



Homeland Security

April 7, 2009

MEMORANDUM FOR: Karen Armes
Acting Regional Administrator
FEMA, Region IX

FROM: *Robert J. Lastrico*
Robert J. Lastrico
Western Regional Director

SUBJECT: *Ventura County Watershed Protection District*
Ventura, California
Public Assistance Identification Number 111-UL4GF-00
FEMA Disaster Number 1585-DR-CA
Audit Report Number DS-09-03

The Office of Inspector General audited public assistance grant funds awarded to the Ventura County Watershed Protection District, Ventura, 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 subgrant award of \$5.5 million from the California Office of Emergency Services (now the California Emergency Management Agency - Cal EMA), a FEMA grantee, to cover damages caused by flooding that occurred in February 2005. The award provided 75% federal funding for 12 large projects¹ and 43 small projects. We reviewed six large projects with a total award of \$4.2 million and three small projects with a total award of \$84,568 (see Exhibit). The audit covered the period February 16, 2005, to December 4, 2008.

We conducted this performance audit under the authority of 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 on our audit objective. The evidence obtained during the audit provides a reasonable basis for our findings and conclusions based on our audit objective. We interviewed FEMA, Cal EMA, and District officials; reviewed judgmentally selected samples of cost documentation to support invoices and personnel charges; and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of the District's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of the District's method of accounting for disaster-related costs.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$55,500.

RESULTS OF AUDIT

The District generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines. While District officials intended to claim ineligible, non-disaster debris removal costs relating to the Average Annual Debris Production (AADP) on one project, we brought this matter to the attention of District officials who agreed to reduce claimable project costs to account for the AADP. The AADP has long been used by the District and accepted by FEMA as a means to offset average debris cleanup costs the District would incur on an annual basis. Subsequent to our fieldwork, FEMA Region IX officials informed the District that \$180,424 for the AADP at the same location would be deobligated under disaster number 1577-DR-CA, a disaster that occurred 2 months prior to 1585-DR-CA. As a result, we are not recommending an AADP offset for 1585-DR-CA. Details are discussed below.

Average Annual Debris Production Offset

For debris removal activities related to Las Lajas debris basin [Project Worksheet (PW) 528], the District planned to claim \$628,220 approved by FEMA in the PW and \$7,153 in other eligible engineering and inspection costs, for a total of \$635,373. However, the District did not reduce the amount on the PW to account for its AADP. Since the AADP represents the costs the District would have normally incurred, it is not claimable since Title 44, Code of Federal Regulations, Section 206.223(a)(1) says that to be eligible for financial assistance, an item of work must be required as a result of a major disaster event.

During our field work, the District had not yet provided its final claim to Cal EMA for submission to FEMA. Therefore, we brought this matter to District officials who stated that omission of the AADP offset from the PW was an oversight. District financial personnel told us they relied on FEMA and the county engineers to include the AADP offset in the PW. District financial personnel, working with county engineers, said that the amount it intended to claim was overstated by 4,300 cubic yards of debris, or \$51,041 (4,300 cubic yards times \$11.87 per cubic yard) based on AADP computations the District published in July 2005². District officials stated that this offset was consistent with the calculations for the cleanup activities at other debris basins and was supportable by engineering documentation history. They agreed to reduce their final claim and said they would consider updating their disaster manual and checklist to include a step addressing AADP inclusion and proper calculation.

Subsequent to our field work, FEMA Region IX officials informed Cal EMA that the District's June 2008 final claim under disaster number 1577-DR-CA for the Las Lajas debris basin (PW 1576) would be reduced by \$180,424 because an AADP offset (15,200 cubic yards) was not reflected in actual PW costs claimed. We did not audit the District's claim for disaster number 1577-DR-CA but verified that the narrative for PW 1576 did not mention the AADP offset requirement. Although not mentioned in the narrative, FEMA Region IX officials told us that their April 2005 initial PW estimate excluded costs associated with 15,200 cubic yards of AADP but the actual costs subsequently claimed by the District were not reduced for the AADP. Since FEMA is offsetting the AADP amount for PW 1576 under the prior disaster, a second offset for the disaster occurring 2-months later is not warranted. Therefore, our initial finding and recommendation regarding an AADP offset for the Las Lajas debris basin project under disaster number 1585-DR-CA has been

² Our initial request for AADP computations from the District resulted in an email from county's engineering department stating the AADP was 14,250 cubic yards (\$169,147) which was based on computations published in May 2005.

resolved. However, as a result of FEMA's action on PW 1576 under disaster number 1577-DR-CA, we compared PWs written for both disasters for the other five debris basins in our sample and found inconsistent treatment of the AADP between both disasters. Specifically,

- The PW for one debris basin had no mention of an AADP offset under disaster number 1577-DR-CA,
- Two debris basin PWs indicated that the AADP should be offset against actual costs under disaster number 1585-DR-CA rather than the earlier disaster,
- One PW for a debris basin project under 1577-DR-CA was zeroed out because debris had been cleaned before that disaster, but for 1585-DR-CA, occurring 2-months later; the PW said actual costs would be reduced by the AADP for that basin, and
- One debris basin PW initially identified 2,100 cubic yards of AADP for disaster number 1577-DR-CA which was zeroed out and added it to 6,114 cubic yards of AADP on the PW associated with disaster number 1585-DR-CA.

Consistent treatment of the District's AADP will help ensure that the District receives reimbursement for disaster-related debris removal costs only.

RECOMMENDATION

We recommend that the Acting Regional Administrator, FEMA Region IX, review all debris basin project worksheets for disaster numbers 1577-DR-CA and 1585-DR-CA to ensure AADP offsets have been correctly computed and consistently applied for these back-to-back disasters.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of this audit with District officials on December 4, 2008, and again on March 18, 2009. The District initially agreed to adjust its final claim but due to the situation described above, the District will now resubmit a revised final claim with no ineligible costs related to AADP. We also notified Cal EMA officials of the audit results on February 4, 2009, and on March 18, 2009, and FEMA officials on April 1, 2009.

Please advise this office by June 8, 2009, of the actions taken to implement our recommendation. Should you have any questions concerning this report, please contact me at (510) 637-1482. Key contributors to this assignment were John Richards and Montul Long.

Schedule of Projects Audited
Ventura County Watershed Protection District, CA
Public Assistance Identification Number 111-91042
FEMA Disaster Number 1585-DR-CA

<u>Large Project Number</u>	<u>Amount Awarded</u>
513	\$536,118
528	628,220
676	722,888
684	730,715
674	735,227
691	861,791
Totals	<u>\$4,214,959</u>

<u>Small Project Number</u>	<u>Amount Awarded</u>
662	\$11,025
532	21,892
696	51,651
Totals	<u>\$84,568</u>