

FEMA and California Need to Assist the City of Berkeley to Improve the Management of a \$12 Million FEMA Grant





DHS OIG HIGHLIGHTS

FEMA and California Need to Assist the City of Berkeley to Improve the Management of a \$12 Million FEMA Grant

June 8, 2016

Why We Did This Audit

Wildfires devastated the Berkeley Tuolumne Camp from August to October 2013. FEMA expects eligible damages, before deducting insurance, to exceed \$12 million. We conducted this audit early in the grant process to identify areas where the City may need additional technical assistance or monitoring to ensure compliance with Federal requirements.

What We Recommend

FEMA should direct California to provide technical assistance and monitoring to the City to prevent the City from mispending the \$8.3 million FEMA award net of insurance.

For Further Information:

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

What We Found

The City of Berkeley, California, (City) needs additional assistance from the California Governor's Office of Emergency Services (California) and the Federal Emergency Management Agency (FEMA) to ensure that it properly manages its \$12.2 million (\$8.3 million net after insurance deductions) FEMA grant. Specifically, the City needs assistance in revising its policies, procedures, and practices to comply fully with Federal grant requirements in the following areas:

- procuring FEMA-funded disaster work,
- documenting labor and contract costs,
- accounting for costs by project, and
- obtaining and maintaining insurance for future disasters.

After we brought these deficiencies to the attention of City officials, they told us they would modify their policies and procedures and comply with these requirements in future procurement, cost documentation, accounting, and insurance actions.

Additionally, California, as FEMA's grantee, is responsible for ensuring that its subgrantees are aware of and comply with Federal requirements, as well as monitoring grant activities.

FEMA Response

FEMA officials concurred with our findings and recommendation and took the actions we recommended. Therefore, we consider this report resolved and closed. No further action is necessary.



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Department of Homeland Security

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

June 8, 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: *FEMA and California Need to Assist the
City of Berkeley to Improve the Management of a
\$12 Million FEMA Grant*
Audit Report Number OIG-16-99-D

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to the City of Berkeley, California (City). We conducted this audit early in the Public Assistance Program process to identify areas where the City may need additional technical assistance or monitoring to ensure compliance with Federal regulations and FEMA guidelines. In addition, by undergoing an audit early in the grant cycle, grant recipients have the opportunity to correct noncompliance before they spend the majority of their grant funding. It also allows them the opportunity to supplement deficient documentation or locate missing records before too much time elapses.

FEMA and the California Governor's Office of Emergency Services (California), a FEMA grantee, approved 13 projects totaling \$12.2 million (\$8.3 million net after insurance deductions) for eligible damages resulting from the wildfires that occurred from August through October 2013 (table 1). The award provides 75 percent funding for debris removal, emergency protective measures, and permanent work. At the time of our audit, FEMA had obligated \$860,374 for one large project and was performing Environmental Planning and Historic Preservation reviews for another 12 projects.¹ The City completed the project for which FEMA obligated funding, but has not yet submitted cost claims for reimbursement. We reviewed \$1,269,395 in documented disaster-related costs (related to the City's one completed project and master rebuilding plan) to assess the policies and procedures the City used to account for and expend FEMA grant funds (see table 1 in appendix A).

¹ The Environmental Planning and Historic Preservation program ensures that FEMA's activities comply with Federal environmental and historic preservation laws and executive orders.



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Background

From August 17, to October 24, 2013, wildfires burned over 257,000 acres within Tuolumne County, California, and portions of the Stanislaus National Forest and Yosemite National Park. Referred to as the “Rim Fire,” it was the third largest in the State’s history.² The fire devastated the Berkeley Tuolumne Camp (Camp), a residential family camp located in Groveland, California, in the Stanislaus National Forest. The City of Berkeley operated this 15-acre camp through a permit from the U.S. Forest Service (Forest Service).³ The fire destroyed most of the camp’s structures—over 100—including the dining hall, staff buildings, tent cabins, and the electrical system. To replace these facilities, the City must obtain a permit from the Forest Service before it begins construction. At the time of our audit, as part of the permitting process, the Forest Service had given the City approval to proceed with the master plan for rebuilding the camp. The City was in the process of completing environmental documents required for the permit.

Figure 1: Tuolumne Camp Recreation Hall, before and after the disaster



Source: City of Berkeley, California

² The President declared the Rim Fire a major Federal disaster on December 13, 2013, which activates a variety of Federal programs to assist in the response and recovery effort.

³ The Forest Service is an agency of the U.S. Department of Agriculture.



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Results of Audit

The City has not established policies, procedures, and business practices to adequately account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines. Therefore, the City needs additional assistance from California and FEMA to provide reasonable assurance that it properly manages its \$12.2 million (\$8.3 million net after insurance deductions) grant because it did not—

- fully comply with Federal procurement rules when contracting for federally funded work (finding A),
- properly document labor and contract costs (finding B),
- exclude ineligible costs and unallocable costs from specific disaster-work accounts (finding C), and
- have a sufficient understanding of FEMA’s policies on obtaining and maintaining insurance (finding D).

These issues occurred primarily because the City was not familiar with certain Federal regulations and FEMA guidelines. In addition, California, as FEMA’s grantee, is responsible for ensuring that its subgrantee (the City) is aware of and complies with these requirements, as well as for monitoring grant activities (finding E).

Finding A: Procurement

The City’s procurement policies and practices do not comply fully with Federal procurement standards. After the fire, the City awarded a contract valued at \$700,000 for emergency protective measures and debris removal. Additionally, the City added \$759,609 to its pre-disaster contract with a landscape architecture firm through two amendments for disaster-related work. We reviewed these contracts and the City’s procurement policies and procedures to assess the City’s compliance with Federal procurement regulations at 44 Code of Federal Regulations (CFR) 13.36.⁴ We determined that the City did not—

- have a policy that required it to take all necessary affirmative steps in awarding work financed with FEMA funds. Federal regulations at 44 CFR 13.36(e) require the City to take affirmative steps to assure the use of small and minority firms, women’s business enterprises, and labor surplus area firms when possible.⁵ Because the City does not have a

⁴ We determined that the City generally complied with its own procurement policies.

⁵ These steps include placing these types of disadvantaged firms on solicitation lists, using the services and assistance of the Small Business Administration and the Minority Business Development of the Department of Commerce, and requiring prime contractors to take the same affirmative steps for subcontractors.



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policy and procedures on taking these steps, FEMA has no assurance that disadvantaged firms will have sufficient opportunities to bid on federally funded work, as Congress intended.

- include mandatory Federal contract provisions. Federal regulations at 44 CFR 13.36(i) require contracts and subcontracts to include specific provisions, such as retaining all required records for 3 years after final payments, and allowing FEMA to examine the contractors' records. The City amended its landscape architecture contract twice after the Federal declaration, yet it did not add the required provisions to the amendments. These contract provisions document the rights and responsibilities of the parties and minimize the risk of contract misinterpretations and disputes.
- perform cost analyses for contract modifications. Federal regulations at 44 CFR 13.36(f)(1) require the City to perform a cost or price analysis in connection with every procurement action, including contract modifications. City officials added \$300,000 and \$459,609 to the landscape architecture contract in 2015 and said that they accepted these amounts as cost effective. However, they did not perform and document analyses for these costs, as required. Thus, FEMA has no assurance the amounts added were reasonable.

City officials agreed that they did not document cost analyses but believe they can provide FEMA assurance that the amounts they added to the contract were reasonable. They said the City obtained the contractor through a competitive process; paid the contractor competitive rates; and that the contractor provided a 10 percent discount to all municipal public agencies and did not mark up the sub-consultant costs. The City told us that, in the future, it would perform and document formal cost analyses for all procurements, including contract amendments, to comply with FEMA requirements.

Nevertheless, Federal regulations require the City to perform a cost or price analysis for every contract modification. Although the City selected the contractor competitively, that process took place more than 7 years before the City's contract modification. The City must provide data to FEMA demonstrating that the amounts added to the contract were reasonable.

- have an adequate contract administration system. Federal regulations at 44 CFR 13.36(b)(2) require the City to maintain a contract administration system that ensures contractors perform in accordance with the terms,



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conditions, and specifications of their contracts or purchase orders. However, the City—

- o did not have a process to ensure that contractor's invoices were verified to supporting documents, such as timesheets and equipment logs (see Finding B, *Documenting Costs*). As a result, the City may not be able to support the costs it charged to disaster work adequately.
- o incurred costs for work its contract did not authorize and allowed the contractor to bill outside of the payment terms specified in the contract. This occurred because the City did not promptly amend the terms of the contract for disaster-related work. At the time of the disaster, the City had a contract with a landscape architect firm for creating a master rebuilding plan for the camp. This contract stipulated that the City would compensate the contractor a specific amount for 20 tasks related to the redevelopment plan. After the fire, the City directed the contractor to update the plan and to assess the damage to the camp and develop cost estimates—tasks not specified in the contract. Because the City did not amend the contract to include tasks of updating the master rebuilding plan and assisting with the grant application, it improperly allowed its contractor to charge costs based on hourly rates rather than by an established per task basis, as the contract required. As a result, the contract does not support \$77,704 that the City's contractor billed before the City amended the contract.

City officials agreed that they allowed the contractor to bill outside the payment terms specified in the contract. However, they said that the work requested (damage assessment and cost estimation) fell within the range of activities the contract allowed. They told us that, in the future, they would ensure that they update the payment provisions of any contract to reflect acceptable contract billing before the City authorizes payment.

Nevertheless, City officials could not support the \$77,704 in costs because they billed those costs outside of the payment terms specified in the contract. City officials must establish a contract administration system to adequately monitor contractors' performance and thoroughly verify invoices.

City officials told us that our audit made them aware of the Federal requirements governing the FEMA grant, and that they would quickly take steps to comply with these regulations, including amending their existing



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contracts to include the required provisions;⁶ taking affirmative steps to solicit bids from disadvantaged firms; and improving its contractor monitoring.

California officials did not comment on this finding. FEMA officials generally agreed with our finding.

Finding B: Documenting Costs

The City documented its costs with timesheets, payroll records, invoices, and purchase orders. However, the City's policies, procedures, and practices were not sufficient to ensure that they adequately documented all costs in accordance with Federal requirements. As a result, the City could not always support labor and contract costs, as Federal regulations require.

According to Federal regulations, subgrantees must maintain accounting records that adequately identify the source and application of Federal funds and maintain source documentation to support those accounting records (44 CFR 13.20(b)(2) and (6)). We identified several areas where the City did not comply with these regulations:

- Labor Costs. The City's timesheets did not identify the specific administrative activities that its employees performed. According to the State Administrative Plan (p. 26, *Eligible Costs*), costs for activities not tied to a specific project—including attending kickoff meetings and developing initial damage assessment—are indirect costs. Because indirect costs are not eligible for direct reimbursement, without sufficient documentation of the specific tasks its employees performed, we cannot determine the eligibility of those costs.
- Contract Costs. The City did not maintain sufficient documentation to support its contract costs. This occurred because the City did not obtain payroll and equipment records that provided sufficient detail the contract required. For example, the City could only support 360 contract labor hours out of 736 charged to disaster work; could not support any of the equipment hours; or explain why the equipment hours exceeded the operator hours. City officials said they had made repeated requests to the contractor and would continue to work with the contractor to obtain the supporting documents.

City officials told us that our audit helped them identify improvements needed for their documentation process. They said they were developing procedures

⁶ At the time of this report, the City has already drafted supplementary provisions for FEMA-funded projects.



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and templates for task-oriented timesheet reporting, as well as additional timesheets and invoice review procedures.

California officials did not comment on this finding. FEMA officials generally agreed with our finding.

Finding C: Project Cost Accounting

The City's policies and procedures were not sufficient to ensure that it accounted for costs properly. We determined that the City has charged ineligible costs to specific disaster-work accounts and has not developed a proper method for allocating contract cost incurred for multiple projects.

As of February 16, 2016, the City had accumulated \$1,269,395 in costs for emergency protective measures, debris removal, and revisions to its master rebuilding plan.⁷ As the City incurs additional costs, it could benefit from a more effective method of project cost accounting to ensure costs charged to FEMA projects are eligible and allocable.

Federal regulations stipulate that—

- subgrantees must account for large project expenditures on a project-by-project basis (44 CFR 206.205(b));
- subgrantees must follow Office of Management and Budget cost principles and agency program regulations in determining the allowability and allocability of costs (44 CFR 13.20(b)(5)); and
- a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to that cost objective in accordance with relative benefits received (2 CFR 225, Appendix A, Section C.3.a).

However, we determined that the City—

- charged a variety of ineligible costs directly to specific disaster-work accounts, including—
 - regular time of permanent employees for debris removal;⁸
 - costs incurred after the regulatory 6-month deadline for debris removal;⁹

⁷ The City has not yet submitted cost claims for FEMA reimbursement.

⁸ For debris removal and emergency protective measures, regular time labor of permanent employees is not eligible (FEMA 322, June 2007, p. 42, Eligibility and FEMA Policy 9525.7, *Labor Costs-Emergency Work*).



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- indirect costs based on City employee's labor;¹⁰ and
- had not developed a proper method for allocating contract cost incurred for multiple projects. The City had incurred a total \$264,616 in landscape architecture contractor costs. It allocated \$64,063 of this amount in landscape architecture contractor costs to its debris removal project.¹¹ This allocation was inappropriate because the majority of these costs were not associated with debris removal. Further, the City allocated the remaining \$200,553 (\$264,616 less \$64,063) to a separate account associated with developing its master rebuilding plan and obtaining permits. Rather, the City should have allocated the \$264,616 of landscape architecture contractor costs specifically to the 12 rebuilding projects that FEMA has approved. However, the City has not yet established a method to allocate these costs.

City officials told us that our audit helped them to identify the types of costs that would be ineligible. They said, however, that they did not charge ineligible costs directly to specific disaster-work accounts because they have not yet screened the City's costs to determine eligibility. They said they would allocate eligible costs to FEMA projects once FEMA helps them consolidate and reformulate the project documentation. We reiterate that the City must establish an accounting system that segregates FEMA-eligible costs from ineligible costs.

City officials also said that they have a proper method for allocating costs because they could create specific project codes that align with specific FEMA documents and will set up these project codes after finalizing the project documentation with FEMA. The City told us that it was developing additional review procedures to separate ineligible costs and appropriately allocate eligible costs.

The City, when allocating costs, must follow Federal regulations (i.e., 2 CFR 225, Appendix A, Section C.3.a). These regulations require the City to demonstrate the project receiving the allocated costs benefited from the services associated with the costs. The City's documents indicated the \$64,063 charged to the City's debris removal project was for developing its master rebuilding plan and obtaining a Forest Service permit. However, because the debris removal project did not need the plan or permit, the \$64,063 was not allocable to the debris removal project.

⁹ Debris removal must be completed within 6 months of the Federal disaster declaration to be eligible for funding (44 CFR 206.204(c) and FEMA 322, June 2007, p. 138, *Project Management*).

¹⁰ Federal regulations stipulate that indirect costs cannot be directly charged to a project (44 CFR 207.6(b)).

¹¹ The \$64,063 is part of the \$77,704 discussed under Finding A, *Procurement*.



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California officials did not comment on this finding. FEMA officials generally agreed with our finding.

Finding D: Insurance

City officials were not fully aware of FEMA's insurance requirements, as well as FEMA's insurance review process, until we advised them. The City estimates its total rebuilding costs (including code-related upgrades and optional improvements) may approach \$40 million.¹² The City's insurance is capped at nearly \$32 million. Therefore, the City may receive FEMA funding for the remaining eligible rebuilding costs.

We discussed Federal regulations and FEMA policy on insurance with the City. These rules stipulate that FEMA cannot provide assistance for disaster-related losses that duplicate benefits available to an applicant from another source (including insurance) and that FEMA must reduce the amount of funding for eligible work by the amount of any actual (or anticipated) insurance proceeds available for that work (44 CFR 206.250). These rules also require the City to obtain and maintain insurance in the amount of eligible disaster assistance as a condition of receiving Federal assistance. We told them that, if they do not meet this requirement, FEMA will not provide assistance for damage sustained in the current or a future disaster of the same type (44 CFR 206.253(b)(1)) and FEMA *Public Assistance Guide* (FEMA 322), June 2007, p. 123).

City officials said that they agree with our finding and were not fully aware of these requirements before our audit. They told us that they are completing documents needed to support the costs of damages and continuing to work with their insurance carrier to obtain the insurance reimbursement.

California officials did not comment on this finding. FEMA officials generally agreed with our finding.

Finding E: Grant Management Issues

City officials were not sufficiently familiar with Federal rules for procurement, cost eligibility, documenting disaster costs, and insurance under the FEMA grant. City officials told us they have managed about \$24 million in FEMA grant funds for disasters from 1989 to the present. However, they have not yet established policies, procedures, and business practices to adequately account for and expend FEMA grant funds according to Federal regulations and FEMA

¹² On April 20, 2016, City official told us the estimated total costs might exceed \$50 million.



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guidelines. Therefore, they could use additional assistance from California (and FEMA).

Federal rules require California to perform grant management and oversight by ensuring that subgrantees are aware of requirements that Federal statutes and regulations impose on them (44 CFR 13.37(a)(2)); and managing the day-to-day operations of subgrant activity and monitor subgrant activity to assure compliance with applicable Federal requirements (44 CFR 13.40(a)).¹³

City officials agreed with this finding. They told us that some of their challenges occurred because the major Federal disaster declaration occurred 3 months after the disaster and that the City had already incurred a significant portion of the audited costs by that time. They also said that the City does not own the land where the disaster occurred, so their primary focus has been to work with the U.S. Forest Service (who owns the land) to secure support for rebuilding the camp. They emphasized to us that, until our audit, they had not performed detailed planning for the FEMA grant and our audit has therefore accelerated their actions related to the FEMA grant. They said they will implement FEMA grant management procedures in the coming months to ensure effective procurement, cost documentation, accounting, and insurance coverage are consistent with Federal requirements.

California and FEMA officials generally agreed with this finding and noted that our audit motivated their increased involvement in managing this grant, including the coordination of environmental compliance reviews and approvals. Until our audit, these officials were waiting for notification from the City about the status of its Forest Service permit for rebuilding the camp in the area. These officials were not aware that the City had obtained initial clearance and was already moving forward with plans to rebuild the camp. City, California, and FEMA officials increased their collaboration because of our audit. FEMA officials said they would start work with the Forest Service to expedite the environmental review process.

FEMA said it would continue to work closely with California and its subgrantees (like the City)—via seminars, classes, and discussions—to ensure that they understand and properly execute all applicable Federal grant requirements. They told us that on April 14, 2016, FEMA Region IX's Public Assistance senior leadership held a meeting with California officials to articulate the need for increased monitoring of subgrant activities and providing additional learning opportunities for subgrantees.

¹³ Further, California's Administrative Plan for Federal Disaster Assistance stipulates that California is responsible for monitoring the City and ensuring compliance with grant requirements.



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Recommendation

We recommend that the Regional Administrator, FEMA Region IX:

Recommendation 1: Direct California to increase monitoring of the City's policies, procedures, and subgrant activities and provide additional technical advice and assistance to ensure the City complies with all applicable Federal grant requirements—particularly those related to procurement, record-keeping, accounting, and insurance—to avoid improperly spending \$8,367,654 (Federal share \$6,275,741) of the net award.

Discussion with Management and Audit Follow-Up

We discussed the results of our audit with FEMA, California, and City officials during our audit and included their comments in this report, as appropriate. We also provided a draft report in advance to these officials and discussed it at exit conferences with FEMA officials on March 30, 2016, and with City and California officials on April 13, 2016.

FEMA provided official, written comments to our draft report on April 27, 2016 (appendix B). FEMA concurred with our findings and recommendation, and it has taken the actions we recommended. Therefore, we consider our recommendation resolved and closed and require no further action by FEMA.

The Office of Emergency Management Oversight major contributors to this report are Humberto Melara, Director; Devin Polster, Audit Manager; Connie Tan, Auditor-In-Charge; and Lance Louie, 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.



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Appendix A

Objective, Scope, and Methodology

We audited FEMA Public Assistance grant funds awarded to the City, Public Assistance Identification Number 001-06000-00. Our audit objective was to determine whether the City’s policies, procedures, and business practices are adequate to account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines for Disaster Number 4158-DR-CA. California, a FEMA grantee, approved \$12,236,875 for damages resulting from wildfires from August 17, 2013, through October 24, 2013. The award provided 75 percent FEMA funding for 13 large projects.¹⁴ As of February 16, 2016, FEMA had obligated funds for one project and the City documented \$1,269,395 in total costs for emergency protective measures, debris removal, and revisions to its master rebuilding plan.¹⁵ The City has not yet claimed costs for FEMA reimbursement.

Table 1: Gross and Net Approved Amounts and Amount Audited			
Gross Amount FEMA Approved	Insurance Reductions	Net Amount FEMA Approved After Insurance Deductions	Amount Audited
\$12,236,875	\$3,869,221	\$8,367,654	\$1,269,395

Source: FEMA project documentation

To accomplish our objectives, we interviewed FEMA, California, and City officials; assessed the adequacy of the policies, procedures, and business practices the City uses or plans to use to account for and expend Federal grant funds and to procure and monitor contracts for disaster work; 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 objective. As part of our standard audit procedures, we also notified our Office of Information Technology Audits of all contracts the subgrantee awarded under the grant that we reviewed to determine whether the contractors were debarred or

¹⁴ Federal regulations in effect at the time of the disaster set the large project threshold at \$68,500 [Notice of Adjustment of Disaster Grant Amounts, 78 Fed. Reg. 64,232 (Oct. 28, 2013)].

¹⁵ FEMA officials told us that they approved the remaining 12 projects but will not obligate funding until they complete their reviews for compliance with environmental requirements.



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Appendix A (continued)

whether there were any indications of other issues related to those contractors that would indicate fraud, waste, or abuse. As of the date of this report, the Office of Information Technology Audits' analysis of contracts was ongoing. When it is complete, we will review the results and determine whether additional action is necessary. We did not perform a detailed assessment of the City's internal controls over its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between February and March 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's Comments to the Draft Report

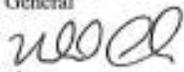
U.S. Department of Homeland Security
Region IX
1111 Broadway, Suite 1200
Oakland, CA 94607-4052



FEMA

APR 27 2016

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

FROM: Robert J. Fenton 
Regional Administrator
FEMA Region IX

SUBJECT: FEMA-4158-DR-CA
Subgrantee: City of Berkeley; PA ID: 001-06000-00
Response to Draft Audit Report OIG-16-XXX-D
FEMA Log: 309557.2

On March 30, 2016, the Office of Inspector General (OIG) Western Regional Office transmitted the draft audit report *FEMA and California Need to Assist the City of Berkeley, to Improve the Management of a \$12 Million FEMA Grant*. The OIG audited the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to the City of Berkeley, California (City). The audit report listed the following recommendation based on findings related to offering the California Governor's Office of Emergency Services (Cal OES), as grantee, additional guidance:

- **Recommendation 1:** Direct Cal OES to increase monitoring of the City's policies, procedures, and subgrant activities and provide additional technical advice and assistance to ensure the City complies with all applicable Federal grant requirements – particularly those related to procurement, record-keeping, accounting, and insurance – to avoid improperly spending \$8,367,654 (Federal share \$6,275,741) of the net award.

FEMA's Response to Recommendation 1: Concur. FEMA works closely with Cal OES and all California subgrantees to ensure that all applicable Federal grant requirements are understood and properly executed. This is an ongoing and interactive process with seminars, classes, and discussions. Specifically, Cal OES disseminates information related to procurement, record-keeping, accounting, and insurance during the Applicants' Briefing at the beginning of each new disaster. FEMA then reiterates the information during the Kick-off Meeting. To stress the importance of this information reaching not only the City but all subgrantees, on April 14, 2016, FEMA Region IX's Public Assistance senior leadership held a meeting with Cal OES representatives to

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Appendix B (continued)

*Mr. Humberto U. Melara
Draft Audit Report OIG-16-XXX-D
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articulate the need for increased monitoring of subgrant activities and providing additional learning opportunities for subgrantees. FEMA acknowledges OIG Recommendation 1 and will continue to support Cal OES' efforts and obligation to educate and assist public assistance applicants throughout California.

In summary, FEMA concurs with the recommendation. FEMA has taken the actions noted above. FEMA requests closure of the recommendation.

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



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Appendix C

Table 2: Summary of Potential Monetary Benefits		
Type of Potential Monetary Benefit	Total	Federal Share
Questioned Costs – Ineligible	\$0	\$0
Questioned Costs – Unsupported	0	0
Funds Put to Better Use (Other Savings)	8,367,654	6,275,741
Total	\$8,367,654	\$6,275,741

Source: OIG analyses



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Appendix D

Report Distribution

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