



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Oakland Field Office - Audits Division
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Oakland, California 94607-4052

April 30, 2003

MEMORANDUM

TO: Jeff Griffin, Regional Director, FEMA Region IX

FROM: *Robert J. Lastrico*
Robert J. Lastrico, Field Office Director

SUBJECT: County of Mariposa
Mariposa, California
Public Assistance Identification Number 043-00000
FEMA Disaster Number 1155-DR-CA
Audit Report Number DO-05-03

The Office of Inspector General (OIG) audited public assistance funds awarded to the County of Mariposa, Mariposa, California (County). The objective of the audit was to determine whether the County expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The County received a public assistance award of \$3.2 million from the California Office of Emergency Services (OES), a FEMA grantee, for emergency and permanent repairs to facilities damaged as a result of flooding that occurred from December 28, 1996, to April 1, 1997. The award provided 75 percent FEMA funding for eight large projects and nine small projects.¹ The audit covered the period from December 28, 1996, to March 8, 2001, and included the review of four large projects with an award amount of \$2.9 million (see Exhibit).

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended and in accordance with generally accepted government auditing standards. The audit included the review of FEMA, OES, and County records, and other auditing procedures determined necessary under the circumstances.

¹ Federal regulations in effect at the time of the disaster defined a large project as one costing \$46,000 or more and a small project as one costing less than \$46,000.

RESULTS OF AUDIT

The County generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines. However, the County's claim included \$51,004 in questionable costs (FEMA share - \$38,614), consisting of \$44,940 of costs not within the approved project scope and \$6,064 of unsupported costs.

Finding A - Costs Not Within the Approved Project Scope

The County's claim for projects 65802 and 65803 included \$44,940 in charges that were not eligible under the approved project scope. According to Title 44, Code of Federal Regulations, Section 206.223(a)(1) [44 CFR 206.223(a)(1)], to be eligible for financial assistance, an item of work must be required as a result of a major disaster event.

- For project 65802, the County received a project award of \$431,765 and incurred contract costs of \$445,447. However, three of seven contract change orders totaling \$37,768 were improved project costs not eligible for federal grant assistance. Therefore, the County's eligible project costs were \$407,679 (\$445,447 minus \$37,768) and the difference between the project award (\$431,765) and eligible project costs (\$407,679), or \$24,086, is a questioned cost.
- For project 65803, the County received an award for the permanent restoration of a road that served as the right bank to the Merced River. Under the project, the County claimed \$20,510 for tree planting and irrigation and \$344 for two cellular telephones purchased 3 years after the disaster incident period. Both expenditures were not eligible for federal grant assistance. Specifically, FEMA Policy 9524.5 does not allow federal reimbursement for trees, shrubs, and other plantings. Further, 44 CFR 206.225(c) states that emergency communications necessary for the purpose of carrying out disaster relief functions may be made available to State and local government officials as deemed appropriate and are intended to supplement, but not replace normal communications that remain operable after a major disaster. Therefore, the \$20,510 and \$344 were costs outside the scope of the approved project and ineligible for FEMA funding.

Finding B - Unsupported Costs

The County's claim for projects 65803 and 65820 included \$6,064 in costs that were not supported with documentation. According to 44 CFR 13.20(b), subgrantees are required to maintain accounting records that identify how FEMA funds are used.

- For project 65803, the County's force account labor claim included \$3,778 in unsupported costs. The County claimed force account labor costs of \$41,852 for 14 of the 18 employees whereas the actual costs supported by payroll records were \$38,073. The

difference between the claimed and actual costs, or \$3,778, was an unsupported cost that resulted because an estimated rather than the actual fringe benefits rate was applied to the employees' regular and overtime payroll costs.

- For project 65820, the County claimed \$2,286 in unsupported overtime fringe benefits costs. The County was awarded overtime labor costs totaling \$42,959 including \$5,156 in fringe benefits for 24 employees. However, the actual fringe benefits amount was \$2,870. The difference between the claimed and actual costs, or \$2,286, was an unsupported cost that resulted because an estimated rather than the actual overtime fringe benefits rate was applied to all employees' wages.

RECOMMENDATION

The OIG recommends that the Regional Director, FEMA Region IX, in coordination with OES, disallow questioned costs of \$ 51,004.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed our audit results with County and OES officials on April 7, 2003. These officials concurred in principle with the findings and recommendation. The OIG also discussed the results of our audit with FMA Region IX officials on April 29, 2003.

Pursuant to FEMA Instruction 1270.1, please advise this office by June 30, 2003, of actions taken to implement our recommendation. Should you have any questions concerning this report, please contact me at (510) 627-7011. Key contributors to this assignment were Brian Byrne and James Kane.

Schedule of Audited Costs
 County of Mariposa
 Public Assistance Identification Number 043-00000
 FEMA Disaster Number 1155-DR-CA

Project Number	Amount Awarded	Amount Claimed	Amount Questioned	Finding Reference
65802	\$ 431,675	\$ 431,675	\$24,086	A
65803	2,273,520	2,006,629	24,632	A,B
65807	96,815	131,502	0	
65820	<u>49,161</u>	<u>49,161</u>	<u>2,286</u>	B
Totals	<u>\$2,851,171</u>	<u>\$2,618,967</u>	<u>\$51,004</u>	

Legend

- A. Costs Not Within the Approved Project Scope
- B. Unsupported Costs