



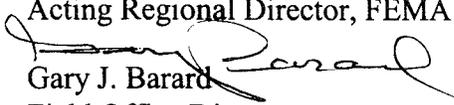
DEPARTMENT OF HOMELAND SECURITY

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. 1318-DR-VA
Audit Report DA-25-04

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 in according to federal regulations and FEMA guidelines.

The Department received an award of nearly \$11 million from the Virginia Department of Emergency Services, a FEMA grantee, for emergency protective measures as a result of a snowstorm in January 2000. The award provided 75 percent FEMA funding for 20 large projects and 1 small project¹. Audit work was limited to the \$10,956,747 awarded and claimed under the 20 large projects (See exhibit).

The audit covered the period January 2000 to July 2002. During this period, the Department received \$8,217,560 of FEMA funds under the 20 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 \$48,900 and a small projects costs \$48,900 or less.

RESULTS OF AUDIT

The Department's grant accounting system did not provide a means to readily verify the accuracy and eligibility of charges claimed for force account labor and equipment. Additionally, the Department's claim included questioned cost of \$74,123 (FEMA share \$55,592) resulting from excess project charges.

- A. Poor Grant Accounting. The Department's claim of \$3,515,270 for force account labor and equipment was based on charges contained within a project expenditure report. However, contrary to federal regulation (44 CFR 13.20), the Department's grant accounting system did not provide a means to trace the expenditures to supporting source documentation. As a result, the accuracy of the force account charges could not be readily determined.

The Department established a special account within its accounting system to account for FEMA project costs. To accumulate costs charged to the account, a fiscal technician from each of the Department's 225 statewide area offices collected daily time and equipment usage information from workers performing project activities. The technicians inputted this information into the system and transmitted the data electronically to the respective area office supervisor for approval. Upon completion of the project, the Department created a system-generated expenditure report that listed daily charges inputted by the fiscal technicians. The Department presented this expenditure report to the OIG as support for its claim for force account labor and equipment costs.

However, the accuracy of the expenditure report could not be determined because the Department did not require its area offices to retain data entry documents used to input the force account charges into its accounting system. Departmental officials explained that the data entry documents were no longer needed once the data contained within them had been electronically processed in the computer system. However, the OIG disagrees. The reliability of system-generated financial reports cannot be determined without access to documents that were the basis for inputting financial data into the system.

The OIG noted other weaknesses in the Department's record-keeping procedures that put into question the accuracy of the expenditure report. Specifically, the Department had not established standardized procedures for fiscal technicians to use when collecting and recording force account labor and equipment costs. Technicians may gather force account data from work crews verbally or through written notes. Additionally, employees are not required to submit a signed hard-copy timesheet attesting to the hours worked under the project, or sign-off on the timesheet data inputted by the fiscal technicians.

Moreover, the OIG noted that area office supervisors and central office managers may make adjustments to the data once it has been processed by the fiscal technicians without having to document the reason(s) for such changes. Thus, in these cases there is no documentary evidence to review to determine whether changes were warranted.

B. Excess Charges. Due to data input errors, the Department's claim contained excess charges of \$74,123 as follows:

<u>Project Number</u>	<u>Billing Reference</u>	<u>Amount Invoiced</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
170	Force Account Equipment	\$ 8,748	\$ 17,496	\$ 8,748
175	Invoice 2420	1,725	3,450	1,725
175	Invoice 51095	19,508	39,015	19,507
175	Invoice V201/00	1,932	3,864	1,932
175	Invoice 2000-006	5,250	15,750	10,500
180	Invoice 02022000	728	1,092	364
180	Un-numbered Inv. For Snow Removal Dated Feb. 3, 2000	1,350	2,700	1,350
180	Invoice 4230096	2,800	19,600	16,800
180	Invoice 42300100	1,344	4,032	2,688
180	Combined Invoice 4230094 & Contract 6955	5,400	12,600	7,200
180	Invoice V201/00	759	1,518	759
180	Invoice 2000-007	<u>2,550</u>	<u>5,100</u>	<u>2,550</u>
Total		<u>\$52,094</u>	<u>\$126,217</u>	<u>\$74,123</u>

RECOMMENDATIONS

The OIG recommends that the Regional Director, in coordination with the grantee,

1. Instruct the Department, for future declarations, to retain supporting source documentation for all charges to the FEMA award, including data entry documents, for the period prescribed by Federal regulation;
2. Instruct the Department, to require employees to sign-off on time sheets or other equivalent documentation attesting to the hours worked under the FEMA award; and
3. Disallow the \$74,123 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW UP

The audit results were discussed with Department officials on April 9, 2004, and with FEMA and grantee officials on April 12, 2004. Department officials disagreed with Finding A regarding the retention of data-entry source documents. Their comments, where appropriate, are incorporated into the body of the report.

Please advise the Atlanta Field Office, Audit Division, by July 6, 2004, of the actions taken to implement the OIG recommendations. Should you have any questions concerning this report, please contact me or David Kimble at (770) 220-5242.

Virginia Department of Transportation
FEMA Disaster 1318-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>
156	\$ 121,087	\$ 121,087	
157	49,075	49,075	
158	121,282	121,282	
159	305,791	305,791	
160	100,721	100,721	
161	63,044	63,044	
162	136,441	136,441	
163	114,838	114,838	
164	160,502	160,502	
166	570,435	570,435	
167	305,815	305,815	
168	1,034,346	1,034,346	
169	464,629	464,629	
170	1,397,703	1,397,703	\$ 8,748
172	537,412	537,412	
173	522,610	522,610	
174	603,876	603,876	
175	2,085,880	2,085,880	33,664
180	<u>2,261,260</u>	<u>2,261,260</u>	<u>31,711</u>
Total	<u>\$10,956,747</u>	<u>\$10,956,747</u>	<u>\$74,123</u>