

Office of Inspector General
Atlanta Field Office – Audit Division

U.S. Department of Homeland Security
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Atlanta, GA 30328



Homeland
Security

January 20, 2005

MEMORANDUM FOR:

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

FROM: *for* Gary J. Barard
Field Office Director

SUBJECT: Municipality of Maunabo
FEMA Disaster No. 1247-DR-PR
Audit Report No. DA-09-05

The Office of Inspector General (OIG) conducted an audit of public assistance funds awarded to the Municipality of Maunabo, 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 \$1.2 million from the Puerto Rico Office of Management and Budget, a FEMA grantee, to remove debris, provide emergency protective measures, and repair roads and other public facilities damaged as a result of Hurricane Georges in September 1998. The award provided 90 percent FEMA funding for 3 large projects and 41 small projects¹. The audit covered the period September 1998 to December 2004. During this period, the Municipality claimed \$ 1,145,560 (see Exhibit) and received \$940,030 of FEMA funds. At the time of the audit, the Municipality had reported that 3 large projects and 33 small projects were completed.

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

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

included test of the Municipality's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The Municipality's grant accounting system did not provide adequate details to support expenditures allocable to FEMA projects. Additionally, the Municipality's claim included questioned costs of \$447,284 (FEMA share \$402,557) resulting from excessive and unsupported charges, duplication of benefits, and incomplete implementation of small projects.

- A. Poor Grant Accounting. Contrary to federal regulations (44 CFR, Section 13.20), the Municipality did not maintain accounting records to adequately account for project expenditures. The Municipality established a special account to record FEMA project expenditures. However, all project expenditures were not reflected in that account. Some expenditures were recorded in the Municipality's General Fund Account with no reference to the FEMA projects. As a result, the accuracy of the Municipality's claim could not be readily verified.

The Municipality did maintain separate file folders, which contained contracts, invoices, and payment vouchers for expenditures related to each FEMA project. The OIG used these records to perform the audit.

- B. Excessive and Unsupported Charges. The Municipality's claim included excessive and unsupported charges totaling \$358,487, as follows:

1. The Municipality's claim of \$440,310 for transporting debris to a temporary site was overstated by \$234,810. Federal regulation (44 CFR 13.20) requires subgrantees to maintain supporting documentation for all charges under FEMA projects. For debris removal activities, this includes the maintenance of load tickets to reflect the amount of debris delivered to a temporary storage site (FEMA Guide 325).

The Municipality claimed \$440,310 under Project 06361 to compensate a contractor for transporting 14,677 cubic yards of debris to a temporary site. The OIG determined that the Municipality's claim was based on truckload capacity and the number of trips made by the trucks during debris removal operations. However, load tickets were not available to document the amount of actual debris hauled. An employee of the Municipality recorded the number of trucks disposing debris at the temporary site, but did not measure the amount of debris hauled to the temporary site or issued load tickets.

FEMA, through a mission assignment, had the United States Corps of Engineers (USCOE) transport the debris from the temporary site to a final disposal site. The USCOE records showed that 5,000 cubic yards of debris was transported under this effort.

In situations where a grant recipient fails to record actual debris delivered to a temporary site, FEMA policy (established by FEMA's Caribbean Office dated February 19, 1999) provides for payment based on the amount removed from the temporary site for disposal at a final site, 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 \$205,500 for a total of 6,850 cubic yards of debris (5,000 cubic yard plus 37 percent computation equal 6,850). The OIG questions the excess charges of \$234,810 (\$440,310 minus \$205,500).

2. Federal regulations (44 CFR 13.20 and OMB Circular A-87) require recipients of FEMA funds to establish an accounting system that refers to documentation in support of expenditures and ensures that such expenditures are allocable to the FEMA program. Contrary to these requirements, however, the Municipality failed to maintain an adequate system to account for and document overtime salaries and force account equipment charges of \$113,898.

Under debris removal Project 07568, the Municipality's claim of \$113,898 included \$88,631 for force account equipment (trucks) and \$25,267 for overtime salaries and fringe benefits. For the overtime salaries, the Municipality had a summary record that listed regular and overtime hours worked each day by employees. The number of hours worked by each employee, as reflected on the summary record, was supported by employees' time and attendance records. However, the Municipality did not have activity reports showing the nature of work performed or the allocability of such work and related cost to the FEMA project. Therefore, overtime labor charges of \$25,267 are questioned.

Similarly, for equipment charges, the Municipality had a summary record that identified the type of truck, license tag number, and the number of hours used each day. However, the Municipality did not have equipment utilization records showing to whom the trucks were assigned and the intended use. Thus, the Municipality did not have sufficient records to support the allocability of these charges to the FEMA project. Accordingly, equipment charges of \$88,631 are also questioned.

3. The Municipality's claim of \$139,788 under Project 07569, for contractors' equipment, was overstated by \$3,013. The Municipality had documentation (i.e. vouchers, cancelled checks) to support only \$136,775. Therefore, the OIG questions the unsupported charges of \$3,013
 4. The Municipality received \$6,766 under small Project 06010 to pay a group of volunteers for search and rescue activities during September and October 1998. However, at the time of our audit, or approximately four years later, the Municipality had not paid the volunteers for their services and had not incurred any expense under the project. Therefore, the OIG questions the \$6,766 of labor charges.
- C. Duplication of Benefits. The Stafford Act does not allow duplication of benefits from any other disaster assistance programs, or when losses are covered by insurance.

However, the Municipality's claim included \$53,448 that was duplicated through other sources.

The Municipality received \$96,604 of FEMA funds under 8 small projects to replace asphalt on Municipal roads. However, the Municipality also received \$18,822 from the Commonwealth Rural Development Corporation (CRDC), and \$29,107 from the United States Department of Housing and Urban Development (HUD), for the same activities. The FEMA projects that received duplicate funding were:

<u>FEMA Project</u>	<u>FEMA Funding</u>	<u>Location</u>	<u>CRDC/ HUD Funding</u>	<u>CRDC / HUD Project</u>
03193	\$ 12,435	Talante Ward, Garcia Sector,	\$ 6,099	CRDC-98-49-03-235
06014	14,202	Parcelas Mariani, Access Road	4,764	HUD-98-FD-44-004
06019	23,726	Qda. Arena Ward, Wiso Sector	10,835	HUD-97-FD-44-004
06021	10,768	Lizas Ward, León Sector	1,990	CRDC-03-03-49-061
06031	8,540	Tumbao Ward, Lebrón Sector	8,540	HUD-02-FC-44-002
06032	4,968	Palo Seco Community, Los Baergas Sector	4,968	HUD-97-FD-44-004
06033	18,432	Calzadas Ward, Machucho Sector	9,000	CRDC-98-49-03-353
06034	<u>3,533</u>	Calzadas Ward, California Sector	<u>1,733</u>	CRDC-98-49-03-352
Total	<u>\$96,604</u>		<u>\$47,929</u>	

Therefore, the OIG questions the \$47,929 of duplicate benefits.

Also, under small Project 01510, the Municipality received \$5,519 to repair a damaged wooden dock in La Villa Pesquera. However, the Municipality was fully insured for this loss and received \$3,403 from its insurance company to cover all the activities of the project, thus alleviating the need for FEMA funds. Accordingly, the OIG questions the \$5,519 FEMA award.

- D. Incomplete Implementation of Small Projects. In accordance with federal regulations (44 CFR 206.205(a)), the grantee provided the Municipality 100 percent FEMA funding for small projects at the time small projects were awarded. This regulation do not require the Municipality to specify the amount spent under small projects, but does require the Municipality to certify that small projects have been completed in accordance with the approved scope of work. Federal payments are to be refunded if all work is not completed.

The Municipality certified that all work was completed under 33 small projects. However, the OIG found that work valued at \$35,349 under three small projects was not performed. The affected projects are:

Project Number	Amount Awarded	Amount Questioned	Location	Activities Not Completed
08616	\$28,031	\$20,621	Palo Seco Ward, Santa Colon Sector	Reinforce a Concrete Headwall and a 54" Concrete Pipe, and install a Guard Rail
03190	36,977	4,800	Tumbao Ward, Talante Sector	Construct Concrete Swales
03183	26,902	9,928	Matrullas Ward, Tres Puntos Sector	Replace Asphalt
Total	\$91,910	\$35,349		

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$447,284 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The results of the audit were discussed with FEMA officials on August 12, 2004, and with grantee and Municipality officials on August 19, 2004. Municipality officials agreed with Findings A, C and D, but withheld comments on Finding B pending receipt of the report.

Please advise the Atlanta Field Office-Division by April 20, 2005, of the actions taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact me at (770) 220-5242 or Salvador Maldonado-Avila at (787) 294-2530.

Municipality of Maunabo
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>		
06361	\$ 402,645	\$ 440,310	\$ 234,810	Finding B
07568	113,898	113,898	25,267	Finding B
			88,631	Finding B
07569	<u>139,788</u>	<u>139,788</u>	<u>3,013</u>	Finding B
Sub-Total	\$ 656,331	\$ 693,996	\$ 351,721	
		<u>Small Projects</u>		
01510	\$ 5,519	\$ -0-	\$ 5,519	Finding C
03183	26,902	26,902	9,928	Finding D
03187	3,696	-0-	-0-	
03190	36,977	36,977	4,800	Finding D
03193	12,435	12,435	6,099	Finding C
08616	28,031	28,031	20,621	Finding D
06010	6,766	6,766	6,766	Finding B
06014	14,202	14,202	4,764	Finding C
06017	6,411	-0-	-0-	
06019	23,726	23,726	10,835	Finding C
06020	11,981	-0-	-0-	
06021	10,768	-0-	1,990	Finding C
06024	14,555	-0-	-0-	
06031	8,540	8,540	8,540	Finding C
06032	4,968	-0-	4,968	Finding C
06033	18,432	18,432	9,000	Finding C
06034	3,533	3,533	1,733	Finding C
06035	3,086	-0-	-0-	
Other Small Projects (15)	<u>272,020</u>	<u>272,020</u>	<u>-0-</u>	
Sub-Total	<u>\$ 512,548</u>	<u>\$ 451,564</u>	<u>\$ 95,563</u>	
Total	<u>\$1,168,879</u>	<u>\$1,145,560</u>	<u>\$ 447,284</u>	