

**San Bernardino County, California,
Generally Accounted for and
Expended FEMA Public Assistance
Funds Properly**





DHS OIG HIGHLIGHTS

San Bernardino County, California, Generally Accounted for and Expended FEMA Public Assistance Funds Properly

April 12, 2016

Why We Did This Audit

San Bernardino County, California (County), received a \$16.5 million Public Assistance grant award for damages resulting from California wildfires that occurred from October 2007 through March 2008. We audited \$14.3 million of the \$16.5 million gross award.

What We Recommend

The Federal Emergency Management Agency (FEMA) should disallow \$247,309 in ineligible duplicate benefits.

For Further Information:

Contact our Office of Public Affairs at (202) 254-4100, or email us at DHSOIG.OfficePublicAffairs@oig.dhs.gov

What We Found

The County generally accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines. However, the County's claim for one of the two large projects we reviewed included \$247,309 in ineligible duplicate costs for which the County will receive insurance recoveries. This occurred because FEMA closed the project before the County finished collecting insurance payments, and the County did not notify either the State or FEMA of these additional recoveries.

FEMA Response

FEMA officials agreed with our findings and recommendation and have completed actions to disallow and deobligate the costs we questioned. Therefore, we consider this report closed and require no further action from FEMA. Appendix B includes FEMA's written response in its entirety.



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Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

April 12, 2016

MEMORANDUM FOR: Robert Fenton
Regional Administrator, Region IX
Federal Emergency Management Agency

FROM: 
John V. Kelly
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *San Bernardino County, California, Generally
Accounted for and Expended FEMA Public Assistance
Funds Properly
Audit Report Number OIG-16-63-D*

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to the San Bernardino County, California (County). The California Governor's Office of Emergency Services (California), a FEMA grantee, awarded the County a total gross amount of \$16.5 million for damages resulting from California Wildfires (DR-1731) that occurred from October 21, 2007, through March 31, 2008.¹ At the time of our field work, FEMA had closed all projects under this grant. The award provided 75 percent FEMA funding for 14 large projects and 23 small projects.² We audited two large projects with total gross amount of \$14.3 million (before \$3.1 million in insurance recoveries) or 87 percent of the total award (see appendix A). At the time of our field work, FEMA had closed all projects under this grant.

Background

The County of San Bernardino is located in the southern portion of California and encompasses 20,105 square miles. In October 2007, the County, home to over 2 million residents, experienced severe wildfires that impacted more than 14,000 acres and damaged 529 privately-owned properties.

¹ The gross award amount represents FEMA's initial estimate of eligible damages before the deduction of anticipated or actual insurance proceeds.

² Federal regulations in effect at the time of the disaster set the small project threshold at \$60,900 [Notice of Adjustment of Disaster Grant Amounts, 72 Fed. Reg. 57,341 (Oct. 9, 2007)].



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**Figure 1: Private Properties Damaged during Wildfires
San Bernardino, California, October 2007**



Source: San Bernardino County, California

The President signed a major disaster declaration (DR-1731-CA) on October 24, 2007, to provide California and local governments assistance with recovery efforts. FEMA determined that the fires' ash and debris created an extreme and immediate danger to life, property, health, and public safety.

Results of Audit

The County generally accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines. However, the County's claim for one of the two large projects we reviewed included \$247,309 in ineligible, duplicate costs for which the County will receive insurance recoveries. This occurred because, based on a recommendation from California, FEMA closed the project before the County finished collecting insurance payments. According to the *Robert T. Stafford Disaster Relief Emergency Assistance Act*, as amended, no entity will receive assistance for any loss for which it has received financial assistance from any other program, insurance, or any other source (see 42 United States Code 5155). Further, 44 Code of Federal Regulations (CFR) 206.250(c) requires FEMA to deduct actual or anticipated insurance recoveries from otherwise eligible costs.

FEMA funded the County's ash and debris removal efforts under large Project 778, which included the disposal of debris the County or its contractors collected from damaged private residences. As a condition of receiving disaster assistance, FEMA required the County to recover insurance benefits from owners of private residences who received proceeds from their insurance carriers for debris cleanup and use the proceeds to reduce project costs.



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FEMA closed the project in May 2013 based on California's recommendation that the project was complete. At that time, the County had incurred \$13,249,566 in expenses and had collected \$3,091,320 in insurance benefits from owners of private residences; therefore, FEMA funded Project 778 for the difference of \$10,158,246.

By the end of our audit field work in January 2016, the County expected to collect an additional \$247,309 in insurance benefits from private residences; however, the County had not notified California or FEMA of these additional collections. County officials explained that, in May 2013 when California recommended closure of Project 778, the County was still in the process of collecting insurance benefits from owners of private residences. They also said that they were not sure why this miscommunication between the County and California occurred, but noted that they would wait for instructions from California on how to remit the additional collections totaling \$247,309. California officials agreed with this finding.

Recommendation

We recommend that the Regional Administrator for FEMA Region IX disallow \$247,309 (Federal share \$185,482) as ineligible duplicate benefits.



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Discussion with FEMA and Audit Follow-up

We discussed the results of our audit with County, California, and FEMA officials during our audit. We also provided a draft report in advance to FEMA, California, and County officials, and discussed it at exit conferences with FEMA on February 23, 2016, and with County and California officials on March 8, 2016. We included these officials' comments, as applicable, in the body of this report.

FEMA officials provided a written response on March 17, 2016, agreeing with the recommendation contained in this report. The response indicated that FEMA has prepared Project Worksheet 778 Version 2 to deobligate \$247,309 in duplicate benefits (see appendix B). Therefore, we consider the recommendation to be resolved and closed.³

The Office of Emergency Management Oversight major contributors to this report are Humberto Melara, Director; Louis Ochoa, Audit Manager; and Ravi Anand, Senior Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact Humberto Melara, Director, Western Regional Office, at (510) 637-1463.

³ FEMA's March 17, 2016, letter responds to an earlier version of the report that recommended disallowance of \$241,579 from Project 778 as ineligible duplicate benefits. However, after we discussed the issue with the County, we revised the recommended disallowance to \$247,309, which is the same amount that FEMA is deobligating from Project 778 (see Appendix B).



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Appendix A

Objective, Scope, and Methodology

We audited FEMA Public Assistance grant funds awarded to the County, Public Assistance Identification Number 071-99071-00. Our audit objective was to determine whether the County accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 1731-DR-CA. California, a FEMA grantee, awarded the County a total gross amount of \$16.5 million for damages resulting from California wildfires that occurred from October 21, 2007, through March 31, 2008. The award provided 75 percent FEMA funding for 14 large projects and 23 small projects. At the time of our field work, FEMA had closed all projects under this grant.

We audited two large projects with total gross amount of \$14.3 million (see table 1). The audit covered the period from October 21, 2007, through March 24, 2015, the date FEMA closed the County’s subgrant application.

Table 1: Projects Audited and Questioned Costs

| FEMA Project Number | FEMA Category of Work* | Gross Award Amount | Anticipated Insurance Recoveries | Insurance Recoveries | Questioned Costs |
|----------------------------|-------------------------------|---------------------------|---|-----------------------------|-------------------------|
| 778 | A | \$13,249,566 | \$3,091,320 | \$3,338,629 | \$247,309 |
| 913 | B | 1,002,329 | 0 | 0 | 0 |
| Total | | \$14,251,895 | \$3,091,320 | \$3,338,629 | \$247,309 |

Source: Office of Inspector General (OIG) analyses of FEMA and County project documentation

*FEMA identifies type of work by category: A for debris removal, B for emergency protective measures, and C–G for permanent work.

To accomplish our objectives, we interviewed FEMA, California, and County officials; gained an understanding of the County’s method of accounting for disaster-related costs and its procurement policies and procedures; judgmentally selected and reviewed (generally based on dollar amounts) project costs and procurement transactions for the projects in our audit scope; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our audit objective. We did not perform a detailed assessment of the County’s internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective.



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Appendix A (continued)

We conducted this performance audit between August 2015 and February 2016, pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit by applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.



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Appendix B

FEMA Region IX Response

U.S. Department of Homeland Security
Region IX
1111 Broadway, Suite 1200
Oakland, CA 94607-4052

 **FEMA**

MAR 17 2016

MEMORANDUM FOR: Humberto U. Melara
Director, Western Regional Office
Office of Inspector General

FROM: Robert J. Fenton *nejo*
Regional Administrator
FEMA Region IX

SUBJECT: FEMA-1731-DR-CA, P.A. ID: 071-99071-00
Subgrantee: San Bernardino County
Response to Audit Report Number G-15-037
FEMA Log: 309348.2

On February 12, 2015, the Office of Inspector General (OIG) Western Regional Office transmitted the draft report *San Bernardino County, California, Generally Accounted for and Expended FEMA Public Assistance Funds Properly*. The OIG audited the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) Public Assistance grant awarded to the County of San Bernardino (Subgrantee) under Disaster 1731. The audit report listed the following recommendation based on findings related to Project Worksheet (PW) 778:

- **Recommendation 1:** The OIG questioned \$241,579.00 of actual insurance proceeds under PW 778 stating that this amount represents ineligible duplicative funding. The OIG recommends that FEMA disallow this amount in accordance with Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended.

FEMA's Response to Recommendation 1: Concur. The OIG's review pointed out that the Subgrantee did not notify the California Governor's Office of Emergency Services (Cal OES) of these additional insurance proceeds because the project was closed. FEMA had closed the project following Cal OES' recommendation. Therefore, in concurrence with the OIG's recommendation, FEMA has prepared PW 778 Version 2 to deobligate \$241,579.00.

*Mr. Humberto U. Melara
Audit Report Number G-15-037
FEMA-1731-DR-CA, FEMA Log: 309348.2
Page 2 of 2*

In summary, FEMA concurs with Recommendation 1 and has taken the actions noted above.

If you have any questions or require additional information, please contact Marcie Stone, Acting Recovery Division Director, at (510) 627-7250.

Attachment



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Appendix B (continued)

Attachment to FEMA IX Response

| PROJECT WORKSHEET REPORT | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|------|---------------------------------------|-----------------------------|-----|-----------------------------|-----------------------|------|----|---|------|---------------------|----|---|--------|--------|----|---|------|---------------------------|----|---|---------------|----------------|----|---|------|---------------------------------------|----|---|-------------|--------------|--------------------------|--|--|--|--|--|-----------------------------|-----------------------|
| DECLARATION NO. FEMA-CA - DR1731 | PREPARED DATE 03/08/2016 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| FIPS NO. 071-99071-00 | REPORT DATE 03/17/2016 11:32 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| APPLICANT NAME SAN BERNARDINO (COUNTY) | INF TYPE <input type="radio"/> INF | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| SUBDIVISION | <input checked="" type="radio"/> NON-INF | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| FEMA PW # 778 VSN 2 REF# SWM-002 | <input type="radio"/> REC | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| COST ESTIMATE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;">ITEM</th> <th style="width: 5%;">VSN</th> <th style="width: 15%;">CODE</th> <th style="width: 45%;">MATERIAL AND/OR DESCRIPTION</th> <th style="width: 10%;">UOM</th> <th style="width: 10%;">QTY</th> <th style="width: 15%;">UNIT PRICE</th> <th style="width: 10%;">COST</th> </tr> </thead> <tbody> <tr> <td>30</td> <td>2</td> <td>0000</td> <td>*****VERSION 2*****</td> <td>LS</td> <td>1</td> <td>\$0.00</td> <td>\$0.00</td> </tr> <tr> <td>31</td> <td>2</td> <td>5900</td> <td>DEDUCT INSURANCE PROCEEDS</td> <td>LS</td> <td>1</td> <td>\$-241,579.00</td> <td>(\$241,579.00)</td> </tr> <tr> <td>32</td> <td>2</td> <td>5901</td> <td>DEDUCT ANTICIPATED INSURANCE PROCEEDS</td> <td>LS</td> <td>1</td> <td>\$-5,730.00</td> <td>(\$5,730.00)</td> </tr> <tr> <td colspan="6" style="text-align: right;">Eligible Amounts:</td> <td>Total (this version)</td> <td>(\$247,309.00)</td> </tr> </tbody> </table> | ITEM | VSN | CODE | MATERIAL AND/OR DESCRIPTION | UOM | QTY | UNIT PRICE | COST | 30 | 2 | 0000 | *****VERSION 2***** | LS | 1 | \$0.00 | \$0.00 | 31 | 2 | 5900 | DEDUCT INSURANCE PROCEEDS | LS | 1 | \$-241,579.00 | (\$241,579.00) | 32 | 2 | 5901 | DEDUCT ANTICIPATED INSURANCE PROCEEDS | LS | 1 | \$-5,730.00 | (\$5,730.00) | Eligible Amounts: | | | | | | Total (this version) | (\$247,309.00) |
| ITEM | VSN | CODE | MATERIAL AND/OR DESCRIPTION | UOM | QTY | UNIT PRICE | COST | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 | 2 | 0000 | *****VERSION 2***** | LS | 1 | \$0.00 | \$0.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 31 | 2 | 5900 | DEDUCT INSURANCE PROCEEDS | LS | 1 | \$-241,579.00 | (\$241,579.00) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 32 | 2 | 5901 | DEDUCT ANTICIPATED INSURANCE PROCEEDS | LS | 1 | \$-5,730.00 | (\$5,730.00) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Eligible Amounts: | | | | | | Total (this version) | (\$247,309.00) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



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Appendix C

Potential Monetary Benefits

Table 2: Summary of Potential Monetary Benefits

| Type of Potential Monetary Benefit | Total | Federal Share |
|--|------------------|----------------------|
| Questioned Costs – Ineligible (Duplicate Benefits) | \$247,309 | \$185,482 |
| Questioned Costs – Unsupported | 0 | 0 |
| Funds Put to Better Use | 0 | 0 |
| Totals | \$247,309 | \$185,482 |

Source: OIG analyses of findings in this report



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Appendix D

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