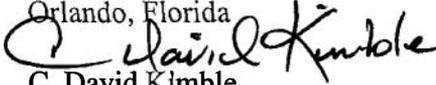




Homeland Security

April 6, 2006

MEMORANDUM FOR: Scott Morris
Director, FEMA's Florida Long Term
Recovery Office
Orlando, Florida

FROM: 
C. David Kimble
Gulf Coast Audit Manager

SUBJECT: Review of Hurricane Wilma Activities
Miami-Dade County, Florida
FEMA Disaster No. 1609-DR-FL
Report Number: GC-FL-06-33

We performed an interim review of contract costs associated with Hurricane Wilma debris removal activities for Miami-Dade County, Florida. The objectives of the review were to determine whether the County (1) was properly accounting for disaster-related costs and whether such costs were eligible for funding under FEMA's public assistance program, and (2) let contracts in accordance with federal procurement standards and FEMA guidelines and had adequate procedures for monitoring the activities of its contractors.

The County received an award of \$162.9 million from the Florida Department of Community Affairs, a FEMA grantee, for debris removal activities. The award provided 75 percent FEMA funding for two projects, as follows:

Project	Approved Scope of Work	Amount Awarded
8	Debris Collection, Hauling, and Disposal	\$144,000,000
44	Contractor Monitoring	18,900,000
Total		\$162,900,000

As of January 20, 2006, the cut-off date of our review, work under the FEMA projects was ongoing and the County had recorded **\$43.5** million in project expenditures. These expenditures were recorded under **33** contracts—**32** under Project 8 and 1 under Project **44**. The County, however, had not submitted any costs to FEMA for reimbursement and had not received any FEMA funds. To achieve our objective, we analyzed the Authority's accounting system and reviewed the Authority's contracting practices, contract documents, and monitoring procedures. We also

interviewed FEMA, Authority, and contractor officials. The nature and brevity of this assignment precluded the use of our normal audit protocols; therefore, this review was not conducted in accordance with generally accepted government auditing standards. Had we followed such standards, other matters might have come to our attention.

We conducted this review in conjunction with the President's Council on Integrity and Efficiency (PCIE), as part of its examination of relief efforts provided by the federal government in the aftermath of Hurricanes Katrina and Rita. As such, we have forwarded a copy of the report to the PCIE Homeland Security Working Group that is coordinating Inspectors General review of this important subject.

RESULTS OF REVIEW

The County had an effective system for accounting for disaster-related costs. A separate cost account had been established to record project expenditures and accounting entries could be systematically traced to supporting source documents. Moreover, the County procured debris removal contracts competitively, maintained detailed contract files, and had adequate monitoring procedures for reviewing and approving the activities and billings of the contractors.

However, for Project 8, we identified \$1.5 million of potential cost that, if claimed by the County, would result in excessive administrative charges. Moreover, we noted that \$72 million should be de-obligated under the project because final costs will be about 50 percent less than the \$144 million award.

- A. Duplicate Administrative Charges. Under the Stafford Act, the County receives an administrative allowance based on a statutory formula to cover the costs associated with requesting, obtaining, and administering FEMA awards. Federal regulation (44 CFR 206.228) limits funding for administrative and indirect costs of the subgrantee to the statutory allowance.

For Project 8, the County had a policy of retaining 2.25 percent of the contractors' invoice billings (after determining eligibility of such charges) to help defray the costs of its procurement department (2 percent) and for mandatory random audits (.25 percent). However, in accounting for project expenditures, the County recorded, for eventual billing to FEMA, the full amount of the approved contractor invoices, not the amount actually paid.

The 2.25 percent retained from contractor billings represents costs for administrative activities, which are covered by the statutory administrative allowance. Accordingly, the estimated \$1.5 million to be retained by the County and billed to FEMA, based on total contract awards of \$69.6 million, represents duplicate funding and is not eligible for FEMA reimbursement.

- B. Excess Obligation. The County received an award of \$144 million under Project 8 for the removal of 6 million cubic yards of disaster-related debris. However, the collection process yielded 2.9 million cubic yards of debris, or 3.1 million cubic yards less than the amount anticipated. At the time of our review, the debris was being processed and the County expected work to be completed by February 2006. Based on our analysis of costs incurred under the project, and discussions with County and contractor officials, we estimate that the total costs

under the project will total no more than \$72 million, or 50 percent of the \$144 million award. Accordingly, the excess award amount should be de-obligated.

RECOMMENDATIONS

We recommend that the Director of the Florida Long Term Recovery Office, in conjunction with the grantee:

1. Inform the County that the 2.25 percent withheld from contractor invoices for administrative activities (estimated at \$1.5 million), but billed to FEMA, represents duplicate charges that are not eligible for FEMA funding.
2. De-obligate the excess award amount under Project 8, estimated at approximately \$72 million.

DISCUSSION WITH MANAGEMENT AND FOLLOW-UP

We discussed the results of our review with County officials on January 19, 2006, and with FEMA and grantee officials on January 26, 2006. County and FEMA officials concurred with our findings.

Please inform us by April 21, 2006, of actions taken to implement our recommendations. Your response should be sent to C. David Kimble, Gulf Coast Audit Manager, at:

U.S. Department of Homeland Security
Office of Inspector General
3003 Chamblee-Tucker Road,
Atlanta, Georgia, 30341.

Auditors Oscar Andino, Vilmarie Serrano, and Danny Helton performed this review. Should you have any questions concerning this report, please contact me at (770) 220-5242.

cc: Under Secretary for Management
Acting Director, FEMA
Chief Financial Officer, DHS
Chief Procurement Officer, DHS
Audit Liaison, DHS
Audit Liaisons, FEMA
Chief Financial Officer, FEMA
Senior Procurement Officer, FEMA
Deputy Director, Gulf Coast Recovery
Florida State Coordinating Officer
FEMA Regional Director, Region IV