



Homeland  
Security

April 3, 2006

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

*Robert J. Lastrico*

FROM: Robert J. Lastrico  
Director, Grant Program Management Audit Division

SUBJECT: *Audit of San Francisco Unified School District  
San Francisco, California  
Public Assistance Identification Number 075-91003  
FEMA Disaster Number 0845-DR-CA  
Audit Report Number DS-02-06*

The Office of Inspector General (OIG) audited public assistance grant funds awarded to the San Francisco Unified School District, San Francisco, California (District). The objective of the audit was to determine whether the District expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The District received a public assistance grant award of \$14.7 million from the California Office of Emergency Services (OES), a FEMA grantee, for emergency protective measures, permanent work and improved project funding for a new administrative building in lieu of repairing the facilities damaged as a result of the Loma Prieta Earthquake that occurred on October 17, 1989. The award provided 75 percent federal funding for 11 large projects and 70 small projects.<sup>1</sup> The audit covered the period October 17, 1989 to September 30, 2005, and included a review of 11 large projects with a total award of \$14.4 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 a review of FEMA, OES, and District records, a judgmental sample of project expenditures, and other auditing procedures considered necessary under the circumstances.

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<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$36,500.

## RESULTS OF AUDIT

The District generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines for 5 of 11 large projects reviewed. However, for six other large projects, OIG questioned \$619,045 in costs claimed by the District (FEMA’s share of the questioned amount is \$464,284). The amount questioned consisted of \$610,768 in unsupported costs, and \$8,277 for duplication of benefits.

### **Finding A – Unsupported Costs**

The District claimed \$610,768 in project costs that were not supported with documentation proving the charges were disaster related. According to 44 CFR § 13.20(b)(2), the District is required to maintain accounting records that identify how FEMA funds are used. While this disaster occurred in October 1989, 44 CFR § 13.42 required the District to retain financial and programmatic records for 3 years from specified starting dates. If any action involving the records, such as litigation, audit, etc., has begun before the expiration of the 3-year period, the records must be retained until its completion. In 1999, OES forwarded to FEMA its “Project Completion and Certification Report”. However, FEMA did not close out the District’s award until March 27, 2003 when it determined that all applicable administrative actions and all required work had been completed (see 44 CFR § 13.50). Since the award was not closed until March 2003, the District should have retained all necessary records to support its claim until March 26, 2006, or for 1 year after this audit began. Details regarding the unsupported costs are provided below.

- For the five projects shown in Table 1, the District’s records did not include documentation such as invoices and cancelled checks to support \$131,435 of the District’s claim. The projects provided funding for disaster costs relating to relocation, emergency protective measures, and permanent repairs to school grounds. However, the District could not produce documentation to support the costs it claimed for these projects.

**Table 1**

Project Number	Scope of Work	Costs Claimed But Not Supported
93835	Relocation	\$ 12,410
91009	Relocation	24,981
92027	Emergency Protective Measures	50,804
92024	Emergency Protective Measures	38,120
72155	Repairs to a School	5,120
Total		<u>\$131,435</u>

- For one improved project, District records did not support \$479,333 of the claimed expenditures. The improved project provided funding of \$13,653,931 to cover expenditures relating to the purchase and renovation of a new administrative facility, relocating of staff, and the mothballing of a District facility also damaged by the disaster. The source of the funding was a combination of four different large projects FEMA had previously approved to repair the damaged

administrative facility.<sup>2</sup> Records identified that FEMA funds were the only source of revenue applied to the project, and included documentation for only \$13,174,598 of the amount claimed and did not support \$479,333 (\$13,653,931-\$13,174,598).

District officials agreed that their records did not include sufficient documentation to support the amounts claimed for the projects and stated they would continue searching for records and provide those records to FEMA when responding to the final report. In regards to the improved project, District officials stated that the District incurred additional renovation costs subsequent to the acquisition and occupancy of the new facility. Those officials however, did not provide us any documented evidence that identified the additional work and related costs, or proof that the work performed was disaster related and approved by FEMA. Since District records did not support the amounts claimed, the OIG questioned \$610,768 (\$131,435 + \$479,333).

### **Finding B - Duplication of Benefits**

The District's claim for project 72155 included \$8,277 in duplicative costs. The costs pertained to disaster repairs reimbursed by both FEMA and the U.S. Department of Education (ED). The District agreed that the costs were paid by both federal agencies. While local educational agencies, such as SFUSD, may receive disaster assistance from both FEMA and ED, the Stafford Act does not allow funding for identical costs paid under ED's program.

### **RECOMMENDATION**

The OIG recommends that the Acting Regional Director, FEMA Region IX, in coordination with OES, disallow \$610,768 in unsupported costs, and \$8,277 in duplicative benefits claimed by the District.

### **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW UP**

We discussed the results of this audit with District officials and OES on December 19, 2005. Comments made by District officials are incorporated in each finding above. We also notified FEMA officials of the audit results on December 15, 2005.

Please advise this office by June 2, 2006 of any actions taken in response to the recommendation in this report. Should you have any questions concerning this report, please contact me at (510) 637-1461. Key contributors to this assignment were Humberto Melara, Jack Lankford, Paulette Solomon, Sabinus Njoku and Apolinar Tulawan.

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<sup>2</sup> The improved project consisted of damage survey reports (DSR) 71041, 71049, 88819 and 88820. A separate master DSR was not assigned for the acquisition and renovation of the new administrative facility.

Schedule of Audited Projects  
 San Francisco Unified School District  
 Public Assistance Identification Number 075-91003  
 FEMA Disaster Number 0845-DR-CA

Project Number	Award Amount	Questioned Costs	Finding Reference
<u>Improved Project</u>			
88820	\$10,906,532		
71049	2,600,842		
71041	106,557		
88819	<u>40,000</u>		
Subtotal	13,653,931	\$479,333	A
93835	220,429	12,410	A
92027	120,183	50,804	A
91009	137,061	24,981	A
89724	45,500	0	
92024	53,127	38,120	A
93834	139,337	0	
72155	<u>53,439</u>	<u>13,397</u>	A, B
Total	<u>\$14,423,007</u>	<u>\$619,045</u>	

Finding Reference Legend

A – Unsupported Costs

B – Duplication of Benefits