



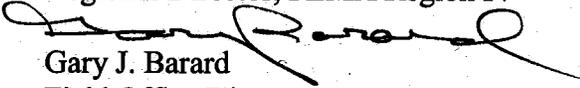
DEPARTMENT OF HOMELAND SECURITY

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

April 30, 2003

MEMORANDUM

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

FROM: Gary J. Barard

Field Office Director

SUBJECT: Jefferson County Department of Public Works
Louisville, Kentucky
FEMA Disaster No.1163-DR-KY
Audit Report No. DA-08-03

The Office of Inspector General (OIG) audited public assistance funds awarded to Jefferson County Department of Public Works, Louisville, Kentucky. 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 \$1.6 million from the Kentucky Division of Emergency Management, a FEMA grantee, to remove debris, provide emergency protective measures, and repair roads and other facilities damaged as a result of severe storms and flooding in March 1997. The award provided 75 percent FEMA funding for 7 large projects and 42 small projects¹. Audit work focused on the \$1,331,790 claimed under the 7 large projects (see Exhibit).

The audit covered the period March 1997 to November 1999. During this period, the Department received \$998,843 of FEMA funds under the 7 large projects.

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.

¹ According to FEMA regulations, a large project costs \$46,000 or more and a small project costs less than \$46,000.

RESULTS OF AUDIT

The Department's claim included questioned costs of \$11,006 (FEMA share \$8,255), resulting from excessive contract charges and a math error.

A. **Excess Contract Charges.** The Department's claim included \$9,176 of excess contract charges, as follows:

- Under debris removal Project 72768, a contractor billed the Department and received payment of \$23,684 for overtime labor costs based on 382 hours of work at \$62 per hour. However, the contract terms provided for overtime pay at a rate of \$45 per hour, or \$17 less per hour than the amount charged. Accordingly, the OIG questions the excess payment of \$6,494 (382 hours x \$17).

Further, the same contractor billed and received \$1,200 from the Department for loaders (30 hours x \$40 per hour). However, labor hours billed by the contractor for operation of these loaders totaled only 14 hours, or 16 hours less than the hours billed for equipment use. Accordingly, the OIG questions \$640 (16 hours x \$40 per hour).

- The Department claimed \$2,042 for materials (gloves, rain gear, shovels, etc.) used by debris removal contractors to complete work under two projects. However, the contracts between the parties did not provide for payment of such items. Thus, the OIG questions the excess charges.

<u>Project</u> <u>Number</u>	<u>Invoice</u> <u>Number</u>	<u>Amount</u> <u>Questioned</u>
72768	948-0497 & 872-0397	\$ 1,456
72769	Flood #1	586
Total		<u>\$2,042</u>

Department officials stated that the costs for the material items should be allowed because they were accepted by FEMA during final inspection of the projects. However, the OIG disagrees. Failure to detect improper costs during a final inspection does not preclude such costs from being questioned or disallowed as a result of a subsequent audit (44 CFR 13.51).

B. **Math Error.** A math error made by the FEMA inspector during final inspection of Project 72768 resulted in the County being reimbursed for costs of \$350,014 instead of \$348,184, which represented actual costs. Accordingly, the OIG questions the \$1,830 overpayment.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$11,006 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The audit results were discussed with FEMA, grantee, and Department officials on April 3, 2003. Except as noted in the body of the report, Departmental officials concurred with the findings.

Pursuant to FEMA Instruction 1270.1, please advise the Atlanta Field Office-Audit Division by June 30, 2003, of the actions taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact me or David Kimble at (770) 220-5242.

Jefferson County Department of Public Works
FEMA-Disaster 1163-DR-KY
Schedule of Claimed and Questioned Costs
Large Projects

<u>Project</u> <u>Number</u>	<u>Amount</u> <u>Awarded</u>	<u>Amount</u> <u>Claimed</u>	<u>Amount</u> <u>Questioned</u>
65001	\$ 73,398	\$ 73,398	\$ 0
65161	370,323	370,323	0
72768	350,014	350,014	10,420
72769	233,645	233,645	586
72770	60,101	60,101	0
07319	48,491	48,491	0
10109	<u>195,818</u>	<u>195,818</u>	<u>0</u>
Total	<u>\$1,331,790</u>	<u>\$1,331,790</u>	<u>\$11,006</u>