

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

FEMA Public Assistance Grant
Funds Awarded to City of
Coral Springs, Florida – Hurricane Wilma

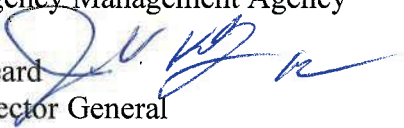




Homeland Security

APR - 1 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 Public Assistance Grant Funds Awarded to
City of Coral Springs, Florida – Hurricane Wilma*
FEMA Disaster Number 1609-DR-FL
Audit Report Number DA-12-15

We audited public assistance funds awarded to the City of Coral Springs, Florida (City) (FIPS Code 011-14400-00). 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.

As of January 20, 2011, the City had received an award of \$24.7 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Wilma, which occurred in October 2005. The award provided 100% FEMA funding for debris removal activities, emergency protective measures, and permanent repairs to buildings and facilities. The award consisted of 31 large projects and 35 small projects.¹

Our review focused on \$22.5 million awarded and claimed under eight large projects (see Exhibit, Schedule of Projects Audited). We also performed a limited review of several other projects for potential duplication of benefits because of insurance settlement allocation issues identified during the audit. The audit covered the period from October 23, 2005, to January 20, 2011, during which the City received \$22.5 million of FEMA funds. At the time of our audit, the City had submitted a final expenditure claim to the State on Project 2615, which was reviewed and closed out by FEMA in October 2010. The City's final expenditure claims for all other projects were either closed or pending.

We conducted this performance audit 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

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$57,500.

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

We judgmentally selected project costs (generally based on dollar value); interviewed FEMA, State, and City officials; reviewed the City's procurement policies and procedures; reviewed applicable federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of the City's internal controls applicable to 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 accounted for project expenditures on a project-by-project basis as required by federal regulation. However, we identified \$5,271,525 of questioned costs, consisting of \$1,573,592 of costs that were covered by insurance and \$3,697,933 of costs that were unsupported, duplicate, unreasonable, and ineligible. Additionally, the City did not always comply with FEMA guidelines on the use of time-and-materials contracts.

Finding A: Costs Covered by Insurance

The City's claim under multiple permanent repair projects included \$1,573,592 of costs that were covered by insurance. According to Section 312 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, FEMA funds cannot be used for expenditures recoverable from another federal program, insurance, or any other source. Also, 44 CFR 206.250(c) requires that actual and anticipated insurance recoveries be deducted from otherwise eligible costs.

At the time of our fieldwork, FEMA had not completed an insurance review to determine insured losses because the City did not have a final settlement of its claims from its insurance carrier. We reviewed the City's insurance policy, which included a detailed Schedule of Properties insured. The Schedule identified the location, building number, address, occupancy, construction structure, and building and personal limit coverage for insured facilities. Based on our analysis of the City's claim, insurance policy, and scopes of work authorized under all projects, we identified \$1,984,692 of costs covered by insurance.

At the exit conference, City officials provided us with documentation showing receipt of \$386,000 of insurance proceeds, and the results of a FEMA insurance review that had been completed subsequent to our fieldwork. In the insurance review, FEMA determined that \$1,462,581 of project costs were covered by the City's insurance policy. We reviewed FEMA's analysis and related documentation and agreed to accept FEMA's determination on \$1,462,581 of the costs. However, for Project 3360, the City had not claimed \$2,642 of costs that FEMA

had determined was covered by insurance during its review. In addition, FEMA did not identify \$113,653 of costs covered by insurance under Project 7197. Based on this analysis, we concluded that the City’s claim included \$1,573,592 (\$1,462,581 less \$2,642 plus \$113,653) of costs covered by insurance. FEMA had not taken action to reduce eligible project costs by \$1,573,592 at the conclusion of our audit. Therefore, we question the \$1,573,592, as shown in table 1.

Table 1. Damages Covered by Insurance

Project Number	Description of Damages	Amount Questioned
2185	Fire Station Repairs	\$9,111
2276	School Sign Damage	7,700
2890	City Buildings A/C Repairs	11,304
5160	City Buildings Security Camera Repairs	10,993
5543	Police and Gun Range Building Repairs	58,412
7002	Citywide Roof Damages	110,542
7504	Repairs to Charter School and Center for the Arts	27,414
1129	North Community Park Light Fixtures Repairs	757,152
2249	Sports Complex Scoreboards Repairs	53,853
2257	Sportsplex Athletic Complex Repairs	45,000
3343	Aquatic Center Repairs	193,587
3360	Tennis Center Repairs	40,696
5938	North Community Park Canopy Repairs	6,150
6747	Multiple Parks Light Fixtures Repairs	12,855
7197	Parks and Recreation Fences Repairs	113,653
7357	Parks and Recreation Roof Repairs	110,062
7644	Multiple Parks Light Fixtures Repairs	5,108
Total		\$1,573,592

Finding B: Unsupported and Duplicate Debris Removal Costs

The City’s claim under debris removal Project 2615 included \$2,336,953 of unsupported and duplicated charges. We question the \$2,336,953, as follows:

- **Unsupported Charges.** The City claimed \$10,976,048 of project costs for a contractor to remove debris, but had adequate documentation to support project activities totaling only \$9,476,048, or \$1.5 million less than the amount claimed. Cost principles at 2 CFR 225, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, Section C.1.j, state that a cost must be adequately documented to be allowable under federal awards.

The unsupported charges occurred because the City made advance payments to the contractor, but did not allocate the payments to specific invoices showing debris removal activities. The City later used the \$1.5 million of advance payments when it performed a

reconciliation of costs paid to the contractor, and asked that we tie the \$1.5 million to invoices totaling \$2,058,369 that the City did not claim to FEMA under the project. These charges consisted of \$1,179,125 (Invoices 5-11324 and 5-11325) for the removal of leaning trees and hanging branches and \$879,244 (Invoices 5-11341 and 5-11342) for debris removal activities that had not been approved by FEMA.

- Duplicate Charges. The City's claim included \$836,953 of duplicate charges. The duplicate charges included (1) \$671,871 paid twice to the contractor, once under separate billings and again as part of a \$1.3 million settlement paid to the contractor as a result of legal mediation; and (2) \$165,082 claimed and paid twice, once in a cash draw amount for several invoices, and again as separate payments to the contractor.

City officials said that they mistakenly failed to claim the \$2,058,369 of invoices for debris activities (Finding B.1) to FEMA during project closeout in October 2010, and requested that we net such invoices against the questioned costs. However, the authority to approve eligible activities under the award rests with FEMA, not OIG. The City should request that FEMA review the invoices and make an eligibility determination.

Finding C: Time-and-Materials Contract Costs

The City's claim for debris removal activities under Project 2615 included \$877,944 of unreasonable and ineligible time-and-materials contract costs. Federal regulation 44 CFR 13.36 (b)(10) allows a grant recipient to use time-and-materials contracts only after a determination has been made that no other form of contracting is suitable and with a contract ceiling price that the contractor exceeds at its own risk. FEMA guidelines² generally limit time-and-materials contracts to a maximum of 70 hours of actual emergency debris clearance. In addition, 2 CFR 225, Appendix A, subsection C.1, requires that a cost be necessary and reasonable to be allowable under a federal award.

- The City claimed \$493,901 for a debris removal contractor to remove 18,403.8 cubic yards of mixed debris (vegetative and construction and demolition (C&D)) placed in bags by citizens. The claim, which was based on a time-and-materials rate of \$225 per hour, included charges for work performed beyond FEMA's 70-hour permissible limit. In addition, the contract terms stipulated that C&D and mixed debris would be charged at a rate of \$3 to \$8 per cubic yard (based on mileage to the disposal site) instead of the time-and-materials rate paid to the contractor. Applying the highest cubic yard rate of \$8 to the 18,403.8 cubic yards of debris collected, we concluded that the City should not have claimed more than \$147,230 for the contract work. Therefore, we question \$346,671 (\$493,901 less \$147,230) of the costs as unreasonable.

City officials said that the contractor was paid on a time-and-materials basis because it was inefficient for the contractor to pick up the bags with machinery. However, we disagree. The contractor often used mechanically loaded trailers and self-loaders to pick up the bags. The contractor sporadically used hand-loaded trailers. Further, federal

² FEMA Publication 325, *Debris Management Guide*, April 1999.

regulations and FEMA guidelines place restrictions on the use of time-and-materials contracting because it does not encourage effective cost controls.

- The City claimed \$53,054 for its garbage collection contractor to remove 521 tons of mixed debris placed in bags by citizens for curbside pickup based on an hourly rate of \$175. The work was performed from November 13 to November 20, 2005, which extended beyond FEMA's 70-hour permissible limit for time-and-materials contract work. The City did not establish a cubic yard rate with this contractor. However, the City's contract with a debris removal contractor that performed similar work (as described in the previous paragraph) stipulated that such debris would be charged at \$3 to \$8 per cubic yard. Using the tons to cubic yards conversion factor listed in FEMA's Job Aid 9580.1, the 521 tons of debris converts to 1,042 cubic yards. Applying the highest cubic yard rate of \$8 to the estimated 1,042 cubic yards of debris collected, we concluded that reasonable costs for such activity was \$8,336, which is \$44,718 less than the amount claimed. Therefore, we question the \$44,718 of unreasonable costs.
- The City claimed \$486,555 of time-and-materials charges for a debris removal contractor to cut and stack debris to clear sidewalks and bike paths adjacent to school routes to facilitate school openings. The stacked debris was later removed. However, the contract terms required the contractor to remove debris by making multiple scheduled passes at a site, location, or area impacted by the event, billing the City for such activity at cubic yard rates.

City officials said they decided to pay the contractor to first cut and stack the debris on a time-and-materials basis because of health and safety concerns expressed by citizens. They also said that debris removal contractors had not completed a first pass around the City; therefore, they were unable to come to the area within a reasonable timeframe to remove the debris. The officials submitted email requests from citizens as documentation of the public health and safety threat posed by the debris. However, the emails do not establish an immediate public health and safety threat. Such determination should be made by a City health and safety inspector or similar official. Further, the City provided no evidence that FEMA made a field inspection to evaluate the necessity of the work where these areas were cleared. Therefore, we question the \$486,555 of time-and-materials charges.

Subsequent to the exit conference, City officials presented a cost analysis which they believed demonstrated that the time-and-materials charges should not be questioned because the total costs paid to the contractors were reasonable when considering the total quantity of debris collected. The analysis calculated a per cubic yard rate by dividing the total costs (unit price and time-and-material) paid to the debris contractors by the total cubic yards of debris collected by the contractors. The City then compared this calculated "per cubic yard rate" with cubic yard rates paid by neighboring municipalities. However, we did not accept the comparison because the methodology does take into consideration that the total cost paid to the contractors would have been less, as shown by our finding, had the City followed federal regulations, FEMA guidelines, and the pricing structure of the contracts. Therefore, our position remains unchanged.

Finding D: Ineligible Project Costs

The City’s claim included \$311,144 of ineligible project costs.

- The City claimed \$523,814 (\$335,554 under Project 3027 and \$188,260 under Project 2615) for debris, tree, and stump removal on vacant land known as Butler Farms. Prior to our fieldwork, a FEMA inspector determined that 50% of the trees and debris in tract K and 41.5% of trees in the south tract were ineligible for FEMA funding. However, the City’s claim had not been reduced for the ineligible costs. We question the \$203,829 claimed for the ineligible activities, as shown in table 2.

Table 2. Ineligible Project Costs

Percentage Ineligible	Project 3027	Project 2615	Amount Questioned
50%	\$88,119	\$94,130	\$182,249
41.5%	\$21,580	\$0	\$21,580
Total	\$109,699	\$94,130	\$203,829

- The City claimed \$29,315 of contract charges under Project 3027 for the restoration of a canal. However, according to a City official, the City did not own the canal and no work was performed. The cost was included in the claim because the City failed to identify the ineligible charges during its review of contractor invoices. We question the \$29,315.
- The City claimed \$78,000 under Project 3027 for the extraction and removal of standing trees that it said posed a public safety hazard. A City official told us that the standing trees were removed after their hazardous nature was discussed in a meeting with the contractor. However, FEMA never inspected the standing trees, and the City could not provide evidence that FEMA authorized their removal. Further, the City did not have documentation such as an engineering report or a comparable document from a qualified arborist to indicate the hazardous nature of the trees. FEMA’s *Public Assistance Guide* (FEMA 322, October 1999, page 47) states that stump and tree removal is not eligible for FEMA funding unless there is determined to be a public safety hazard. Therefore, we question the \$78,000.

Finding E: Eligibility of Project Costs

The City’s claim included \$171,892 for debris removal activities that FEMA had not determined to be eligible when the project was closed out in October 2010. Under Project 2615, the City claimed a \$1.3 million payment made to a contractor that hauled mulch. The payment resulted from a settlement agreement arising from legal mediation with the contractor. In our review of supporting documentation for the payment, we identified two invoices (Invoices 5-11341 and 5-11342) totaling \$171,892, which were for activities that FEMA had not reviewed and made an eligibility determination on during the closeout process. Therefore, we question the \$171,892.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV:

Recommendation #1: Disallow \$1,573,592 of ineligible costs claimed for activities covered by insurance (finding A).

Recommendation #2: Disallow \$1.5 million of debris removal charges that were not adequately supported (finding B).

Recommendation #3: Disallow \$836,953 of ineligible duplicate debris removal charges (finding B).

Recommendation #4: Disallow \$877,944 of ineligible time-and-materials debris removal charges (finding C).

Recommendation #5: Disallow \$311,144 of ineligible project costs (finding D).

Recommendation #6: Disallow \$171,892 of project costs that had not been determined to be eligible for reimbursement by FEMA (finding E).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the audit results with FEMA, City, and State officials during the course of our audit. We also provided written summaries of our findings and recommendations in advance to these officials and discussed them at an exit conference on September 7, 2011. FEMA, City, and State officials withheld comments pending receipt of the 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 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. Significant contributors to this report were David Kimble, Felipe Pubillones, Helen White, and Carlos Aviles.

Should you have questions concerning this report, please contact me at (202) 254-4100 or David Kimble at (404) 832-6702.

cc: Administrator, FEMA

Audit Liaison, FEMA Region IV
Audit Liaison, FEMA (Job Code G-11-024)
Audit Liaison, DHS

EXHIBIT

**Schedule of Audited Projects
October 23, 2005, to January 20, 2011
City of Coral Springs, Florida
FEMA Disaster Number DR-1609-FL**

Project Number	Amount Awarded	Amount Claimed/Reviewed	Amount Questioned
2615	\$16,418,506	\$16,418,506	\$3,480,919
3002	3,257,051	3,257,051	
3027	335,554	335,554	217,014
5945	725,411	725,411	
7162	359,584	359,584	
7358	766,542	766,542	
7506	404,247	404,247	
3364	204,865	204,865	
Projects Covered by Insurance ³			\$1,573,592
Total	\$22,471,760	\$22,471,760	\$5,271,525

³ Table 1 in finding A lists the affected projects and related questioned costs.

ADDITIONAL INFORMATION AND COPIES

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