

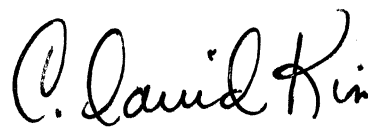
U.S. Department of Homeland Security
Eastern Region
Office of Emergency Management Oversight
10 Tenth Street Suite 750
Atlanta, GA 30309



Homeland
Security

February 3, 2010

MEMORANDUM FOR: Paul Ford, Acting Regional Administrator
FEMA Region I

FROM: C. David Kimble, Director 
Eastern Region Office

SUBJECT: *Commonwealth of Massachusetts Highway Department*
Public Assistance Identification Number: 000-U8L73-00
FEMA Emergency Declaration No. 3201
Report Number: DA-10-06

We performed an audit of public assistance funds awarded to the Commonwealth of Massachusetts Highway Department (Department). The audit objective was to determine whether the Department accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The Department received a public assistance grant award of \$12.7 million from the Massachusetts Emergency Management Agency (MEMA), a FEMA grantee, for damages resulting from a severe snow storm in January 2005. The award provided for 75% FEMA funding for 17 large projects and 1 small project for emergency protective measures.¹ We limited our review to \$11.7 million claimed under 15 large projects and 1 small project (see Exhibit). The audit covered the period of January 22, 2005 to May 30, 2007. During this period, the Department received \$8.8 million of FEMA funds under the projects reviewed.

We conducted this performance audit under the authority of the *Inspector General Act of 1978*, as amended, and according to the 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 on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We reviewed the Department's disaster grant accounting system and contracting policies and procedures; judgmentally selected project expenditures (generally based on dollar value); interviewed Department, MEMA, and FEMA personnel; reviewed applicable federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$55,500.

We did not assess the adequacy of the Department's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of the Department's method of grant accounting and its policies and procedures for administering the activities provided for under the FEMA award.

RESULTS OF AUDIT

The Department accounted for FEMA funds on a project-by-project basis consistent with federal regulations for large projects. However, we identified \$338,954 (FEMA Share \$254,216) of questioned costs resulting from unsupported force account equipment charges.

Federal regulation 44 CFR 13.20(b)(6) states that expenditures under a federal award must be supported by adequate source documentation such as cancelled checks, paid bills, payroll, time and attendance records, contract award documents, etc. Additionally, FEMA's *Public Assistance Guide* (FEMA 322, October 1999, page 37) states that stand-by time for applicant-owned equipment is not eligible and, if an applicant uses equipment intermittently for the majority of the day, use for the entire day may be claimed if adequate documentation is submitted.

The Department claimed equipment costs totaling \$338,954 under several projects for the use of plows, sanders, and pickup trucks. According to the Department, such equipment was used to monitor contractors, remove snow and ice, and travel to specific work sites. The claim was based on labor hours of employees that worked under the projects. The Department did not maintain any other records to support the equipment charges such as activity logs that identified (1) the operator's name, (2) the type of equipment, (3) a description of the activity the equipment used for, and (4) the specific periods the equipment was in use (dates, and beginning and ending times). As a result, we could not validate the Department's claim for equipment usage. Therefore, we question the \$338,954.

Department officials did not concur with this finding. They said that the Department was not informed by MEMA or FEMA to maintain equipment activity logs or comparable records. Therefore, they believe the costs are appropriate and should be allowed. However, as discussed above, federal regulations require that expenditures under a federal award be supported by adequate source documentation.

RECOMMENDATION

We recommend that the Acting Regional Administrator, FEMA Region I, in coordination with MEMA, disallow the \$338,954 (FEMA Share \$254,216) of unsupported force account equipment charges.

MANAGEMENT DISCUSSION AND AUDIT FOLLOW-UP

We discussed the audit results with FEMA, MEMA, and Department officials, on January 7, 2010. Department officials did not concur with our audit findings. Their comments have been incorporated into the body of this report.

Please advise me by April 5, 2010, of actions taken or planned to implement our recommendation, including target completion dates. Should you have any questions concerning this report, please contact me at (404) 832-6702, or Modupe Akinsika, Audit Manager, at (404) 832-6704. Key contributors to this assignment were Modupe Akinsika, Adrienne Bryant, Larry Jones, and John Schmidt.

cc: Regional Administrator, FEMA Region I
Audit Liaison, FEMA Region I
Audit Liaison, FEMA

Commonwealth of Massachusetts Highway Department
FEMA Disaster No. 3201-EM
Schedule of Amount Awarded, Claimed and Questioned
January 22, 2005 to May 30, 2007

Project Number	Amount Awarded	Amount Claimed	Amount Questioned
330	\$301,482	\$301,482	\$29,481
377	\$877,428	\$877,428	\$26,712
384	\$230,269	\$230,269	\$33,180
405	\$977,112	\$977,112	-
419	\$975,087	\$975,087	\$24,206
443	\$836,667	\$836,667	\$110,644
459	\$895,587	\$895,587	-
460	\$985,502	\$985,502	-
467	\$927,701	\$927,701	-
471	\$883,040	\$883,040	-
480	\$925,899	\$925,899	\$31,183
506	\$545,523	\$545,523	\$52,943
519	\$25,321	\$25,321	\$6,551
526	\$887,001	\$887,001	-
534	\$964,194	\$964,194	-
538	\$490,371	\$490,371	\$24,054
Total	\$11,728,184	\$11,728,184	\$338,954