

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

**The City of Jacksonville, Florida, Successfully
Accounted for and Expended FEMA Public Assistance
Grant Funds Awarded for Tropical Storm Fay**



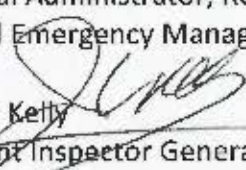


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Department of Homeland Security

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

MAR 19 2014

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

FROM: John V. Kelly 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *The City of Jacksonville, Florida, Successfully Accounted for
and Expended FEMA Public Assistance Grant Funds
Awarded for Tropical Storm Fay
FEMA Disaster Number 1785-DR-FL
Audit Report Number OIG-14-51-D*

We audited Public Assistance funds awarded to the City of Jacksonville, Florida (City) (FIPS Code 031-35000-00). 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.

The City received a Public Assistance award of \$11.7 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Tropical Storm Fay, which occurred in August 2008. The award provided 75 percent FEMA funding for debris removal; emergency protective measures; and permanent repairs to buildings and other facilities.¹ The award consisted of 9 large projects and 29 small projects.²

We audited five large projects with awards totaling \$10.5 million (see Exhibit, Schedule of Projects Audited and Questioned Costs) for debris removal, emergency protective measures, and repairs to roads. We limited our review of small projects to determining whether (1) the City completed the projects and (2) another funding source covered the project costs. The audit covered the period from August 18, 2008, to November 26, 2013, during which the City claimed \$10.0 million of costs under the projects we reviewed. At the time of our audit, the City had completed work on all projects in our

¹ FEMA reimbursed Projects 554 and 695 at 80 percent Federal costs share under a FEMA Public Assistance debris removal pilot program.

² Federal regulations in effect at the time of disaster set the large project threshold at \$60,900.



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audit scope and had submitted final claims to the State for expenditures under those projects.

We conducted this performance audit between August 2013 and February 2014 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. To conduct this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We reviewed 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 also notified the Recovery Accountability and Transparency Board of all contracts the subgrantee awarded under the grant to determine whether the contractors were disbarred or whether there were any indications of other issues related to those contractors that would indicate fraud, waste, or abuse. 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 audit objective. However, we gained an understanding of the City'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 City generally accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines. However, the City claimed \$49,949 (Federal share \$39,959) of ineligible costs, which consisted of \$28,865 of ineligible contract equipment costs, and \$21,084 of debris removal costs covered by the Federal Highway Administration.

Finding A: Ineligible Contract Costs

The City claimed \$28,865 of ineligible contract equipment costs under debris removal Project 554. Federal cost principles at 2 Code of Federal Regulations (CFR), Part 225, *Cost Principles for State, Local and Indian Governments*, Appendix A, Section C.1.a., state that costs under Federal awards must be both reasonable and necessary. In addition, 44 CFR 13.36(b)(2) requires subgrantees to maintain a contract administration system that ensures contractors perform in accordance with the terms, conditions, and



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specifications of their contracts or purchase orders. A debris removal contractor billed the City \$85,408 for use of bucket trucks and transport vehicles based on hourly rates of \$169.20 and \$135.00, respectively. However, the contract specified that hourly rates were \$110.00 for the bucket trucks and \$72.00 for the transport vehicles. Based on the contracted rates, the contractor should have billed the City \$56,543 for the equipment, or \$28,865 less than it billed. The overbilling occurred because the City did not properly review the contractor's invoices for adherence to the contracted hourly rates. Therefore, we question the \$28,865 as ineligible costs.

City official disagreed with this finding saying that the contract equipment hourly rates included equipment only, and not the operator. However, the contract shows that the hourly rates included both equipment and operator costs. Therefore, our position remains unchanged.

Finding B: Duplication of Benefits

The City's claim under Project 554 included \$21,084 in duplicate benefits for debris removal activities for which the City received reimbursement from the Federal Highway Administration. According to Section 312 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, no entity will receive assistance for any loss in which the entity has already received financial assistance from any other program, insurance, or any other source.

The Federal Highway Administration reimbursed the City \$893,404 for removing debris from Federal-aid roads. However, during closeout of the project, FEMA inadvertently reduced project costs by only \$872,320, or \$21,084 less than the amount reimbursed. Therefore, we question the \$21,084 as ineligible, duplicate benefits.

City officials disagreed with this finding saying that they did not receive duplicate benefits for debris removal costs. However, project documentation shows that FEMA did not properly credit the total costs that the Federal Highway Administration reimbursed the City.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV:

Recommendation #1: Disallow \$28,865 (Federal share \$23,092) of ineligible contract costs the City claimed under Project 554 (finding A).



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Recommendation #2: Disallow \$21,084 (Federal share \$16,867) of ineligible duplicate benefits the City received under Project 554 (finding B).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with City, State, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at the exit conference held on February 7, 2014. City officials disagreed with our findings. We included their comments in the body of this report. FEMA and State officials reserved their comments until after we issue our 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 the contact information of responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendations. Until we receive and evaluate your response, we will consider the recommendation open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we will provide 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 are David Kimble, Director; Adrienne Bryant, Audit Manager; Oscar Andino, Auditor-in-Charge; Amos Dienye, Auditor; and Omar Russell, Auditor Trainee.

Please call me with any questions at (202) 254-4100, or your staff may contact David Kimble, Director, Eastern Regional Office, at (404) 832-6702.



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Exhibit

Schedule of Projects Audited and Questioned Costs

Project Number	Project Scope	FEMA Category of Work	Amount Awarded	Amount Questioned	Federal Share	Finding
554	Debris Removal – Public Works	A	\$ 9,149,316	\$49,949	\$39,959	A,B
695	Debris Removal – Public Works	A	258,439	0	0	
893	Protective Measures – Public Works	B	595,017	0	0	
1492	Protective Measures – Emergency Operation Center	B	320,004	0	0	
921	Road Repairs – Public Works	C	213,980	0	0	
TOTAL			\$10,536,756	\$49,949	\$39,959	



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