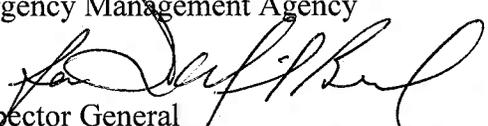




Homeland Security

AUG 23 2011

MEMORANDUM FOR: Beth Freeman
Regional Administrator, Region VII
Federal Emergency Management Agency

FROM: Matt Jadacki 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
Iowa Department of Transportation*
FEMA Disaster Number 1688-DR-IA
Public Assistance Identification Number 000-00106-00
Audit Report DD-11-18

We audited public assistance grant funds awarded to the Iowa Department of Transportation (Iowa DOT). Our audit objective was to determine whether Iowa DOT accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

Iowa DOT received an award of \$3.34 million from the Iowa Homeland Security and Emergency Management Division (HSEMD), a FEMA grantee, for damages caused by severe winter storms from February 23 to March 2, 2007. The award provided 75% FEMA funding for six large projects.¹ The audit covered the period February 23, 2007, to March 2, 2011, the cutoff date of our audit, and included a review of two large projects totaling \$1.98 million, or 59% of the total award (see Exhibit, Schedule of Audited Projects). All projects were closed as of our cutoff date.

We conducted this performance audit pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit according to the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$59,700.

We interviewed FEMA, HSEMD, and Iowa DOT officials; reviewed judgmentally selected samples of project costs (generally based on dollar value); and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of Iowa DOT's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of Iowa DOT's method of accounting for disaster-related costs.

RESULTS OF AUDIT

Iowa DOT generally accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. However, we question \$48,440 because Iowa DOT's claim included \$31,919 of ineligible costs not related to the disaster and \$16,521 of duplicate costs claimed under a concurrent disaster.

Finding A: Force Account Costs

Iowa DOT claimed \$31,919 of force account labor, equipment, and material costs that were not related to the disaster. Iowa DOT officials brought this issue to our attention, recognizing that they may have claimed ineligible costs. Based on Iowa DOT's analysis of daily reports that described road conditions, we confirmed that Iowa DOT claimed costs past the incident period and after the roads had been cleared of disaster-related ice and snow. Iowa DOT officials stated that this occurred because they did not analyze the daily road condition reports before preparing their claim. To be eligible for financial assistance, all work must be required as a result of a major disaster event (44 CFR 206.223(a)(1)). Therefore, we question the \$31,919 of ineligible force account costs not related to the disaster.

Finding B: Duplicate Force Account Labor Costs

Iowa DOT claimed \$16,521 in force account labor costs twice, once under DR-1688 and again under EM-3275. Iowa DOT received disaster-related funds under EM-3275 for the removal of record snowfall for 48 hours. The 48 hours overlapped the eligible period for DR-1688 in five counties, creating the potential for duplicate claims. Iowa DOT identified costs eligible under both declarations and reduced its DR-1688 claim for equipment and material costs related to EM-3275, but overlooked \$16,521 in labor costs claimed. Iowa DOT officials stated that this was an error and that they had intended to reduce their claim for all EM-3275-related costs. Therefore, we question \$16,521 of ineligible duplicate costs.

RECOMMENDATIONS

We recommend that the Regional Director, FEMA Region VII:

Recommendation #1: Disallow \$31,919 (\$23,939 federal share) of ineligible force account costs that were not related to the disaster (Finding A).

Recommendation #2: Disallow \$16,521 (\$12,391 federal share) of duplicate force account labor costs (Finding B).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with Iowa DOT officials during our audit and included their comments in this report, as appropriate. We also provided written summaries of our findings and recommendations in advance to FEMA, HSEMD, and Iowa DOT officials and discussed them at exit conferences held on July 19, 2011. FEMA, HSEMD, and Iowa DOT officials agreed with the findings and recommendations.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. To promote transparency, this report will be posted to our website, with the exception of sensitive information identified by your office. Significant contributors to this report were Tonda Hadley, Christopher Dodd, Patti Smith, and DeAnna Fox.

Should you have questions concerning this report, please contact me at (202) 254-4100 or Tonda Hadley at (214) 436-5200.

cc: Administrator, FEMA
Audit Liaison, FEMA Region VII
Audit Liaison, FEMA (Job Code G-11-021)
Audit Liaison, DHS

Schedule of Audited Projects
February 23, 2007, through March 2, 2011
Iowa Department of Transportation
FEMA Disaster No. 1688-DR-IA

<u>Project Number</u>	<u>Award Amount</u>	<u>Ineligible Costs Finding A</u>	<u>Duplicate Costs Finding B</u>	<u>Total Questioned</u>
589	\$1,082,295	\$14,393	\$ 9,059	\$23,452
591	898,259	17,526	7,462	24,988
Totals	<u>\$1,980,554</u>	<u>\$31,919</u>	<u>\$16,521</u>	<u>\$48,440</u>