



Homeland Security

October 06, 2010

MEMORANDUM FOR: Major P. (Phil) May, Regional Administrator
 FEMA Region IV

FROM: C. David Kimble, Director
 Eastern Regional Office

SUBJECT: *City of West Palm Beach, Florida*
 Public Assistance Identification Number: 099-76600-00
 FEMA Disaster Numbers: 1545, 1561, and 1609-DR-FL
 Report Number DA-11-01

We performed an audit of public assistance funds awarded to the City of West Palm Beach, Florida (City). The audit objective was to determine whether the City accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The City received public assistance grant awards totaling \$20.3 million from the Florida Department of Community Affairs (DCA), a FEMA grantee, for damages related to Hurricanes Frances, Jeanne and Wilma. The awards provided 90% FEMA funding for Frances and Jeanne, and 100% FEMA funding for Wilma. Approved activities under the awards included emergency protective measures, debris removal activities, and repairs to roads and facilities.

We limited our review to \$17.3 million of costs claimed under 33 large and small projects (see Exhibit).¹ The audit covered the period September 4, 2004, to March 7, 2007, during which the City received \$14.9 million of FEMA funds under the projects reviewed.² At the time of our audit, the projects were in various stages of completion and the City had not submitted final claims to DCA for project expenditures. The specifics for each disaster are presented in the following table.

Disaster	Disaster No.	Date of Disaster	Amount Awarded (Millions)	Amount Reviewed (Millions)	Large Projects Reviewed	Small Projects Reviewed
Hurricane Frances	1545	September 4, 2004	\$ 7.0	\$ 6.3	9	1
Hurricane Jeanne	1561	September 26, 2004	\$ 3.7	\$ 2.6	9	3
Hurricane Wilma	1609	October 24, 2005	\$ 9.6	\$ 8.4	8	3
Total			\$ 20.3	\$ 17.3	26	7

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

² March 7, 2007, was the date of late transactions supporting costs of projects included in our audit scope.

We conducted this 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 and 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 City's disaster grant accounting system and contracting policies and procedures; judgmentally selected project cost documentation (generally based on dollar value); interviewed City, DCA, and FEMA personnel; 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. We did, however, gain an understanding of the City's method of grant accounting and its policies and procedures for administering the activities provided for under the FEMA awards.

RESULTS OF AUDIT

The City accounted for FEMA funds on a project-by-project basis according to federal regulations. However, the City's claim included \$2,159,723 of costs (FEMA Share \$2,143,781) that we questioned as unsupported, ineligible, duplicate, and excessive.

- A. Equipment Charges. Office of Management and Budget Circular A-87 (*Cost Principles for State, Local, and Indian Tribal Governments*), Attachment A, Paragraph C.1.10, requires that costs be adequately documented to be allowable under a federal award. The City claimed \$65,805 under Project 3797 (Hurricane Frances) for use of force account equipment. The City did not maintain adequate records to support the equipment charges such as activity logs that identified (1) the operator's name, (2) the type of equipment, (3) a description of the activity the equipment was used for, and (4) the specific periods the equipment was in use (dates, and beginning and ending times). As a result, we could not validate the City's claim for equipment usage. Therefore, we question the \$65,805.
- B. Tree Stumps. According to FEMA Regional Guidance (No. R4-RR-PA-07-07-05-01, July 7, 2005), FEMA will reimburse applicants a reasonable cost on a per stump basis for eligible stumps larger than 24 inches in diameter. For eligible stumps with diameters of 24 inches or less, FEMA will reimburse applicants on a cubic yard basis per the *Stump Conversion Table*.

Under Project 48 (Hurricane Wilma), the City claimed \$10,500 for the removal of 35 stumps that were less than 24 inches in diameter. However, the claim was based on a contracted unit price of \$300.00 per stump rather than on a cubic yard basis as required by FEMA guidance. Using FEMA's *Stump Conversion Table*, we determined that the stumps totaled 82.6 cubic yards and that the City's claim for such activity should have been \$805 (contracted rate of \$9.75/cubic yards x 82.6 cubic yards). Therefore, we question the excess charge of \$9,695 (\$10,500 less \$805).

- C. Project Charges. Under Project 862 (Hurricane Wilma), the City was awarded \$486,449, which included \$11,129 for minor roof repairs to water treatment buildings and \$475,320 for the replacement of two air-cooled generators — one 1,000 kilowatt (kw) generator and one 1,500 kw generator. However, the City claimed \$2,477,051 under the project, or \$1,990,602 more than the amount awarded. The increased costs were the result of improvements and other activities not included in the project's scope of work. Specifically, the City replaced the damaged generators

with two 2,000 kw air-cooled generators at a cost of \$1,119,747. In addition, the project was charged \$65,745 for roof repairs and \$1,291,559 for other items, as shown in the following table.

Work Performed	Amount
Emergency generator rental	\$471,500
Engineering costs	\$133,955
Installation costs	\$686,104
Total	\$1,291,559

We question the unauthorized improvements and activities in the amount of \$1,990,602 (\$2,477,051 less \$486,449).

City officials did not concur with our finding. They said the costs claimed under the project did not relate to an improved project and that they had requested a change of scope of work, but at the time of our review it had not been approved by FEMA. They also indicated that they would work with FEMA and the DCA to resolve the issue.

- D. Duplicate Charge. Under Project 6544 (Hurricane Jeanne), a contractor billed the City \$45,664 (Invoice No. 04-173, dated 11/9/2004) for repairs such as installing interior walls, ceilings, and floors, and for removing contents from Fire Station # 3 located at 3601 Poinsettia Avenue. However, the same invoice was inadvertently claimed under Project 5314 (Hurricane Frances). Therefore, we question the duplicate charge of \$45,664 under Project 5314.
- E. Project Charges. According to 44 CFR 206.223, an item of work must be the result of a major disaster event to be eligible for FEMA financial assistance. The City claimed \$47,956 in force account equipment charges related to street sweeping. The City maintains sweeping operations on a routine basis during an 8-hour period on Monday through Friday. The \$47,956 claimed included street cleaning activities that were performed during such times. Therefore, we question the \$47,956 as shown in the table below.

Disaster	Project No.	Amount Claimed	Amount Questioned
Frances	3797	\$10,564	\$10,564
Jeanne	2063	\$37,392	\$37,392
Total		\$47,956	\$47,956

City officials said that the costs should be allowed because the street sweepers were used to clean up small light-weight debris that remained after crews removed large debris items created by Hurricanes Frances and Jeanne. However, we disagree. The street cleaning is a routine activity performed by the City and, therefore, it would have incurred costs for such activity whether or not the disaster events had occurred.

- F. Costs Covered by Insurance. According to 44 CFR 206.250(c), anticipated and actual insurance recoveries shall be deducted from otherwise eligible project costs. During our review, we noted repairs totaling \$6.0 million for permanent work projects at various facilities that could be potentially covered by insurance proceeds, as follows:

- Hurricanes Frances - \$1.4 million awarded for roof repairs to the Drehr Building, Children's Library, Fleet Management Building, etc.
- Hurricane Jeanne - \$1.1 million awarded for repairs to the State Park Building, various fire stations, etc.
- Hurricane Wilma - \$3.5 million awarded for repairs to the Raw Building, various golf course facilities and fire stations, the Senior Center, various fleet automobiles, etc.

At the conclusion of our fieldwork, the City had not yet filed a claim with its insurance carrier for disaster-related damages sustained to the facilities. Additionally, a review of the City's insurance policies had not been finalized by a FEMA insurance specialist due to incomplete insurance information submitted by the City. Therefore, we are not questioning any costs because sufficient information was not available to quantify the amount of damages covered by insurance. FEMA along with DCA should carefully review the City's insurance policies and credit the FEMA projects for any damages determined to be covered by insurance.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV, in coordination with DCA:

Recommendation #1. Disallow \$65,805 of unsupported equipment project charges (Finding A).

Recommendation #2. Disallow \$9,695 of excessive charges for stump removal activities (Finding B).

Recommendation #3. Disallow \$1,990,603 of unauthorized charges (Finding C).

Recommendation #4. Disallow \$45,664 for duplicate charges (Finding D).

Recommendation #5. Disallow \$47,956 for ineligible street cleaning activities (Finding E).

Recommendation #6. Review the City's insurance policies and credit the FEMA projects for costs covered by insurance (Finding F).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our audit with City, DCA, and FEMA officials during our audit. We provided written summaries of our findings and recommendations in advance to these officials and discussed them at an exit conference held on July 29, 2010. City officials did not concur with the audit findings. Their comments, where appropriate, have been incorporated into the body of this report.

Please advise me by December 06, 2010 of actions taken or planned to implement our recommendations, including target completion dates for any planned actions. 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, John Schmidt, and Gwinnette Kendrick.

cc: Mary Lynne Miller, Deputy Regional Administrator
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City of West Palm Beach, Florida
Schedule of Amount Awarded, Reviewed, and Questioned
September 4, 2004 to March 7, 2007

Project Number	Amount Awarded	Amount Reviewed	Amount Questioned	Questioned Costs (FEMA share)
<i>Hurricane Frances – Disaster No. 1545</i>				
1270	\$983,162	\$1,429,488		
1276	3,249,058	3,431,437		
1683	123,348	123,348		
1686	296,583	296,583		
2346	265,444	265,444		
3462	64,398	64,398		
3465	285,385	285,385		
3797	194,935	207,953	\$76,369	\$68,732
5314	51,400	45,664	45,664	41,098
7196	206,414	171,020		
Total	\$5,720,127	\$6,320,720	\$122,033	\$109,830
<i>Hurricane Jeanne – Disaster No. 1561</i>				
423	\$209,881	\$209,881		
838	29,603	29,603		
2063	152,912	152,912	\$37,392	\$33,653
2064	42,021	42,021		
2153	119,219	119,219		
2154	53,523	53,523		
3812	142,045	142,045		
3906	912,607	912,607		
4590	92,510	92,510		
5366	421,465	421,465		
6543	362,630	362,630		
6544	76,698	76,698		
Total	\$2,615,114	\$2,615,114	\$37,392	\$33,653
<i>Hurricane Wilma – Disaster No. 1609</i>				
31	\$ 4,393,401	\$ 3,482,396		
35	760,152	606,340		
48	22,000	22,000	\$9,695	\$9,695
673	258,583	207,037		
852	461,204	463,436		
862	486,449	2,477,051	1,990,603	1,990,603
1963	162,323	369,235		
1976	159,438	153,511		
5128	717,867	559,419		
5218	158,389	52,023		
5257	223,976	43,890		
Total	\$7,803,782	\$8,436,338	\$2,000,298	\$2,000,298
Grand Total	\$16,139,023	\$17,372,172	\$2,159,723	\$2,143,781