



## Federal Emergency Management Agency

Office of Inspector General – Audits Division  
Western District Audit Branch  
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November 25, 2002

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

*Robert J. Lastrico*

FROM: Robert J. Lastrico  
Western District Audit Manager

SUBJECT: State of California Department of Forestry and Fire Protection  
Sacramento, California  
FEMA Disaster Number 1155-DR-CA  
Public Assistance Identification Number 000-92003  
Audit Report Number W-03-03

The Office of Inspector General audited public assistance funds awarded to the California Department of Forestry and Fire Protection, Sacramento, California (CDF). The objective of the audit was to determine whether CDF expended and accounted for FEMA funds according to Federal regulations and guidelines.

CDF received a public assistance award of \$6.1 million from the California Office of Emergency Services (OES), a FEMA grantee, for emergency response and repairs to property damaged as a result of flooding that occurred from December 28, 1996, to April 1, 1997. The award provided 75 percent funding for one large project and fourteen small projects.<sup>1</sup> The audit covered the period December 28, 1996, through October 20, 1999, and included a review of the one large project with a FEMA award of \$5.8 million.

We 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 a review of FEMA's, OES' and CDF's records. We held discussions with appropriate Federal, State, and CDF officials, and performed other auditing procedures we considered necessary under the circumstances.

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<sup>1</sup> According to Federal regulations in effect at the time of the disaster, a large project was defined as a project costing \$46,000 or more and a small project was defined as one costing less than \$46,000.

## RESULTS OF AUDIT

CDF generally expended and accounted for the \$6.1 million in public assistance funds according to Federal regulations and FEMA guidelines. However, CDF's claim for project 17373 included \$230,837 in questionable costs (FEMA share - \$173,128). The questionable costs consisted of \$184,000 in excessive, duplicate, and unsupported equipment costs, and \$46,837 in excessive force account labor costs.

A. Excessive, Duplicate, and Unsupported Equipment Costs. CDF's claim included \$184,000 in equipment costs that were excessive, duplicate, or unsupported as follows:

- Excessive Equipment Costs. CDF's claim included \$177,765 for force account equipment costs that exceeded either FEMA's mileage or hourly rates in effect at the time of the disaster. For equipment usage costs based on mileage rates, CDF claimed \$142,889 in excess of FEMA's established rates. For example, in one instance, CDF claimed 91 cents per mile for a Conservation Camp Vehicle<sup>2</sup> while the FEMA approved rate was 47 cents per mile for an equivalent type of vehicle. For equipment usage costs based on hourly rates, CDF claimed \$34,876 in excess of FEMA's established rates. For example, in four instances, CDF claimed a rate of \$83.40 per hour for a medium size bulldozer while the FEMA approved rate for the same equipment was \$31 per hour. According to Federal regulation 44 CFR 206.228(a)(1), the FEMA Schedule of Equipment Rates will be the basis for reimbursement in all cases where an applicant does not have rates established or approved under State guidelines. This regulation also provides that in cases where local guidelines are used to establish equipment rates, reimbursement will be based on the lower of the stated rates established or the FEMA rates.

CDF officials disagreed with our results, stating that while the rates did not conform to FEMA approved rates, they were based on a formula that was consistently applied and reasonable. Those officials also stated CDF's rates were audited and approved by OES. CDF officials however, could provide neither documentation showing how each rate was developed nor proof that the rates had been audited and approved by OES. Further, there was no documentation at OES to support that CDF equipment rates were reviewed and approved. Because CDF claimed equipment usage costs that were based on mileage and hourly rates that exceeded FEMA's established rates, we question \$177,765.

- Duplicate Equipment Costs. CDF's claim included \$4,591 in duplicate costs. For example, CDF double claimed \$1,253 of mileage incurred from January 6, 1997, through January 17, 1997. According to Office of Management and Budget Circular A-87, Attachment A, Paragraph C, costs are allowable under Federal awards if they are determined in accordance with generally accepted accounting principles and are

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<sup>2</sup> Capacity for more than 16 passengers.

adequately documented. Duplicate costs claimed by CDF cannot be construed to be an allowable cost; consequently, we question \$4,591.

- Unsupported Equipment Costs. CDF's claim included \$1,644 in charges not supported with documentation proving the costs were incurred. According to Federal regulation 44 CFR 13.20 (b), subgrantees are required to maintain accounting records that identify how FEMA funds are used. Because there was no documentation to support the \$1,644 claimed by CDF, we questioned that amount.

B. Excessive Force Account Labor Costs. CDF's claim included \$46,837 of excessive force account labor costs relative to the overtime costs claimed. CDF applied an overtime rate of \$27.20 to calculate the labor costs of 4,665 hours worked by a State Fire Ranger. However, using CDF's own labor agreement in effect at the time of the disaster, we determined that the actual rate was \$17.16 (a difference of \$10.04). While CDF officials disagreed with our results, they did not provide any documentation showing that the rate conformed to established policy and labor agreements.

According to OMB Circular A-87, Attachment B, Paragraph 11a, compensation for personnel services are allowable provided the compensation conforms to established policy applied to both Federal and non-Federal activities. Since claiming a higher rate was inconsistent with CDF's labor agreement, we question the \$46,837 in excessive force account labor costs.

### RECOMMENDATION

We recommend that the Regional Director, in coordination with OES, disallow \$230,837 in questioned costs.

### DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed our results with OES and CDF officials on April 16, 2002. We also held a follow-up meeting with CDF officials on June 18, 2002. CDF officials disagreed with the findings. We also discussed the results of our audit with Region IX officials on September 11, 2002.

Pursuant to FEMA instruction 1270.1, please advise this office by January 24, 2003, of the actions taken to implement our recommendations. Should you have any questions concerning the report, please contact me at (510) 627-7011. Key contributors to this assignment were Humberto Melara, Ken Valrance, and Antonio Fajardo.