



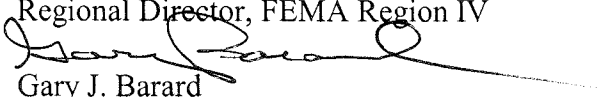
DEPARTMENT OF HOMELAND SECURITY

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

February 10, 2004

MEMORANDUM

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

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: South Carolina Department of Transportation
FEMA Disaster No. 1299-DR-SC
Audit Report No. DA-15-04

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

The Department received an award of \$655,944 from the South Carolina Emergency Management Division, a FEMA grantee, to remove debris, provide emergency protective measures, and repair roads damaged as a result of Hurricane Floyd in September 1999. The award provided 75 percent FEMA funding for 2 large projects and 21 small projects¹. The audit covered the period September 1999 to May 2001. During this period, the Department claimed \$655,944 (see Exhibit) and received \$491,958 of FEMA funds.

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

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¹ According to EEMA regulations, a large project costs \$47,800 or more and small project costs less than \$47,800.

RESULTS OF AUDIT

Except for questioned costs of \$17,138 (FEMA share \$12,854) resulting from charges for permanent repairs to Federal-Aid roads and excessive equipment charges, the Department properly accounted for and used FEMA funds.

- A. Assistance on Federal-Aid Roads. The Department was awarded \$9,339 under 3 small projects for the repair of roads damaged during the disaster. However, the OIG determined that the costs charged to the projects were for permanent repairs to roads under the authority of the Federal Highway Administration. Federal regulation (44 CFR 206.226) prohibits FEMA financial assistance when another Federal agency has specific authority to restore facilities damaged or destroyed by a disaster. Accordingly, the OIG questions the \$9,339 awarded and claimed under the 3 projects, as follows:

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
333	\$1,313	\$1,313	\$1,313
335	5,711	5,711	5,711
338	<u>2,315</u>	<u>2,315</u>	<u>2,315</u>
Total	<u>\$9,339</u>	<u>\$9,339</u>	<u>\$9,339</u>

- B. Excessive Equipment Charges. The Department's claim of \$224,499 for force account equipment usage under Project 453 was overstated by \$7,799. Federal regulation (44 CFR 206.228) requires States to use their own equipment rates to claim equipment costs whenever such rates are used in normal daily operations. Moreover, U.S. Office of Management and Budget Circular A-87 requires that costs charged to various Federal grant awards be treated consistently.

The OIG found that the Department used the FEMA Schedule of Equipment rates to claim equipment costs rather than its own rates, which, in many cases, were lower than the FEMA rates. However, the State equipment rates were used for the Department's normal daily operations and to claim costs under grants received from the Federal Highway Administration. Had the state's equipment rate been used under the project, charges would have amounted to \$216,700. Accordingly, the OIG questions the excess equipment charges of \$7,799.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$17,138 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

The results of the audit were discussed with FEMA, grantee, and Department officials on November 17, 2003. Department officials concurred with the audit findings.

Please advise the Atlanta Field Office-Audit Division by April 10, 2004, of the actions taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact David Kimble or me at (770) 220-5242.

South Carolina Department of Transportation
FEMA Disaster No. 1299-DR-SC
Schedule of Claimed and Questioned Costs

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
451	\$115,190	\$115,190	\$ 0
453	<u>428,813</u>	<u>428,813</u>	<u>7,799</u>
Subtotal	<u>\$544,003</u>	<u>\$544,003</u>	<u>\$ 7,799</u>
All small			
Projects (21)	<u>111,941</u>	<u>111,941</u>	<u>9,339</u>
Total	<u>\$655,944</u>	<u>\$655,944</u>	<u>\$17,138</u>