

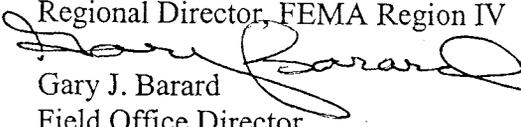


Homeland Security

October 12, 2004

MEMORANDUM

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

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: North Carolina Department of Transportation
FEMA Disaster No. 1312-DR-NC
Audit Report No. DA-01-05

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

The Department received an award of \$9.6 million from the North Carolina Division of Emergency Management, a FEMA grantee, to provide emergency protective measures and remove debris that resulted from a severe snowstorm in January 2000. The award provided 75 percent FEMA funding for 2 large projects. The audit covered the period January 2000 to December 2003. During this period, the Department claimed \$10,943,950 (see Exhibit) and received \$7,190,082 of FEMA funds.

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 Department's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The Department's claim included \$206,642 (FEMA share \$154,982) of project charges that the OIG found to be excessive or unauthorized, as follows:

- The Department's claim under debris removal Project 438 included \$55,266 of excessive contractor charges. A contractor billed the Department \$125,271 for 2,541 hours of chainsaw use at an hourly rate of \$49.30. However, the chainsaw should have been billed at an hourly rate of \$27.55, or a total of \$70,005. The difference occurred because the contractor inadvertently based the hourly rate on two individuals operating the chainsaw when only one individual was required. Accordingly, the OIG questions the excess charges of \$55,266 (\$125,271 less \$70,005).
- The Department's claim of \$158,483 for overtime fringe benefits was overstated by \$21,078. The claim was based on a fringe benefit rate of 20 percent, which included a retirement rate of 8.83 percent and an unemployment compensation rate of 2.32 percent. However, the actual rates for retirement and unemployment compensation were 8.33 percent and .16 percent, respectively. Using the correct fringe rate of 17.34 percent, the Department's claim should have been \$137,405. The OIG questions the difference of \$21,078, as follows:

<u>Project Number</u>	<u>Claimed Amount</u>	<u>Actual Amount</u>	<u>Questioned Amount</u>
437	\$145,162	\$125,856	\$19,306
438	<u>13,321</u>	<u>11,549</u>	<u>1,772</u>
	<u>\$158,483</u>	<u>\$137,405</u>	<u>\$21,078</u>

- The Department's claim for equipment usage under Project 437 was overstated by \$78,259. The Department claimed \$65,693 for 720 hours of snowplow use at a rate of \$91.24 per hour. However, the \$91.24 rate applied to snow blowers, not snowplows. The Department should have claimed should have been \$6,458 based on a snowplow rate of \$8.97. The OIG questions the \$59,234 of excess charges.

The Department also claimed \$101,640 for 7,605 hours of equipment use (grader, truck, spreader, etc.). However, the Department had operator hours to support only 6,107 hours of use. The 1,498 hours difference and related cost of \$19,025 represents idle equipment time that is unallowable under U.S. Office of Management Budget Circular A-87, Attachment B, Para. 24 (Revised 5/4/95, as further amended 8/29/97).

- Project 437 limited snow and ice removal operations to a 72-hour period beginning January 26, 2000, and ending January 28, 2000. However, the Department's claim included charges of \$52,039 for work performed during January 22 to January 25, 2000. These charges consisted of \$47,133 for material and \$4,906 for overtime labor. U.S. Office of Management and Budget Circular A-87 states that for a cost to be allowable under a federal grant program it must be authorized and allocable to the program. Accordingly, the OIG questions the \$52,039 for work performed outside the 72-hour project period.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$206,642 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The audit results were discussed with grantee and Department officials on June 2, 2004, and with FEMA officials on June 7, 2004. Department officials concurred with the findings.

Please advise the Atlanta Field Office–Audit Division by January 12, 2004, of the actions taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact David Kimble or me at (770) 220-5242.

North Carolina Department of Transportation
FEMA Disaster No. 1312-DR-NC
Schedule of Claimed and Questioned Costs

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
437	\$1,333,176	\$ 2,572,973	\$149,604
438	<u>8,253,600</u>	<u>8,370,977</u>	<u>57,038</u>
Total	<u>\$9,586,776</u>	<u>\$10,943,950</u>	<u>\$206,642</u>