



## DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General – Office of Audits

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February 24, 2004

### MEMORANDUM

TO: Jeff Griffin  
Regional Director  
FEMA Region IX

*Robert J. Lastrico*

FROM: Robert J. Lastrico  
Field Office Director

SUBJECT: Audit of California Department of Corrections  
Sacramento, California  
Public Assistance Identification Number No. 000-92018  
FEMA Disaster Number 1203-DR-CA  
Audit Report Number DS-10-04

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

The Department received an award of \$3.5 million from the California Office of Emergency Services (OES), a FEMA grantee, for emergency response and permanent repairs needed due to damage caused by severe winter storms and flooding. The disaster period was from February 2, 1998, to April 30, 1998. The award provided for 75 percent FEMA funding for 52 small projects and 12 large projects.<sup>1</sup> The audit covered the period of February 2, 1998, to

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<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$47,100.

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October 30, 2002, and included a review of four large projects with a total FEMA award of \$2.3 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 Department records, tests of the Department's accounting records, a judgment sample of project expenditures, and other auditing procedures considered necessary under the circumstances.

## **RESULTS OF AUDIT**

The Department sufficiently supported its claim and used federal funds for intended purposes for two of the four projects reviewed. However, the Department's claim for the other two projects included questionable costs of \$38,172 (FEMA share - \$28,629). The questionable costs consisted of \$33,746 in overstated equipment costs for project 51737 and \$4,426 of unsupported force account labor for project 73717.

### **Finding A – Overstated Equipment Costs**

The Department's claim for project 51737 included \$33,746 in overstated equipment costs because the Department used an equipment rate higher than the rate authorized in FEMA's Schedule of Equipment Rates. According to Title 44, Code of Federal Regulations, Section 206.228(a)(iii) [44 CFR 206.228(a)(iii)], reimbursement for ownership and operation costs of applicant-owned equipment used to perform eligible work shall be provided in accordance with the FEMA Schedule of Equipment Rates if no local rates have been established and approved. The Department did not have an established rate for equipment usage, but claimed equipment costs for two pieces of equipment at 50 percent of acquisition cost. By using the FEMA Schedule of Equipment Rates to determine eligible equipment costs, the OIG determined that the Department's claim included \$33,746 in overstated and therefore questionable equipment costs.

### **Finding B – Unsupported Force Account Labor**

The Department's claim included \$4,426 of unsupported force account labor. According to 44 CFR 13.20(b)(6), grant recipients are required to maintain records and source documents such as payrolls and time and attendances records for the purpose of identifying how FEMA funds were spent. For project 73717, the Department claimed \$909,911 for its emergency response to the disaster-related flooding. The Department derived labor costs from employee time cards based on hours charged during the incident period. However, the hours on the time cards generally did not agree with the hours claimed. Consequently, the OIG determined

that the \$4,426 claimed for force account labor was not adequately supported by employee time cards and therefore, was questionable.

### **RECOMMENDATION**

OIG recommends that the Regional Director, FEMA Region IX, in coordination with OES, disallow \$38,172 in questionable costs.

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

OIG discussed the results of the audit with OES and Department's officials on January 22, 2004, and with FEMA officials on January 23, 2004. The Department's officials agreed with OIG findings and recommendation.

Please advise this office by April 26, 2004, of the 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 Trudi Powell and Sabinus Njoku.

Schedule of Audited Projects  
 California Department of Corrections  
 Sacramento, California  
 Public Assistance Identification Number 000-92018  
 FEMA Disaster Number 1203 DR-CA

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Questioned</u>	<u>Finding Reference</u>
75307	\$ 930,174	\$ 0	
51737	182,781	33,746	A
65737	264,145	0	
73717	<u>909,611</u>	<u>4,426</u>	B
	<u>\$2,286,711</u>	<u>\$38,172</u>	

Finding Reference Legend:

A - Overstated Equipment Costs

B - Unsupported Force Account Labor