



DEPARTMENT OF HOMELAND SECURITY

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

December 1, 2003

MEMORANDUM

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

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: North Carolina National Guard
Raleigh, North Carolina
FEMA Disaster No. 1292-DR-NC
Audit Report No. DA-07-04

The Office of Inspector General (OIG) audited public assistance funds awarded to the North Carolina National Guard. The objective of the audit was to determine whether the National Guard accounted for and expended FEMA funds in accordance with federal regulations and FEMA guidelines.

The National Guard received an award of \$11.4 million from the North Carolina Emergency Management Agency, a FEMA grantee, to provide emergency protective measures as a result of Hurricane Floyd in September 1999. The award provided 90 percent FEMA funding for 3 projects, as follows:

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>
688	\$ 5,000,000	\$ 5,000,000
3878	5,406,980	5,406,980
3882	<u>984,258</u>	<u>984,258</u>
Total	<u>\$11,391,238</u>	<u>\$11,391,238</u>

The audit covered the period September 1999 to September 2001. During this period, the National Guard received \$10,252,114 of FEMA funds.

Notice: This report remains the property of the DHS Office of Inspector General (DHS-OIG) at all times and, as such, is not to be publicly disclosed without the express permission of the DHS-OIG. Requests for copies of this report should be immediately forwarded to the DHS Office of Counsel to the Inspector General to ensure strict compliance with all applicable disclosure laws.

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

RESULTS OF AUDIT

Except for improper claims for administrative costs of \$65,427 (FEMA share \$58,884), the National Guard properly accounted for and expended FEMA funds. Under the Stafford Act, the National Guard automatically received from FEMA an administrative allowance based on a statutory formula to cover costs associated with requesting, obtaining, and administering FEMA awards. Federal regulation (44 CFR 206.228) limits funding for administrative costs to that allowance. However, the Guard's claim under Project 3882 included \$65,427 of equipment and labor charges for use of helicopters to facilitate damage assessments.

We question these charges because damage assessments are conducted for the purpose of documenting the need for and requesting financial assistance. Therefore, the costs for such activities are covered by the statutory administrative allowance and should not have been claimed as a separate change under the project.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$65,427 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

The results of the audit were discussed with FEMA officials on August 5, 2003, and with grantee and Guard officials on August 14, 2003. Guard officials withheld comment pending receipt of the report.

Please advise the Atlanta Field Office – Audit Division by February 1, 2004, 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.