


U.S. Department of Homeland Security
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**Homeland
Security**

March 31, 2010

MEMORANDUM FOR: Nancy Ward
Regional Administrator
FEMA Region IX

FROM: 
Robert J. Lastrico
Western Regional Director

SUBJECT: *County of Mendocino, California*
Public Assistance Identification Number 045-99045-00
FEMA Disaster Number 1628-DR-CA
Audit Report Number DS-10-06

We audited public assistance funds awarded to the County of Mendocino, California (County). 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 \$7.9 million from the California Office of Emergency Services (OES),¹ a FEMA grantee, for debris removal, emergency protective measures, and permanent repairs to facilities damaged by severe storms beginning on December 17, 2005, and continuing through January 3, 2006. Of the \$7.9 million, FEMA provided 75% federal funding and non-federal sources funded the remaining 25% for 61 projects (25 large and 36 small projects²). The audit covered the period December 17, 2005, to December 11, 2009, and included reviews of five large completed projects with a total award of \$2.7 million (see Exhibit A). During our fieldwork, we expanded the scope of the audit to include limited reviews of force account equipment costs for 17 additional large projects (see Exhibit B) based on discrepancies noted for the 5 projects we initially sampled. As of January 6, 2010, the County had completed work on all but one project, and thus, had not submitted its final claim to the grantee.

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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. The evidence obtained during the audit fulfilled those requirements.

¹ OES became a part of the California Emergency Management Agency (Cal EMA) on January 1, 2009.

² At the time of the disaster, the large project threshold was \$57,500.

We interviewed FEMA, Cal EMA, and County officials; reviewed selected samples of cost documentation to support invoices; and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of the County 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 FEMA funds according to federal regulations and FEMA guidelines. However, the County's project records for the five large projects we reviewed contained \$28,416 in questionable force account equipment costs. These questionable costs consisted of \$23,437 in unsupported charges and \$4,979 in excessive charges. Additionally, for 17 projects, the County has allocated \$180,344 in force account equipment costs that may not be in compliance with federal requirements.

Finding A - Support for Force Account Equipment Costs.

The County did not maintain mileage information to support \$23,437 in force account equipment charges for the use of pick-up trucks. County accounting records for five large projects identified the equipment, operator, date, hours, and hourly rate. Those records however, were not supported with vehicle usage logs documenting the disaster task performed and miles driven. We could not determine the actual amount of force account equipment charges pertaining to disaster work or for idle or stand by time when the equipment was not in use.

According to Title 44, *Code of Federal Regulations*, Section 13.20(b) [44 CFR 13.20(b)], the County is required to maintain accounting records that identify how FEMA funds are used. FEMA's *Public Assistance Guide* (FEMA 322, page 37, October 1999) provides that the cost of using pick-up trucks for disaster work be reimbursed on the basis of mileage. Also, OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, prohibits charging the costs of idle equipment to federal grants. County officials agreed that vehicle mileage logs were not maintained and explained that force account equipment charges for pick-up trucks only included disaster related hours. Those officials stated that they would continue looking for mileage information records and would provide that information to Cal EMA at a later time.

Since the County did not provide documented evidence showing the costs for pick-up trucks related to actual disaster work and did not compute the equipment costs using mileage, the \$23,437 is questioned.

Finding B – Force Account Equipment Costs Rates.

The County's recorded costs for four of the five large projects reviewed included \$4,979 in force account equipment costs that exceeded locally established equipment rates. Project records showed that in recording costs for the projects the County used rates provided in FEMA's Schedule of Equipment Rates. However, the FEMA rates were higher than the County's established rates. According to 44 CFR 206.228(a)(1)(ii), where local guidelines are used to establish equipment rates, reimbursement will be based on those rates or rates in FEMA's Schedule of Equipment Rates, whichever is lower.

County officials concurred with our conclusion and noted that the projects' equipment costs would be adjusted to the lower of FEMA or local rates prior to submitting final claims for federal reimbursement. Since the equipment costs for the four projects were higher than allowable, the \$4,979 is questionable.

Other Matters

During our fieldwork, we identified 17 other large projects where the County incurred force account equipment costs totaling \$180,344 (see Exhibit B). We did not expand the scope of this audit to perform a detailed review of these costs. However, prior to submitting a final claim to FEMA for these projects, Cal EMA should ensure that the County's claimed costs for the use of pick-up trucks are based on actual mileage and equipment rates are based on FEMA's Schedule of Equipment Rates or the County's established rates, whichever is lower.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IX require Cal EMA to:

Recommendation #1. Disallow \$23,437 in force account equipment charges using hourly rates instead of mileage rates, for PWs 407, 1920, 2262, 2642 and 3595 if such costs are included in the County's final claim (Finding A).

Recommendation #2. Disallow \$4,979 in higher than allowable force account equipment charges for PWs 407, 1920, 2642 and 3595 if such costs are included in the County's final claim (Finding B).

Recommendation #3. Verify the eligibility and supportability of \$180,344 in force account equipment costs allocated to 17 PWs identified by the County as claimable costs (Other Matters and Exhibit B).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of this audit with County officials on January 6, 2010. The County generally agreed with the audit recommendations and plans to make all necessary adjustments to project costs prior to submitting a final claim to FEMA. We also discussed audit results with Cal EMA on January 6, 2010, and provided FEMA a draft of the audit findings. Both Cal EMA and FEMA elected to withhold comment pending issuance of the final report.

Please advise this office by May 31, 2010, of actions planned or taken to implement our recommendations. Please note that your responses should include target completion dates for actions planned and actual completion dates for actions taken. Should you have questions concerning this report, please call me at (510) 637-1482, or your staff may contact Humberto Melara, Supervisory Auditor, at (510) 637-1463. Key contributors to this assignment were Humberto Melara, Montul Long, and Gloria Conner.

cc: Audit Liaison, FEMA Region IX
Audit Liaison, FEMA (Job Code: DG9W05/G-09-063 EMO-FEMA)

Schedule of Audited Projects
 County of Mendocino, California
 Public Assistance Identification Number 045-99045-00
 FEMA 1628-DR-CA

PW Number	PW Amount	Costs the County Plans to Claim	Unsupported Charges for Pick-up Trucks (Finding A)	Higher than Allowable Equipment Costs (Finding B)
407	\$ 186,556	\$ 186,556	\$20,424	\$4,427
1920	589,078	587,683	370	322
2262	527,967	490,695	1,648	0
2642	845,120	728,168	400	57
3595	559,240	468,720	595	173
	\$2,707,961	\$2,461,822	\$23,437	\$4,979

Schedule of Other Projects with Force Account Equipment Costs
 County of Mendocino, California
 Public Assistance Identification Number 045-99045-00
 FEMA 1628-DR-CA

PW Number	Force account Equipment Charges
614	\$113,413
857	73
1591	5,203
1731	413
1733	5,051
1734	140
1865	112
2111	4,266
2112	178
2193	243
2311	340
2339	3,168
2911	652
2913	1,624
2923	43,834
3057	78
3491	1,556
Total	\$180,344