

Department of Homeland Security **Office of Inspector General**

Costs Claimed by the Northern Illinois Railroad
Corporation Under Transit Security
Grant Number 2009-RA-R1-0098



American Recovery and Reinvestment Act of 2009

OIG-13-37

February 2013




OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

FEB 5 2013

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

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *Costs Claimed by the Northern Illinois Railroad Corporation
Under Transit Security Grant Number 2009-RA-R1-0098*

Attached for your information is our final letter report, *Costs Claimed by the Northern Illinois Railroad Corporation Under Transit Security Grant Number 2009-RA-R1-0098*. We incorporated the formal comments from the Associate Administrator for Policy, Program Analysis and International Affairs in the report.

The report contains one recommendation to resolve the questioned costs. The Associate Administrator concurred with the recommendation. As prescribed by the Department of Homeland Security Directive 077-01, Follow-Up and Resolution for Office of Inspector General Report Recommendations, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendation will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to 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 Roger LaRouche, Director; Matthew Mongin, Senior Auditor; and Stephen Doran, 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* (Recovery Act), as amended, appropriated \$150 million to the Federal Emergency Management Agency (FEMA) for Public Transportation Security Assistance and Railroad Security Assistance under sections 1406 and 1513 of the *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended. FEMA focused grants under this program on (1) operational packages for canine teams, mobile explosives detection screening teams, and antiterrorism teams, and (2) capital projects for activities such as infrastructure protection. On July 31, 2009, FEMA awarded a transit security grant of \$1,670,988 to the Northeast Illinois Railroad Corporation (commonly referred to as METRA) for one antiterrorism team.¹

With grant funds, METRA deployed the antiterrorism team on its trains and in its train stations from November 2009 until August 2012. METRA claimed and received FEMA reimbursements of \$1,428,219 for salaries and benefits of team members, their uniforms and protective clothing, and two police vehicles.

Reimbursement for eligible grant project costs is based on the Department of Homeland Security *Fiscal Year 2009 Recovery Act Transit Security Grant Program Guidance and Application Kit (Guidance and Application Kit)*, the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments contained in the (44 Code of Federal Regulations part 13), and *Cost Principles for State, Local and Indian Tribal Governments* contained in Office of Management and Budget (OMB) Circular A-87, Revised.

The grant also includes requirements for complying with OMB Circular A-133, Revised, *Audits of States, Local Governments, and Non-Profit Organizations*, and Recovery Act provisions for submitting quarterly recipient reports to the Department of Homeland Security 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.

The objective of this audit was to determine whether costs claimed by METRA were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements.

¹ METRA provides commuter rail service to the six counties surrounding Chicago, Illinois.



Results of Audit

Of the \$1,428,219 claimed for reimbursement, we questioned \$113,032 representing overclaimed fringe benefits on overtime paid to antiterrorism team members. The *Guidance and Application Kit* limits fringe benefits on overtime as discussed below. Also, we determined that METRA properly prepared and submitted the required quarterly reports to the Federal Government.

Overclaimed Fringe Benefits

The *Guidance and Application Kit* states that “Fringe benefits on overtime hours are limited to FICA [Federal Insurance Contributions Act], Workers Compensation and Unemployment Compensation.” Together, these total from 10 to 15 percent of base labor wages for the years of the grant. However, in these years METRA applied its approved fringe benefit rate of about 70 percent of base labor to both regular wages and overtime.² The 70 percent rate includes employer contributions for such items as pension plans; health insurance; and vacation pay, holiday pay, and sick leave, in addition to fringe benefits allowed for overtime. Based on the difference between the allowable fringe benefits and the 70 percent rate benefits, we estimated that METRA overclaimed fringe benefits by approximately \$113,032.

Recommendation

We recommend that the Assistant Administrator, Grant Programs Directorate:

1. Resolve the \$113,032 of questioned fringe benefit costs.

Management Comments and OIG Analysis

Management Comments

FEMA concurs with the recommendation. FEMA will initiate appropriate processes to recoup \$113,032 in expended fringe benefit costs. In addition, within 90 days of receipt of the Office of Inspector General’s final report, FEMA will work with the Northeast

² The Federal Transit Administration of the U.S. Department of Transportation approved indirect cost rates for METRA for fiscal years 2009, 2010, 2011, and 2012. The approved fringe benefit rates were approximately 70 percent of base labor wages with a minor variation for those periods.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Illinois Railroad Corporation to create a corrective action plan following established guidelines to ensure future adherence to cost guidelines.

OIG Analysis

FEMA's actions are responsive to the recommendation. However, the recommendation will remain open and unresolved until final implementation of the corrective actions.



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 by METRA were allowable, allocable, and reasonable according to the grant and applicable Federal regulations. To accomplish our objective, we examined costs of \$1,428,219 claimed by METRA from November 2009 to April 2012. In conducting our audit, we did the following:

- Obtained and reviewed the Recovery Act, the grant application and award, the *Guidance and Application Kit*, and Federal cost principles and grant administrative requirements.
- Interviewed METRA personnel to gain an understanding of their accounting system and the applicable internal controls.
- Reviewed the fiscal year 2010 Single Audit report to identify issues and other conditions that could affect our examination.
- Reviewed the recipient's internal controls specifically related to our objectives.
- Examined payroll records, vendor invoices, and other evidence supporting costs claimed of \$1,428,219.
- Reviewed contract files and supporting documentation for the vendors selected to provide uniforms, protective clothing, and police vehicles.
- Reviewed accounting transactions related to wages, overtime and fringe benefit payments, and related claims for FEMA reimbursements.
- Performed fraud detection procedures.



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Department of Homeland Security

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 finding and conclusion based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based upon our audit objective.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
Management Comments to the Draft Letter Report

U.S. Department of Homeland Security
Washington, DC 20472



FEMA

DEC 28 2012

MEMORANDUM FOR: Anne L. Richards
Assistant Inspector General for Audits
Office of Inspector General

FROM: David J. Kaufman *DJK*
Associate Administrator for
Policy, Program Analysis and International Affairs

SUBJECT: Response to *OIG Draft Report: Review of Costs Claimed by the
Northeast Illinois Railroad Corporation Under Transit Security Grant
Number 2009-RA-R1-0098*

The Federal Emergency Management Agency (FEMA) appreciates the opportunity to review and respond to the Department of Homeland Security (DHS) Office of Inspector General (OIG) Draft Report: *Review of Costs Claimed by the Northeast Illinois Railroad Corporation Under Transit Security Grant Number 2009-RA-R1-0098*. As noted in our response to your recommendation below, FEMA is continuing to work to resolve the issues identified in the audit and we are putting in place a process to avoid similar problems in the future.

OIG Recommendation: We recommend that the Assistant Administrator, Grant Programs Directorate, resolve the questioned fringe benefit costs of \$113,032.

FEMA Response: FEMA concurs with the OIG's recommendation. FEMA will initiate appropriate processes to recoup \$113,032 in expended unallowable costs. In addition, within 90 days of receipt of the OIG's final report, FEMA will work with the Northeast Illinois Railroad Corporation (METRA) to create a corrective action plan following established guidelines to ensure future adherence to cost guidelines.

FEMA requests this recommendation be considered resolved and open pending development and full implementation of the corrective action plan. Estimated Completion Date: April 1, 2013.

Again, we thank you for the opportunity to review and comment on the recommendations concerning your final report. Please do not hesitate to contact our Audit Liaison Office point of contact, Gary McKeon at 202-646-1308, with any questions or concerns regarding our response.

www.fema.gov



Appendix C
Potential Monetary Benefits

Classification of Monetary Benefits					
Finding	Rec. No.	Funds To Be Put to Better Use	Questioned Costs – Unsupported Costs	Questioned Costs – Other	Total
Overclaimed fringe benefits	1		\$113,032		\$113,032
Total			\$113,032		\$113,032



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Appendix D
Report Distribution

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Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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