



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General - Office of Audits
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December 9, 2003

MEMORANDUM

TO: Jeff Griffin
Regional Director
FEMA Region IX

Robert J. Lastrico

FROM: Robert J. Lastrico
Field Office Director

SUBJECT: City of Marysville, California
Public Assistance Identification Number 115-46170
FEMA Disaster Number 1155-DR-CA
Audit Report Number DS-04-04

The Office of Inspector General (OIG) audited public assistance funds awarded to the City of Marysville, 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 an award of \$2.0 million from the California Office of Emergency Services (OES), a FEMA grantee, for emergency protective measures performed to save lives and protect public health and safety, plus repair and replacement of damaged public facilities. The public assistance award resulted from severe storms, flooding, mud and landslides that occurred from December 28, 1996, to April 1, 1997. The award provided 75 percent FEMA funding for 5 large projects and 13 small projects.¹ The audit covered the period

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$46,000.

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December 28, 1996, to August 13, 2003, and included the review of 2 large projects with a total FEMA award of \$1.5 million (see Exhibit).

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

RESULTS OF AUDIT

The City's claim contained \$57,731 in questionable costs (FEMA's share - \$43,298). The questionable costs included \$57,231 in unsupported costs and \$500 in income not credited to the project.

Finding A – Unsupported Costs

The City's claim for project 95902 included \$57,231 in unsupported costs. According to Title 44 of the Code of Federal Regulations, Section 13.20(b)(6) [44 CFR 13.20(b)(6)], applicant accounting records are required to be supported by source documentation such as invoices or similar documents. The unsupported costs included:

- \$56,731 in claimed construction costs to rebuild the Clubhouse at the Plumas Lake Golf Course. The construction costs were based on the contracted costs with the construction company as well as with the architectural firm designing the clubhouse. City project records showed that actual construction costs were \$56,731 below the original estimate due to a contract option that was not exercised.
- \$500 in project costs returned by the vendor, but not credited to the project. As part of the construction, the local utilities company required a \$500 deposit to provide power to the site. At the end of construction, the utility company returned the deposit to the City. The City failed to credit the project for the returned deposit.

The City's project records showed that the claimed costs were not incurred; therefore, the \$57,231 was questioned.

Finding B – Income Not Credited to Project

The City's claim for project 95902 did not include \$500 in project income earned during the course of construction. According to 44 CFR 13.25(g)(1) program income shall be deducted from total allowable costs.

Prior to the bid process for the construction contract to rebuild the new clubhouse, the architecture firm on the project made the building's blueprints available to prospective bidders for a \$100 deposit for each copy of the plans. Near the end of completion of the clubhouse, the architecture firm forwarded 5 of the deposit checks to the City, for a total of \$500. The letter accompanying these checks explained that the plan sets were not returned to the architect. Project records showed that the cost of printing the plans were included in the claim, but the income from selling the plans was not. Since the regulations require the City to reduce project costs by project income received, the \$500 was questioned.

RECOMMENDATION

The OIG recommends that the Regional Director, FEMA Region IX, in coordination with OES, disallow \$57,713 of questionable costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of this audit with the City and OES officials on August 18, 2003. Those officials generally agreed with the findings and recommendation. The OIG also notified FEMA Region IX officials of the audit results on December 8, 2003.

Please advise this office by February 6, 2004, of the actions taken to implement the recommendation in this report. Should you have any questions concerning this report, please contact me at (510) 627-7011. Key contributors to this assignment were Humberto Melara and Trudi Powell.

Schedule of Audited Projects
 City of Marysville
 Marysville, California
 Public Assistance Identification Number 115-46170
 FEMA Disaster Number 1155-DR-CA

Project Number	Amount Awarded	Questioned Costs	Finding Reference
<u>Large projects</u>			
95902	\$ 1,403,398	\$57,731	A, B
95903	<u>121,958</u>	<u>0</u>	
Total	<u>\$1,525,356</u>	<u>\$57,731</u>	

Legend:

- A. Unsupported Costs
- B. Income not Credited to Project