



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Dallas Field Office - Audit Division
3900 Karina Street, Room 224
Denton, Texas 76208

December 23, 2003

MEMORANDUM

TO: Edward G. Buikema, Regional Director
FEMA Region V

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for *Harmvik*

FROM: Tonda L. Hadley, Field Office Director

SUBJECT: Illinois Department of Transportation
FEMA Disaster Number EM-3134-IL
Public Assistance Identification Number 000-00834-00
Audit Report Number DD-07-04

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

IDOT received an award of \$2.07 million from the Illinois Emergency Management Agency (IEMA), a FEMA grantee, for emergency measures to save lives and protect public health and safety resulting from record/near record snow on January 1 and 2, 1999. The award provided 75 percent FEMA funding for six large projects and two small projects.¹ We examined the costs for two large projects totaling \$1.20 million, representing 58 percent of the total amount awarded (see Exhibit). The audit covered the period January 1, 1999, to January 4, 2000, during which IDOT claimed \$2.07 million and IEMA disbursed \$1.56 million in direct program costs.

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 IDOT's accounting records, judgmental samples of project expenditures, and other auditing procedures considered necessary under the circumstances.

¹Federal regulations in effect at the time of the disaster defined a large project as a project costing \$47,800 or more and a small project as one costing less than \$47,800.

RESULTS OF AUDIT

Overall, IDOT expended and accounted for FEMA funds according to federal regulations and FEMA guidelines. However, IDOT's claim included questioned costs of \$78,888 (\$59,166 FEMA share), consisting of overstated labor costs (\$41,859), overstated fringe benefit costs (\$18,359), and unsupported labor, equipment, and material costs (\$18,670).

Finding A: Overstated Labor Costs

IDOT's claim for force account labor was overstated by \$41,859. IDOT claimed force account labor costs using a \$19.48 per hour rate, which is its rate for permanent highway maintainers with more than 3 years experience. However, in some instances, IDOT paid highway maintainers a lower hourly wage because they either had less than 3 years experience or were temporary. The difference in actual versus claimed wages was \$14,372 under Project 577 and \$27,487 under Project 589. Therefore, the OIG questioned \$41,859 in overstated labor costs (\$14,372 + \$27,487).

Finding B: Overstated Fringe Benefit Costs

IDOT's claim for fringe benefits on force account labor was overstated by \$18,359. IDOT claimed fringe benefits for full-time and temporary employees using a 21.25 percent rate. However, IDOT's actual fringe benefit rates were 21.205 percent for full time employees and 7.65 percent for temporary employees. The difference in actual versus claimed fringe benefits was \$1,863 under PW 577 and \$16,496 under PW 589. Therefore, the OIG questioned \$18,359 in overstated fringe benefit costs (\$1,863 + \$16,496).

Finding C: Unsupported Labor, Equipment, Material Costs

IDOT's claim included \$18,670 of unsupported costs under PW 589 for force account labor (\$14,964), equipment (\$2,619), and materials (\$1,087). According to 44 CFR 13.20(b)(2), a subgrantee must maintain records that adequately identify the source and application of federal funds. Additionally, 44 CFR 13.20(b)(6) provides a list of specific source documentation, including cancelled checks, paid bills, payrolls, time and attendance records, contracts, etc., that are acceptable as supporting documentation for the accounting records. Because IDOT was unable to provide source documentation for the amounts claimed, the OIG questioned \$18,670 as unsupported.

RECOMMENDATION

The OIG recommended the FEMA Regional Director, in coordination with the Illinois Emergency Management Agency, disallow \$78,888 of questionable costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of the audit with IDOT officials on August 20 and 22, 2003. These officials agreed with the audit findings and recommendations. The OIG discussed the results of the audit with FEMA Region V and IEMA officials on August 22, 2003.

Please advise this office by January 22, 2004, of the actions taken or planned to implement the recommendations, including target completion dates for any planned actions.

Should you have any questions concerning this report, please contact me at (940) 891-8900. Major contributors to this report were Stuart Weibel and Jerry Prem.

EXHIBIT

Schedule of Projects
Illinois Department of Transportation
FEMA Disaster Number EM-3134-IL

<u>Project Number</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>	<u>Finding Reference</u>
577	\$ 304,645	\$16,235	A, B
589	<u>893,597</u>	<u>62,653</u>	A, B, C
Totals	<u>\$1,198,242</u>	<u>\$78,888</u>	