoveries	Unsupported/ Ineligible	Federal Cost Share
550	34,873	34,873	32,621	2,252	34,873
553	46,200	46,200	43,217	2,983	46,200
558	21,120	21,120	19,756	1,364	21,120
560	5,056	5,056	4,729	326	5,056
562	27,980	27,980	26,173	1,807	27,980
563	4,950	4,950	4,630	320	4,950
571	11,880	11,880	11,113	767	11,880
573	16,787	16,787	15,703	1,084	16,787
580	39,732	39,732	37,167	2,565	39,732
1366	5,318	5,318	4,975	343	5,318
1615	1,049	1,049	981	68	1,049
1755	1,435	1,435	1,343	93	1,435
2056	7,257	7,257	6,788	469	7,257
2335	16,159	16,159	15,116	1,043	16,159
2421	21,189	21,189	19,821	1,368	21,189
2425	1,275	1,275	1,193	82	1,275
2835	45,461	45,461	42,525	2,935	45,461
3297	1,441	1,441	1,348	93	1,441
3402	4,960	4,960	4,640	320	4,960
5463	6,998	6,998	6,547	451	6,998
3662	57,500	\$57,500	-	-	-
Sub-total	\$3,051,538	\$3,051,538	\$1,356,364	\$760,531	\$2,116,896
Total	\$5,232,456	\$5,225,779	\$1,669,960	\$837,376	\$2,468,293