



DEPARTMENT OF HOMELAND SECURITY

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

May 6, 2004

MEMORANDUM

TO: Patricia Acuri.
Acting Regional Director, FEMA Region III

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Virginia Department of Transportation
FEMA Disaster No. 1293-DR-VA
Audit Report DA-24-04

The Office of Inspector General (OIG) audited public assistance funds awarded to the Virginia 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 \$5.4 million from the Virginia Department of Emergency Services, a FEMA grantee, for debris removal, emergency protective measures, and repair of roads and bridges damaged as a result of Hurricane Floyd in September 1999. The award provided 75 percent FEMA funding for 24 large projects and 374 small projects¹. Audit work was limited to the \$2,479,698 awarded and claimed under the 24 large projects (see Exhibit).

The audit covered the period September 1999 to November 2002. During this period, the Department received \$1,859,774 of FEMA funds under the 24 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 Department's accounting records, a judgmental sample of expenditures, and other procedures considered necessary under the circumstances.

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

RESULTS OF AUDIT

Except for questioned costs of \$5,910 (FEMA share \$4,433) resulting from unapplied credits, the Department properly accounted for and used FEMA funds. U. S. Office of Management and Budget Circular A-87 states that costs claimed under a Federal award must be net of applicable credits. Such credits, whether accruing to or received by the governmental unit, shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate. However, under bridge replacement Projects 404 and 1045, the Department did not credit the projects with the salvage value of timbers and steel beams removed from the damaged structures. The salvaged materials were removed by hired contractors and retained for their individual use on non-disaster related projects. The OIG determined that the fair market value of the salvaged materials totaled \$5,910. Accordingly, the \$5,910 is questioned—\$5,750 under Project 404 and \$160 under Project 1045.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$5,910 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

The audit results were discussed with Department officials on April 9, 2004, and with FEMA and grantee officials on April 12, 2004. Department officials concurred with the finding.

Please advise the Atlanta Field Office, Audit Division, by July 6, 2004, 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.

Virginia Department of Transportation
FEMA Disaster 1293-DR-VA
Schedule of Claimed and Questioned Costs
Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
380	\$ 69,209	\$ 69,209	
1059	208,515	208,515	
124	55,519	55,519	
217	107,959	107,959	
246	62,866	62,866	
295	98,312	98,312	
297	60,862	60,862	
372	83,172	83,172	
376	87,507	87,507	
377	63,822	63,822	
379	122,293	122,293	
387	71,179	71,179	
396	62,824	62,824	
403	228,813	228,813	
404	362,815	362,815	\$5,750
455	67,070	67,070	
507	50,107	50,107	
511	55,618	55,618	
520	85,806	85,806	
627	55,716	55,716	
741	90,091	90,091	
1045	124,735	124,735	160
1055	51,153	51,153	
1063	153,735	153,735	
Total	<u>\$2,479,698</u>	<u>\$2,479,698</u>	<u>\$5,910</u>