



# Homeland Security

October 19, 2010

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

FROM: C. David Kimble, Director  
 Eastern Regional Office

SUBJECT: *Broward County School Board District*  
 Public Assistance Identification Number: 011-107C0-00  
 FEMA Disaster Nos. 1602 and 1609-DR-FL  
 Report Number DA-11-03

We performed an audit of public assistance funds awarded to the Broward County School Board District (School Board), in Fort Lauderdale, Florida. The audit objective was to determine whether the School Board accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

As of October 9, 2009, the School Board had received public assistance grant awards totaling \$60.8 million from the Florida Department of Community Affairs (DCA), a FEMA grantee, for damages related to Hurricanes Katrina and Wilma. The awards provided 100% FEMA funding for debris removal activities, emergency protective measures, permanent repairs to facilities, and other disaster-related activities. The specifics for each disaster are presented in the table below.

Disaster	Disaster No.	Disaster Date (Month/Yr)	Amount Awarded (Millions)	Large Projects Awarded <sup>1</sup>	Small Projects Awarded
Hurricane Katrina	1602	Aug, 2005	\$ 1.8	5	4
Hurricane Wilma	1609	Oct. 2005	59.0	155	322
Total			\$60.8	160	326

We limited our review to \$15.7 million awarded under the two disasters. This consisted of \$1.3 million under 4 projects for emergency work related to Hurricane Katrina and \$14.4 million under 28 projects for emergency and permanent repair work related to Hurricane Wilma (see Exhibit).

<sup>1</sup> Federal regulations in effect at the time of Hurricanes Katrina and Wilma set the large project threshold at \$55,500 and \$57,500, respectively.

The audit covered the period August 24, 2005, to September 15, 2009, during which the School Board received \$45 million of FEMA funds under the projects.<sup>2</sup> At the time of our audit, the projects were in various stages of completion and the School Board had not submitted final claims for project expenditures to the DCA.

We conducted this performance 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 judgmentally selected project cost documentation (generally based on dollar value); interviewed School Board, DCA, and FEMA personnel; reviewed the School Board's grant accounting and procurement policies and procedures; reviewed applicable federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances to accomplish our objective. We did not assess the adequacy of the School Board'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 School Board's grant accounting system and its policies and procedures for administering the activities provided for under the FEMA awards.

## **RESULTS OF AUDIT**

The School Board did not account for FEMA funds on a project-by-project basis, as required by federal regulations, and did not always comply with federal procurement regulations when contracting for disaster activities. Additionally, we question \$14,990,114 of costs as unreasonable, unsupported, unnecessary, or excessive.

- A. Project Accounting. Federal regulation 44 CFR 13.20(a) requires a State and its subgrantees to provide accounting records that permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of restrictions and prohibitions of applicable statutes. The School Board's grant accounting system did not identify expenditures by project and did not reflect invoice numbers or other such identifiable information to permit the tracing of expenditure transactions to source documents. As a result, the eligibility of project expenditures could not be readily validated.
  
- B. Contract Charges. Federal regulation 44 CFR 13.36(d)(4) allows procurements by non-competitive proposals under certain conditions, one of which is during times of public emergency. Under such procurements, the regulation requires a cost analysis to determine the reasonableness of the proposed contract price. In addition, 44 CFR 13.36(b)(9) requires grantees and subgrantees to maintain records sufficient to detail the significant history of a procurement. Those records should include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection, and basis for the contract price.

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<sup>2</sup> September 15, 2009, was the date of the last expenditure transaction charged to the projects included in our audit scope.

The School Board did not comply with federal procurement requirements when awarding a contract totaling \$997,833 for roof repairs to portable classrooms damaged during Hurricane Wilma. The School Board selected the contractor using state and local emergency contracting procedures and agreed to pay the contractor a rate of \$12.39 per square foot without performing a cost analysis to determine the reasonableness of the proposed contract price.

FEMA performed a cost analysis to determine the reasonableness of the contract rate of \$12.39 per square foot by reviewing rates the School Board paid other contractors to perform similar work. Based on this analysis, FEMA authorized the roof repairs on the project worksheets at \$11.40 per square foot. However, the School Board’s claim under the projects was based on unit price rates that ranged from \$14.30 to \$18.42, which were in excess of the FEMA authorized rate. Therefore, we question \$195,419 of costs claimed under the projects as excessive. The affected projects and related questioned costs are identified in the table below.

Project Number	Amount Awarded	Amount Claimed	Amount Questioned	Project Number	Amount Awarded	Amount Claimed	Amount Questioned
8490	\$28,166	\$67,292	\$39,125	8339	\$10,075	\$33,975	\$15,735
8530	\$1,788	\$35,364	\$0	8337	\$34,566	\$33,975	\$0
8434	\$72,960	\$112,874	\$0	8387	\$39,593	\$56,625	\$1,905
8468	\$22,224	\$34,444	\$0	8333	\$48,370	\$56,625	\$8,255
8285	\$20,520	\$25,648	\$5,128	8340	\$25,056	\$90,600	\$65,544
8425	\$17,920	\$52,522	\$0	8360	\$82,080	\$91,468	\$9,387
8281	\$36,480	\$56,733	\$9,052	8444	\$27,360	\$23,376	\$0
8417	\$6,745	\$16,456	\$0	8274	\$2,370	\$11,996	\$8,955
8456	\$7,426	\$8,310	\$885	8396	\$36,480	\$45,300	\$8,820
2687	\$100,892	\$113,250	\$12,358	8335	\$20,730	\$31,000	\$10,270
Totals					\$641,801	\$997,833	\$195,419

- C. Supporting Documentation. The School Board received \$14,672,709 of FEMA funds under several projects for debris removal and emergency protective measures based on estimated project costs. However, we could not validate the eligibility of the \$14.7 million because the School Board did not provide source documentation such as cancelled checks, paid bills, payroll, time and attendance records, contracts and subcontracts award documents, etc. to support the costs. Office of Management and Budget Circular A-87 (*Cost Principles for State, Local and Indian Tribal Governments*), Attachment A, Paragraph C.1, requires that costs be adequately documented to be allowable under a federal award.

School Board officials said they had difficulties gathering the source documents from their various departments. During the course of our audit, they requested assistance from the departments and their technical assistance contractor to obtain the documentation. However, at the conclusion of our fieldwork the documentation had not been provided for our review. Therefore, we question the \$14.7 million of unsupported project costs as shown in the table below.

Project No.	Disaster	Amount Awarded	Amount Received	Amount Questioned
1095	Katrina	\$ 144,273	\$ 144,273	\$ 144,273
1096	Katrina	755,199	755,199	755,199
6235	Wilma	1,924,305	1,924,305	1,924,305
6236	Wilma	2,476,400	2,476,400	2,476,400
6964	Wilma	5,750,029	5,750,029	5,750,029
6970	Wilma	1,262,259	1,262,259	1,262,259
6974	Wilma	326,315	326,315	326,315
7080	Wilma	1,518,289	1,518,289	1,518,289
7085	Wilma	83,487	83,487	83,487
8296	Wilma	432,153	432,153	432,153
<b>Total</b>		<b>\$14,672,709</b>	<b>\$14,672,709</b>	<b>\$14,672,709</b>

D. Project Charges. Office of Management and Budget Circular A-87 (*Cost Principles for State, Local, and Indian Tribal Governments*), Attachment A, Paragraph C.1.a, states that costs under federal awards must be both necessary and reasonable for proper and efficient performance and administration of an award. The School Board claimed \$68,783 to remove and repair portable classroom roofs that had been previously improperly installed by a contractor. Because the School Board did not properly monitor and inspect the roof repairs made by the original contractor and did not obtain a warranty for such work, the School Board had to hire another contractor to remove and repair the improperly installed roofs. We question the \$68,783 of unnecessary project charges as identified in the table below:

PW No	School Name	Units Repaired	Original Work Completion Date	Duplicate Work Completion Date	Installer Amount Billed	Amount Questioned
8434	Dania Elementary	1386C, 1387C, 1388C, 1389C, 1390C, 1392C, 1393C	12-6-05	4-06-06	\$49,690	\$49,690
8425	Deerfield Beach-M.S.	499C, 951C, 383, 232	12-26-05	4-06-06	7,222	7,222
8281	Flanagan H.S.	145N, 580C, 32N, 651C	11-23-05	5-09-08	11,200	11,200
8274	Quiet Water	Building 5 Unit-165	12-06-05	9-12-06	671	671
<b>Total</b>					<b>\$68,783</b>	<b>\$68,783</b>

E. Labor Charges. Under Project 1013 (Hurricane Katrina), the School Board claimed \$50,600 for overtime labor of facilities department employees based on employee timesheets. However, the hours on the timesheets did not agree with the School Board's official payroll registers. Therefore, we question the \$50,600.

- F. Project Funding. Under Project 1014 (Hurricane Katrina), the School Board claimed \$259,931 for clearing and moving debris to the edge of the right-of-way to facilitate school inspector crews in determining the safety of reopening school facilities. A FEMA document dated April 27, 2010, recommended that the School Board be reimbursed \$261,994 for such activity based on a project close-out review. However, the School Board had documentation to support only \$259,931, or \$2,603 less than the amount FEMA reimbursed. Therefore, we question the \$2,603 of excess funding.

## **RECOMMENDATIONS**

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

**Recommendation #1.** Instruct the School Board to separately account for project costs on a project-by project basis and to maintain supporting documentations that facilitates the tracing of project expenditures in its accounting system, as required by federal regulation (Finding A).

**Recommendation #2.** Inform the School Board that it must comply with federal regulations and FEMA guidelines when procuring goods and services under FEMA awards (Finding B).

**Recommendation #3.** Disallow \$195,419 of excessive contract charges for roof repairs (Finding B).

**Recommendation #4.** Disallow \$14,672,709 of unsupported project funding and instruct the School Board to maintain adequate source documentation for all charges under FEMA awards. The questioned costs could be reduced if the School Board can provide adequate source documentation to the State/FEMA closeout team to support eligible activities funded under the projects. (Finding C)

**Recommendation #5.** Disallow \$68,783 of unnecessary project charges (Finding D).

**Recommendation #6.** Disallow \$50,600 of excess labor charges (Finding E).

**Recommendation #7.** Disallow the \$2,603 of excess project funding (Finding F).

## **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW UP**

We discussed the audit results with School Board, FEMA, and DCA 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 13, 2010. School Board officials agreed with our findings. They said that they are working with their various departments and technical assistance contractor to obtain the documentation needed to resolve the findings. Their comments, where appropriate, have been incorporated into the body of this report.

Please advise me by December 20, 2010, of actions taken or planned to implement the recommendations contained in this report, including target completion dates for any planned actions. Should you have any questions concerning this report, please contact me at (404) 832-6702, or Felipe Pubillones, Audit Manager, at (404) 832-6705. Key contributors to this assignment were Felipe Pubillones, Oscar Andino, and Carlos Aviles.

cc: Mary Lynne Miller, Deputy Regional Administrator  
Jesse Munoz, Director Recovery  
Valerie Rhoads, Branch Chief of PA  
Denise Harris, Regional Audit Coordination  
Robert Ives, FL Recovery Office Director  
Hope Ayers, TRO Coordinator  
Audit Liaison, FEMA

Broward County School Board District, Florida  
FEMA Disaster No. 1602 and 1609-DR-FL  
Schedule of Amount Awarded, Claimed, and Questioned  
August 24, 2005 to September 15, 2009

*Hurricane Katrina – Disaster No. 1602*

Project Number	Amount Awarded	Amount Claimed	Amount Questioned
1013	\$ 127,179	\$ 172,689	\$ 50,600
1014	261,994	261,994	2,603
1095	144,273	0	144,273
1096	755,199	0	755,199
Sub-Total	\$1,288,645	\$ 434,683	\$ 952,675

*Hurricane Wilma – Disaster No. 1609*

2687	\$ 100,892	\$ 113,250	\$ 12,358
6235	1,924,305	0	1,924,305
6236	2,476,400	0	2,476,400
6964	5,750,029	0	5,750,029
6970	1,262,259	0	1,262,259
6974	326,315	0	326,315
7080	1,518,289	0	1,518,289
7085	83,487	0	83,487
8274	2,370	11,996	9,626
8281	36,480	56,733	20,252
8285	20,520	25,648	5,128
8296	432,153	0	432,153
8333	48,370	56,625	8,255
8335	20,730	31,000	10,270
8337	34,566	33,975	0
8339	10,075	33,975	15,735
8340	25,056	90,600	65,544
8360	82,080	91,468	9,387
8387	39,593	56,625	1,905
8396	36,480	45,300	8,820
8417	6,745	16,456	0
8425	17,920	52,522	7,222
8434	72,960	112,874	49,690
8444	27,360	23,376	0
8456	7,426	8,310	885
8468	22,224	34,444	0
8490	28,166	67,292	39,125
8530	1,788	35,364	0
Sub-Total	\$14,415,038	\$ 987,833	\$14,037,439
Total	\$15,703,683	\$1,422,516	\$14,990,114