

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

FEMA Should Deobligate \$226,096 of Unneeded Public Assistance Grant Funds Awarded to the Town of Dauphin Island, Alabama – Tropical Storm Ida



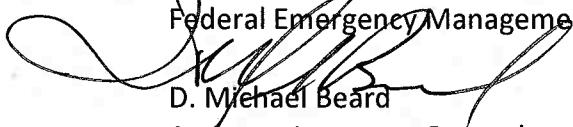


OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

NOV 2 2012

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

FROM: 
D. Michael Beard
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Should Deobligate \$226,096 of Unneeded Public Assistance Grant Funds Awarded to the Town of Dauphin Island, Alabama – Tropical Storm Ida*
FEMA Disaster Number 1866-DR-AL
Audit Report Number DA-13-01

We audited Public Assistance (PA) grant funds awarded to the Town of Dauphin Island, Alabama (Town) (FIPS Code 097-19744-00). Our audit objective was to determine whether the Town accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines.

As of November 7, 2011, the Town received a PA award of \$2.5 million from the Alabama Emergency Management Agency (State), a FEMA grantee, for damages resulting from Tropical Storm Ida, which occurred in November 2009. The award provided 75 percent FEMA funding for debris removal activities and repairs to roads and park facilities. The award consisted of three large and seven small projects.¹

We audited three large and six small projects with awards totaling \$1.4 million (see Exhibit A, Schedule of Projects Audited). The audit covered the period November 9, 2009, to January 9, 2012, during which the Town submitted claims totaling \$687,725. At the time of our audit, the Town had not completed work on all projects, and therefore, had not submitted a final claim on project expenditures to the State.

We conducted this performance audit between January and March 23, 2012, 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

¹ Federal regulations in effect at the time of Tropical Storm Ida set the large project threshold at \$63,200.



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based upon our audit objective. We conducted this audit applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We interviewed Town, State, and FEMA personnel; reviewed the Town's procurement policies and procedures; 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 Town'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 Town's method of accounting for disaster-related costs and its policies and procedures for administering the activities provided for under the FEMA award.

RESULTS OF AUDIT

Although the Town generally accounted for FEMA funds on a project-by-project basis, as required by Federal regulations and FEMA guidelines, we identified \$226,096 of excess project funding that should be deobligated and put to better use because the funding is no longer needed to complete work under the grant. We also determined that the Town was awarded \$103,365 under two small projects for permanent repair work that had not been completed within timeframes established by regulation.

Finding A: Unneeded Funds

Federal funding totaling \$226,096 under Project 40 should be deobligated and put to better use because work under the project is complete and the funding is no longer needed. The Town completed all authorized work under the project in May 2010 and incurred actual costs totaling \$15,213. This amount is \$226,096 less than the \$241,309 that FEMA estimated and obligated under the project for the approved scope of work. Therefore, FEMA should deobligate the \$226,096 of unused funds and put them to better use.²

According to 44 CFR §206.205 (b)(1), the grantee shall make an accounting of eligible costs for each large project and certify to FEMA that the reported costs were for eligible disaster work as soon as practicable after the subgrantee has completed the approved work and requested payment. FEMA should review the accounting submitted by the State for each large project, and determine the eligibility of the costs and whether funds should be obligated or deobligated for the project.

On August 30, 2010, the State sent a request to FEMA asking for final inspection and closeout of the project. However, the unneeded FEMA funding of \$226,096 remains obligated. According

² Project 40 was written for damages to pavement, parking blocks, the electrical system, and the freshwater and sewer system at West End Park.



to FEMA officials, competing priorities and PA work under other disasters affected the timeliness of their closeout activities.

Federal appropriations laws and the Statement of Federal Financial Accounting Standards (SFFAS) require Federal agencies to record obligations in the accounting records on a factual and consistent basis throughout the Government.³ Reducing unneeded funding in a timely manner (1) releases funds to cover cost overruns on other projects associated with the disaster, (2) provides a more accurate status of public assistance program costs for a disaster, and (3) is consistent with appropriations law and SFFAS Number 5 that require obligations/liabilities in FEMA's accounting system to be recorded accurately and supported. Therefore, FEMA should promptly deobligate the \$226,096 from Project 40 and put those funds to better use.

State and Town Response. State and Town officials agreed that the FEMA funding for the projects should be adjusted to account for actual eligible documented costs. They said that they welcome FEMA's assistance in completing final inspections on the projects.

Finding B: Small Project Work Not Performed

The Town was awarded \$103,365 under two small projects for permanent repair work that has not been completed within timeframes established by regulation. Federal regulation 44 CFR 206.204 states that a grant recipient has 18 months from the disaster date to complete permanent work. However, the State, as grantee, may grant extensions for an additional 30 months under extenuating circumstances, and FEMA may grant extensions beyond the State's authority appropriate to the situation. Federal regulation 44 CFR 206.205(a) states that a grant recipient's failure to complete work under a small project may require that the Federal payment be refunded.

In August 2012, the Town received an award of \$55,719 under Project 27 for repairing and/or replacing 100 driveway access culverts, and \$47,646 under Project 28 for installing a sand fence, which is a picket-type fence along the shoreline to allow the buildup of sand. However, as of April 26, 2012, the Town had not begun work on either project. According to Town officials, they had requested in June 2010 that the State approve a time extension to complete work under the projects because of startup delays related to the March 2010 Deepwater Horizon oil spill in the Gulf of Mexico. However, neither the State nor Town officials could provide documentation to show that the Town's request was approved.

State and Town Response. State and Town officials disagreed that the funding should be deobligated under Projects 27 and 28. After the exit conference on July 2, 2012, State officials provided a July 25, 2012, letter in which the State had approved a new deadline of April 1, 2013, for completion of the projects. State officials also said that the Town had requested that

³ U.S. General Accounting Office's Principles of Federal Appropriations Law, 3rd edition, volume II, February 2006, chapter 7, section B: Criteria for Recording Obligations (31 U.S.C. § 1501).



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FEMA approve the projects as alternate projects, and they are awaiting a decision from FEMA on the Town's request.

Office of Inspector General Response. The new completion deadline approved by the State after our exit conference falls within the State's authority under the PA program. Therefore, we modified our original recommendation that FEMA disallow the costs. We now recommend that FEMA instruct the State to monitor the progress of work under the projects closely to ensure that they are completed by the new deadline of April 1, 2013.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV:

Recommendation #1: Deobligate and put to better use \$226,096 of unneeded Federal funding (finding A).

Recommendation #2: Instruct the State to monitor the progress of the Town's work under Projects 27 and 28 closely to ensure that they are completed by the new deadline of April 1, 2013 (finding B).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with Town, 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 July 11, 2012. After the exit conference, State and Town officials provided a written coordinated response to the audit findings and recommendations. Their response caused us to modify our original recommendation under finding B. Their comments, where appropriate, have been incorporated into the body of this 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 responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing 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.



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Major contributors to this report were David Kimble, Eastern Region Audit Director; Adrienne Bryant , Audit Manager; Mary Stoneham , Auditor-in-charge; and Amos Dienye, Auditor.

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



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EXHIBIT A

Schedule of Projects Audited
November 9, 2009, to January 9, 2012
Town of Dauphin Island, Alabama
FEMA Disaster Number 1866-DR-AL

Project Number	Project Scope	Amount Awarded	Amount Claimed	Amount Questioned	Finding
Large Projects					
20	Debris removal	\$902,945	\$902,945	-	
40	Repair park	241,309	\$14,753	\$226,096	A
43	Repair roads	90,039	-	-	
Subtotal		\$1,234,293	\$917,698	\$226,096	
Small Projects					
27	Replace 100 driveway culverts	\$55,719	-	-	B
28	Build sand fence	47,646	-	-	B
25	Replace geo-tech	11,258	11,258	-	
10	Replace culvert	2,999	2,999	-	
29	Debris removal	44,268	42,268	-	
9	Remove sand from ditches	8,876	8,876	-	
Subtotal		\$170,766	\$65,401	-	
Total		\$1,405,059	\$983,099	\$226,096	



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EXHIBIT B

Report Distribution List
Town of Dauphin Island, Alabama
FEMA Disaster Number 1866-DR-AL

Department of Homeland Security

Secretary
Chief Financial Officer
Under Secretary for Management
Audit Liaison, DHS

Federal Emergency Management Agency

Administrator
Chief of Staff
Chief Financial Officer
Chief Counsel
Director, Risk Management and Compliance
Audit Liaison, FEMA Region IV
Audit Liaison, FEMA (Job Code G-12-009)

Grantee

Public Assistance Coordinator, Alabama Division of Emergency Management

State

State Auditor, Alabama

Subgrantee

Mayor, Dauphin Island, Alabama

ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this document, please call us at (202) 254-4100, fax your request to (202) 254-4305, or e-mail your request to our Office of Inspector General (OIG) Office of Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

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Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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