



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General – Office of Audits
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November 24, 2003

MEMORANDUM

TO: Jeff Griffin
Regional Director
FEMA Region IX

Robert J. Lastrico

FROM: Robert J. Lastrico
Field Office Director

SUBJECT: County of San Mateo, California
Public Assistance Identification Number 081-00000
FEMA Disaster Number 1203-DR-CA
Audit Report Number DS-03-04

The Office of Inspector General (OIG) audited public assistance funds awarded to the County of San Mateo, 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 award of \$3.0 million from the California Office of Emergency Services (OES), a FEMA grantee, for debris removal and emergency and permanent repairs to structures damaged as a result of flooding. The disaster period was from February 2, 1998, to April 30, 1998. The award provided for 75 percent FEMA funding for 13 large projects and 27 small projects.¹ The audit covered the period February 2, 1998, to September 20, 2002, and included a review of eight large projects and seven small projects with a total FEMA award of \$2.5 million (see Exhibit).

¹ Federal regulations in effect at the time of the disaster defined a large project as one costing \$47,100 or more and a small project as one costing less than \$47,100.

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The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended and in accordance with generally accepted government auditing standards. The audit included the review of FEMA, OES, and County records, and other auditing procedures determined necessary under the circumstances.

RESULTS OF AUDIT

The County's claim included questionable costs of \$279,994 (FEMA's share - \$209,996). The questionable costs consisted of \$102,072 for overstated and ineligible force account labor costs, \$74,082 for costs not identified in the County's project scope, \$73,677 for unsupported project costs, and \$30,163 for duplicate claims and accounting errors.

Finding A – Overstated and Ineligible Force Account Labor Costs

The County's claim for projects 51074, 51082, and 51083 contained \$102,072 in questionable labor costs relating to overstated overtime fringe benefits costs and ineligible non-productive time. For all three projects, the County claimed these costs based on estimated rates rather than actual costs incurred.

- For projects 51074 and 51082, the County's Department of Public Works (DPW) claimed \$60,911 in overstated fringe benefits and \$17,926 in ineligible non-productive time (total \$78,837). Overtime labor costs for these two emergency category projects included fringe benefits and non-productive time costs of \$58,893 for project 51074, and \$32,522 for project 51082. DPW's claim for fringe benefits and non-productive time was determined by using rates (50.06 and 20.48 percents, respectively) that were based on the average projected annual regular or straight-time earnings for all DPW employees rather than on the actual marginal increase in fringe benefits costs associated with overtime earnings. The County's official payroll records showed that the allowable overtime fringe benefits rate for DPW employees was 13.64 percent rather than the 50.06 percent claimed by the County. These payroll records also showed that the 20.48 rate claimed for non-productive time was not an overtime labor cost and therefore, not eligible for FEMA reimbursement.
- For project 51083, the County Sheriff's Department claimed \$12,230 in overstated fringe benefits and \$11,095 in non-productive time (total \$23,235). Overtime labor costs for this emergency category project included overtime fringe benefit and non-productive time costs of \$27,617. The Sheriff's Department overstated its fringe benefits claims because its financial analyst computed each employee's average fringe benefits rate based on the employee's total straight and overtime earnings and the fringe benefits paid rather than on the actual marginal increase in fringe benefits costs associated with overtime earnings.

Also, the Sheriff applied to overtime earnings a 15.60 percent rate for non-productive time that was based on straight time costs. The audit determined that the allowable overtime fringe benefits benefit rate for the Sheriff's Department was 8.64 percent rather than the multiple overstated rates computed for each employee; and that the 15.60 claimed for non-productive time was not an overtime labor cost and therefore, not eligible for FEMA reimbursement.

Title 44, of the Code of Federal Regulations, Section 13.20(b)(6) [44 CFR 13.20(b)(6)], requires the County to maintain accounting records that are supported with source documentation such as payroll records. In addition, according to Office of Management and Budget Circular A-87, Attachment B, Section 11.d(1), the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, government unit, employee agreement, or an established policy of the governmental unit. Since the County did not claim the actual marginal increase in fringe benefits costs associated with overtime earnings, claimed ineligible costs associated with non-productive time, and the costs claimed were neither supported nor reasonable, the \$102,072 was questioned.

Finding B – Costs Not Identified in the County's Project Scope

The County's claim for project 51074 included \$74,082 of costs that were not identified to DPW's scope of work as storm related damage. DPW's scope of work called for emergency storm related debris removal for 1,600 linear feet at a location described as Cupid's Row canal. This work was specifically identified by the County to include the re-cleaning of debris from an ongoing maintenance project. The County claimed \$104,831 for debris removal costs; however, project records showed that \$74,082 represented costs associated with regular and continuing maintenance work and specifically included costs incurred before the disaster period. The work included removal of debris and vegetation for an additional 4,400 linear feet of the Cupid's Row canal and 800 linear feet of an adjacent area identified as the North Channel. The additional work claimed by the County was not related to the disaster and was not identified in DPW's scope of work for the project.

According to 44 CFR 206.223(a)(1), an item of work must be required as the result of the major disaster event to be eligible for financial assistance. Therefore, the OIG questioned \$74,082 as costs outside the County's scope of work for the project.

Finding C– Unsupported Project Costs

The County's claims for projects 95766, 51082, and 95769 included \$73,677 of costs not supported with invoices, cancelled checks, or similar documentation.

- For project 95766, the County claimed \$397,076; however, project records supported only \$330,912. The \$66,164 difference was unsupported.

- For project 51082, the County claimed \$718,187; however, project records supported only \$711,187. The \$7,000 difference was unsupported.
- For project 95769, the County claimed force account labor at \$38,947; however, actual labor costs were \$38,434. Therefore, \$513 was unsupported.

According to 44 CFR 13.20(b)(6), the County is required to maintain accounting records that are supported by source documentation. Since the County's project records did not support all costs claimed, \$73,677 was questioned.

Finding D – Duplicate Claims and Accounting Errors

The County's claim for three projects included \$30,163 in duplicate costs and accounting errors.

- For project 51074, the County claimed \$26,986 of duplicate debris disposal costs. Specifically, DPW and the Sheriff's Department both claimed \$26,620 for the same invoices supporting project 51074 and supplemental project 96559. Also, the County claimed \$366 twice, once as an in house cost and once as a contract cost.
- For project 51083, the County's claim included duplicate costs of \$2,741 for emergency water purchases, and photographs and film. The County purchased 770 gallons of water from a vendor. The vendor invoiced this purchase twice on different dates; however, both invoices were for the same delivery. Because the County claimed the costs billed on both invoices, a duplicate claim of \$2,695 occurred. The remaining \$46 for photographs and film duplicated costs covered by FEMA's statutory administrative allowance.
- As a result of an accounting error for project 51082, the County's claim included a cost of \$436 for emergency electric power that was for a time period that began more than 7 months prior to the disaster incident period. This cost was clearly not related to the disaster and therefore, ineligible for FEMA reimbursement.

According to 44 CFR 13.22(a), grant funds may be used only for the allowable costs of the grantees, subgrantees and cost-type contractors. Duplicate claims and accounting errors by the County are not allowable costs. Therefore, the \$30,163 discussed above was questioned.

RECOMMENDATION

The OIG recommends that the Regional Director, FEMA Region IX, in coordination with OES, disallow questioned costs of \$279,994.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of this audit with County and OES officials on October 27, 2003. These officials concurred in principle with the findings and recommendation. The OIG also notified FEMA Region IX officials of the audit results on October 28, 2003.

Please advise this office by January 23, 2004, of 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 Humberto Melara, Brian Byrne, and James Kane.

Schedule of Audited Projects
 County of San Mateo
 Public Assistance Identification Number 081-00000
FEMA Disaster Number 1203-DR-CA

Project Number	Amount Awarded	Amount Questioned	Finding Reference
Large Projects			
39896	\$ 133,335	\$ 0	
51074	574,507	154,745	A,B,D
51082	718,187	32,596	A,C,D
51083	238,748	25,976	A,D
59028	75,586	0	
95762	134,214	0	
95766	397,076	66,164	C
95769	<u>183,232</u>	<u>513</u>	C
Subtotals	<u>\$2,454,885</u>	<u>\$279,994</u>	
Small Projects			
51073	\$ 25,063	\$ 0	
50177	2,879	0	
51078	12,711	0	
51079	10,201	0	
51080	2,408	0	
51081	9,142	0	
05477	<u>19,673</u>	<u>0</u>	
Subtotals	<u>\$ 82,077</u>	<u>\$ 0</u>	
Totals	<u>\$2,536,962</u>	<u>\$279,994</u>	

Legend

- A. Overstated and Ineligible Force Account Labor Costs
- B. Costs Not Identified in the County's Project Scope
- C. Unsupported Project Costs
- D. Duplicate Claims and Accounting Errors