

**FEMA Should Recover
\$267,960 of \$4.46 Million in
Public Assistance Grant
Funds Awarded to the
Municipality of Jayuya,
Puerto Rico, for Hurricane
Irene Damages**





DHS OIG HIGHLIGHTS

FEMA Should Recover \$267,960 of \$4.46 Million in Public Assistance Grant Funds Awarded to the Municipality of Jayuya, Puerto Rico, for Hurricane Irene Damages

April 6, 2016

Why We Did This Audit

The Municipality of Jayuya, Puerto Rico (Municipality), received a \$4.46 million grant award from the Puerto Rico Emergency Management Agency (Puerto Rico), a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from Hurricane Irene in August 2011. We audited projects totaling \$3.54 million to determine whether the Municipality accounted for and expended FEMA funds according to Federal requirements.

What We Recommend

FEMA should disallow the \$267,960 of duplicate benefits and unsupported costs.

For Further Information:

Contact our Office of Public Affairs at (202) 254-4100, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

For the projects we reviewed, the Municipality generally accounted for and expended FEMA funds according to Federal requirements. However, we did identify \$267,960 (Federal share \$200,970) of costs that FEMA should disallow. These costs consisted of \$237,695 of duplicate benefits and \$30,265 of unsupported project costs.

FEMA Response

FEMA officials generally agreed with our findings and recommendations. Appendix C includes FEMA's written response in its entirety.



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Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

April 6, 2016

MEMORANDUM FOR: Jerome Hatfield
Regional Administrator, Region II
Federal Emergency Management Agency

FROM: John V. Kelly
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Should Recover \$267,960 of \$4.46 Million in Public Assistance Grant Funds Awarded to the Municipality of Jayuya, Puerto Rico, for Hurricane Irene Damages*
Audit Report Number OIG-16-60-D

We audited Public Assistance grant funds awarded to the Municipality of Jayuya, Puerto Rico (Municipality). The Municipality received a Public Assistance grant award of \$4.46 million from the Puerto Rico Emergency Management Agency (Puerto Rico), a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from Hurricane Irene, which occurred in August 2011. The award provided 75 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to roads and other public facilities. We audited seven large projects and seven small projects totaling \$3.54 million (see appendix B, table 6). At the time of our audit, the Municipality had completed work on all projects and submitted a final claim to Puerto Rico for all project expenditures.

Table 1: Gross and Net Award Amounts

	Gross Award Amount	Insurance Reductions	Net Award Amount
All Projects	\$4,459,332	\$(163,728)	\$4,295,604
Audit Scope	\$3,540,857	\$(163,728)	\$3,377,129

Source: FEMA project worksheets



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Results of Audit

For the projects we reviewed, the Municipality generally accounted for and expended FEMA funds according to Federal requirements. However, we did identify \$267,960 (Federal share \$200,970) of costs that FEMA should disallow. These costs consisted of \$237,695 of duplicate benefits and \$30,265 of unsupported project costs.

Finding A: Duplicate Benefits

The Municipality's claim included \$237,695 (Federal share \$178,271) of duplicate benefits. According to Section 312 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, no entity will receive assistance for any loss for which it has received financial assistance from any other program, insurance, or any other source. We question the \$237,695 of duplicate costs as explained below.

- The Municipality claimed \$140,088 of costs that insurance covered. The Municipality received \$140,088 of insurance proceeds to cover \$57,563 of costs under Project 01221 and \$82,525 of costs under Project 01496. However, FEMA had not deducted the \$140,088 of insurance proceeds from these two projects at the time of our audit. Therefore, we question the \$140,088 of project costs that insurance covered. FEMA officials agreed with this finding and said that they would take corrective action upon issuance of the audit report.
- The Municipality received \$99,878 of FEMA funding under seven small projects to replace asphalt and perform other road repairs. However, the Municipality also received \$97,607 from the U.S. Department of Housing and Urban Development (Community Development Block Grant Program) for the same activities. Therefore, we question the \$97,607 of duplicate benefits (see table 2).



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Table 2: Questioned Duplicate Benefits

Project Number	FEMA Funding	Location	Duplicate Benefits	HUD Project
00368	\$50,713	Camino Chiqui Carmona, Puerto Plata Ward	\$50,713	FY-2011-Emergency Funding
00353	11,871	Camino Los Ortiz, Zamas Ward	11,871	FY-2011-11-FC-33-001 Competitive Funding
00406	9,006	Camino El Nudo, Rio Grande Ward	9,006	FY-2011-11-FC-33-001 Competitive Funding
00393	11,619	Camino Miguelon, Saliente Ward	11,619	FY-2011-11FC-33-001 Recapture Funding
00002	9,140	Camino La Cienaga, Zamas Ward	9,140	FY-2011-11FC-33-001 Recapture Funding
00127	2,439	Camino La Cienaga, Zamas Ward	2,439	FY-2011-11FC-33-001 Recapture Funding
00101	5,090	Camino Linea Mattei, Coabey Ward	2,819	FY-13-AB-II-33-001
Total	\$99,878		\$97,607	

Source: FEMA project worksheets and Office of Inspector General (OIG) analysis

Municipality officials disagreed with this finding, saying that the Municipality used the insurance proceeds for non-FEMA funded road repairs. However, the Municipality's insurance loss statement indicated that the proceeds were for road repair locations listed under the FEMA projects. Municipality officials also said that the Municipality used the U.S. Department of Housing and Urban Development funds to make repairs to different road sections than those that FEMA funded. However, Municipality officials did not provide us with documentation to support their assertions. Therefore, during the audit resolution process, Puerto Rico should evaluate and determine whether the Municipality received other funds to cover the road repairs that FEMA funded and, if so, disallow any duplicate benefits the Municipality received.

Finding B: Supporting Documentation

The Municipality could not provide adequate documentation to support \$30,265 (Federal share \$22,699) of project costs. As a result, FEMA has no assurance that these costs are valid and eligible. Federal cost principles (*Cost Principles for State, Local, and Indian Tribal Governments*) at 2 Code of Federal Regulations (CFR) 225, appendix A, section C.1.j., require costs to be adequately documented to be allowable under a Federal award. Further, 44 CFR 13.20(b)(6), requires a subgrantee to maintain supporting documentation such as canceled checks, invoices, payroll records, and time and attendance records for all charges to FEMA projects.



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We question the \$30,265 of unsupported costs as explained below.

- The Municipality certified in its final claim report that it had completed all authorized project work. However, based on our review of Puerto Rico field inspections and related project documentation, we identified \$23,707 of project activities under three large projects that the Municipality did not complete, for which it received FEMA funding. Therefore, we question the \$23,707 of costs as unsupported because the Municipality cannot support its assertion that it completed the authorized scope of work (see table 3). If Puerto Rico confirms that the Municipality did not complete the work, FEMA should disallow the costs as ineligible because 44 CFR 206.205 (b)(1) requires the grantee to certify “that the approved work was completed.”

Table 3: Project Work Not Completed

Project Number	Amount Awarded	Sector/Ward	Activities Not Completed	Amount Questioned
00031	\$ 17,550	Hacienda Rodriguez Sector Mameyes Ward	Metal Guard Rail	\$ 4,388
00116	25,600	Altura de Jayuya Sector Desvio Norte Ward	Sidewalk	10,152
01340	14,591	Road 5141 Desvio Norte Ward	Scarification & Compacting	1,463
01340	76,857	Road 5141 Desvio Norte Ward	Bituminous Concrete	7,704
Totals	\$134,598			\$23,707

Source: FEMA project worksheets, Puerto Rico field inspection reports, and OIG analysis

- The Municipality claimed \$221,910 of equipment costs under five projects. However, the Municipality did not have adequate documentation to support \$2,912 of the costs. The Municipality supported its claim for equipment cost with a project cost report that identified the name of the employee (equipment operator), the specific task the employee performed, and the hours the employee worked on the task. The Municipality collected this information from employee logs. However, we found instances where the project cost report included more hours than the hours actually recorded in the employee logs. For example, the Municipality claimed 7.5 hours of equipment use for one employee (operator), but the employee log did not show any work hours recorded for the operator. We question the \$2,912 of unsupported equipment costs (see table 4).



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Table 4: Unsupported Equipment Costs

Project Number	Amount Claimed	Amount Supported	Amount Unsupported
00031	\$ 91,095	\$ 90,145	\$ 950
00069	34,275	33,375	900
00895	51,496	51,226	270
01221	37,253	36,653	600
01340	7,791	7,599	192
Total	\$221,910	\$218,998	\$2,912

Source: FEMA project worksheets and OIG analysis

- The Municipality claimed \$250,198 of labor costs under two projects. However, the Municipality did not have documentation such as time and attendance records, time distribution records, or foreman activity logs to support \$3,646 of the labor costs it claimed. Therefore, we question the \$3,646 of unsupported labor costs (see table 5).

Table 5: Unsupported Labor Costs

Project Number	Amount Claimed	Amount Supported	Amount Unsupported
00031	\$ 146,660	\$ 144,193	\$ 2,467
01496	103,538	102,359	1,179
Total	\$250,198	\$246,552	\$3,646

Source: FEMA project worksheets and OIG analysis

Recommendations

We recommend that the Regional Administrator, FEMA Region II:

Recommendation 1: Disallow \$237,695 (Federal share \$178,271) of ineligible duplicate benefits the Municipality claimed unless the Municipality provides documentation to show that a duplication of benefits did not occur (finding A).

Recommendation 2: Disallow \$23,707 (Federal share \$17,780) the Municipality claimed for project work for which the Municipality did not have documentation to show it had completed the work unless the Municipality provides adequate documentation to show the costs are eligible (finding B).¹

¹ The initial questioned costs for this finding and recommendation was \$23,743. However, we reduced it to \$23,707 during our post-exit conference quality control process. Therefore, FEMA Region II's response to this recommendation in Appendix C will reference the initial amount of \$23,743.



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Recommendation 3: Disallow \$2,912 (Federal share \$2,184) of unsupported equipment costs unless the Municipality can provide documentation adequate to support the costs (finding B).

Recommendation 4: Disallow \$3,646 (Federal share \$2,735) of unsupported labor costs unless the Municipality can provide documentation adequate to support the costs (finding B).

Discussion with Management and Audit Follow-up

We discussed the results of our audit with Municipality, Puerto Rico, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at the exit conference on February 2, 2016. Municipality officials disagreed with our findings, saying, in part, that they needed additional time to review and locate documentation to support the questioned costs. We included their comments, where appropriate, in the body of this report.

FEMA officials provided a written response on March 17, 2016, agreeing with the four recommendations contained in this report. The response indicated that FEMA expects to implement all recommendations by May 30, 2016. Therefore, we consider the four recommendations to be resolved, but open. We will evaluate for closure upon documentation that FEMA has implemented its proposed corrective action. Please email closeout documentation and request to Carl.Kimble@oig.dhs.gov.

The Office of Emergency Management Oversight major contributors to this report are David Kimble, Director; Felipe Pubillones, Audit Manager; and Salvador Maldonado-Avila, Auditor-in-Charge.

Please call me with any questions at (202) 254-4100, or your staff may contact David Kimble, Director, Eastern Regional Office – South, at (404) 832-6702.



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Appendix A

Objective, Scope, and Methodology

We audited Public Assistance grant funds awarded to the Municipality, FIPS Code 073-99073-00. Our audit objective was to determine whether the Municipality accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines for Disaster Number 4017-DR-PR. The Municipality received a Public Assistance gross award of \$4.46 million (\$4.29 million net of insurance) from Puerto Rico, a FEMA grantee, for damages resulting from Hurricane Irene, which occurred on August 21, 2011. The award consisted of 9 large projects and 84 small projects.

We audited seven large projects and seven small projects totaling \$3.54 million (see appendix B, table 6). We limited the review of small projects to project completion and duplication of benefits. The audit covered the period from August 21, 2011, through May 15, 2015, during which the Municipality claimed \$3.54 million for the projects in our scope.

We interviewed Municipality, Puerto Rico, and FEMA personnel; gained an understanding of the Municipality's method of accounting for disaster-related costs and its procurement policies and procedures; judgmentally selected (generally based on dollar amounts) and reviewed project costs and procurement transactions for the projects in our audit scope; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our audit objective. As part of our standard audit procedures, we also notified the Recovery Accountability and Transparency Board of all contracts the Municipality awarded under the grant to determine whether the contractors were debarred or whether there were any indications of other issues related to those contractors that would indicate fraud, waste, or abuse. The Recovery Accountability and Transparency Board determined that none of the contractors were debarred and no other issues came to its attention related to those contractors that would indicate fraud, waste, or abuse. We did not perform a detailed assessment of the Municipality's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between April 2015 and February 2016 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our



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Appendix A (continued)

audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. To conduct this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.



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Appendix B

Potential Monetary Benefits

Table 6: Projects Audited and Questioned Costs

Project Number	FEMA Category of Work ²	Net Amount Awarded	Amount Questioned	Federal Share	Finding
00031	C	\$ 649,253	\$ 7,805	\$ 5,854	B
00069	C	114,957	900	675	B
00116	C	2,097,294	10,152	7,614	B
00895	G	239,019	270	203	B
01221	G	64,581	58,163	43,622	A & B
01340	C	110,692	9,359	7,019	B
01496	G	165,183	83,704	62,778	A & B
Sub-Total		\$ 3,440,979	\$ 170,353	\$127,765	
00368	C	\$ 50,713	\$ 50,713	\$ 38,035	A
00353	C	11,871	11,871	8,903	A
00406	C	9,006	9,006	6,755	A
00393	C	11,619	11,619	8,714	A
00002	C	9,140	9,140	6,855	A
00127	C	2,439	2,439	1,829	A
00101	C	5,090	2,819	2,114	A
Sub-Total		\$ 99,878	\$ 97,607	\$ 73,205	
Totals		\$3,540,857	\$267,960	\$200,970	

Source: FEMA project worksheets, Municipality records, and OIG analysis

Table 7: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefit	Amounts	Federal Share
Questioned Costs – Duplicate Benefits	\$ 237,695	\$178,271
Questioned Costs – Unsupported	30,265	22,699
Funds Put to Better Use	0	0
Totals	\$267,960	\$200,970

Source: OIG analysis of findings in this report

² FEMA classifies disaster-related work by type: debris removal (Category A), protective measures (Category B), and permanent work (Categories C through G).



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Appendix C

FEMA Region II Audit Response



U.S. Department of Homeland Security
FEMA Region II
26 Federal Plaza, Suite 1337
New York, NY 10278-0002

FEMA

March 17, 2016

MEMORANDUM FOR: John V. Kelly
Assistant Inspector General
Office of Emergency Management Oversight
Office of Inspector General

FROM: Jerome Hatfield MICHAEL F BYRNE
Regional Administrator, Region II
Federal Emergency Management Agency

Digitally signed by MICHAEL F BYRNE
DN: c=US, o=U.S. Government, ou=Department of Homeland
Security, ou=FEMA, ou=Region II, cn=MICHAEL F BYRNE,
email=m.f.byrne@dhs.gov
Date: 2016.03.24 14:52:31 -0400

SUBJECT: FEMA's Response to Draft Report for OIG Project: *FEMA Should Recover \$267,996 of \$4.48 Million in Public Assistance Grant Funds Awarded to the Municipality of Jayuya, Puerto Rico, for Hurricane Irene Damages*
Audit Report OIG-16-XX-D

Thank you for the opportunity to comment on the draft audit report to the Municipality of Jayuya. We will use the findings in the audit report to strengthen the effectiveness and efficiency of how we execute and measure our programs. We recognize the need to continue to improve the process, including addressing the recommendations raised in this audit report. The Puerto Rico Emergency Management Agency, the Grantee, is actively working with the Municipality of Jayuya, the Applicant, to solve the issues identified in the audit. The following are our written response to the four recommendations:

Recommendation #1: Disallow \$237,695 (Federal share \$178,271) of ineligible duplicate benefits the Municipality claimed unless the Municipality provides documentation to show that a duplication of benefits did not occur (Finding A).

FEMA's Response to Recommendation #1: FEMA and the Grantee are reviewing additional documentation submitted by the Applicant during exit briefing that Municipality claims that it demonstrates that the items covered by the insurance proceeds were different from the items of work in the PW and that the roads repaired with funds from US Department of Housing and Urban Development were different from the roads in the PWs. FEMA and the GAR will examine the Municipality's accounting records to search for documentation or information in support of the costs for this sub-grant award and will disallow accordingly.

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Appendix C (continued)

Estimated Completion Date: May 30, 2016

Recommendation #2: Disallow \$23,743 (Federal share \$17,807) the Municipality claimed for project work for which the Municipality did not have documentation to show it had completed the work unless the Municipality provides adequate documentation to show the costs are eligible (Finding B).

FEMA's Response to Recommendation #2: FEMA concurs with this recommendation. However, the Municipality and the Grantee have asked that FEMA review, inspect and certify the project for its completion. They are aware that any sub-grant awards for uncompleted work are not eligible. FEMA will review the necessary documentation and disallow accordingly.

Estimated Completion Date: May 30, 2016

Recommendation #3: Disallow \$2,912 (Federal Share \$2,184) of unsupported equipment costs unless the Municipality can provide documentation adequate to support the costs (Finding B).

FEMA's Response to Recommendation #3: FEMA concurs with this recommendation. However, the Municipality claims that at this time it is difficult to reconstruct the force account equipment used in response to Hurricane Irene. The Municipality and the Grantee would like an opportunity to examine the Municipality's accounting records to search for documentation or information in support of this sub-grant award FEMA will review the necessary documentation and disallow accordingly.

Estimated Completion Date: May 30, 2016

Recommendation #4: Disallow \$3,646 (Federal share \$2,735) of unsupported labor costs unless the Municipality can provide documentation adequate to support the costs (Finding B).

FEMA's Response to Recommendation #4: FEMA concurs with this recommendation. However, the Municipality claims that at this time it is difficult to reconstruct the force account labor used in response to Hurricane Irene. The Municipality and the Grantee would like an opportunity to examine the Municipality's accounting records to search for documentation or information in support of this sub-grant award. FEMA will review the necessary documentation and disallow accordingly.

Estimated Completion Date: May 30, 2016

FEMA looks forward to continuing to work with you to resolve the audit recommendations above and to improve FEMA's programs and initiatives. Should you have any questions please contact Alejandro R. De La Campa at Alejandro.delacampa@fema.dhs.gov or (787)296-3500.



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Appendix D

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