

Department of Homeland Security Office of Inspector General

Costs Claimed by the Chicago Transit Authority
for the Subway Security and SCADA Project –
Video Analytics and Intrusion Detection, and the
Public Transport Anti-Terrorism Team Program,
Grant Numbers 2009-RA-RI-0106 and
2009-RA-RI-0093



American Recovery and Reinvestment Act of 2009

OIG-13-12

December 2012



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

December 4, 2012

MEMORANDUM FOR: David J. Kaufman
Acting Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency

FROM: Anne L. Richards *Anne L. Richards*
Assistant Inspector General for Audits

SUBJECT: *Costs Claimed by the Chicago Transit Authority for the Subway Security and SCADA Project – Video Analytics and Intrusion Detection, and the Public Transport Anti-Terrorism Team Program, Grant Numbers 2009-RA-RI-0106 and 2009-RA-RI-0093*

Attached for your information is our final letter report, *Costs Claimed by the Chicago Transit Authority for the Subway Security and SCADA Project – Video Analytics and Intrusion Detection, and the Public Transport Anti-Terrorism Team Program, Grant Numbers 2009-RA-RI-0106 and 2009-RA-RI-0093*. Since the report contains no recommendations to the Federal Emergency Management Agency, we did not solicit formal comments, and no further response to this report is necessary.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Major contributors to this report are Richard T. Johnson, Director of Immigration and Enforcement; Paul Streit, Audit Manager; Kathleen Hyland, Auditor in Charge; Falon Newman-Duckworth; Program Analyst; and Cheryl Jones, report referencer.

Please call me with any questions, or your staff may contact John E. McCoy II, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



Background

The *American Recovery and Reinvestment Act of 2009*, as amended, (Recovery Act) appropriated \$610 million to the Federal Emergency Management Agency (FEMA). Of that amount, the Recovery Act allocated \$150 million for Public Transportation Security Assistance and Railroad Security Assistance (hereinafter referred to as Transit Security Grants) of the *Implementing Recommendations of the 9/11 Commission Act of 2007*.

The Department of Homeland Security Transit Security Grant Program (TSGP) focuses on the use of visible, unpredictable deterrents to reduce risk to transit systems. Transit Security Grants fund capital projects including Multi-User High-Density Key Infrastructure Protection, Single-User High-Density Key Infrastructure Protection, Key Operating Asset Protection, and other mitigation activities. These construction grants pay for infrastructure improvements such as installation of anti-terrorist barriers at tunnel entrances and security systems for underground and underwater infrastructure. In addition, Transit Security Grants also fund canine, mobile explosives detection screening, and anti-terrorism teams. FEMA allocated \$72.2 million to four transit security capital projects and \$77.8 million to 15 transit security terrorist teams.

On July 31, 2009, FEMA awarded \$4,869,000 in TSGP funding to the Chicago Transit Authority (CTA) under grant number 2009-RA-RI-0093 to create three new Chicago Police Department anti-terrorism teams to be assigned to the department's Public Transportation Unit. Each team contains 4 police officers, for a total of 12 officers. Funding was to be used for officer salaries, fringe benefits, training, and support costs for a 36-month period. The grant specified a period of performance from August 1, 2009, to July 31, 2012, and as of June 11, 2012, FEMA had reimbursed the CTA for \$3,286,698.

In addition, on September 29, 2009, FEMA awarded \$6,944,528 in TSGP funding to the CTA under grant number 2009-RA-RI-0106, to design and implement a comprehensive Subway Security and Supervisory Control and Acquisition System (SCADA) in the CTA's underground and underwater subway infrastructure system. The project includes the use of closed-circuit television cameras, digital video recorders, passive and active intrusion and object detection, access control, and communication network elements to support the security system. It is a continuation of the CTA's efforts to implement security systems at rail stations, facilities, yards, and rights-of-way to provide a safe and secure environment for CTA riders and employees. The grant specified a period of performance from September 1, 2009, to August 31, 2012, and as of May 2, 2012, FEMA had reimbursed the CTA for \$3,221,862.

Under the terms of the grants, the CTA and the Chicago Police Department are required to comply with FEMA's *Guidance and Application Kit*, Office of Management and Budget



(OMB) Circular A-87, and the grant requirements in 44 Code of Federal Regulations Part 13.

TSGP recipients must also comply with OMB Circular A-133 and Recovery Act provisions for submitting quarterly recipient reports to the Federal Government on the use of Recovery Act funds; paying prevailing wages as determined by the Secretary of Labor; and using American-made iron, steel, and manufactured goods.¹ The objective of this audit was to determine whether costs claimed were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements.

Results of Audit

We determined that the CTA expended \$6,508,560 in TSGP funding to enhance subway security in a manner that was allowable, allocable, and reasonable. We also determined that the CTA was compliant with Recovery Act and grant agreement requirements governing the submission of quarterly Recovery Act reports and the accounting of all eligible/applicable acquisitions, payroll, and indirect costs.

Compliance With Requirements for Reporting, Equipment Acquisition, Wages, and Indirect Costs

Section 1512 of the Recovery Act requires recipients to submit quarterly reports to the Federal Government that include information on funds received and expended, project activities, and the number of jobs created and retained. Section 1605 of the Recovery Act stipulates that recipients use American-made iron, steel, and manufactured goods. Section 1606 of the Recovery Act requires recipients to pay laborers and mechanics on the project at rates not less than prevailing wages in the locality. We confirmed that the CTA complied with Recovery Act.

Grant number 2009-RA-RI-0093 allows the Chicago Police Department to create three new Anti-Terrorism Teams to be assigned with the Public Transportation Unit. These teams consist of 4 police officers per team for a total of 12 officers. Funding was awarded for salaries, fringe benefits, training, and support costs for 36 months. We determined that the CTA complied with the grant agreement by ensuring that payroll, including fringe benefits, was in compliance with the grant agreement, and amounts claimed were eligible for reimbursement.

Grant number 2009-RA-RI-0106 is for the design and implementation of a comprehensive Subway Security and SCADA in the CTA's underground and underwater

¹ OMB Circular A-133 Revised, *Audits of States, Local Governments, and Nonprofit Organizations*.



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subway infrastructure system. The project includes the use of closed-circuit television cameras, digital video recorders, passive and active intrusion and object detection, access control, and communication network elements to support the security system. We determined that the CTA complied with the grant agreement by ensuring that overhead and acquisitions were in compliance with the grant agreement and that amounts claimed were eligible for reimbursement.

The CTA submitted timely quarterly reports on project activities to FEMA and ensured that projects were accomplished with American-made manufactured goods, and that laborers were paid at prevailing wages. In addition, the CTA was compliant with Recovery Act and grant agreement requirements governing the accounting of all eligible/applicable acquisitions, payroll, and indirect costs. We are making no recommendations.



Appendix A

Objectives, Scope, and Methodology

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

The objective of this audit was to determine whether costs claimed were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements. This audit covered costs of \$6,508,560 incurred by the CTA from August 2009 to April 2012.

In conducting our audit, we—

- Obtained and reviewed the Recovery Act, the grant application and award, the grant *Guidance and Application Kit*, and Federal cost principles and grant administrative requirements;
- Interviewed CTA personnel to gain an understanding of their accounting system, and reviewed applicable internal controls;
- Examined all invoices and other evidence supporting 100 percent of FEMA project costs;
- Reviewed 100 percent of accounting transactions related to purchases, payments, and receipt of FEMA reimbursements;
- Used the grant provisions and applicable Federal requirements to determine whether amounts claimed were eligible for reimbursement;
- Performed fraud detection procedures;
- Inspected the CTA observation station and surrounding property; and
- Obtained and reviewed source documents to determine that the CTA complied with requirements for reporting, competitive acquisition, and procurement of equipment applicable to the grant, and that payroll and indirect costs were correct and in compliance with the grant agreement.



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We conducted this performance audit between June and September 2012 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



Appendix B

Report Distribution

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The OIG seeks to protect the identity of each writer and caller.