




# Homeland Security

June 27, 2005

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

FROM:   
Gary J. Barard  
Field Office Director

SUBJECT: City of Owensboro, Kentucky  
FEMA Disaster No. 1310-DR-KY  
Audit Report No. DA-18-05

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

The City received an award of \$1.4 million from the Kentucky Division of Emergency Management, a FEMA grantee, to remove debris, provide emergency protective measures, and repair facilities damaged as a result of a January 2000 tornado. The award provided 75 percent FEMA funding for 7 large projects and 7 small projects.<sup>1</sup> Audit work was limited to the \$1,288,452 awarded and claimed under the 7 large projects (see Exhibit).

The audit covered the period January 2000 to July 2004. During this period, the City received \$996,339 of FEMA funds under the 7 large projects.

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

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<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$48,900.

## RESULTS OF AUDIT

The City's claim included \$8,171 (FEMA Share \$6,128) of excess fringe benefits, labor, and equipment charges, as follows:

- The City claimed \$45,346 of overtime and compensatory time fringe benefit costs for employees of several City departments. The claim, however, was based on estimated fringe benefit rates used for budgetary purposes rather than actual rates. Using the actual fringe benefit rates, we determined that the City's claim should have been \$41,442, or \$3,904 less than the amount claimed. Accordingly, we question the \$3,904 of excess charges, as follows:

### Overtime Pay

<u>Dept.</u>	<u>Project</u>	<u>Overtime Labor</u>	<u>Rate Claimed</u>	<u>Fringe Claimed</u>	<u>Actual Rate</u>	<u>Eligible Fringe</u>	<u>Amount Questioned</u>
Street	24	\$ 13,665	22.23%	\$ 3,037	17.53%	\$ 2,395	\$ 643
Sanitation	24	16,787	25.67%	4,309	24.22%	4,066	243
Facilities	24	6,197	19.61%	1,215	18.90%	1,171	44
Engineering	24	4,708	17.05%	803	17.51%	824	(21)
Fire	67	29,945	29.63%	8,873	28.13%	8,425	449
Police	68	<u>54,504</u>	28.16%	<u>15,348</u>	25.12%	<u>13,691</u>	<u>1,657</u>
Total		<u>\$125,810</u>		<u>\$33,587</u>		<u>\$30,572</u>	<u>\$3,015</u>

### Compensatory Time

<u>Dept</u>	<u>Project</u>	<u>Comp. Time Labor</u>	<u>Rate Claimed</u>	<u>Fringe Claimed</u>	<u>Actual Rate</u>	<u>Eligible Fringe</u>	<u>Amount Questioned</u>
Street	24	\$ 1,599	52.33%	\$ 837	45.38%	\$ 726	\$ 111
Sanitation	24	1,370	56.07%	768	54.18%	742	26
Facilities	24	2,904	49.71%	1,444	49.04%	1,424	20
Engineering	24	2,155	47.15%	1,016	44.78%	965	51
Fire	67	8,696	59.73%	5,194	55.53%	4,829	365
Police	68	<u>4,292</u>	58.26%	<u>2,500</u>	50.88%	<u>2,184</u>	<u>316</u>
Total		<u>\$ 21,016</u>		<u>\$11,759</u>		<u>\$10,870</u>	<u>\$ 889</u>

- The City claimed \$6,898 of overtime labor costs under Project 68 for four police department management employees who were reassigned to perform emergency services work (setting up roadblocks, patrolling streets, directing traffic, etc.) under the project. However, contrary to federal regulation (U.S. Office of Management and Budget, Circular A-87, Attachment B, para.11), the claim was based on the employees' normal rate of compensation rather than the rate of pay for the type of services performed. Using the normal rate of compensation for this type of services, we determined that the value of the work performed by the management employees totaled \$3,983. Accordingly, we question the excess charges of \$2,915.
- The City claimed \$4,970 under Project 24 for use of 2-ton trucks based on the FEMA Schedule of Equipment rates. However, the City inadvertently used incorrect hourly rates of \$14.25 (106 hours) and \$11.25 (307.50 hours) to calculate its claim. Using the correct hourly rate of \$8.75, the City's claim for use of the trucks should have been \$3,618 (413.50 hours x \$8.75). Accordingly, we question the difference of \$1,352.

## RECOMMENDATION

We recommend that the Regional Director, in coordination with the grantee, disallow the \$8,171 of questioned costs.

## DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The results of the audit were discussed with City and grantee officials on May 9, 2005, and with FEMA officials on April 22, 2005. City officials concurred with the findings.

Please advise the Atlanta Field Office - Audit Division by September 27, 2005, of the actions taken to implement our recommendation. Should you have any questions concerning this report, please contact David Kimble or me at (770) 220-5242.

City of Owensboro, Kentucky  
FEMA-Disaster 1310 -DR-KY  
Schedule of Claimed and Questioned Costs  
Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
4	\$ 400,017	\$ 400,017	\$ 0
6	207,428	207,428	0
24	181,206	181,206	2,469
38	253,713	253,713	0
67	75,126	75,126	814
68	99,114	99,114	4,888
69	<u>71,848</u>	<u>71,848</u>	<u>0</u>
Total	<u>\$ 1,288,452</u>	<u>\$1,288,452</u>	<u>\$8,171</u>