



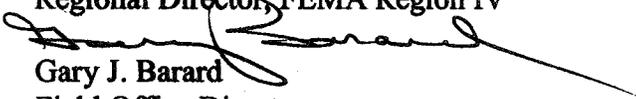
DEPARTMENT OF HOMELAND SECURITY

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

September 11, 2003

MEMORANDUM

TO: Kenneth O. Burris, Jr.
Regional Director, FEMA Region IV

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: City of Gulf Shores, Alabama
FEMA Disaster No. 1250-DR-AL
Audit Report No. DA-28-03

The Office of Inspector General (OIG) audited public assistance funds awarded to the City of Gulf Shores, Alabama. The objective of the audit was to determine whether the City accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The City received an award of \$1,429,513 from the Alabama Emergency Management Agency, a FEMA grantee, to remove debris, provide emergency protective measure and repair facilities damaged as a result of Hurricane Georges in September 1998. The award provided 75 percent FEMA funding for two large projects and seven small projects.¹ The audit was limited to the \$1,276,573 awarded and claimed under the two large projects, as follows:

Project <u>Number</u>	Amount <u>Awarded</u>	Amount <u>Claimed</u>
54825	\$508,653	\$508,653
53952	<u>767,920</u>	<u>767,920</u>
	<u>\$1,276,573</u>	<u>\$1,276,573</u>

The audit covered the period September 1998 to April 2001. During this period, the City received \$957,430 of FEMA funds under the two large projects.

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

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

RESULTS OF AUDIT

Except for questioned contract charges of \$34,490 (FEMA share \$25,868), under Project 54825, the City properly accounted for and expended FEMA funds.

Federal regulation (44 CFR 13.36) required the City to maintain records sufficient to detail the significant history of procurement actions, including the rationale for the method of procurement, basis for contractor selection, and basis for the contract price. However, when contracting for debris removal equipment, the City did not always select the contractors that submitted the lowest hourly rental proposal. Moreover, the City did not document the basis for selecting the higher priced proposals.

The City received proposals from twenty-three contractors and awarded ten contracts for rental of various items of equipment (dump trucks, loaders, etc). However, the hourly rental rates offered by four of the selected contractors exceeded the rates proposed by contractors who were not selected. The OIG's compared the rates charged by the City's contractors to rates proposed by contractors who were not selected and determined that the City could have saved \$34,490 by contracting with the lowest bidder (see Exhibit). Accordingly, the OIG questions these charges.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$34,490 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

The results of the audit were discussed with FEMA on August 22, 2003, and grantee and City officials on August 25, 2003. City officials concurred with the findings.

Please advise the Atlanta Field Office –Audit Division by October 13, 2003, of the actions taken to implement the recommendation. Should you have any questions concerning this report, please contact George Peoples or me at (770) 220-5242.

City of Gulf Shores, Alabama
FEMA Disaster No. 1250-DR-AL
Schedule of Excessive contract Cost Claimed

<u>Contract Number</u>	<u>Description of Equipment</u>	<u>Contracted Hourly Rate</u>	<u>Amount Claimed</u>	<u>Lower Hourly Rate</u>	<u>Questioned Costs</u>
3093	30 Cubic Yard (CY) Boom Truck	\$100	12,550	\$85	\$1,882.50
43723	4 CY Loader	85	39,440	65	9,280.00
43723	3 CY Loader	75	1,350	50	450.00
43723	20 Cubic Yard Dump Truck	50	14,838	45	1,483.75
43723	22 Cubic Yard Dump Truck	55	11,990	45	2,180.00
43723	25 Cubic Yard Dump Truck	55	2,819	45	512.50
43723	Loader /Rake (JD 970)	55	3,053	40	832.50
43723	Loader/Rake (JD 870)	55	3,658	45	665.00
43723	Loader/Rake (CAT 416B)	70	6,825	35	3,412.50
43723	Sweeper	55	7,150	40	1,950.00
43723	Komats Dozer (JD650)	65	3,023	45	930.00
43723	Track Loader	70	560	50	160.00
1706	4 Cubic Yard Cat 966c	80	14,620	65	2,741.25
1706	3 Cubic Yard Cat 950 Loader	75	2,569	65	\$342.50
1706	21 Yard Dump Truck	50	12,775	45	1,277.50
1706	22 Cubic Yard Dump Truck	50	2,825	45	282.50
1706	25 Cubic Yard Dump Truck	65	1,853	45	570.00
1706	Komatsu D-41 Dozier	65	3,868	55	595.00
4150	Loader/Rake (Cat 416B)	55	6,991	35	2,542.00
4150	20 CY Dump Truck	50	11,863	45	1,186.25
4150	Komatsu 4 CY Loader with Bucket	70	5,810	65	415.00
4150	Sweeper	55	1,155	40	315.00
4150	4 CY Dump Truck	50	463	45	46.25
4150	JD 970 Rake/Loader	50	375	40	75.00
4150	Tri Axle Dump Truck	50	1,238	45	123.75
4150	Loader/Box Blade with Bucket	50	2,393	45	<u>239.25</u>
Total					<u>\$34,490</u>