



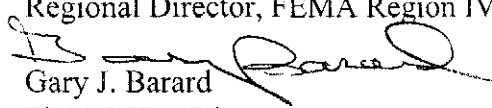
# DEPARTMENT OF HOMELAND SECURITY

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

February 10, 2004

## MEMORANDUM

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

FROM: Gary J. Barard   
Field Office Director

SUBJECT: Coast Electrical Power Association  
Bay St. Louis, Mississippi  
FEMA Disaster No. 1251-DR-MS  
Audit Report No. DA-16-04

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The Office of Inspector General (OIG) audited public assistance funds awarded to Coast Electrical Power Association, Bay St. Louis, Mississippi. The objective of the audit was to determine whether the Association accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Association received an award of \$2.7 million from the Mississippi Emergency Management Agency, a FEMA grantee, to repair its electrical distribution system damaged as a result of Hurricane Georges in October 1998. The award provided 75 percent FEMA funding for one large project (No. 45449)

The audit covered the period October 1998 to March 2001. During this period, the Association claimed \$2,699,622 and received \$2,024,717 of FEMA funds.

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 Association's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

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RESULTS OF AUDIT

The Association’s claim included questioned costs of \$36,075 (FEMA share \$27,056) resulting from excessive administrative, contract, and fringe benefit charges, as follows:

- The Association’s claim included \$18,512 of excess administrative costs. Under the Stafford act, the Association is entitled to an administrative allowance based on a statutory formula to cover the costs associated with requesting, obtaining and administering FEMA funds. Federal regulation (44 CFR 206.228) limits funding for administrative costs to that allowance.

However, the Association’s claim included overtime labor charges of \$18,512 for management personnel who performed general administrative activities, i.e. communicating with government officials and the general public about power restoration efforts, and coordinating the Association’s logistical activities. Accordingly, the OIG questions these charges because they are for general administrative activities and, as such, are covered by the statutory administrative allowance.

- The Association’s claim contained \$3,137 of excessive contract equipment charges. A contractor billed the Association for 476 hours of equipment usage. However, the contractors’ bills for equipment operators reflected only 245 hours of equipment usage. The difference of 231 hours and related costs of \$3,137 represent idle equipment time that is unallowable under provisions of the U.S. Office of Management and Budget Circular A-87. The excess equipment hours are questioned, as follows:

<u>Invoice No.</u>	<u>Equipment</u>	<u>Hourly Rate</u>	<u>Equip. Hrs Billed</u>	<u>Operator Hrs. Billed</u>	<u>Excess Hours</u>	<u>Amount Questioned</u>
227965	4 Wheeler	\$ 6.50	138	72.5	65.5	\$ 426
227965	Pole Trailer	4.75	138	72.5	65.5	311
227977	Bucket Truck	22.00	100	50.0	50.0	1,100
227977	Bucket Truck	26.00	<u>100</u>	<u>50.0</u>	<u>50.0</u>	<u>1,300</u>
Totals			<u>476</u>	<u>245.0</u>	<u>231.0</u>	<u>\$3,137</u>

- The Association’s claim of \$390,315 paid to mutual aid contractors was overstated by \$10,532. The OIG found that the Association reimbursed several of the contractors twice for transporting their equipment from their home office to the Association’s work site; once based on mileage and again for the time the vehicles were in use. However, the mutual aid agreement between the Association and the contractors limited reimbursement to mileage only. Accordingly, the OIG questions charges of \$10,532 for the hourly vehicle usage.

- The Association's overtime fringe benefits claim of \$7,333 for food, customer service, and dispatcher personnel was overstated by \$3,894. The claim was based on an overtime fringe rate of 21.23 percent. However, the OIG determined that the actual fringe rate applicable to these workers was 9.94 percent. Using the actual rate, the Association's claim should have been \$3,439. Accordingly, the OIG questions the difference of \$3,894.

#### RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$36,075 of questioned costs.

#### DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

The audit results were discussed with Association officials on September 23, 2003, and with grantee and FEMA officials on October 1, 2003. Association officials disagreed with the findings and stated that the costs should be allowed because they were accepted by FEMA during final inspection of the project. However, the OIG disagrees. Failure to detect improper costs during a final inspection does not preclude such costs from being questioned or disallowed as a result of a subsequent audit (44 CFR 13.51).

Please advise the Atlanta Field Office – Audit Division by April 10, 2004, 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.