
Office of Inspector General

REVIEW OF EMERGENCY RELIEF

Federal Highway Administration

Report Number: TR-1998-191

Date Issued: August 12, 1998





Memorandum


U.S. Department of
Transportation

Office of the Secretary
of Transportation

Office of Inspector General

Subject: **ACTION:** Followup Review of Emergency
Relief, Federal Highway Administration
Report Number: TR-1998-191

Date: August 12, 1998

From: 
Lawrence H. Weinrob
Assistant Inspector General for Auditing

Reply to
Attn of: JA-1

To: Federal Highway Administrator

This report presents the results of our review of the use of Emergency Relief funds in the State of California. This review was initiated as a followup to previous Office of Inspector General (OIG) reports which identified ineligible uses of Emergency Relief funds for "betterments." The Code of Federal Regulations (CFR) describes betterments as follows:

"Emergency relief funds may participate in . . . betterments, such as relocation, replacement, upgrading or other added features not existing prior to the disaster, only where clearly economically justified to prevent future recurring damage." [23 CFR 668.109]

As of July 31, 1998, the Federal Highway Administration (FHWA) had allocated a total of \$498 million in Fiscal Year (FY) 1998 Emergency Relief. We selected California for our review because FHWA has already allocated over \$130 million in Emergency Relief funds to that state alone. We reviewed the use of Emergency Relief funds allocated to California during the period October 1, 1997, through July 31, 1998. During this period, California experienced extensive flooding usually termed the 1998 Winter Flood Disaster. California requested Emergency Relief funds for 43 of the state's 58 counties. As of July 27, 1998, FHWA had approved over 160 Emergency Relief projects with a total cost of \$77.2 million for this disaster. Recently, on August 10, 1998, California requested another \$80 million to advance additional repair work during FY 1998 on this disaster.

We found that FHWA officials were adequately monitoring betterment requests to ensure adherence to Federal regulations and criteria regarding the use of Emergency Relief funds for betterments. However, we also found one instance where a clerical error, if not corrected, could mislead FHWA and California

officials to overstate the magnitude of damage and possibly result in a duplicate reimbursement to the state of \$6.7 million. We recommend that FHWA ensure adequate controls (e.g., computer edit checks) are implemented by California officials that will prevent duplicate entries.

BACKGROUND

FHWA provides states with Emergency Relief funds for two basic types of highway projects: (1) Emergency Repair (also called Road Opening) projects, such as cleaning up slide material, repaving road surfaces, or replacing earth stabilizing materials, and (2) Permanent Repair projects, such as installing rock slope protection, reconstructing embankments, or restoring roadways to their pre-disaster state. Highway betterment activities are usually Permanent Repair projects. Betterments eligible for Emergency Relief funds include those projects that help protect highway facilities from future damage. Not all betterments are eligible for Emergency Relief funding. Ineligible betterments are projects that go beyond restoring roadways to their previous state or beyond improvements designed to prevent future damage by natural disasters. Examples of ineligible betterments are the addition of lanes or the paving of surfaces that were previously unpaved.

In a disaster, state and local transportation agencies may immediately begin emergency repairs to restore essential traffic services and to prevent further damage to highways. The state, either before or after incurring expenses, formally requests Emergency Relief funds from FHWA to pay for the repairs. Emergency Relief funds are provided once the FHWA Administrator makes a finding of eligibility. Eligibility is determined based on individual Damage Assessment Forms (DAF) prepared by state or local engineers. Emergency Relief funds supplement state resources to help pay for repair expenses for highway damages caused by disasters; these Federal funds are not intended to cover all repair costs.

This OIG review was conducted as a followup to previous reports on Emergency Relief funding. In our most recent report, Emergency Relief Program (Report Number: R0-FH-7-009; August 26, 1997), we recommended that FHWA update its program guidance to ensure betterments are eligible and economically justified in accordance with Federal regulations. FHWA concurred with our recommendation and, on November 4, 1997, issued a policy memorandum to all field staff updating and clarifying the eligibility criteria under which Emergency Relief funding can be used for betterments. This current review was conducted in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States.

RESULTS: FHWA Is Properly Monitoring and Approving Betterments

The FHWA California Division provided us with information identifying 166 Emergency Relief (Road Opening and Permanent Repair) projects and over 1,100 associated DAFs connected with the 1998 Winter Disaster. All these projects and DAFs were approved by FHWA's California Division. We performed a detailed review of 203 individual DAFs which were associated with Permanent Repair projects. As a result of our review of the DAFs as well as supporting cost estimates, drawings, photographs, and correspondence, we concluded that all 203 DAFs met the betterments criteria and were eligible for Emergency Relief funding.

In addition to the approved DAFs, we identified two other DAFs that the FHWA California Division disapproved as not meeting betterments eligibility criteria. As a result of our review of these DAFs, we concluded they were appropriately rejected by the FHWA California Division. Both DAFs were disapproved because they lacked adequate supporting documentation to demonstrate that the betterments were economically justified.

Further, in addition to the two disapproved DAFs discussed above, we identified another case where FHWA received a direct request for Emergency Relief funds from a U.S. Senator's office. In this case, the Senator forwarded a request from a private citizen that Emergency Relief funds be used to, among other things, widen a damaged road in his community from two to four lanes. FHWA reviewed this betterment request and concluded that it did not meet eligibility criteria for Emergency Relief funding.

Although FHWA was appropriately adjudicating requests for Emergency Relief funding, we identified a clerical error regarding an Emergency Relief repair project of a section of the Pacific Coast Highway in Ventura County. A computer printout of pertinent DAF data reflected that this project would cost a total of \$13.4 million. Our detailed review of the DAF on this project disclosed that the total cost estimate was only \$6.7 million. California Transportation officials acknowledged the error and explained that the discrepancy was due to a data entry error – the \$6.7 million cost estimate was entered twice. We are concerned that this, or similar errors in the data base, could compromise the accuracy of damage estimates and/or the reconciliation of eligible Emergency Relief funding to California.

RECOMMENDATION

We recommend that FHWA ensure adequate controls (e.g., computer edit checks) are implemented by California officials that will prevent duplicate entries.

On August 12, 1998, FHWA's Chief of the Federal-Aid and Design Division (Acting for the Director, Office of Engineering) and his staff provided us with verbal comments on a draft of this report. FHWA agreed with the information in our report and concurred with the recommendation. Therefore, the recommendation is considered resolved subject to the followup provisions of Department of Transportation Order 8000.1C. We would appreciate receiving the specific action taken or planned and the target date for the action within 15 calendar days of the date of this report.

We appreciate the cooperation and assistance provided by your staff during our review of California's Emergency Relief funding. If I can answer any questions or be of further assistance, please contact me on x61992 or Patricia J. Thompson, Deputy Assistant Inspector General for Surface Transportation, on x60687.

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