



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Atlanta Field Office-Audit Division
3003 Chamblee Tucker Rd
Atlanta, GA 30341

March 29, 2004

MEMORANDUM

TO: Joseph F. Picciano
Acting Regional Director, FEMA Region II

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Municipality of Ceiba
FEMA Disaster No. 1247-DR-PR
Audit Report No. DA-21-04

The Office of Inspector General (OIG) conducted an audit of public assistance funds awarded to the Municipality of Ceiba, Puerto Rico. The objective of the audit was to determine whether the Municipality accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Municipality received an award of \$3.1 million from the Puerto Rico Office of Management and Budget, a FEMA grantee, to remove debris, provide emergency protective measures, and repair other public facilities damaged as a result of Hurricane Georges in September 1998. The award provided 90 percent FEMA funding for 4 large projects and 19 small projects¹. The audit covered the period of September 1998 to October 2003. During this period, the Municipality claimed \$3,101,692 (see Exhibit) and received \$2,751,776 of FEMA funds under the 4 large projects and the 19 small projects.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of the Municipality's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

¹ According to FEMA regulations, a large project costs \$47,100 or more and a small project costs less than \$47,100.

RESULTS OF AUDIT

The Municipality's claim included questioned cost of \$483,008 (FEMA share \$434,707) resulting from excess charges for debris removal activities and insurance proceeds not credited to FEMA projects.

- A. Excess Charges for Debris Removal Activities. The Municipality's claim of \$2,847,732 for transporting debris to temporary and final disposal sites was overstated by \$415,184. Federal regulation (44 CFR 13.20) requires subgrantees to maintain supporting documentation for all charges to FEMA projects. For debris removal activities, this includes delivery tickets (see FEMA Guide 325) indicating the amount of debris delivered to the final disposal site.

The Municipality claimed \$1,027,732 under Project 05721 for transporting 44,684 cubic yards of debris from 2 temporary sites to a final disposal site. However, the OIG determined that the Municipality's contractor had delivery tickets to support only 39,644 cubic yards of debris, representing \$911,812 of cost. Therefore, the OIG questions excess charges of \$115,920.

The Municipality's claim of \$1,820,000 under Project 05720 for delivering 65,000 cubic yards of debris to a temporary site was also overstated. In this case, the amount of cubic yards delivered to the temporary site was not documented. To compensate the Municipality for such deliveries, FEMA agreed to pay the Municipality the total cubic yards delivered to the final site (39,644 cubic yards), plus an additional 37 percent for the estimated extent of compaction while stored at the temporary site. Thus, the Municipality was entitled to compensation of \$1,520,736 for a total of 54,312 cubic yards of debris. The OIG questions the \$299,264 of excess charges.

- B. Insurance Proceeds. Contrary to the Stafford Act, the Municipality's claim under two large projects included \$67,824 of repair cost that were covered by insurance. Accordingly, the OIG questions these charges.

The Municipality claimed \$46,920 under Project 07611 to repair the Nito Cortijo Stadium. This amount, plus \$122,260 of anticipated insurance proceeds, accounted for the total disaster related project costs of \$169,180. However, the Municipality had actual insurance recoveries of \$152,890, or \$30,630 more than the amount credited to the project.

Under Project 07613, the Municipality claimed total project costs of \$37,194 to repair the Saco Ward Softball Park and Basketball Court. However, the Municipality received \$46,600 from its insurance company for these repairs, thus alleviating the need for FEMA funds.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$483,008 in questioned cost.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of the audit with FEMA officials on March 16, 2004, and with grantee and Municipality officials on March 18, 2004. Municipality officials withheld comments until they could discuss the findings with former Municipality Officials involved with administrating the FEMA projects.

Please advise the Atlanta Field Office-Audit Division by May 28, 2004, of the actions taken to implement the OIG recommendations. Should you have any questions concerning this report, please contact me at (770) 220-5242 or Salvador Maldonado-Avila at (787) 296-3527.

Municipality of Ceiba
FEMA Disaster 1247 DR-PR
Schedule of Claimed and Questioned Cost

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>	
<u>Large Projects</u>				
05720	\$1,820,000	\$1,820,000	\$299,264	Finding A
05721	1,027,732	1,027,732	115,920	Finding A
07611	46,920	46,920	30,630	Finding B
07613	<u>57,590</u>	<u>37,194</u>	<u>37,194</u>	Finding B
Sub-Total	\$2,952,242	\$2,931,846	\$483,008	
<u>Small Projects</u>				
19 Small Projects	<u>\$169,846</u>	<u>\$169,846</u>	<u>0</u>	
Total	<u>\$3,122,088</u>	<u>\$3,101,692</u>	<u>\$483,008</u>	