

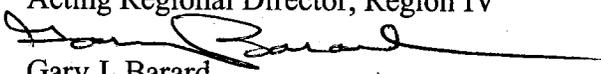


Homeland Security

September 29, 2004

MEMORANDUM

TO: Mary Lynne Miller
Acting Regional Director, Region IV

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Greenville Utilities Commission
FEMA Disaster No. 1292-DR-NC
Audit Report No. DA-38-04

The Office of Inspector General (OIG) audited public assistance funds awarded to the Greenville Utilities Commission, Greenville, North Carolina. The objective of the audit was to determine whether the Commission accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Commission received an award of \$5.3 million from the North Carolina Division of Emergency Management, a FEMA grantee, to remove debris, provide emergency protective measures, and repair facilities damaged as a result of Hurricane Floyd in September 1999. The award provided 90 percent FEMA funding for 19 large projects and 30 small projects¹. The audit was limited to the \$4,603,597 awarded and claimed under the 19 large projects (see Exhibit).

The audit covered the period September 1999 to June 2003. During this period, the Commission received \$4,143,237 of FEMA funds under the 19 large projects.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted governmental auditing standards. The audit included tests of the Commission'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 \$47,800 or more and small project costs less than \$47,800.

RESULTS OF AUDIT

Except for \$64,692 of excess labor and fringe benefit charges (FEMA share \$58,223), the Commission properly accounted for and used FEMA funds.

- A. Excess Labor Charges. The Commission claimed \$116,174 of overtime labor charges for executives, managers, and professional employees who filled sandbags, answered telephones, and performed clerical task under Project 2579. OMB Circular A-87, Attachment B, Para. 8b states that: "Compensation for employees engaged in project work will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit." However, the OIG determined that the claim was based upon the employees' normal rate of compensation rather than \$57,771, the value of services performed under the FEMA project. Accordingly, the OIG questions the excess labor charges of \$58,403.

Commission officials stated they used all available employees for emergency work to control the raising floodwaters. The officials also stated that they were unaware of the requirement in OMB Circular A-87 governing allowability of the salaries paid to the employees.

- B. Excess Fringe Benefit Charges. The Commission's claim included \$6,289 of excess fringe benefits charges under several projects. The Commission's fringe benefit claim of \$198,570 was based on a fringe benefit rate of 49.42 percent for regular labor and 16.67 percent for overtime labor. However, the Commission did not have support for these rates. The Commission recalculated the rates and determined that the correct fringe benefit rate for regular and overtime labor was 48.50 percent and 15.42 percent, respectively. Using the correct rates, the OIG determined that the claim should have been \$192,281, or \$6,289 less than the amount claimed under the projects, as follows:

<u>Project Number</u>	<u>Description of Fringe Benefit Base</u>	<u>Claimed Amount</u>	<u>Correct Amount</u>	<u>Excess Amount</u>
1755	Regular labor	\$37,019	\$36,382	\$ 637
1755	Overtime labor	1,329	1,229	100
2071	Regular labor	12,051	11,826	225
2071	Overtime labor	1,044	965	79
2573	Regular labor	78,443	76,983	1,460
2573	Overtime labor	26,801	25,574	1,227
2579	Overtime labor	<u>41,883</u>	<u>39,332</u>	<u>2,561</u>
Totals		<u>\$198,570</u>	<u>\$192,281</u>	<u>\$6,289</u>

RECOMMENDATION

The OIG recommend that the Regional Director, in coordination with the grantee, disallow the \$64,692 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The results of the audit were discussed with FEMA and Commission officials on June 24, 2004 and the grantee on June 25, 2004. Commission officials concurred with the findings.

Please advise the Atlanta Field Office-Audit Division by December 29, 2004, of the actions taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact George Peoples or me at (770) 220-5242.

Greenville Utilities Commission
FEMA Disaster 1292-DR-NC
Schedule of Claimed and Questioned Costs
Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Questioned Costs</u>
1504	\$ 84,406	\$ 84,406	
1755	720,535	720,535	\$ 737
2071	518,471	518,471	304
2258	72,237	72,237	
2262	115,606	115,606	
2263	89,439	89,439	
2264	77,358	77,358	
2573	850,876	850,876	2,687
2576	99,512	99,512	
2578	64,408	64,408	
2579	609,708	609,708	60,964
3317	82,148	82,148	
3661	75,351	75,351	
3662	66,435	66,435	
3666	261,651	261,651	
3667	98,054	98,054	
3668	238,023	238,023	
3669	222,115	222,115	
3670	257,264	257,264	
Totals	<u>\$4,603,597</u>	<u>\$4,603,597</u>	<u>\$64,692</u>