



Federal Emergency Management Agency

Office of Inspector General – Audits Division
Western District Audit Branch
1111 Broadway, Suite 1200
Oakland, California 94607-4052

February 3, 2003

MEMORANDUM FOR: Jeff Griffin
Regional Director, Region IX

Robert J. Lastrico

FROM: Robert J. Lastrico
Western District Audit Manager

SUBJECT: California Department of Parks and Recreation
Sacramento, California
Public Assistance Identification Number 000-92001
FEMA Disaster Number 1046-DR-CA
Audit Report Number W-10-03

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

The Department received a public assistance award of \$1.4 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 that occurred from February 13, 1995, to April 19, 1995. The award provided for 75 percent FEMA funding for 11 large projects and 115 small projects.¹ The audit covered the period of February 13, 1995, to June 18, 1999. We reviewed 3 large projects (representing 80 percent of the large project award) and 3 small projects both with a FEMA award of \$405,322 (see exhibit).

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's, and the Department's records. We held discussions with appropriate Federal, State, and Department officials, and performed other auditing procedures we considered

¹ According to Federal regulations in effect at the time of the disasters, a large project was defined as a project costing \$43,600 or more and a small project was defined as one costing less than \$43,600.

necessary under the circumstances. We reviewed the small projects to verify completion of the work, and to ensure cost items were not included in other claims.

RESULTS OF AUDIT

The Department generally expended and accounted for public assistance funds according to Federal regulations and FEMA guidelines. However, the Department's claim for projects 98885, 99641, and 16150 included \$255,531 in questionable costs (FEMA's share - \$191,648). The questioned cost consists of \$227,364 for cost not in compliance with required insurance coverage, \$25,077 in ineligible force account labor, \$1,883 in unsupported force account equipment costs, and \$1,207 in unsupported force account labor.

A. Cost Not in Compliance with Required Insurance Coverage. The Department received \$227,364 for the replacement and relocation of a water treatment plant for project 98885. As a condition to receiving this Federal grant, the Damage Survey Report cites Federal Regulations 44 CFR 206.252(d) requiring the Department to obtain and maintain flood insurance in the amount of the eligible disaster assistance.

The Department did not obtain the insurance coverage required for project 98885. A Department official explained that the project was covered under the State's self-insurance policy. According to Section 311 of the Stafford Act, the State's election to act as a self-insurer must be provided to FEMA, in writing, at the time Federal assistance is accepted. Section 311 also states that, unless all required insurance has been obtained and maintained with respect to the replaced property, the State may not receive future funding for property that previously received Federal assistance.

Based on a review of the project records, the State did not provide FEMA a declaration for self-insurance, nor did the Department have evidence showing the State's declaration in writing. Therefore, FEMA has no assurance that the Federal investment of \$227,364 in the water treatment plant is adequately protected. Accordingly, we question the \$227,364 claimed by the Department.

B. Ineligible Force Account Labor. The Department claimed regular time salaries totaling \$25,077 for debris removal from a recreational property (project 99641). According to Federal regulation 44 CFR 206.228(a)(4), the straight or regular time salaries and benefits of employees are not eligible for debris removal projects. We verified the eligibility of the labor charges by reviewing payroll records and employee time cards. Department officials agreed that Federal regulations in effect at the time of the disaster did not allow reimbursement for regular time salaries. Consequently, we question the \$25,077 claimed in ineligible force account labor.

- C. Unsupported Force Account Equipment Cost. The Department's claim for project 16150 included \$1,883 in force account equipment hours that were not supported with adequate documentation. According to Federal regulation 44 CFR 13.20(b), the Department is required to maintain accounting records that identify how FEMA funds are used. The Department claimed 506 hours for force account equipment used by one employee; however, the employee's payroll records show that only 434 hours were actually applied to the project. Consequently, we question 72 hours, or \$1,883, as unsupported.
- D. Unsupported Force Account Labor. The Department's claim for project 16150 included \$1,207 in force account labor cost that were not supported with documentation proving the charges were disaster related. According to Federal regulation 44 CFR 13.20(b), the Department is required to maintain accounting records that identify how FEMA funds are used, and that accounting records be supported by source documents such as payroll and time and attendance records. The Department claimed \$29,175 for staff hours applied to permanent restoration work; however, payroll records supported only \$27,968. Consequently, we question the difference, or \$1,207, as unsupported.

RECOMMENDATION

We recommend that the Regional Director, in coordination with OES, disallow \$255,531 of questionable costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our audit with Region IX officials on January 10, 2003. We also discussed the results of our audit with Department and OES officials on January 23, 2003. Department officials agreed with findings B, C, and D; and stated they would wait until the report is issued before responding to finding A.

Pursuant to FEMA Instruction 1270.1, please advise this office by April 7, 2003 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 and Renee Brescia.

Schedule of Audited Projects
 California Department of Parks and Recreation; Sacramento, California
 FEMA Disaster Number 1046-DR-CA

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>	<u>Finding Reference</u>
<u>Large Projects</u>				
98885	\$ 227,364	\$ 227,364	\$ 227,364	A
99641	30,688	30,688	25,077	B
16150	113,084	113,094	3,090	C, D
Subtotal	<u>\$ 371,136</u>	<u>\$ 371,136</u>	<u>\$ 255,531</u>	
<u>Small Projects</u>				
20091	\$ 8,780	\$ 8,780	\$ 0	
73120	20,410	20,410	0	
99640	4,996	4,996	0	
Subtotal	<u>\$ 34,186</u>	<u>\$ 34,186</u>	<u>\$ 0</u>	
Total	<u><u>\$ 405,322</u></u>	<u><u>\$ 405,322</u></u>	<u><u>\$ 255,531</u></u>	

Legend

- A. Cost Not in Compliance with Required Insurance Coverage
- B. Ineligible Force Account Labor
- C. Unsupported Force Account Equipment
- D. Unsupported Force Account Labor