

Department of Homeland Security **Office of Inspector General**

FEMA Public Assistance Grant Funds
Awarded to the Alaska Department of
Transportation & Public Facilities,
Northern Region, Fairbanks, AK





Homeland Security

APR 12 2012

MEMORANDUM FOR: Kenneth D. Murphy
Regional Administrator, Region X
Federal Emergency Management Agency

FROM: D. Michael Beard
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to the
Alaska Department of Transportation & Public Facilities,
Northern Region, Fairbanks, AK
FEMA Disaster Number 1669-DR-AK
Audit Report Number DS-12-09*

We audited public assistance (PA) grant funds awarded to the Alaska Department of Transportation & Public Facilities, Northern Region, Fairbanks, AK (Department), Public Assistance Identification Number 000-UPQJN-00. Our audit objective was to determine whether the Department accounted for and expended Federal Emergency Management Agency (FEMA) PA grant funds according to federal regulations and FEMA guidelines.

The Department received a PA award of \$1.3 million from the Alaska Division of Homeland Security & Emergency Management (Grantee), a FEMA grantee, for damages resulting from severe storms, flooding, mudslides, and landslides from October 8 through 13, 2006. The award provided 75% funding for 4 large and 10 small projects.¹ The audit covered the period from October 8, 2006, to November 30, 2011. We audited five projects totaling \$1.1 million, or 88% of the total award (see Exhibit, Schedule of Projects Audited).

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 applying 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 discussed issues related to this audit with FEMA, Grantee, and Department officials; reviewed judgmentally selected project costs (generally based on dollar value); and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of the Department's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of the Department's methods of accounting for disaster-related costs and its procurement policies and procedures.

RESULTS OF AUDIT

The Department generally expended and accounted for FEMA funds according to federal regulations and FEMA guidelines. However, we identified \$124,092 of ineligible force account and travel costs because the Department did not maintain sufficient documentation to determine their eligibility.

Federal rules and FEMA guidelines stipulate that—

- Cost be adequately documented, and be necessary and reasonable for proper and efficient performance, to be allowable under a federal award. (2 CFR 225, Appendix A, Sections C.1.a and C.1.j)
- Subgrantees have fiscal control and accounting procedures that permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. (44 CFR 13.20(a))
- A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. (2 CFR 225, Appendix A, Sections C.2)

The claim included \$124,092 for project numbers 48 and 49, for which the Department did not maintain sufficient documentation to substantiate their reasonableness and eligibility. Engineering services (construction management, basic engineering and design services) claimed for these two projects amounted to 24% and 43%, respectively, of the construction costs for each project. The majority of the documentation consisted of travel documents and time reports that did not describe tasks or activities performed. Therefore, we were not able to verify the eligibility of these costs. Thus, we question the engineering costs of \$124,092 due to insufficient documentation (see table 1).

Table 1: Engineering Services							
Project Number	Claimed		Not Questioned		Questioned		
	Force Account Labor	Travel	Force Account Labor	Travel	Force Account Labor	Travel	Total Questioned Costs
48	\$72,978	\$8,148	\$5,511	\$1,872	\$67,467	\$6,276	\$73,743
49	73,288	14,616	25,148	12,407	48,140	2,209	50,349
Totals	\$146,266	\$22,764	\$30,659	\$14,279	\$115,607	\$8,485	\$124,092

In its January 20, 2012, response to us, the Department disagreed with our finding. It considered the costs to be necessary, reasonable, and consistent with its standard construction practice. However, it did not provide sufficient documentation to address the deficiencies discussed in the audit finding. In FEMA’s response to us on March 12, 2012, an official said that FEMA would need to perform additional analysis to clarify the costs in question.

RECOMMENDATION

We recommend that the Regional Director, FEMA Region X, disallow the engineering costs of \$124,092 (federal share \$93,069) that were not sufficiently documented.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with Department officials during the audit and included their comments in this report, as appropriate. We also provided written summaries of our finding and recommendation in advance to FEMA, Grantee, and Department officials and discussed them at exit conferences held with FEMA on November 29, 2011, and with Grantee and Department officials on November 30, 2011. Grantee officials agreed with the response in the Department’s January 20, 2012, letter. FEMA officials said that they required further analysis to clarify the costs in question.

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 the 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 recommendation 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. We will post the report on our website for public dissemination.

Significant contributors to this report were Humberto Melara, Jack Lankford, and Connie Tan.

Should you have questions concerning this report, please contact me at (202) 254-4100 or Humberto Melara at (510) 637-1463.

cc: Administrator, FEMA
Audit Liaison, FEMA Region X
Audit Liaison, FEMA (Job Code G-11-052)
Audit Liaison, DHS

Schedule of Projects Audited
October 8, 2006, to November 30, 2011
Alaska Department of Transportation & Public Facilities, Northern Region
FEMA Disaster Number 1669-DR-AK

Project Number	Project Award Amount	Project Charges Reviewed	Questioned Costs
13	\$266,830	\$266,830	
48	414,651	414,651	73,743
49	290,327	290,278	50,349
102	69,813	69,813	
109	59,493	59,493	
Totals	\$1,101,114	\$1,101,065	\$124,092

ADDITIONAL INFORMATION AND COPIES

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