




DEPARTMENT OF HOMELAND SECURITY

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

February 3, 2004

MEMORANDUM

TO: Kenneth L. Horak
Acting Regional Director, FEMA Region I

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Town of Lincoln, Vermont
FEMA Disaster No. 1228-DR-VT
Audit Report No. DA-11-04

The Office of Inspector General (OIG) audited public assistance funds awarded to the Town of Lincoln, Vermont. The objective of the audit was to determine whether the Town accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Town received an award of \$1.6 million from the Vermont Emergency Management Agency, a FEMA grantee, to repair facilities damaged as a result of severe flooding in June 1998. The award provided 75 percent FEMA funding for 6 large projects and 39 small projects¹.

The audit covered the period June 1998 to February 2002. During this period, the Town claimed \$1,574,138 (see Exhibit A) and received \$1,180,604 of FEMA funds under the projects.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted governmental auditing standards. The audit included tests of the Town's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

¹ According to FEMA regulations, a large project costs \$47,100 or more and small projects cost less than \$47,100.

RESULTS OF AUDIT

The Town's claim included questioned costs of \$18,382 (FEMA share \$13,787) resulting from unsupported and duplicate charges.

- A. Unsupported Charges. The Town's claim under Project 35105 contained \$11,662 of unsupported contract equipment charges. The Town claimed payments of \$86,629 made to a contractor for the rental of various pieces of equipment to repair the Town's roads. To support these rental charges, the contractor provided the Town with invoices and daily activity reports that listed the name of equipment operators and the hours the various pieces of equipment were used. However, the OIG determined that the contractor's daily activity reports supported only \$74,967 of equipment costs, or \$11,662 less than the amount claimed. Accordingly, the OIG questions the difference of \$11,662 (see Exhibit B).
- B. Duplicate Charges. The Town was awarded \$6,720 under small Project 25766 to repair a segment of the French Settlement Road. However, the Town actually completed the repair work for this road under large Project 35105. As a result, the Town was reimbursed twice for these costs, once under the small project and again under the large project. Accordingly, the OIG questions the \$6,720 awarded and claimed under small Project 25766.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$18,382 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

The results of the audit were discussed with grantee officials on January 29, 2004, and with FEMA and Town officials on January 22, 2004. Town officials concurred with the findings. However, with regards to Finding A, Town officials indicated that they would contact the contractor in an attempt to support the questioned equipment rental charges.

Please advise the Atlanta Field Office-Audit Division by April 03, 2004, of the actions taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact George Peoples or me at (770) 220-5242.

Town of Lincoln, Vermont
FEMA Disaster No.1228-DR-VT
Schedule of Claimed and Questioned Cost

Large Projects

<u>Project</u>	<u>Amount</u> <u>Awarded</u>	<u>Amount</u> <u>Claimed</u>	<u>Amount</u> <u>Questioned</u>
35104	\$60,583	\$ 60,583	
35105	162,015	162,015	\$11,662
35106	281,170	281,170	
35119	55,798	55,798	
35117	272,368	272,368	
25761	<u>65,084</u>	<u>65,084</u>	
Sub-Total	<u>\$897,018</u>	<u>\$897,018</u>	<u>\$11,662</u>

Small Projects

25766	\$ 6,720	\$ 6,720	\$ 6,720
Other small projects	<u>670,400</u>	<u>670,400</u>	
Sub-Total	<u>\$ 677,120</u>	<u>\$ 677,120</u>	<u>\$ 6,720</u>
 Total	 <u>\$1,574,138</u>	 <u>\$1,574,138</u>	 <u>\$18,382</u>

Town of Lincoln, Vermont
FEMA Disaster No.1228-DR-VT
Schedule of Unsupported Equipment Charges

<u>Invoice Date</u>	<u>Equipment Item</u>	<u>Hours Claimed</u>	<u>Hours Unsupported</u>	<u>Cost Questioned</u>
8/16/98	Backhoe	19.0	3.0	\$ 150
8/16/98	Stone Truck	230.5	97.0	4,850
8/16/98	Dirt Truck	153.5	9.0	360
8/16/98	Gravel Truck	8.0	8.0	360
8/23/98	Stone Truck	122.0	46.5	2,325
8/23/98	Dirt Truck	91.0	.5	20
8/23/98	Gravel Truck	13.0	13.0	585
9/13/98	Stone Truck	27.5	10.0	875
9/13/98	Gravel Truck	47.5	47.5	<u>2,137</u>
Total				<u>\$11,662</u>