




# Homeland Security

April 20, 2009

MEMORANDUM FOR: Karen Armes  
Acting Regional Administrator  
FEMA Region IX

FROM:   
Robert J. Lastrico  
Western Regional Director

SUBJECT: *San Diego County, California*  
Public Assistance Identification Number 073-99073-00  
FEMA Disaster Number 1585-DR-CA  
Audit Number DS-09-04

The Office of Inspector General audited public assistance funds awarded to San Diego County, California (county) for the federally declared disaster designated 1585-DR-CA. The objective of the audit was to determine whether the county expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The county received a public assistance subgrant award of \$3.8 million from the California Emergency Management Agency (CalEMA), formerly the Governor's Office of Emergency services, a FEMA grantee, for debris removal, emergency protective measures, and permanent repairs to facilities damaged by the severe storms, flooding, landslides, and mud and debris flows that occurred in February 2005. The award provided 75% federal funding for 23 large projects<sup>1</sup> and 18 small projects. We reviewed 15 large projects with a total award of \$3.1 million and claimed costs of \$3.3 million, and 9 small projects with a total award of \$159,152. Although actual small project costs exceeded the total award amount, FEMA regulations limit small project payments to the award amounts unless the county requests a net small project overrun and such request is approved by FEMA. No such request was made by the county (See Exhibit). The audit covered the period of February 16, 2005, to November 20, 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 provided a reasonable basis for our findings and conclusions based on our audit objective.

<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$55,500

We conducted interviews with FEMA, CalEMA, and county officials and staff. We reviewed a judgmentally selected sample of Project Worksheets (PWs) and the documentation supporting claimed project costs, including force account labor, equipment and materials charges, contract charges where applicable, and other data we considered necessary to accomplish our objective. We did not assess the adequacy of the county'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 county's method of accounting for disaster-related costs.

## **RESULTS OF AUDIT**

The county generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines. However, \$27,770 in claimed costs was not in compliance with criteria required for federal reimbursement. Specifically, for PW 480, the county claimed \$5,922 for force account labor and \$21,848 for equipment costs, both appropriately chargeable to disaster number 1577-DR-CA which occurred 2 months prior to disaster number 1585-DR-CA. The above charges were incurred between January 14 and February 3, 2005, both before February 16, 2005 – the beginning of the incident period for disaster number 1585-DR-CA. According to Title 44, Code of Federal Regulations, Section 206.223(a)(1), to be eligible for financial assistance, an item of work must be required as a result of the major disaster event. County officials agreed with our conclusions and indicated that other PWs for disaster 1585-DR-CA may also include charges applicable to disaster number 1577-DR-CA. While outside the scope of the PWs we initially sampled, PW 529 appeared to include charges applicable to disaster number 1577-DR-CA.

## **RECOMMENDATIONS**

We recommend that the Acting Regional Administrator, FEMA Region IX:

**Recommendation #1:** Deobligate \$27,770 in ineligible project costs and re-obligate those funds under disaster number 1577-DR-CA.

**Recommendation #2:** Review PWs not included in the sample for circumstances similar to those represented by PW 480, i.e., eligible project costs that should have been attributed to disaster number 1577-DR-CA.

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

We discussed the results of this audit with county officials on January 12-13, 2009. County officials stated they were told by FEMA on-site officials to charge costs to disaster number 1585-DR-CA. We notified CalEMA and FEMA of the audit results on March 25, 2009, and they indicated that a formal exit conference was not necessary.

Please advise this office by June 19, 2009, of the actions taken to implement our recommendations. Should you have any questions concerning this report, please contact me at (510) 637-1461. Key contributors to this assignment are John Richards and Jeff Flynn.

Schedule of Audited Projects  
 San Diego County, California  
 Public Assistance Identification Number 073-99073-00  
 FEMA Disaster Number 1585-DR-CA

**Large Projects**

PW	Approved Amount	Claimed Amount	Questioned Costs
283	\$ 104,373	\$ 150,243	\$ 0
284	277,167	232,693	0
285	101,871	115,071	0
286	192,571	315,394	0
292	354,056	518,533	0
348	209,139	209,104	0
465	324,160	665,011	0
480	65,405	27,770	27,770
547	108,280	149,533	0
557	58,510	56,868	0
585	106,679	36,994	0
608	151,803	254,373	0
640	115,991	237,625	0
644	265,769	96,732	0
648	649,424	246,687	0
<b>Totals</b>	<b>\$3,085,197</b>	<b>\$3,312,631</b>	<b>\$27,770</b>

**Small Projects\***

PW	Approved Amount	Cost Incurred	Questioned Costs
345	\$ 27,956	\$ 27,956	\$0
431	14,879	14,879	0
471	30,496	30,496	0
548	15,518	4,142	0
550	12,603	197,776	0
562	11,720	\$0	0
575	13,349	\$190,242	0
576	25,930	\$25,930	0
650	6,700	\$6,700	0
<b>Totals</b>	<b>\$159,152</b>	<b>\$498,121</b>	<b>\$0</b>

\* Per federal regulations, reimbursement for small projects is limited to the approved amount unless a net small project overrun is submitted by the subgrantee and approved by FEMA.