



**Homeland
Security**

September 30, 2004

MEMORANDUM FOR: Karen Armes
Acting Regional Director
FEMA Region IX

FROM: 
Robert J. Lastrico
Field Office Director
Office of Audits

SUBJECT: *Audit of Sutter County
Yuba City, California
Public Assistance Identification Number 101-00000
FEMA Disaster Number 1155-DR-CA
Audit Report Number DS-21-04*

The Office of Inspector General (OIG) audited public assistance grant funds awarded to Sutter County, Yuba City, 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 an award of \$4.5 million from the California Office of Emergency Services (OES), a FEMA grantee, for debris removal, emergency protective measures and permanent repair and replacement of damaged public facilities. The award resulted from severe storms, flooding, mudslides, and landslides that occurred from December 28, 1996, to April 1, 1997. The award provided 75 percent Federal funding for 21 large projects and 28 small projects.¹ The audit covered the period December 28, 1996, to December 6, 2001, and included the review of the 21 large projects with a total award of \$4.0 million (Exhibit).

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to *Government Auditing Standards* issued by the Comptroller General of the United States. 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 set the large project threshold at \$46,000.

RESULTS OF AUDIT

The County generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines. However, the OIG is questioning \$38,576 of project costs claimed by the County (FEMA's share of the claimed amount is \$28,932). The amount questioned consisted of \$25,015 in unsupported charges, \$8,374 in duplicate costs, and \$5,187 in costs covered under FEMA's statutory administrative allowance.

Finding A – Unsupported Charges

The County's claim included \$25,015 in costs that could not be verified. The documents supporting the claim had a line item identified as "Admin Chg." In addition to eligible project management costs, the County claimed an "Admin Chg" for two contracts awarded to repair roads. The County separately allocated the project management and "Admin Chg" costs to 14 large projects.² The individual who developed the claim was no longer employed by the County; therefore, the County could not verify the origin of the charge or support the eligibility of the \$25,015 claimed. Since the County could not provide documentation supporting the amount claimed, the OIG is questioning the \$25,015 pursuant to 44 CFR § 13.20(b)(6) which requires accounting records be supported with source documentation.

Finding B – Duplicate Costs Claimed

For project 00147, the County claimed \$8,374 in direct fuel costs for emergency vehicles engaged in disaster related work.³ Likewise, the County used FEMA equipment rates to claim the costs associated with using these same vehicles. According to 44 CFR § 206.228(a), subgrantees are allowed federal disaster assistance funding for force account equipment through the use of the rates established in the FEMA Schedule of Equipment Rates. The FEMA Public Assistance Guide (FEMA 322, Page 37) provides that the FEMA equipment rates include operational costs such as fuel, insurance, depreciation, and maintenance. Since the County claimed both direct fuel costs and used the established FEMA equipment rates, fuel costs of \$8,374 were duplicated in the County's claim and are therefore questioned by the OIG.

Finding C – Costs Covered Under FEMA's Statutory Administrative Allowance

The County's claim for project 00147 (supplement 93415) included \$5,187 in direct project costs that were also reimbursed under FEMA's statutory administrative allowance. The direct costs claimed included expenses for a temporary administrative person to prepare and deliver supporting cost documents to OES and meetings with County and OES staff on general grant issues. According to 44 CFR § 206.228(a)(2) (ii), the County is reimbursed for direct and indirect costs associated with requesting, obtaining, and administering public assistance based on a statutory administrative allowance. The County believed the costs were valid disaster-related costs as the work was totally

² Damage Survey Reports (DSR) 29332, 29333, 29339, 95092, 95104, 95106, 95107, 95109, 95111, 95113, 95114, 95115, 95116, and 95117. See the Exhibit for associated costs questioned by the OIG.

³ \$7,260 under supplemental DSR 93355, \$739 under supplemental DSR 93416, and \$375 under supplemental 93412.

recovery related. However, because the work was administrative in nature and covered by the statutory administrative allowance, the \$5,187 was questioned.

RECOMMENDATION

The OIG recommends that the Acting Regional Director, FEMA Region IX, in coordination with OES, disallow questioned costs of \$38,576.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of this audit with the County and OES officials on August 9, 2004. County officials agreed with findings A & B, but feel the questioned costs in Finding C are valid disaster-related costs. The OIG also notified FEMA Region IX officials of the audit results on August 9, 2004.

Please advise this office by November 29, 2004, 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 Stephen Stevens and Kenneth Valrance.

Schedule of Audited Projects
Sutter County
Yuba City, California
Public Assistance Identification Number 101-00000
FEMA Disaster Number 1155-DR-CA

Project/ DSR Number	Amount Awarded	Questioned Cost	Finding Reference
00145	\$ 50,000	\$ 0	
00147	1,853,236	13,561	B, C
29332	52,590	1,081	A
29333	74,631	1,534	A
29336	26,219	0	
29337	23,483	0	
29339	75,837	1,559	A
73965	310,891	0	
95092	69,848	1,436	A
95104	89,052	2,485	A
95106	357,831	3,352	A
95107	288,350	3,583	A
95109	207,210	857	A
95111	92,258	1,897	A
95113	79,045	1,625	A
95114	59,917	1,232	A
95115	42,878	881	A
95116	54,791	1,126	A
95117	115,150	2,367	A
93325	132,529	0	
Total	<u>\$4,055,746</u>	<u>\$38,576</u>	

Finding Reference Legend:

- A. Unsupported Charges
- B. Duplicate Costs Claimed
- C. Costs Covered Under FEMA's Statutory Administrative Allowance