



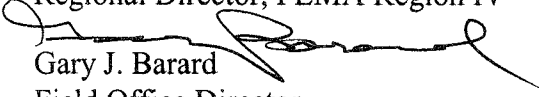
DEPARTMENT OF HOMELAND SECURITY

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

March 24, 2004

MEMORANDUM

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

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: City of Raleigh, North Carolina
FEMA Disaster No. 1292-DR-DC
Audit Report No. DA-18-04

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

The City received an award of \$1.1 million from the North Carolina Division of Emergency Management, a FEMA grantee, to remove debris as a result of Hurricane Floyd in September 1999. The award provided 90 percent FEMA funding for 6 large projects and 2 small projects.¹ Audit work was limited to the \$1,084,380 awarded and claimed under the 6 large projects (see Exhibit).

The audit covered the period September 1999 through September 2002. During this period, the City received \$975,942 of FEMA funds under the 6 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 City's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

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

RESULTS OF AUDIT

The City' claim included \$18,946 of questioned costs (FEMA share \$17,051) resulting from excessive and unsupported project charges.

A. Excess Charges. The City's claim included \$10,713 of excess labor, equipment, and administrative charges, as follows:

- The City claimed \$16,099 of labor costs for supervisory employees who drove trucks under debris removal Project 1572. Federal regulation (U.S. Office of Management and Budget Circular A-87, B, Para. 11(3)(b)) states that compensation for employees engaged in project work is considered reasonable to the extent that is consistent with that paid for similar work. However, the OIG determined that the claim was based upon the employees' normal rate of compensation rather than the \$10,461 based on the nature of work performed under the FEMA project. Accordingly, the OIG questions the \$5,638 of excess labor charges.

Similar conditions occurred under debris removal Project 1573. In this case, the City's claim included the normal rate of pay (\$9,004) for supervisory employees who drove trucks. However, the value of the work performed was \$5,285. The grantee disallowed \$2,088 of the excess charges as a result of a final project inspection. Accordingly, the remaining balance of \$1,631 is questioned.

- The City claimed overtime labor costs of \$1,584 for a supervisor who performed services under Project 1572. However, City policy (No. 300-5) prohibited supervisors from earning overtime pay. U.S. Office of Management and Budget Circular A-87 states that costs must be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit. Accordingly, the OIG questions the excess charges of \$1,584.
- The City claimed \$86,450 under Project 2721 for force account equipment use based on the FEMA Schedule of Equipment rates. However, the claim was overstated by \$1,321 because the City inadvertently used an incorrect rate for certain pieces of equipment. Accordingly, the OIG questions the \$1,321, as follows:

	Hourly Rate <u>Charged</u>	Correct Hourly Rate	Excess Hourly Rate	Hours <u>Charged</u>	Excess <u>Charges</u>
Equipment					
Bucket Truck	\$28.00	\$19.00	\$9.00	131.5	\$1,183
Bucket Truck	22.00	19.00	3.00	20.0	60
½ Ton Truck	14.25	7.50	6.75	11.5	78
Total					<u>\$1,321</u>

- Based on the Stafford Act, the City is entitled to an administrative allowance based on a statutory formula to cover the costs associated with requesting, obtaining, and administering FEMA awards. Federal regulation (44 CFR 206.228) limits funding for administrative costs to that allowance. However, under Project 2721, the City claimed \$539 of labor costs for employees who performed damage survey and assessment activities. The OIG questions these charges because they were associated with requesting FEMA funds and, as such, are covered by the statutory administrative allowance.
- B. Unsupported Charges. Federal regulation (44 CFR 13.20) requires subgrantees to maintain supporting documentation for all charges to FEMA projects. However, the City's claim under Project 1263 included \$8,233 of contract charges that were not supported by adequate documentation. The City claimed \$117,722 for grinding cost of vegetative debris based on 62,953 cubic yards of debris removed by the contractor. However, the City had documentation (load tickets and daily activity reports) to support only 58,550 cubic yards of debris, or \$109,489. Accordingly, the OIG questions the unsupported difference of \$8,233.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$18,946 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The results of the audit were discussed with FEMA, grantee, and City officials on November 24, 2003. City officials concurred with the findings.

Please advise the Atlanta Field Office – Audit Division by June 24, 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.

City of Raleigh, North Carolina
FEMA-Disaster 1292-DR-NC
Schedule of Claimed and Questioned Costs
Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
1262	\$ 502,801	\$ 502,801	\$
1263	117,722	117,722	8,233
1572	164,048	164,048	7,222
1573	87,352	87,352	1,631
2720	65,878	65,878	0
2721	<u>146,579</u>	<u>146,579</u>	<u>1,860</u>
Total	<u>\$1,084,380</u>	<u>\$1,084,380</u>	<u>\$18,946</u>