



# DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General  
Atlanta Field Office – Audit Division  
3003 Chamblee Tucker Rd  
Atlanta, GA 30341

July 14, 2003

## MEMORANDUM

TO: Pat G. Arcuri  
Acting Regional Director, FEMA Region III

FROM: *for* Gary J. Barard *David Kibble*  
Field Office Director

SUBJECT: District of Columbia Department of Public Works  
FEMA Disaster No.1389-DR-DC  
Audit Report No. DA-16-03

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The Office of Inspector General (OIG) audited public assistance funds awarded to the District of Columbia Department of Public Works. 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 \$242,406 from the District of Columbia Emergency Management Agency, a FEMA grantee, to remove debris and restore roads and bridges damaged as a result of a flood in August 2001. The award provided 75 percent FEMA funding for 1 large project and 4 small projects.<sup>1</sup> Audit work was limited to the \$142,626 awarded and claimed under the 1 large project (No. 45).

The audit covered the period August 2001 to October 2002. During this period, the Department received \$106,970 of FEMA funds under the large project.

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.

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<sup>1</sup> According to FEMA regulations, a large project costs \$50,600 or more and a small project costs less than \$50,600.

## RESULTS OF AUDIT

The Department's claim included questioned costs of \$8,544 (FEMA share \$6,408) resulting from unsupported and excessive project charges.

A. Unsupported Charges. The Department's claim included \$5,978 of unsupported equipment, labor, debris removal, and contract charges. The OIG questions these charges, as follows:

- The Department claimed \$51,653 for equipment usage but had daily equipment usage records to support charges of only \$48,976, or \$2,677 less than the amount claimed.
- The Department claimed \$26,533 for overtime labor cost of employees who performed debris removal work. However, the Department had activity reports and payroll records to support charges of only \$24,663, or \$1,870 less than the amount claimed.
- The Department claimed \$13,476 (403.12 tons x \$33.43) for debris removal but had scale reports to support charges of only \$12,375 (370.20 tons x \$33.43), or \$1,101 less than the amount claimed.
- The Department claimed \$45,960 of contract labor and equipment charges but had invoices and cancelled checks to support charges of only \$45,630, or \$330 less than the amount claimed.

B. Excess Charges. The Department's claim included \$2,566 of excess fringe benefits, labor, and equipment charges, as follows:

- The Department claimed \$4,511 of overtime fringe benefit costs based on a rate of 17 percent. However, this rate included costs of fringe benefit components (health insurance and retirement) that apply only to regular-time salaries. Using the actual rate of 13.15 percent applied to eligible overtime salaries of \$24,663, the Department should have claimed \$3,244, or \$1,267 less than the amount claimed. The OIG questions the excess charges of \$1,267.
- The Department claimed labor costs of \$1,845 for 8 supervisors who performed disaster work as truck drivers. However, the claim was based upon the employees' normal rate of compensation rather than the \$904 based on the nature of work performed under FEMA project. U.S. Office of Management and Budget Circular A-87, Attachment B, Para.11(3)(b) states that compensation for employees engaged in project work is

considered reasonable to the extent that it is consistent with that paid for similar work. Accordingly, the OIG questions the \$941 of excess labor charges.

- The Department's claim of \$51,563 for equipment usage was overstated by \$358. This occurred because the Department claimed equipment usage hours that were in excess of operator hours worked. The questioned costs are, as follows:

<u>Equipment</u>	<u>Hourly Rate</u>	<u>Equip. Hrs. Claimed</u>	<u>Operator Hrs. Claimed</u>	<u>Excess Hours</u>	<u>Excess Claim</u>
Power Saw	\$ 2.40	16	12	4	\$ 10
Chipper	\$87.00	16	12	4	<u>348</u>
Total					<u>\$358</u>

#### RECOMMENDATION

The OIG recommend that the Regional Director, in coordination with the grantee, disallow the \$8,544 of questioned costs.

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

The results of the audit were discussed with FEMA, grantee, and Department officials on April 25, 2003. Department officials concurred with the findings.

Please advise the Atlanta Field Office - Audit Division by August 13, 2003, 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.