



## DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General – Office of Audits  
San Francisco Field Office  
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Oakland, California 94607-4052

January 27, 2004

### MEMORANDUM

TO: Jeff Griffin  
Regional Director  
FEMA Region IX

FROM:   
Robert J. Lastrico  
Field Office Director

SUBJECT: City of Oakland, California  
Public Assistance Identification Number 001-53000  
FEMA Disaster Number 1203-DR-CA  
Audit Report Number DS-06-04

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The Office of Inspector General (OIG) audited public assistance funds awarded to the City of Oakland, California (City). The objective of this 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 \$1.5 million from the California Office of Emergency Services (OES), a FEMA grantee, for debris removal and emergency protective measures. The award resulted from “*El Niño 98 Severe Winter Storms and Flooding*” during the period February 2, 1998, through April 30, 1998. The award provided 75 percent FEMA funding for three large projects and four small projects.<sup>1</sup> The audit covered the period February 2, 1998, through December 26, 2002 and included a review of all seven projects.

The OIG performed this audit under authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit

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<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$47,100.

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included a review of FEMA, OES, and City records, a judgmental sample of project expenditures, and other audit procedures considered necessary under the circumstances.

## **RESULTS OF AUDIT**

The OIG found the City generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines for two large projects and two small projects. However, the City's claim for large project 21628, and small projects 20787 and 20788 included questioned costs of \$139,583 (FEMA share is \$104,687). The questioned costs consisted of \$108,196 in unsupported costs, and \$31,387 in costs not incurred. Additionally, as discussed in "Other Matters" below, City records supporting the claim included documents for potentially eligible force account labor costs that were not reimbursed by FEMA.

### **Finding A – Unsupported Costs**

The City's claim included unsupported costs of \$108,196 for project number 21628. The FEMA closeout inspector included the charges in the approved project amount but FEMA and City records did not include information that identified or supported the costs. Title 44, Code of Federal Regulations, Section 13.20(b)(6) [44 CFR 13.20(b)(6)] requires that accounting records be supported by source documents such as cancelled checks and contracts.

The total award for project 21628 was \$838,991. The amount was based on calculations of the FEMA closeout inspector. This total included expenditures for equipment, material, labor, and contracted work summarized on City prepared spreadsheets that consolidated both eligible and ineligible costs for debris removal and emergency protective measures. The FEMA inspector edited the spreadsheet entries, subtotals, and totals in an attempt to recognize eligible costs. In so doing, the inspector introduced math errors and provided incomplete references to the documentary evidence for the performance of actual work. Specifically, the inspector's tabulation of force account labor was overstated by \$4,995, a math error. In addition, project records did not include evidence to support \$124 of equipment costs, \$52,212 of material costs, and \$50,865 of contract work that the inspector had identified as eligible.

City officials could not explain the discrepancies because the calculations were performed by FEMA, not the City. A FEMA Region IX official advised the OIG that the closeout inspector was no longer employed by FEMA and the Region could provide no explanation for the discrepancies. Therefore, \$108,196 was questioned due to the lack of supporting documentation.

## **Finding B – Costs Not Incurred**

The City claimed \$31,387 for small projects 20787 and 20788 for costs that were not incurred. The Project Completion and Certification Report (P-4 Alternate) and Final Inspection Report certified that both projects were completed. However, officials with the City Parks Department, the agency responsible for overseeing the completion of the projects, explained that the projects had not been initiated and would be performed at a later time.

According to 44 CFR 206.204(c)(1), permanent work should generally be completed no later than 18 months after the disaster declaration date. In addition, 44 CFR 206.205(a) provides that failure to complete a project may require that the federal payment be refunded. Since the projects were not started and the cost was not incurred, the \$31,387 was questioned.

## **OTHER MATTERS**

City records supporting the claim for project 21628 included documents for potentially eligible force account labor costs that were not reimbursed by FEMA. In order to reconcile the City's claim to the project's accounting records, the OIG reviewed summary documents (worksheets) that included reimbursed and un-reimbursed force account labor costs. The worksheets identified costs that appeared eligible for public assistance, but were not included in the final project award. Since the scope of the audit was to validate the FEMA grant, the review did not include verification and detail testing of the un-reimbursed force account labor costs. However, it appears that the costs were not properly evaluated for eligibility and reimbursement based on the information included in the worksheets. City officials could not explain why the force account labor costs were omitted from the final claim.

This observation is provided for informational purposes only and does not suggest that additional funds be provided to the City. The decision to review the un-reimbursed costs, determine their eligibility, and reimburse additional funds rests solely with FEMA Region IX.

## **RECOMMENDATION**

The OIG recommends that the Regional Director, FEMA Region IX, in coordination with OES, disallow \$139,583 in questioned costs.

## **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP**

The OIG discussed the results of this audit with City and OES officials on January 27, 2004. While City officials agreed in principle with the findings and recommendation, they indicated that due to a severe budget shortfall, an appeal would be made to FEMA for recognition of other costs not originally claimed. On January 5, 2004, the OIG notified FEMA Region IX officials of the audit results.

Please advise this office by March 29, 2004 of the actions taken to implement the recommendation in this report. Should you have questions concerning this report, please contact me at (510) 627-7011. Key contributors to this assignment were Bill Stark and Jack Lankford.

Schedule of Audited Projects  
City of Oakland, California  
Public Assistance Identification Number 001-53000  
FEMA Disaster Number 1203-DR-CA

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Questioned</u>	<u>Finding Reference</u>
<u>Large Projects</u>			
21626 <sup>2</sup>	\$465,996	\$ 0	
21268 <sup>3</sup>	838,991	108,196	A
01062	<u>148,115</u>	<u>0</u>	
Subtotals	\$1,453,102	\$108,196	
<u>Small Projects</u>			
20784	\$21,146	\$ 0	
20785	23,879	0	
20787	2,669	2,669	B
20788	<u>28,718</u>	<u>28,718</u>	B
Subtotal	\$ 76,412	\$ 31,387	
Totals	<u>\$1,529,514</u>	<u>\$139,583</u>	

Finding Reference Legend:

A – Unsupported Costs

B – Approved projects not completed as certified.

<sup>2</sup> DSR 21626 is supplemented by DSR 21260.<sup>3</sup> DSR 21628 is supplemented by DSR 21263.