



Homeland Security

May 3, 2011

MEMORANDUM FOR: Major P. (Phil) May, Regional Administrator
 FEMA Region IV

FROM: C. David Kimble, Director
 Eastern Regional Office

SUBJECT: *Coast Transit Authority*
 FIPS Code 000-UCI8O-00
 FEMA Disaster No. 1604-DR-MS
 Report No. DA-11-16

We audited public assistance funds awarded to Coast Transit Authority (CTA) located in Gulfport, Mississippi. The objective of the audit was to determine whether CTA accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

As of May 27, 2010, CTA had received a public assistance award of \$8.2 million from the Mississippi Emergency Management Agency (MEMA), a FEMA grantee, for damages related to Hurricane Katrina, which occurred in August 2005. The award provided 100% FEMA funding for emergency protective measures, and repair of buildings and equipment damaged as a result of the disaster. The award included nine large projects and six small projects.¹

We reviewed \$7.5 million awarded under five large projects identified in the table below.

Project Number	Scope of Work	Amount Awarded	Amount Claimed
6578	Comfort Station Bus Stop Buildings Nos. 2,3,4 & 6	\$3,865,291	\$3,381,352
7596	Vehicles	223,744	0
9501	Parking Garage	996,988	996,988
11176	Comfort Station Bus Stop Buildings Nos.5 & 7	1,425,109	0
11178	Comfort Station Bus Stop Building No. 1	949,673	0
Total		\$7,460,805	\$4,378,340

The audit covered the period from August 29, 2005, to May 27, 2010, during which CTA claimed \$4.4 million under the five large projects.

¹ Federal regulations in effect at the time of Hurricane Katrina set the large project threshold at \$55,500.

We conducted this performance audit under the authority of 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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We reviewed judgmentally selected project cost documentation (generally based on dollar value); interviewed CTA, MEMA, and FEMA personnel; reviewed CTA's disaster grant accounting system and procurement policies and procedures; reviewed applicable federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances to accomplish our audit objective. We did not assess the adequacy of CTA's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of CTA's grant accounting system and its policies and procedures for administering activities provided for under the FEMA award.

BACKGROUND

CTA is a non-profit provider of public transportation for the three coastal counties of Mississippi. It is an independently managed public utility that is governed by a Board of Commissioners. CTA is the designated recipient of state and federal funding for urban transportation on the Mississippi Gulf Coast.

RESULTS OF AUDIT

CTA's grant accounting system accounted for expenditures on a project-by-project basis and provided a means to readily trace project expenditures to source documents, as required by federal regulations. However, \$223,744 (federal share \$223,744) of project funding should be de-obligated and put to better use because the work authorized under the project is no longer required.

FEMA awarded \$223,744 for bus repairs under Project 7596. CTA initially requested replacement buses under the project, but FEMA only authorized repair costs. Subsequent to the FEMA award, CTA received grants totaling \$7.8 million from the U.S. Department of Transportation for the purchase of replacement buses and vehicles. As a result, the \$223,774 awarded for bus repairs is no longer needed. CTA notified MEMA that the funds were not needed when it submitted its project progress report for the first quarter of 2010. However, at the conclusion of our fieldwork, MEMA had not taken action to have the funds de-obligated.

At the exit conference on March 25, 2011, MEMA officials said that FEMA had been notified of the unneeded project funding. On March 31, 2011, FEMA de-obligated the \$223,744. Therefore, we consider the finding resolved and closed.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the audit results with CTA, MEMA, and FEMA officials during our audit. We also provided a written summary of our finding and recommendation in advance to these officials and discussed them at the exit conference held on March 25, 2011. CTA officials agreed with our finding and recommendation. As noted in the body of this report, FEMA took corrective action on the finding before issuance of this report. Therefore, this report contains no recommendation and no further action is required by FEMA.

To promote transparency, this final report will be posted to our website, with the exception of sensitive information identified by your office. Significant contributors to this report were Larry Arnold, Gary Rosetti, and Mary James. Should you have any questions, please contact me at (404) 832-6702, or your staff may contact Larry Arnold, Audit Manager, at (228) 822-0346.

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