




# DEPARTMENT OF HOMELAND SECURITY

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

November 18, 2003

## MEMORANDUM

TO: Patricia Acuri.  
Acting Regional Director, FEMA Region III

FROM:   
Gary J. Barard  
Field Office Director

SUBJECT: West Virginia Department of Transportation  
FEMA Disaster No. 1229-DR-WV  
Audit Report DA-05-04

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The Office of Inspector General (OIG) audited public assistance funds awarded to the West Virginia Department of Transportation. The objective of the audit was to determine whether the Department accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Department received an award of \$5.2 million from the West Virginia Department of Emergency Services, a FEMA grantee, for debris removal, emergency protective measures, and repair of roads and bridges damaged as a result of a flood in July 1998. The award provided 75 percent FEMA funding for 13 large projects and 490 small projects<sup>1</sup>. Audit work focused on the \$1,325,570 claimed under the 13 large projects (see Exhibit).

The audit covered the period July 1998 to May 2002. During this period, the Department received \$994,178 of FEMA funds under the 13 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 Department's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

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<sup>1</sup>According to FEMA regulations, a large project has approved estimated completion costs of \$47,100 or more and a small project has approved estimated completion costs of less than \$47,100.

West Virginia Department of Transportation  
FEMA Disaster No. 1229-DR-WV  
Schedule of Claimed and Questioned Costs  
Large Projects

| <u>Project<br/>Number</u> | <u>Amount<br/>Awarded</u> | <u>Amount<br/>Claimed</u> | <u>Amount<br/>Questioned</u> |
|---------------------------|---------------------------|---------------------------|------------------------------|
| 40686 <sup>1</sup>        | \$ 17,577                 | \$ 17,577                 | \$ 216                       |
| 40239 <sup>1</sup>        | 34,566                    | 34,566                    | 140                          |
| 41177 <sup>1</sup>        | 43,770                    | 43,770                    | 200                          |
| 41141                     | 180,477                   | 180,477                   | 0                            |
| 41139                     | 471,553                   | 471,553                   | 0                            |
| 41473                     | 79,759                    | 79,759                    | 1,289                        |
| 41402                     | 61,725                    | 61,725                    | 0                            |
| 40840                     | 48,238                    | 48,238                    | 90                           |
| 40843                     | 80,469                    | 80,469                    | 403                          |
| 41171                     | 182,215                   | 182,215                   | 366                          |
| 40842 <sup>1</sup>        | 33,397                    | 33,397                    | 69                           |
| 40837                     | 50,189                    | 50,189                    | 598                          |
| 70102 <sup>1</sup>        | 41,635                    | 41,635                    | 116                          |
|                           | <u>\$1,325,570</u>        | <u>\$1,325,570</u>        | <u>\$3,487</u>               |

<sup>1</sup> This project was approved as a large project because total estimated costs at the time of project approval exceeded \$47,100. However, upon project completion, actual costs were determined to be less than \$47,100.

## RESULTS OF AUDIT

The Department generally accounted for and expended FEMA funds according to federal regulations and FEMA guidelines. However, the Department's claim included questioned costs of \$3,487 (FEMA share \$2,615) resulting from excessive administrative costs and a mathematical error.

- A. Excess Administrative Costs. Federal regulation 44 CFR 206.228 states that indirect costs of a subgrantee are not separately eligible because the statutory administrative allowance covers the necessary costs of requesting, obtaining, and administering FEMA awards. However, the Department's claim under the various FEMA projects included \$2,207 of administrative costs for processing payroll and other general operation support activities for individuals engaged in performing project work. We question these charges because they are indirect costs and, as such, are covered by the administrative allowance.
- B. Mathematical Error. The Department received an overpayment of \$1,280 under Project 41473 due to a math error made by the FEMA inspector during final inspection of the project. The error resulted in the Department being reimbursed for costs of \$79,759 when actual costs totaled \$78,479, or \$1,280 less. Accordingly, we question the \$1,280 overpayment.

## RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$3,487 of questioned costs.

## DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

The audit results were discussed with Department officials on October 2, 2003, and with grantee and FEMA officials on October 1, 2003. Department officials concurred with the findings.

Please advise the Atlanta Field Office – Audit Division by January 18, 2003, of the actions taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact me or David Kimble at (770) 220-5242.