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Security

September 30, 2004

MEMORANDUM FOR: Karen E. Armes
Acting Regional Director
FEMA Region IX

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

SUBJECT: *Audit of the County of Yuba
Marysville, California
Public Assistance Identification Number 115-00000
FEMA Disaster Number 1155 DR-CA
Audit Report Number DS-22-04*

The Office of Inspector General (OIG) audited public assistance grant funds awarded to the County of Yuba, Marysville, 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 \$3.6 million from the California Office of Emergency Services (OES), a FEMA grantee, for debris removal, emergency protective measures, and emergency repairs to roads damaged as a result of severe storms and flooding that occurred from December 28, 1996, to April 1, 1997. The award provided 75 percent federal funding for 11 large projects and 50 small projects.¹ The audit covered the period December 28, 1996, to December 17, 2001, and included a review of seven large projects and two small projects with a total award of \$2,933,543 (see 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 review of FEMA, OES, and County records, a judgmental sample of project expenditures, and other auditing procedures considered 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 County's claim contained \$58,455 in lost revenue, a cost not eligible for FEMA reimbursement, and \$7,983 in overstated mileage costs. The OIG is recommending that FEMA disallow \$66,438 in costs claimed by the County (FEMA's share is \$49,829).

Finding A – Ineligible Lost Revenue

For project 75586, the County claimed an estimated revenue loss of \$58,455 resulting from the relocation of non-County inmates to neighboring jails. At the time of the disaster, the County housed 97 Immigration and Naturalization Service inmates, 27 Solano County inmates, and 7 other inmates from neighboring counties. Due to the flooding, the County evacuated its jail facilities and moved these inmates to other jails. As a result of the relocation, the County could not bill the non-County entities for the costs of housing their inmates. The County stated that the inmate relocations were caused by the disaster and therefore, the loss of revenue should be eligible for FEMA reimbursement.

Project 75586 was written to fund emergency protective measures. As delineated in 44 CFR § 206.225(a)(3), the elements of emergency protective measures include activities that eliminate or reduce an immediate threat to lives, public health, or safety; or eliminate or reduce an immediate hazard that threatens significant damage to improved public or private property. Further, 44 CFR § 13.20(b)(6) requires that accounting records be supported by source documentation confirming that disaster related costs were incurred. While evacuating the non-County inmates from the jail was an appropriate emergency protective measure, the claiming of the revenue lost by moving those inmates was not. Further, the costs claimed were not supported with source documentation. Therefore, the OIG recommends the disallowance of the \$58,455 claimed for lost revenue.

Finding B – Overstated Mileage Costs

The County used incorrect mileage rates to claim \$7,983 in vehicle costs on two projects. Details are provided below.

- For project 75586, the County's Sheriff Department claimed \$22,559 for the use of 45 vehicles at the rate of \$27.85 per vehicle for 18 days. According to 44 CFR § 206.228 (a)(iii), an applicant will use the FEMA Schedule of Equipment Rates as the basis of reimbursement in all cases where there are no locally established standard equipment rates and use \$0.25 per mile for automobiles.

The County had no documentation supporting its daily usage rate (\$27.85). In addition, the County's claim should have been based on the \$0.25 per-mile rate. Because mileage logs were not kept during the disaster incident period, the County estimated that each of the 45 vehicles were driven an average of 82.2 miles per day for 18 days (66,582 miles). While the County was

required by 44 CFR § 13.20(b)(6) to support its claim with source documentation (e.g., mileage logs), no such documentation was available for OIG review. Nonetheless, based on the nature of the disaster, we determined that the 66,582 miles, and the associated cost at \$0.25 per mile, would meet the basic guidelines of a “reasonable cost” as defined in OMB Circular A-87, Attachment A, paragraph C.2, *Cost Principles for State, Local, and Indian Tribal Governments*. Thus, the County should have claimed \$16,646 (66,582 miles X \$0.25 per mile) instead of \$22,559 (45 vehicles X \$27.85 per vehicle X 18 days). Therefore, the OIG recommends that \$5,913 of the County’s claimed vehicle costs be disallowed (\$22,559 less \$16,646).

- For project 93090, the County claimed \$2,070 in mileage costs for various County vehicles. Each department used different mileage rates, ranging from \$0.24 to \$0.67 per mile. The standard FEMA rate is \$0.25 per mile. Adjusting the rates used by the County to the eligible FEMA standard rate results in an OIG recommendation to disallow \$2,070 of questioned costs.

In total, the OIG recommends that FEMA Region IX disallow overstated mileage costs of \$7,983.

RECOMMENDATION

The OIG recommends that the Acting Regional Director, FEMA Region IX, in coordination with OES, disallow \$66,438 in costs claimed by the County.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of this audit with FEMA Region IX, OES, and County officials on August 31, 2004. County officials withheld comment pending receipt of this report

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, Trudi Powell and Apolinar Tulawan.

Schedule of Audited Projects
 Yuba County, California
 Public Assistance Identification Number 115-00000
 FEMA Disaster Number 1155 DR-CA

| <u>Project Number</u> | <u>Amount Awarded</u> | <u>Amount Questioned</u> | <u>Finding Reference</u> |
|-----------------------|---------------------------|------------------------------|------------------------------|
| <u>Large Projects</u> | | | |
| 75586 | \$ 249,547 | \$ 64,368 | A & B |
| 93078 | 464,675 | 0 | |
| 93090 | 158,860 | 2,070 | B |
| 93098 | 243,224 | 0 | |
| 93104 | 284,818 | 0 | |
| 93109 | 880,753 | 0 | |
| 96110 | <u>576,032</u> | <u>0</u> | |
| Subtotal | <u>\$2,857,909</u> | <u>\$ 66,438</u> | |
| <u>Small Projects</u> | | | |
| 38388 | \$ 35,185 | 0 | |
| 93076 | <u>40,449</u> | <u>0</u> | |
| Subtotal | <u>\$ 75,634</u> | <u>\$ 0</u> | |
| Total | <u>\$2,933,543</u> | <u>\$ 66,438</u> | |

Finding Reference Legend:

A – Ineligible Lost Revenue

B – Overstated Mileage Costs