



**Homeland
Security**

December 1, 2004

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

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

SUBJECT: *Audit of Humboldt County
Eureka, California
Public Assistance Identification Number 023-00000
FEMA Disaster Number 1155-DR-CA
Audit Report Number DS-03-05*

The Office of Inspector General (OIG) audited public assistance grant funds awarded to Humboldt County, Eureka, 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 a public assistance grant award of \$2.4 million from the California Office of Emergency Services (OES), a FEMA grantee, for emergency and permanent repairs to County facilities damaged as a result of flooding that occurred from December 28, 1996, through April 1, 1997. The award provided 75 percent federal funding for 7 large projects and 26 small projects.¹ The audit covered the period December 28, 1996, to September 17, 2002, and included a review of seven large projects with a total award of \$2.1 million (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, tests of the County's accounting 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 for seven large projects. However, the County claimed \$14,084 in excessive force account equipment and \$10,311 in overstated force account labor. Thus, the OIG questions \$24,395 of the County's claim. (The FEMA share of the claimed amount is \$18,296.)

Finding A – Excessive Force Account Equipment Costs

The County's claim for six large projects included \$14,084 in force account equipment costs that exceeded FEMA's Schedule of Equipment Rates. Project records showed that the County established equipment rates and used those rates to record disaster related force account equipment costs. County rates covered normal costs of equipment usage, fuel, maintenance, and in some cases, depreciation. However, for some equipment, the OIG determined that the County's rates exceeded FEMA's Schedule of Equipment Rates. The following table identifies the projects and the amounts identified as excessive.

<u>Project Number</u>	<u>Amount Excessive</u>
96117	\$ 7,516
96118	4,626
96213	302
96234	510
96235	346
96236	784
Total	<u>\$14,084</u>

County officials agreed that their local rates, in some cases, exceeded the FEMA rates. They stated that the County would adjust its rates to conform to the FEMA rates. According to 44 CFR § 206.228(a)(ii), federal reimbursement for recipient owned equipment is limited to the lower of the recipient's rate or the rate on the FEMA Schedule of Equipment Rates. Since the County rates exceeded FEMA rates, the OIG questioned \$14,084 claimed by the County.

Finding B – Overstated Force Account Labor Costs

The County's claim for seven large projects included \$10,311 in overstated force account regular and overtime pay. Since the County had changed computer systems and information from the old system was no longer available, the OIG applied alternative audit procedures to verify the validity of the costs claimed. These procedures included tracing disaster related force account labor hours recorded in a hard copy of a Cost Accounting System report to employee time cards. The OIG then multiplied the disaster hours by the applicable labor and fringe rates² to determine the eligible force account labor costs. The following table identifies, by project, the overstated force account labor costs.

² Labor and fringe rates in effect at the time the disaster work was performed.

<u>Project Number</u>	<u>Amount Overstated</u>
96117	\$ 1,074
96118	500
96213	458
96234	1,307
96235	592
96236	6,007
99777	373
Total	<u>\$10,311</u>

According to 44 CFR § 13.20(b)(6), accounting records must be supported by source documents, such as payroll. Since the County was unable to provide support for force account labor costs, the OIG questions \$10,311 claimed by the County.

RECOMMENDATION

The OIG recommends that the Acting Regional Director, FEMA Region IX, in coordination with OES, disallow \$24,395 in excessive force account equipment costs and overstated force account labor costs claimed by the County.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW UP

The OIG discussed the audit results with County officials on October 13, 2004. Those officials agreed with the questioned costs. The OIG also notified OES and FEMA Region IX officials of the audit results on October 13, 2004.

Please advise this office by January 30, 2005 of the 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 Trudi Powell, Sabinus Njoku, and Gloria Conner.

Schedule of Audited Projects
 Humboldt County, Eureka, California
 Public Assistance Identification Number 023-00000
 FEMA Disaster Number 1155-DR-CA

Project Number/	Amount Awarded	Questioned Costs	Reference
96117	\$ 326,608	\$ 8,590	A, B
96118	131,493	5,126	A, B
96213	49,615	760	A, B
96234	234,983	1,817	A, B
96235	95,149	938	A, B
96236	1,269,702	6,791	A, B
97926	<u>7,354</u>	<u>373</u>	B
Total	<u>\$2,114,904</u>	<u>\$24,395</u>	

Finding Reference Legend:

- A. Excessive Force Account Equipment Costs
- B. Overstated Force Account Labor Costs