



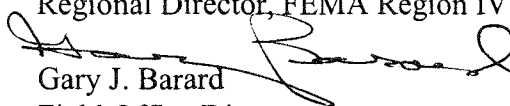
DEPARTMENT OF HOMELAND SECURITY

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

March 29, 2004

MEMORANDUM

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

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Kentucky Transportation Cabinet
FEMA Disaster No. 1163-DR-KY
Audit Report DA-22-04

The Office of Inspector General (OIG) audited public assistance funds awarded to the Kentucky Transportation Cabinet, Frankfort, Kentucky. The objective of the audit was to determine whether the Transportation Cabinet accounted for and expended FEMA funds in accordance with federal regulations and FEMA guidelines.

The Transportation Cabinet received an award of \$5.5 million from the Kentucky Department of Military Affairs, Division of Disaster Emergency Services, a FEMA grantee, to provide emergency protective measures and repair facilities damaged as a result of floods in March 1997. The award provided 75 percent FEMA funding for 9 large projects and 383 small projects¹. The audit covered the period March 1997 to February 2003. During this period, the Transportation Cabinet claimed \$5,521,396 (see Exhibit A) and received \$4,141,047 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 Transportation Cabinet's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

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

RESULTS OF AUDIT

The Transportation Cabinet’s claim included questioned costs of \$162,098 (FEMA share \$121,574) resulting from duplicate charges, permanent repairs to Federal-Aid roads and unauthorized charges.

- A. Duplicate Charges. The Transportation Cabinet claimed \$116,552 under Project 77306 for force account labor and equipment usage. However, the OIG determined that FEMA also funded these costs under large Project 73270 and under 64 small projects. Accordingly, the OIG questions the duplicate claim of \$116,552 under the one large project (\$20,042) and 64 small projects (\$96,510 see Exhibit B).

- B. Assistance on Federal Aid-Roads. The Transportation Cabinet was awarded \$41,033 under 6 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 \$41,033 awarded and claimed under the 6 projects, as follows:

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
10060	\$ 5,768	\$ 5,768	\$ 5,768
10069	2,118	2,118	2,118
72517	2,038	2,038	2,038
73414	26,723	26,723	26,723
99779	1,075	1,075	1,075
99974	<u>3,311</u>	<u>3,311</u>	<u>3,311</u>
	<u>\$41,033</u>	<u>\$41,033</u>	<u>\$41,033</u>

- C. Unauthorized Charges. The Transportation Cabinet’s claim included \$4,513 of unauthorized or pre-disaster project costs. The Transportation Cabinet claimed \$3,650 for road repairs in Marion County under Projects 08808 (\$1,256) and 73284 (\$2,394). However, the FEMA disaster declaration did not authorize Public Assistance for Marion County. Federal regulation (OMB Circular A-87, Attachment A, C.1) requires that cost to be allowable under a federal program, it must be authorized and allocable to the program. Accordingly, the OIG questions these charges of \$3,650.

Also, the Transportation Cabinet claimed \$863 for force account overtime labor (\$656) and equipment usage (\$207) under Project 0386. However, the OIG determined that these costs were incurred two months prior the disaster. Federal regulation (44 CFR 206.223) states that to be eligible for FEMA funding, an item of work must be required as the result of the disaster. Accordingly, the OIG questions these charges of \$863.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$162,098 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

The results of the audit were discussed with FEMA officials on November 21, 2003, and with grantee and Transportation Cabinet officials on January 30, 2004. Transportation Cabinet officials concurred with the findings.

Please advise the Atlanta Field Office–Audit Division by May 28, 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.

Kentucky Transportation Cabinet
FEMA Disaster No. 1163-DR-KY
Schedule of Claimed and Questioned Costs
Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
74602	\$ 230,825	\$ 230,825	
77306	2,371,159	2,371,159	
00380	63,943	63,943	
00382	112,011	112,011	
00386	66,483	66,483	\$ 863
00404	69,614	69,614	
72215	131,666	131,666	
73270	16,335	46,335	20,042
78614	<u>113,946</u>	<u>113,946</u>	
Sub-Total	<u>\$3,205,982</u>	<u>\$3,205,982</u>	<u>\$ 20,905</u>

		<u>Small Projects</u>	
08808	\$ 1,256	\$ 1,256	\$ 1,256
10060	5,768	5,768	5,768
10069	2,118	2,118	2,118
72517	2,038	2,038	2,038
73284	2,394	2,394	2,394
73414	26,723	26,723	26,723
99779	1,075	1,075	1,075
99974	3,311	3,311	3,311
Exhibit B	439,296	439,296	96,510
All Other	<u>1,831,435</u>	<u>1,831,435</u>	
Sub-Total	<u>\$2,315,414</u>	<u>\$2,315,414</u>	<u>\$141,193</u>
Totals	<u>\$5,521,396</u>	<u>\$5,521,396</u>	<u>\$162,098</u>

Kentucky Transportation Cabinet
FEMA-Disaster 1163-DR-KY
Duplicated Charges Under Small Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Totals</u>
85	\$ 4,087	\$ 4,087	427
86	4,129	4,129	390
401	4,823	4,823	130
408	3,810	3,810	216
410	18,606	18,606	2,268
412	1,012	1,012	92
413	2,773	2,773	581
414	2,558	2,558	581
416	3,303	3,303	504
580	6,601	6,601	1,310
581	8,222	8,222	428
582	4,924	4,924	379
583	1,585	1,585	369
588	13,471	13,471	3,066
589	1,293	1,293	373
594	7,354	7,354	1,411
595	9,108	9,108	1,906
596	1,914	1,914	271
597	11,789	11,789	430
598	1,100	1,100	451
599	1,231	1,231	325
8802	1,162	1,162	1,120
8805	1,011	1,011	123
8809	4,633	4,633	1,109
8810	5,116	5,116	302
8812	1,013	1,013	121
8813	8,121	8,121	67
8814	7,980	7,980	43
9065	9,296	9,296	1,510
9068	3,221	3,221	660
9076	20,984	20,984	121
9836	30,306	30,306	2,863
9841	11,074	11,074	2,593
9842	3,232	3,232	269
9843	2,314	2,314	250
9844	8,768	8,768	2,483
9845	9,152	9,152	1,776
9846	18,509	18,509	5,168
9847	4,696	4,696	396
9848	38,012	38,012	1,9329
10062	3,806	3,806	963
10063	8,491	8,491	1,689
10064	6,364	6,364	3,346
10071	3,819	3,819	1,702
10074	7,738	7,738	5,120
10077	1,099	1,099	154
10078	24,299	24,299	6,039
10079	2,128	2,128	646
63927	2,898	2,898	59
63928	1,764	1,764	504

Kentucky Transportation Cabinet
FEMA-Disaster 1163-DR-KY
Duplicated Charges Under Small Projects
 (Continued)

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Totals</u>
63929	5,968	5,968	2,903
71704	3,430	3,430	1,898
73266	3,067	3,067	366
73269	7,905	7,905	5,800
73275	7,273	7,273	787
73276	6,783	6,783	1,922
73279	1,717	1,717	491
73300	1,386	1,386	272
73556	16,063	16,063	2,220
78617	1,162	1,162	455
78619	3,550	3,550	740
78620	2,435	2,435	485
75621	2,681	2,681	502
78622	<u>11,177</u>	<u>11,177</u>	<u>1,236</u>
Total	<u>\$439,296</u>	<u>\$439,296</u>	<u>\$96,510</u>