

U.S. Department of Homeland Security  
Eastern Region  
Office of Emergency Management Oversight  
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Homeland  
Security

April 30, 2009

MEMORANDUM FOR: Robert Ives, Director  
FEMA Florida Recovery Office

FROM: C. David Kimble, Director   
Eastern Regional Office

SUBJECT: *Hurricane Ivan Activities for Escambia County Sheriff's Office*  
Public Assistance Identification Number: 033-04429-00  
FEMA Disaster No. 1551-DR-FL  
Report Number DA-09-15

We performed an audit of disaster costs associated with Hurricane Ivan activities for Escambia County Sheriff's Office located in Pensacola, Florida. The objective of the audit was to determine whether the Sheriff's Office accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

As of March 18, 2008, the cut-off date of our audit, the Sheriff's Office had received an award of \$6.6 million from the Florida Department of Community Affairs (DCA), a FEMA grantee, for emergency protective measures undertaken as a result of the September 2004 storm. The award provided 90% FEMA funding for 7 large projects and 1 small project (Project 962 was funded at 100%).<sup>1</sup> We reviewed costs totaling \$5.9 million incurred under the 7 large projects (see Exhibit 1). The audit covered the period September 16, 2004, to March 18, 2008, during which the Sheriff's Office received \$5.9 million of FEMA funds under the 7 large projects.

We conducted this performance audit under the authority of 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 on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We judgmentally selected samples of project cost documentation (generally based on dollar value); interviewed Sheriff's Office, DCA, and FEMA personnel; reviewed the Sheriff's Office disaster grant accounting system and procurement policies and procedures; reviewed applicable federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances. We did not assess the adequacy of the Sheriff's Office internal controls applicable to its grant activities because it was not necessary to fulfill our audit objectives. We did, however, gain an understanding of its grant accounting system and policies and procedures for administering the activities provided for under the FEMA award.

<sup>1</sup> FEMA regulations in effect at the time of Hurricane Ivan set the large project threshold at \$54,100.

## RESULTS OF AUDIT

The Sheriff's Office did not account for FEMA funds on a project-by-project basis according to federal regulations for large projects. We also identified \$2,136,710 of questioned costs resulting from force account equipment and overtime labor charges that were unsupported, excessive, and ineligible.

- A. Accounting System. The Sheriff's Office accounting system did not separately account for large project expenditures on a project-by-project basis according to 44 CFR 206.205(b)(1). The Sheriff's Office established one fund account, which captured all costs associated with Hurricane Ivan. However, this account did not identify costs on a project-by-project basis, which made it very difficult to tie costs to specific projects. As a result, there was a high risk of expenses being duplicated among projects.

Sheriff's Office personnel said they were not aware of the project accounting requirement.

- B. Force Account Equipment Charges. The Sheriff's Office claim included \$1,663,429 of unsupported, excessive, and ineligible equipment charges, as follows:

1. Unsupported Equipment Charges. According to 44 CFR 13.20(b)(6), expenditures claimed under a federal grant must be supported by adequate source documentation. Office of Management and Budget Circular A-87 (*Cost Principles for State, Local, and Indian Tribal Governments*), Attachment A, Paragraph C (j) also states that costs must be adequately documented to be allowable under a federal award. However, the Sheriff's Office claim included \$1,620,916 of costs for force account vehicle use that was not supported by source documentation such as vehicle usage logs or activity reports.

The unsupported charges represented costs of vehicles used during the regular-time work hours of employees from September 16, 2004 through January 10, 2005. Sheriff's Office officials said that when the original project worksheets were prepared they were not aware they could claim such vehicle costs. After learning the costs were eligible for FEMA funding, the officials revised the project worksheets several months later to include a claim of \$1,620,916 for the use of the vehicles (See Exhibit 2). The officials calculated the claim using the total regular hours available in each pay period for each employee (without consideration of leave or holiday hours) whom force account labor costs had been claimed for emergency protective measures work. No other documentation was maintained by the Sheriff's Office to support use of the vehicles such as vehicle usage logs or employee activity reports. Without supporting documentation, the eligibility of the \$1,620,916 of costs claimed could not be validated.

Although the Sheriff's Office did not maintain adequate documentation, it is reasonable to conclude that eligible emergency protective measures were performed during regular-time working hours in the initial 72-hour period after the storm made landfall. Therefore, equipment costs of \$90,376 claimed for September 16-18, 2004, will be considered eligible for reimbursement based on reasonable consideration. Therefore, we question the remaining balance of \$1,530,540 as unsupported. The costs claimed and amount questioned under applicable projects are identified in Exhibit 2.

2. *Excessive and Ineligible Equipment Charges.* The FEMA Schedule of Equipment Rates has an \$11 hourly rate for stationary police vehicles with the engine running and a \$.41 mileage rate for vehicles used in patrols. However, the Sheriff's Office charged the hourly rate rather than the mileage rate in instances where the vehicles were used in patrols, which resulted in an excess claim of \$121,554.

Also, the Sheriff's Office claimed \$11,335 for privately-owned vehicles used by personnel to commute from their homes to their respective duty stations during the disaster period. According to 44 CFR 206.228(a)(1), only the operational costs of applicant-owned equipment used to perform eligible disaster-related work is eligible for FEMA reimbursement.

We question the \$132,889 of costs as identified in the table below.

Project Number	Amount Questioned	
	Excess Equipment	Ineligible Equipment
1190	\$15,459	\$1,111
1041	\$44,862	\$2,417
1123	\$16,981	\$1,848
1302	\$13,162	\$1,746
1181	\$28,700	\$3,883
1180	\$2,390	\$330
Total	\$121,554	\$11,335

- C. *Overtime Labor Charges.* According to 44 CFR 206.228(a)(4) and FEMA's *Public Assistance Guide* (FEMA Publication 322, October 1999), only overtime labor costs of a subgrantee's permanently employed personnel are eligible in calculating the costs of emergency work. FEMA has determined that eligible overtime costs must be determined based on an applicant's compensation policy in effect at the time of the disaster. However, the Sheriff's Office did not follow its established compensation policy when computing overtime pay, resulting in excess charges of \$473,281.

Florida Civil Service Rules and Article 17 of the Collective Bargaining Agreement (October 05, 2002 to January 03, 2005) governed the compensation policies of the Sheriff's Office at the time of the disaster. Under that agreement, 8-hour and 10-hour shift employees earned overtime when they worked hours in excess of 40 hours (including annual, compensatory, and holiday leave in hours worked), and 12-hour shift employees earned overtime when they worked hours in excess of 160 hours in a 28-day cycle. However, the Sheriff's Office overtime labor claim of \$4,012,346 was based on all employees working an 8 or 10-hour shift, not taking into consideration the different shifts the employees actually worked during the disaster period. As a result, we determined that the claim was overstated by \$473,281. We question the \$473,281 as identified in the following table.

Project Number	Amount Claimed	Amount Questioned
962	\$338,045	\$ 69,370
1041	\$1,704,592	\$ 145,987
1123	\$832,570	\$ 107,501
1302	\$558,604	\$ 29,778
1180	\$525,310	\$636
1181	\$53,225	\$ 120,009
Total	\$4,012,346	\$ 473,281

Sheriff's Office officials said that the excessive charges occurred because the labor agreements were difficult to understand.

### RECOMMENDATIONS

We recommend that the Director of the Florida Recovery Office, in conjunction with DCA:

**Recommendation #1.** Instruct the Sheriff's Office to accumulate project costs on a project-by-project basis as required by federal regulations.

**Recommendation #2.** Disallow the \$2,136,710 of questioned costs.

### DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the audit results with Sheriff's Office, FEMA, and DCA officials on February 25, 2009. Sheriff's Office officials generally concurred with the findings. Their comments, where appropriate, are included in the body of this report.

Please advise me by June 29, 2009 of actions planned or taken to implement the recommendations. Should you have any questions concerning this report, please call me at (404) 832-6702, or Larry Arnold, Audit Manager, at (228) 385-1717. Key contributors to this assignment were Larry Arnold, Barbara Arbuckle, and Jerry Aubin.

cc Regional Administrator, FEMA Region IV  
 Audit Liaison, FEMA Region IV  
 Audit Liaison, FEMA

Escambia County Sheriff's Office  
FEMA Disaster No. 1551-DR-FL  
Schedule of Amount Awarded, Costs Incurred, and Amount Questioned  
September 16, 2004 through March 18, 2008

Project Number	Amount Awarded	Costs Incurred	Amount Questioned
962	\$338,045	\$338,045	\$69,370
1190	\$163,884	\$147,496	\$16,570
1041	\$2,422,037	\$2,179,833	\$503,466
1123	\$1,572,479	\$1,415,231	\$670,170
1302	\$1,044,260	\$939,834	\$410,986
1181	\$912,721	\$821,449	\$429,792
1180	\$97,093	\$87,384	\$36,356
Total	\$6,550,519	\$5,929,272	\$2,136,710

Escambia County Sheriff's Office  
FEMA Disaster No. 1551-DR-FL  
Force Account Equipment Costs Claimed for Regular-Hours Worked by Employees  
Schedule of Amount Claimed and Questioned

Project	Period	No. of Employees	Estimated Regular Work Hours/Employee	Hourly Rate	Amount Claimed	Amount Questioned (Unsupported)
1190	9/16 - 9/18/04	315	24	\$11	\$ 83,160	\$0
	9/16 - 9/18/04	34	16	\$11	\$ 5,984	\$0
	9/16 - 9/18/04	14	8	\$11	\$ 1,232	\$0
1041	9/19 - 9/24/04	319	56	\$11	\$196,504	\$196,504
	9/25 - 9/30/04	323	32	\$11	\$113,696	\$113,696
1123	10/1 - 10/31/04	309	160	\$11	\$543,840	\$543,840
1302	11/1 - 11/30/04	185	180	\$11	\$366,300	\$366,300
1181	12/1 - 12/31/04	140	180	\$11	\$277,200	\$277,200
1180	01/1 - 01/10/05	60	50	\$11	\$ 33,000	\$ 33,000
Totals					\$1,620,916	\$1,530,540