MEMORANDUM

TO: David I. Maurstad, Regional Director
   FEMA Region VIII

FROM: Tonda L. Hadley, Field Office Director

SUBJECT: Wyoming State Forestry Division
         Cheyenne, Wyoming
         FEMA Disaster Number 2367-FS-WY
         Public Assistance Identification Number 000-UDLS2-00
         Audit Report Number DD-05-04

The Office of Inspector General (OIG) audited fire suppression assistance funds awarded to the Wyoming State Forestry Division, Cheyenne, Wyoming (SFD). The objective of the audit was to determine whether SFD expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

SFD received an award of $2.67 million from the Wyoming Emergency Management Agency (WEMA), a FEMA grantee, for damages resulting from the Green Knoll forest fire in July 2001. The award provided 100 percent FEMA funding for one project in accordance with a cost share agreement between SFD and Bridger Teton National Forest. This agreement allocated 100 percent of the law enforcement costs and 15 percent of all other fire suppression costs, except aviation costs, to SFD for the incident period July 26, 2001, through August 8, 2001. The aviation costs for the period July 26, 2001, through July 31, 2001, were allocated to SFD at 50 percent. The audit covered the period July 26, 2001, to July 22, 2002, during which SFD claimed $2.67 million and WEMA disbursed $2.67 million in FEMA funds for direct program costs. The OIG examined 100 percent of the costs of this project totaling $2.67 million.\footnote{Because of the cost share agreement, the OIG examined total costs of $9.88 million in order to examine the $2.67 million allocated to SFD.}

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of SFD’s accounting records, a judgmental sample of project expenditures, and other auditing procedures considered necessary under the circumstances.
RESULTS OF AUDIT

SFD did not expend and account for FEMA funds according to federal regulations and FEMA guidelines. SFD’s claim contained $341,294\(^2\) in questioned costs (100 percent FEMA share), consisting of unsupported costs based on estimates ($316,167), ineligible land rehabilitation costs ($14,617), and unsupported equipment costs ($10,510).

Finding A: Payments Based on Estimates

SDF’s claim included $316,167 in unsupported costs based on estimated costs that exceeded actual costs. According to Office of Management and Budget (OMB) Circular A-87, Attachment A, paragraphs C.1.e. and C.1.j., allowable costs under a federal award must be accumulated according to policies and procedures applied uniformly to both the federal award and other activities of the SFD and must be adequately documented. Filing, approving, or paying costs based on estimates did not comply with federal regulations. Because WEMA accepted estimates rather than actual costs and failed to examine supporting documentation, SFD received reimbursements that exceeded expenditures by $316,167.

WEMA provided no documentary evidence to substantiate that it required SFD to submit an accounting of actual costs before paying the claim. The Single Audit Report of the State of Wyoming reported this condition as inaccurate quarterly Financial Status Reports resulting from SFD not reporting actual expenditures to WEMA and WEMA basing its quarterly and annual reports on this inaccurate data.

Additionally, FEMA Region VIII did not require WEMA or SFD to account for actual costs prior to closing the project. Region officials obtained a letter from SFD justifying its actions after the OIG informed them of the pending audit. This letter, dated May 16, 2003, stated, “The reason we [SDF] based the final cost on ICARS [United States Department of Agriculture Forest Service’s (USDA FS) Incident Cost Accounting and Reporting System] and identified it in the Cost Share Agreement was to expedite the billing and payment process.” The letter further states, “Cost to date of Green Knoll vs. our share of $2,710,058.12 would have been significantly higher had we waited for the final costs to be gathered, not to mention the time frame would have been significantly longer.” However, the OIG found no evidence to support this assumption and, in fact, found that the estimates exceeded actual costs. Therefore, the OIG questioned unsupported costs in three categories: hand crew, aviation, and law enforcement.

- $208,797 for Hand Crew Costs. SFD based its claim for hand crew costs on an ICARS estimate that exceeded actual costs by $208,797. The ICARS estimate was based on 20-person crews expected to be working on specific days and the number of crews included all crews regardless of their agency origin. Federal agencies other than the USDA FS, such as the Bureau of Indian Affairs and the Bureau of Land Management, receive their own fire suppression funding and pay their own crews, regardless of the fire location. SFD’s Mini Mobilization Plan 2001, paragraph 46.A.1, Billing Procedures, states, "Federal Agencies will not bill each other for fire suppression support.” Additionally,\(^2\)

\(^2\) The $341,294 is questioned costs after the cost share agreement apportionment. The questioned costs before apportionment was $1,763,108 out of $9,878,752.
Interagency Hand Crews were comprised of team members from different federal agencies and SFD was responsible for payment of only the USDA FS crewmembers on these teams.

Of the 56 crews on the Green Knoll fire, 34 were employed and paid, in whole or in part, by other federal agencies. These salaries should not have been included in the SFD claim.

In addition to 44 CFR 13.20(b)(2) and (6), which require detailed accounting records be maintained, item I. H. of attachment 9 to the Wyoming Public Assistance Administrative Plan states, "Detailed record keeping and documentation is critical due to the questions of cost eligibility and duplication of benefits when dealing with fire suppression activities involving various federal, state, local and volunteer agencies and organizations and the potential intermixed land ownership." Despite federal and state requirements for detailed record keeping and documentation requirements, SFD did not adjust its claim to reflect actual salaries, actual numbers of crewmembers working the fire on specific days, or the actual makeup of the crews.

- **$96,243 for Aviation Costs.** SFD based its claim for aviation and fire retardant costs on an ICARS estimate that exceeded actual cost by $96,243. Specifically, the $96,243 consisted of $52,065 for ICARS estimated usage exceeding actual usage, $19,221 for ICARS calculation rates exceeding contract rates, and $24,957 for ICARS estimates exceeding actual vendor payments. According to 44 CFR 13.20 (b)(6), accounting records must be supported by source documentation, such as cancelled checks, paid bills, and contract and subgrant award documents.

- **$11,127 for Law Enforcement Costs.** SFD’s claim included $11,127 for ineligible law enforcement costs based on ICARS estimates. However, these costs were incurred prior to the incident period. According to 44 CFR 206.394(c)(2), any costs not incurred during the incident period are ineligible for FEMA payment.

**Finding B: Ineligible Land Rehabilitation Costs**

SFD’s claim included $14,617 in ineligible land rehabilitation costs. According to 44 CFR 206.394(c)(1), any costs for pre-suppression, salvaging timber, restoring facilities, and seeding and planting operations are ineligible for FEMA funding. Additionally, the FEMA Fire Suppression Assistance Handbook, DAP-4 section 3-3(c)(1), specifies that land rehabilitation and erosion control expenses are not eligible for FEMA funding. Therefore, the OIG questioned these costs as ineligible.

**Finding C: Unsupported Equipment Costs**

SFD’s claim included $10,510 in unsupported engine equipment payments. The OIG found three instances of no payments to a vendor and six instances of math or rate errors. According to 44 CFR 13.20 (b)(6), accounting records must be supported by source documentation, such as cancelled checks, paid bills, and contract and subgrant award documents. Accordingly, the OIG questioned these costs as unsupported.
RECOMMENDATIONS

The Office of Inspector General recommended that the Regional Director of FEMA Region VIII, in coordination with the Wyoming State Forestry Division:

1. Disallow $341,294 of questioned costs.

2. For future Federal Emergency Management Agency fire suppression grants, require grantees and subgrantees to review source documentation to support claims for payments made to federal agencies, including the United States Department of Agriculture Forest Service, and to maintain detailed records of those reviews. At a minimum, grantees and subgrantees should select samples of billed costs and request source documents to support the sampled items.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of this audit with officials from FEMA Region VIII, WEMA, and SFD on October 23, 2003. SFD officials disagreed with the findings and recommendations. They stated they would further research the findings and the OIG provided them with copies of relevant working papers.

Please advise this office by January 12, 2004, of the actions taken or planned to implement the recommendations, including target completion dates for any planned actions. If you have questions concerning this report, please contact me at (940) 891-8900. Major contributors to this report were Daniel Benbow and Cheri Kennedy.