



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. 1313-DR-SC
Audit Report No. DA-14-04

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 \$1.9 million from the South Carolina Emergency Management Division, a FEMA grantee, to remove snow and provide emergency protective measures as a result of a snowstorm in January 2000. The award provided 75 percent FEMA funding for 2 large projects. The audit covered the period January 2000 to May 2001. During this period, the Department claimed \$1,939,290 (see Exhibit) and received \$1,454,468 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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RESULTS OF AUDIT

The Department's claim included questioned costs of \$147,221 (FEMA share \$110,416) resulting from excessive equipment, fringe benefits, and overtime labor charges, as follows:

- The Department's claim of \$707,314 for force account equipment was overstated by \$129,126. 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. Thus, the Department's own rates should have been used to claim costs under the FEMA projects. Accordingly, the OIG questions the excess equipment charges of 129,126, as follows:

<u>Project Number</u>	<u>Amount Claimed</u>	<u>Amount Eligible</u>	<u>Amount Questioned</u>
181	\$492,361	\$388,818	\$103,543
195	<u>214,953</u>	<u>189,370</u>	<u>25,583</u>
Total	<u>\$707,314</u>	<u>\$578,188</u>	<u>\$129,126</u>

- The Department claimed \$101,056 of overtime fringe benefit costs based on an estimated fringe benefit rate of 22.20 percent. However, the OIG determined that the Department's actual fringe benefit rate was 19.34 percent. Using the actual rate of 19.34 percent, the Department should have claimed \$87,215. Accordingly, the OIG questions the excess charges of \$13,841, as follows:

<u>Project Number</u>	<u>Actual Overtime Labor</u>	<u>Fringe Benefits Claimed</u>	<u>Actual Fringe Benefits</u>	<u>Amount Questioned</u>
181	\$275,213	\$ 61,097	\$53,226	\$ 7,871
195	<u>175,742</u>	<u>39,959</u>	<u>33,989</u>	<u>5,970</u>
Total	<u>\$450,955</u>	<u>\$101,056</u>	<u>\$87,215</u>	<u>\$13,841</u>

- The Department claimed \$179,996 of overtime labor costs under Project 195. However, the OIG determined that actual costs totaled only \$175,742, or \$4,254 less than the amount claimed. The excess claim occurred because the Department based its claim on estimated costs contained in the approved project worksheet rather than the actual costs to complete work under the project. Accordingly, the OIG questions \$4,254.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$147,221 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

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. 1313-DR-SC
Schedule of Claimed and Questioned Costs
Large Projects

Project <u>Number</u>	Amount <u>Awarded</u>	Amount <u>Claimed</u>	Amount <u>Questioned</u>
181	\$1,484,163	\$1,484,163	\$111,414
195	<u>455,127</u>	<u>455,127</u>	<u>35,807</u>
Total	<u>\$1,939,290</u>	<u>\$1,939,290</u>	<u>\$147,221</u>