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September 29, 2004

**MEMORANDUM**

TO: Mary Lynne Miller  
Acting Regional Director, FEMA Region IV

FROM:   
Gary J. Barard  
Field Office Director

SUBJECT: Brevard County, Florida  
FEMA Disaster No.1300-DR-FL  
Audit Report No. DA-37-04

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The Office of Inspector General (OIG) audited public assistance funds awarded to Brevard County, Florida. 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 \$3.1 million from the Florida Department of Community Affairs, a FEMA grantee, for debris removal, emergency protective measures, and repair of facilities damaged as a result of Hurricane Floyd in September 1999. The award provided 75 percent funding for 8 large projects and 18 small projects<sup>1</sup>. The audit work was limited to the \$2,981,447 awarded and claimed under the 8 large projects (see Exhibit).

The audit covered the period September 1999 to July 2001. During this period, the County received \$2,236,085 of FEMA funds under the 8 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 auditing procedures considered necessary under the circumstances.

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<sup>1</sup> According to FEMA regulations, a large project costs \$47,800 or more and a small project costs less than \$47,800.

## RESULTS OF AUDIT

The County's claim contained charges of \$407,090 (federal share \$305,318) that were either unrelated to the projects charged, unsupported, ineligible, or excessive.

- A. Unrelated Project Charges. To be eligible for FEMA funding, federal regulation states that an item of work must be required as the result of the major disaster (44 CFR §206.223). However, the County's claim under two projects contained \$191,828 for collecting and transporting ineligible residential yard waste and garbage. Accordingly, the OIG questions these charges.

The County retained two contractors for its debris removal operations and claimed \$2,082,694 of contract cost under Projects 20 and 21. The claim was based on one contractor removing 73,885 cubic yards (CY) at \$14.27 per CY and the other removing 72,419 CY at \$14.20 per CY. During the debris removal operation, however, the contractors also collected and billed the County and projects for normal residential yard waste and garbage.

In recognition of these non-disaster related efforts, the County estimated, based on historical data, that 5,768 tons of ineligible residential yard waste and garbage had been collected. The County applied a \$23.66 rate per ton to compute and apply a credit of \$136,254 to the FEMA projects; \$38,610 for Project 20 and \$97,644 for Project 21. However, the County claimed \$328,082 for the ineligible debris, or \$191,828 more than the credit.

The \$191,828 overcharge occurred because the County used tons to compute the credit rather than cubic yards, the system of measurement used for the claim. The FEMA conversion rate for tons to cubic yards is 4 to 1. Using this conversion rate, the credit should have been based on 23,072 CY (4 x 5,768 tons) of ineligible debris for a total credit of \$328,082, as computed below:

<u>Project</u>	<u>CYs Claimed</u>	<u>CYs Unrelated</u>	<u>Rate Per CY</u>	<u>Cost Unrelated</u>	<u>Amount Credited</u>	<u>Cost Questioned</u>
20	73,885	6,564	\$14.27	\$93,668	\$38,610	\$ 55,058
21	72,419	16,508	14.20	234,414	97,644	136,770
	<u>146,304</u>	<u>23,072</u>		<u>\$328,082</u>	<u>\$136,254</u>	<u>\$191,828</u>

During the exit conference, County officials stated the credit they applied to the projects should be even lower; \$68,133 representing the amount that homeowners and businesses paid for the collection services rather than the credit applied of \$136,254. The OIG disagrees. The appropriate credit amount is \$328,082, the amount claimed for the ineligible debris.

- B. Unsupported Charges. Federal regulation (44 CFR §13.20) required the County to maintain records to support cost claimed. Federal regulation (44 CFR §13.42) also required the County to retain such records until July 17, 2004, three years after the date of its final claim. However, the County did not maintain records to support \$194,421 of labor cost claimed under three projects.

The County claimed the labor cost under emergency service Projects 324, 513 and 524. However, County officials stated that pursuant to the County's record retention policy, the employee activity reports were destroyed in February 2003. Additionally, County Finance Department officials could not find and provide the official payroll records for the labor. In the absence of these critical records, the County was unable to support its claim for labor costs. Accordingly, the OIG questions the \$194,421.

- C. Ineligible Regular Labor Costs. Federal regulation (44 CFR §206.228) allows for overtime salaries, but not straight or regular-time salaries of permanent employees who perform debris removal and emergency service work. Contrary to this regulation, the County's claim under emergency services Project 509 included \$12,525 of regular salaries and associated fringe benefits of permanent employees who transported individuals from their homes to emergency shelters or hospitals. Accordingly, the OIG questions the charges.
- D. Excessive Equipment Charges. The County's claim under Project 524 contained \$8,316 of excessive charges for use of equipment. The County claimed \$12,702 for using ambulances and fire trucks 371 hours to perform emergency preparedness and response activities. However, the claim included 216 hours for fire trucks (or 8 hours for 27 trucks) that was not supported by appropriate equipment utilization records. County officials stated that a FEMA inspector verbally authorized the additional hours. However, absent documented authorization and related justification, the OIG questions the \$8,316 claimed (216 hours x \$38.50 per hour).

#### RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$407,090 of questioned costs.

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

The audit results were discussed with FEMA officials on May 6, 2004, grantee officials on May 7, 2004, and County officials on May 27, 2004. County officials' comments on Finding A are included in the body of this report. The officials concurred with Findings B, but withheld comments on Findings C and D pending receipt of the audit report.

Please advise the Atlanta Field Office-Audit Division by December 29, 2004, 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.

Brevard County, Florida  
FEMA Disaster No. 1300-DR-FL  
Schedule of Claimed and Questioned Costs

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
20	\$1,054,340	\$1,054,340	\$55,058
21	1,028,354	1,028,354	136,770
22	76,576	76,576	
59	456,474	456,474	
324	57,959	57,959	17,200
509	62,770	62,770	12,525
513	61,244	61,244	7,267
524	<u>183,730</u>	<u>183,730</u>	<u>178,270</u>
Totals	<u>\$2,981,447</u>	<u>\$2,981,447</u>	<u>\$407,090</u>