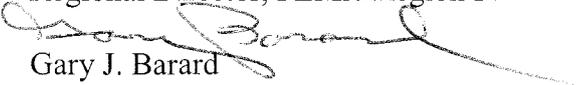




Homeland Security

March 2, 2005

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

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Pitt County, North Carolina
FEMA Disaster No. 1292-DR-NC
Audit Report DA-13-05

The Office of Inspector General (OIG) audited public assistance funds awarded to Pitt County, North Carolina. The objective of the audit was to determine whether the County accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The County received an award of \$14.9 million from the North Carolina Emergency Management Agency, a FEMA grantee, for debris removal, emergency protective measures, and repair of buildings and other facilities damaged as a result of Hurricane Floyd in September 1999. The award provided 75 percent FEMA funding for 23 large projects and 24 small projects¹. Audit work was limited to the \$10,552,877 awarded and claimed under the 16 large projects that were complete at the time of the audit (See exhibit).

The audit covered the period September 1999 to January 2004. During this period, the County received \$7,870,190 of FEMA funds under the 16 large projects.

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

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$47,800.

RESULTS OF AUDIT

The County’s claim included \$395,090 (FEMA share \$296,318) of charges that the OIG found to be duplicative, excessive, or covered by insurance.

A. Duplicated Charges. The County’s claim under several projects included \$387,955 of duplicate charges, as follows:

- The County claimed \$879,010 under Projects 2312 and 2748 for disposing of disaster-related debris brought to a County transfer station by individuals. The claim was based on a rate of \$41 per ton, which included costs of processing the debris at the transfer station and hauling it to a landfill. The County calculated the rate by dividing its annual operating budget for disposal of household debris by the total tons of debris processed annually. The operating budget included all costs associated with the County’s household debris disposal operation (labor costs, supplies and materials, fuel, utilities, equipment, contractor hauling costs, etc.).

However, the OIG determined that the County’s claim under the projects should have been based on a rate of \$28 per ton, representing the County’s costs to have a contractor haul the debris to a landfill once it was processed at the transfer station. All other costs associated with the disposal of the debris at the transfer station (eligible labor costs, supplies and materials, etc.) were reimbursed separately by FEMA under Projects 1681, 3408, 3320, and 3468. By using the appropriate rate of \$28 per ton, the OIG determined that the County’s claim under the two projects should have been \$600,300. Accordingly, the OIG questions duplicate charges of \$278,710, as follows:

<u>Project Number</u>	<u>Tons of Debris</u>	<u>Amount Claimed at \$41 per ton</u>	<u>Amount Eligible at \$28 per ton</u>	<u>Amount Questioned</u>
2312	11,611.27	\$476,062	\$325,116	\$150,946
2748	<u>9,828.00</u>	<u>402,948</u>	<u>275,184</u>	<u>127,764</u>
Total	<u>21,439.00</u>	<u>\$879,010</u>	<u>\$600,300</u>	<u>\$278,710</u>

- The County’s claim of \$664,679 under debris removal Project 2317 included \$106,253 of duplicated contractor charges. A contractor billed the County \$106,253 (Invoice No. 1) for removing 20,632 cubic yards of debris. However, the contractor inadvertently included the same charges under a subsequent invoice (Invoice No. 3). The County paid both invoices and claimed the costs under the FEMA project. Accordingly, the OIG questions the \$106,253 of duplicate charges.
- Federal regulation 44 CFR 206.228 states that the administrative costs of a subgrantee are not separately eligible because the statutory administrative allowance covers the necessary costs of requesting, obtaining, and administering FEMA awards. However, the County’s claim under Project 3468 included \$2,992 of labor charges for employees processing payroll and accounts payable, and performing preliminary damage assessments. We question these charges because they are for activities covered by the administrative allowance.

- B. Excess Charges. The County's claim under debris removal Project 2747 included \$4,935 of excess contractor charges. A contractor billed and the County claimed \$148,050 for the removal of 4,935 tons of debris based on a rate of \$30 per ton. However, the contract rate for removing debris was \$29 per ton. Accordingly, the County's claim should have been \$143,115 (4,935 tons x \$29), not \$148,050. The OIG questions the \$4,935 difference.
- C. Uncredited Insurance. Project 2310 provided for the demolition of residential structures damaged and condemned as a result of the disaster. However, the OIG noted that the County failed to credit the project with \$2,200 that homeowners received for demolition from their insurance carriers and remitted to the County. The Stafford Act prohibits the use of public assistance funds for damages covered by insurance. Accordingly, the OIG questions the \$2,200 covered by insurance but not credited to the FEMA project.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$395,090 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW UP

The audit results were discussed with County, FEMA, and grantee officials on November 9, 2004. County officials concurred with Findings B and C, but indicated they wanted to further research the questioned costs under Finding A.

Please advise the Atlanta Field Office, Audit Division, by June 2, 2005, of the actions taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact me or David Kimble at (770) 220-5242.

Pitt County, North Carolina
FEMA Disaster 1292-DR-NC
Schedule of Claimed and Questioned Costs
Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
1681	\$ 344,264	\$ 344,264	
2310	1,132,303	1,132,303	\$ 2,200
2311	1,225,132	1,225,132	150,946
2312	476,062	476,062	
2313 ¹	10,073	10,073	
2317	664,679	664,679	106,253
2747	1,435,405	1,435,405	4,935
2748	402,948	402,948	127,764
2749	2,905,120	2,905,120	
3320	261,840	261,840	
3408	274,434	274,434	
4319	147,493	147,493	
2066	51,760	51,760	
2067	157,431	157,431	
3466	93,591	93,591	
3468	970,342	970,342	2,992
Total	<u>\$10,552,877</u>	<u>\$10,552,877</u>	<u>\$395,090</u>

¹ This project was approved as a large project because total estimated costs at the time of project approval exceeded the small project threshold of \$47,800. However, upon project completion, actual costs were determined to be less than \$47,800