

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

**Costs Incurred by the Washington Metropolitan Area
Transit Authority under
Transit Security Grant No. 2009-RA-R1-0102**






OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

AUG 28 2013

MEMORANDUM FOR: Brian E. Kamoie
Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *Costs Incurred by the Washington Metropolitan Area
Transit Authority under Transit Security Grant No. 2009-
RA-R1-0102*

Attached for your action is our final letter report, *Costs Incurred by the Washington Metropolitan Area Transit Authority under Transit Security Grant No. 2009-RA-R1-0102*. We incorporated the formal comments from the Associate Administrator for Policy, Program Analysis and International Affairs in the final report.

The report contains three recommendations aimed at improving the Transit Security Grant program's overall effectiveness. Your office concurred with all recommendations. Based on information provided in your response to the draft report, we consider the recommendations resolved and open. Once your office has fully implemented the recommendations, please submit a formal close-out letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions. Please email a signed PDF copy of all closeout requests to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate 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 Brooke Bebow, Director; Lisa Vonder Haar, Audit Manager; Shamika Morris, Auditor; Shanelle Jones-Quintanilla, Program Analyst; and John Shiffer, Referencer.

Please call me with any questions, or your staff may contact Mark Bell, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



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Background

The *American Recovery and Reinvestment Act of 2009* (Recovery Act), as amended, appropriated \$150 million for Public Transportation Security Assistance and Railroad Security Assistance. The Federal Emergency Management Agency (FEMA) administered these funds through its Transit Security Grant Program, which primarily funded operational packages for canine, mobile explosives screening, and antiterrorism teams, and capital projects for activities such as infrastructure protection.

In 2009, FEMA awarded \$9,560,064 to the Washington Metropolitan Area Transit Authority (WMATA) for the creation of antiterrorism teams (ATT). Specifically, the grant funded 20 Metro Transit Police Department sworn officer positions, which were used to form 5 permanent ATTs. From August 1, 2009, through June 30, 2012, WMATA reported project costs totaling \$7,590,766. As of June 30, 2012, WMATA had been reimbursed for \$1,058,080 of these costs. The majority of the claimed costs consisted of personnel expenses for the ATTs and overtime for the officers assigned to backfill the positions for the newly formed ATTs.

Reimbursement for eligible project costs is based on the Department's fiscal year (FY) 2009 *American Recovery and Reinvestment Act Transit Security Grant Program Guidance and Application Kit* (Transit Security Grant Guidance); 44 Code of Federal Regulations (CFR) Part 13, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*; and 2 CFR Part 225, *Cost Principles for State, Local and Indian Tribal Governments*, formerly Office of Management and Budget (OMB) Circular A-87. The grantee must also comply with OMB Circular A-133 (Revised), *Audits of States, Local Governments and Non-Profit Organizations*.

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

Results of Audit

The reimbursed project costs of \$1,058,080 were allowable, allocable, and reasonable. We reviewed an additional \$2,701,174 of the \$7,590,766 in reported project costs and determined that these costs were allowable, allocable, and reasonable. However, we identified three areas in which FEMA and WMATA can improve the management of the Recovery Act Transit Security Grant:

- WMATA inaccurately reported \$194,284 in fringe benefit costs on its Federal Financial Report;



OFFICE OF INSPECTOR GENERAL

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- WMATA did not disclose more than \$4.7 million in grant-related expenditures in FYs 2010 and 2011 as required by Federal regulations; and
- WMATA did not manage all grant-funded equipment inventory according to Federal regulations.¹

Reporting of Federal Expenditures

Federal Financial Report

According to 44 CFR 13.20(b)(1), grantees' financial management systems must allow for accurate, current, and complete disclosure of the financial results of financially assisted activities, according to the reporting requirements of the grant. Transit Security Grant Guidance requires grantees to submit quarterly Federal Financial Reports to FEMA that show the grant obligations and expenditures.

As of June 30, 2012, WMATA reported cumulative expenditures of \$7,590,766 on its Federal Financial Report. The report included \$194,284 in fringe benefits costs that exceeded the grant's allowable rate. This occurred because WMATA did not identify the unallowable fringe benefit costs before submitting the Federal Financial Report. Although WMATA had procedures for identifying allowable costs, it did not have a procedure to ensure that fringe benefit expenditures were not reported in excess of the grant's allowable rate. According to WMATA, the unallowable fringe benefit costs were adjusted in its December 2012 Federal Financial Report. As of December 31, 2012, these costs had not been reimbursed. Without sufficient controls to ensure that expenditures are accurately reported, WMATA cannot ensure that requests for reimbursements do not include unallowable costs.

Single Audit Reports

All non-Federal entities that expend \$500,000 or more in Federal awards in a year must obtain an annual audit as required by the *Single Audit Act Amendments of 1996* and OMB Circular A-133. A single audit is intended to provide a cost-effective audit for non-Federal entities, in that one audit is conducted in lieu of multiple audits of individual programs. In preparation for a single audit, OMB Circular A-133 requires grantees to list individual Federal programs by agency and total Federal awards expended for that fiscal year. The special conditions of the grant award also require recipients to separately identify the expenditures for each grant award funded under the Recovery Act.

¹ WMATA's fiscal year begins on July 1 and ends on June 30 of the following year.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

WMATA did not disclose more than \$4.7 million in Recovery Act Transit Security Grant-related expenditures in FYs 2010 and 2011, as required by these regulations. Our office notified the audit firm responsible for performing the single audit of the nondisclosure of these project costs, and the audit firm reported this as a material weakness in its 2012 single audit report. WMATA concurred with the audit firm's recommendation for corrective action.

Internal Controls for Safeguarding Assets

According to 44 CFR 13.32(d)(3), a property control system must be developed to ensure adequate safeguards to prevent the loss, damage, or theft of grant-funded property. Also, property records must include the location of the property.

WMATA did not manage grant-funded equipment inventory according to these regulations. During our site visit in March 2013, WMATA officials were unable to locate a Raman spectrometer, valued at more than \$68,000.² The location of the spectrometer was unknown because ATT officers were not required to sign out equipment. In addition, the ATTs did not maintain a control system to track the location of the equipment. WMATA located the missing spectrometer 6 days after our site visit. However, without an adequate control system that includes tracking of equipment procured with grant funds, WMATA cannot ensure that equipment is properly safeguarded and available when needed.

Recommendations

We recommend that the Assistant Administrator, Grant Programs Directorate:

Recommendation #1:

Require WMATA to develop procedures to ensure that expenditures are accurately reported on its Federal Financial Reports.

Recommendation #2:

Verify that WMATA has implemented corrective action in response to the material weakness identified in the 2012 single audit report.

² A Raman spectrometer is a handheld instrument that allows officers to rapidly identify unknown solid and liquid chemicals directly in the field.



Recommendation #3:

Require WMATA to develop procedures for safeguarding assets procured with Recovery Act grant funds.

Management Comments and OIG Analysis

FEMA's Response to Recommendation #1: FEMA concurred with this recommendation. FEMA's Grant Programs Directorate will engage with WMATA to ensure that, by October 2013, procedures are in place to report expenditures on Federal Financial Reports accurately.

OIG Analysis: We consider FEMA's actions responsive to the intent of this recommendation, which is resolved and open. This recommendation will remain open pending confirmation that WMATA has developed adequate procedures for accurately reporting its grant expenditures.

FEMA's Response to Recommendation #2: FEMA concurred with this recommendation. FEMA's Grant Programs Directorate will engage with WMATA to ensure that, by October 2013, an automatic reporting system has been created to prevent any further material weaknesses in future audits.

OIG Analysis: We consider FEMA's actions responsive to the intent of this recommendation, which is resolved and open. This recommendation will remain open pending confirmation that WMATA has developed an adequate automatic reporting system to prevent further material weaknesses in future audits.

FEMA's Response to Recommendation #3: FEMA concurred with this recommendation. FEMA's Grant Programs Directorate will engage with WMATA to ensure that, by October 2013, it develops a procedure for safeguarding grant assets at the officer level.

OIG Analysis: We consider FEMA's actions responsive to the intent of the recommendation, which is resolved and open. This recommendation will remain open pending confirmation that WMATA has developed a procedure for safeguarding assets purchased with grant funds at the ATT officer level.



Appendix A

Objective, 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 WMATA were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements. To accomplish our audit objective, we examined reimbursed project costs of \$1,058,080 and selected a judgmental sample of \$2,701,174 from WMATA's total reported project costs of \$7,590,766 for August 1, 2009, through June 30, 2012. In conducting our audit, our tests and procedures included the following:

- Reviewing the Recovery Act, the grant application and award, Transit Security Grant Guidance, and Federal cost principles and grant administration requirements;
- Interviewing FEMA officials regarding their oversight of the Recovery Act Transit Security Grant awarded to WMATA;
- Interviewing WMATA officials to gain an understanding of their accounting system and applicable internal controls;
- Examining payroll records, vendor invoices, and other supporting costs for our judgmental sample of reported costs, as well as WMATA's payroll and accounting procedures;
- Reviewing accounting transactions related to wages, overtime and fringe benefit payments, and related claims for FEMA reimbursements;
- Reviewing contract files for the vendors selected to provide equipment for the ATTs;
- Reviewing the single audit reports for the fiscal years ending June 30, 2011, and June 30, 2012, to identify issues and other conditions that could affect our audit; and



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

- Reviewing WMATA OIG audit reports related to WMATA's financial system.

We relied on computer processed data provided by WMATA for information regarding transactions recorded in its accounting records. We conducted limited tests on this data against source documentation to ensure that the data were sufficiently reliable to be used in meeting our audit objective.

We conducted this performance audit between August 2012 and May 2013, 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective.



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Department of Homeland Security

Appendix B
Management Comments to the Draft Letter Report

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



FEMA

JUL 12 2013

MEMORANDUM FOR: Anne L. Richards
Assistant Inspector General for Audits (OIG)
Department of Homeland Security

FROM: *for* David J. Kaufman *Katherine Cox*
Associate Administrator for
Policy, Program Analysis and International Affairs
Federal Emergency Management Agency (FEMA)

SUBJECT: FEMA's Response to OIG-12-165-AUD-FEMA DRAFT
REPORT: "Costs Incurred by the Washington Metropolitan Area
Transit Authority under Transit Security Grant No. 2009-RA-R1-
0102".

Thank you for the opportunity to review and comment on OIG-12-165-AUD-FEMA DRAFT REPORT: "Costs Incurred by the Washington Metropolitan Area Transit Authority under Transit Security Grant No. 2009-RA-R1-0102".

OIG Recommendation 1: We recommend that the Assistant Administrator, Grant Programs Directorate require WMATA to develop procedures to ensure that expenditures are accurately reported on its Federal Financial Reports.

FEMA Response to Recommendation 1: Concur. FEMA's Grant Program Directorate will engage with WMATA to ensure that procedures are in place within 90 days of the date of this response in order for all expenditures to be accurately reported on all Federal Financial Reports.

OIG Recommendation 2: We recommend that the Assistant Administrator, Grant Programs Directorate verify that WMATA has implemented corrective action in response to the material weakness identified in the 2012 single audit report.

FEMA Response to Recommendation 2: Concur. FEMA's Grant Program Division will engage with WMATA to ensure that an automatic reporting system has been created and implemented within 90 days of the date of this response in order to prevent any further material weaknesses in future audits. WMATA is aware of this weakness and have indicated they will create an automatic report which will prevent this issue from arising in the future.

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OIG Recommendation 3: We recommend that the Assistant Administrator, Grant Programs Directorate require WMATA to develop procedures for safeguarding assets procured with Recovery Act grant funds.

FEMA Response to Recommendation 3: Concur. FEMA's Grant Programs Directorate will engage with WMATA to ensure that a more robust sign in and sign out procedure for safe guarding TSGP ARRA assets is implemented within 90 days of the date of this response. While WMATA currently has a sign in and sign out system to safe guard assets, FEMA will work with WMATA to ensure another layer of safe guarding assets exist at the officer level.

Thank you again for the opportunity to comment on OIG-12-165-AUD-FEMA DRAFT REPORT: "Costs Incurred by the Washington Metropolitan Area Transit Authority under Transit Security Grant No. 2009-RA-R1-0102" and for the work that you and your team have done to better inform us throughout this audit so that we may enhance the program's overall effectiveness. Please direct any questions regarding this response to Gary McKeon, FEMA's Chief Audit Liaison, at 202-646-1308.



Appendix C

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