



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Oakland Field Office – Audits Division
1111 Broadway, Suite 1200
Oakland, California 94607-4052

June 20, 2003

MEMORANDUM

TO: Jeff Griffin, Regional Director, FEMA Region IX

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

SUBJECT: City of Milpitas, California
Public Assistance Identification Number 085-47766
FEMA Disaster Number 1203-DR-CA
Audit Report Number DO-15-03

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

The City received a public assistance award of \$1.3 million from the California Office of Emergency Services (OES), a FEMA grantee, for debris removal and emergency and permanent repairs to structures damaged as a result of flooding. The disaster period was February 2, 1998, to April 30, 1998. The award provided for 75 percent FEMA funding for 6 large projects and 10 small projects.¹ The audit covered the period February 2, 1998, to July 10, 2002, and included a review of four of the large projects and six of the small projects for a total FEMA award of \$961,119 (see Exhibit).

The OIG performed this audit under authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. This audit included a review of FEMA's, OES', and City's records, a judgmental sample of project expenditures, and other audit procedures considered necessary under the circumstances.

¹ Federal regulations in effect at the time of the disaster defined a large project as one costing \$47,100 or more and a small project as one costing less than \$47,100.

RESULTS OF AUDIT

The City generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines. However, the City's claim for Project 52215 included a \$1,205 duplicate payment to a contractor (FEMA share - \$904). The project scope entailed repairs to a sewer line that included costs for general construction, video inspection, and engineering services. Documentation supporting project charges indicates the City paid the contractor twice for video inspection, once as part of the total general construction costs, and again as a separately invoiced item. City officials were unable to provide evidence that the additional \$1,205 of video inspection charge was appropriate.

According to Title 44, Code of Federal Regulations, Section 206.223(a)(1) to be eligible for financial assistance, an item of work must be required as the result of a major disaster event. Since the City did not provide documentation showing the additional charges were disaster related, the \$1,205 was questioned.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with OES, disallow \$1,205 of questionable costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed these results with OES and City officials on June 16, 2003. City officials agreed with the audit finding. We also discussed the results of our audit with Region IX officials on June 17, 2003.

Please advise this office by July 21, 2003, of the actions taken to implement our recommendation. Should you have any questions concerning the report, please contact me at (510) 627-7011. Key contributors to this assignment were Willard Stark, Jack Lankford, and Humberto Melara.

Schedule of Projects Audited
City of Milpitas, California
Public Assistance Identification Number 085-47766
FEMA Disaster Number 1203-DR-CA

DSR Number	Amount Awarded	Questioned Costs
Large Projects		
52215	\$210,870	\$1,205
52221	151,375	0
52222	347,933	0
52223	145,601	0
Subtotal	\$855,779	\$1,205
Small Projects		
52216	\$33,782	\$0
52217	41,336	0
05485	1,538	0
05487	11,013	0
05488	15,682	0
07062	1,989	0
Subtotal	\$105,340	\$0
Total	\$961,119	\$1,205