



## Federal Emergency Management Agency

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

February 4, 2003

MEMORANDUM FOR: Jeff Griffin  
Regional Director, Region IX

*Robert J. Lastrico*

FROM: Robert J. Lastrico  
Western District Audit Manager

SUBJECT: Alameda County Flood Control & Water Control District Zone 7  
Pleasanton, California  
Public Assistance Identification Number 001-91017  
FEMA Disaster Number 1046-DR-CA  
Audit Report Number W-11-03

The Office of Inspector General audited public assistance funds awarded to Alameda County Flood Control & Water Control District, Zone 7, Pleasanton, California (District). The objective of the audit was to determine whether the District expended and accounted for FEMA funds according to Federal regulations and FEMA guidelines.

The District received a public assistance award of \$1.5 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 30 small projects.<sup>1</sup> The audit covered the period of February 13, 1995, to September 22, 1999, and included a review of the 11 large projects. The attached exhibit provides a schedule of the audited projects.

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, OES and District records, a judgmental sample of project expenditures, and 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 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.

## RESULTS OF AUDIT

According to the FEMA Region IX records we reviewed, the Region performed an adequate evaluation of the District's disaster related needs and appeals for more funds and limited the award to funds needed for paying disaster related damage. However, the District's claim included \$419,329 in unsupported project costs (FEMA's share - \$314,497). Specifically, the District applied cost underruns on eight large projects to cover overruns in other large and small projects. The attached exhibit provides a schedule of the eight projects and related questioned costs.

In September 1999, the District certified that the projects were complete and claimed the estimated project costs as the actual cost incurred. There was no indication in documents submitted to FEMA that the District incurred any cost overruns or underruns on its projects. Therefore, the District did not request additional funding on those projects that exceeded project estimates. District officials explained that underruns occurred because FEMA was delayed in providing needed public assistance funds due to appeals, thus forcing the District to make repairs using less costly construction methods. They stated the excess funds were used to meet cost overruns in other large and small projects while keeping the overall project costs within FEMA estimated amounts.

According to Federal regulation 44 CFR 206.204(e), subgrantees must submit a written request to FEMA for additional Federal assistance for cost overruns experienced in any single large project or all small projects in aggregate. This regulation also specifies that for individual large projects, the request should be made as soon as the overrun is estimated or discovered, and for small projects, within 60 days following the completion of all small projects. In addition, according to Federal regulation 44 CFR 13.20, claimed amounts must be supported by source documents.

Since the District did not receive approval for the additional costs incurred under various other projects, and the excess costs claimed under the eight projects were not supported with source documents applicable to those projects, we question \$419,329.

## RECOMMENDATION

We recommend that the Regional Director, in coordination with OES, disallow \$419,329 of questionable costs.

## DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our audit with the District and OES officials on December 13, 2002. District officials agreed with the finding. We also discussed the results of our audit with Region IX officials on December 16, 2002.

Pursuant to FEMA Instruction 1270.1, please advise this office by April 8, 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 Sabinus Njoku.

Schedule of Audited Projects  
 Alameda County and Flood Control & Water Control District Zone 7  
 FEMA Disaster Number 1046-DR-CA

Project	Amount Awarded and Claimed	Actual Costs	Questioned Cost
20035	\$ 110,318	\$ 23,970	\$ 86,348
20042	79,966	2,967	76,999
20033	59,954	4,387	55,567
20030	56,837	4,192	52,645
20028	56,280	4,169	52,111
20031	53,806	4,216	49,590
71419	56,707	14,012	42,695
20016	46,417	43,043	3,374
20010	208,108	208,108	0
20018	61,095	61,095	0
20040	224,763	224,763	0
Total	\$1,014,251	\$594,922	\$419,329