



# DEPARTMENT OF HOMELAND SECURITY

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

March 12, 2004

## MEMORANDUM

TO: Richard G. Hainje, Regional Director  
FEMA Region VII  
*Tonda L. Hadley*

FROM: Tonda L. Hadley, Field Office Director

SUBJECT: Audit of the City of Overland Park, Kansas  
FEMA Disaster Number 1402-DR-KS  
Public Assistance Identification Number 091-53775-00  
Audit Report Number DD-08-04

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The Office of Inspector General (OIG) audited public assistance funds awarded to the City of Overland Park, Kansas (City). The objective of the audit was to determine whether the City accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The City received an award of \$3.96 million, from the Kansas Division of Emergency Management, a FEMA grantee, for damages caused by severe ice storms on January 29 through January 31, 2002. The award provided 75 percent funding for ten large projects and five small projects.<sup>1</sup> The audit covered the period January 29, 2002, to November 21, 2002, during which the City claimed \$3.96 million and received \$2.98 million in FEMA funds for direct program costs. The OIG examined the costs of six large and two small projects totaling \$3.34 million or 84 percent of the total award (see Exhibit).

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 City's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary to accomplish the audit objective.

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<sup>1</sup> Federal regulations in effect at the time of the disaster, defined a large project as a project costing \$52,000 or more and a small project as one costing less than \$52,000.

## **RESULTS OF AUDIT**

The City generally accounted for and expended FEMA funds according to federal regulations and FEMA guidelines. However, their claim included \$9,364 (\$7,023 FEMA share) in questioned costs for ineligible labor costs (\$6,984) and excessive equipment costs (\$2,380).

### **Finding A: Ineligible Overtime Labor Costs**

The City's claim under Project 318 included \$6,984 of ineligible overtime labor costs. According to Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, paragraph 11.a (1), compensation for employees must conform to the governmental unit's established policies and must be applied consistently to federal and non-federal activities. The City's claim for overtime did not follow established policies. The City's policy states that only hours in excess of 40 hours per week are eligible for overtime pay. However, the City claimed overtime labor costs for hours in excess of 8 hours per day. Using this per-day basis to calculate overtime resulted in \$6,984 more costs than would have resulted from using the per-week basis that was consistent with the City's established policy for paying overtime. Therefore, the OIG questioned \$6,984 of ineligible overtime labor costs.

### **Finding B: Excessive Equipment Costs**

The City's claim under Project 318 also included \$2,380 of excessive equipment costs. FEMA's Public Assistance Policy Digest (FEMA 321, October 2001, p.46) states, "Equipment rates are applied only to the time the equipment is actually working. Standby time and idle time are not eligible." The City's claim for snow removal costs incurred during the first 2 days of the disaster included equipment charges for 24 hours per day. However, for this period, equipment hours claimed for snow removal exceeded operator hours claimed by 107.25 hours. Because using snow removal equipment required operators, the number of equipment hours claimed should equal, or not exceed, the number of operator hours claimed. Equipment time in excess of operator time represents idle or standby time. Therefore, the OIG questioned \$2,380 of ineligible equipment idle time.

## **RECOMMENDATION**

The Office of Inspector General recommended that the Regional Director, in coordination with the Kansas Division of Emergency Management, disallow \$9,364 of questionable costs.

## **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP**

On January 8, 2004, the OIG discussed the results of the audit with officials from FEMA Region VII, the Kansas Division of Emergency Management, and the City of Overland Park. These officials agreed with the findings and recommendation.

Please advise this office by May 11, 2004, of the actions taken or planned to implement the recommendation, including target completion dates for any planned actions.

Should you have any questions concerning this report, please contact me at (940) 891-8900. The major contributors to this report were Charles Riley and William Lough.

**Schedule of Projects Audited  
City of Overland Park  
FEMA Disaster Number 1402-DR-KS**

<u>Project Number</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>	<u>Finding Reference</u>
<b>Large</b>			
6	\$1,358,618	\$ 0	
8	841,154	0	
715	399,678	0	
34	216,202	0	
35	313,425	0	
318	<u>130,678</u>	<u>9,364</u>	A, B
Large Subtotal	<u>\$3,259,149</u>	<u>\$9,364</u>	
<b>Small</b>			
33	\$ 49,000	\$ 0	
35	<u>29,350</u>	0	
Small Subtotal	<u>\$ 78,350</u>	<u>\$ 0</u>	
<b>TOTAL</b>	<b><u>\$3,337,499</u></b>	<b><u>\$9,364</u></b>	