




Homeland
Security

SEP 27 2011

MEMORANDUM FOR: Nancy Ward
Regional Administrator, Region IX
Federal Emergency Management Agency

FROM: Matt Jadacki 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
County of Sonoma, California*
FEMA Disaster Number 1646-DR-CA
Audit Report Number DS-11-13

We audited public assistance (PA) grant funds awarded to the County of Sonoma, California (County), Public Assistance Identification Number 097-99097-00. Our audit objective was to determine whether the County accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

The County received a PA award of \$3.81 million from the California Emergency Management Agency (Cal EMA)¹, a FEMA grantee, for debris removal, emergency protective measures, and permanent repairs to facilities and roads damaged by severe storms, flooding, landslides, and mudslides that occurred March 29 through April 16, 2006. The award provided 75% FEMA funding for 20 large projects and 46 small projects.² This audit covered the period from March 29, 2006, through June 3, 2011. We audited six completed large projects totaling \$1.49 million, or 39% of the total award (see table 1 of exhibit, Schedule of Projects Audited). We also performed a limited review of 13 additional completed large projects, totaling an additional \$1.46 million, to identify unused funds that should be put to better use (see table 2 of exhibit, Schedule of Projects Audited).

We conducted this performance audit pursuant to 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 upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit according to the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

¹ At the time of the disaster, the grantee's name was the Governor's Office of Emergency Services, which became part of Cal EMA on January 1, 2009.

² FEMA regulations in effect at the time of the disaster set the large project threshold at \$57,500.

We discussed issues related to this audit with FEMA, Cal EMA, and County officials; reviewed judgmentally selected samples of project costs (generally based on dollar value); and performed other procedures 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 methods 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, we identified (1) \$1,209,086 of unused federal funds that should be put to better use, (2) \$521,355 of ineligible project costs, and (3) \$1,176 in unsupported, duplicate project costs.

Finding A: Funds Not Used

The amount FEMA estimated and approved for 15 large projects exceeded the amount the County charged to the projects by \$1,209,086. Further, the County had completed work on all of these projects by December 2008. Therefore, FEMA should deobligate \$1,209,086 and put those federal funds to better use. The County agreed with this finding.

Finding B: Ineligible Project Costs

County officials did not perform the FEMA-approved scope of work for Project 225, which included roadway repairs and hazard mitigation, and did not obtain prior approval from FEMA to do so. Specifically, the County modified the scope of the roadway repairs at the request of the California Integrated Waste Management Board.³ The Board requested, and County officials agreed, to use tire-derived aggregate (i.e., recycled, shredded tires) and the construction methodology that it required, rather than what FEMA originally specified. County officials agreed to do this to demonstrate to both other communities and the California Department of Transportation the effectiveness of the alternative material in this type of application. However, the use of the material required a modification to the project design, materials, and construction methodology. This, in turn, significantly modified and expanded the footprint of the project and its related costs. Consequently, project costs escalated from an estimated \$291,048 to actual costs of \$521,355.⁴ Further, although the County recorded \$268,215 of this amount as hazard mitigation, our review determined that the County did not perform the hazard mitigation work as approved.

Federal regulations and FEMA guidelines regarding scope of work eligibility and documentation stipulate that—

³ County officials, in their records and discussions with us, identified the agency making the request as the State Solid Waste Board. However, at the time of the disaster, the responsible agency was the California Integrated Waste Management Board. The Board's responsibilities were transferred to the California Department of Resources Recycling and Recovery (CalRecycle) in 2010.

⁴ The total costs of \$521,355 charged to the Project consisted of \$253,140 for repairs and \$268,215 for mitigation.

- Grantees or subgrantees must obtain the prior approval of the awarding agency whenever any revision of the scope or objectives of the project (regardless of whether there is an associated budget revision requiring prior approval) is anticipated. (44 CFR 13.30(d)(1).)
- Work performed must derive from the project's FEMA-approved scope to be eligible for federal funding. (FEMA 322, October 1999, pp. 73 and 115–116; and FEMA 323, September 1999, pp. 21–22 and 52.)

Therefore, we question total project costs of \$521,355 as ineligible because the County did not complete the scope of work, including hazard mitigation, as approved, and did not receive prior FEMA approval for the change. County officials agreed with this finding.

Finding C: Duplicate Project Costs

Project 628 included a duplicate charge from one of the County's vendors. County officials identified this charge and stated that they intend to revise their claim, but had not done so as of the end of our fieldwork. Therefore, we question \$1,176 in unsupported (duplicate) funding. The County agreed with this finding.

RECOMMENDATIONS

We recommend that the FEMA Region IX Administrator, in coordination with Cal EMA:

Recommendation #1: Deobligate \$1,209,086 (federal share \$906,815) and put those federal funds to better use (finding A).

Recommendation #2: Disallow \$521,355 (federal share \$391,016) in ineligible costs for Project 225 (finding B).

Recommendation #3: Disallow \$1,176 (federal share \$882) in unsupported duplicate charges for Project 628 (finding C).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with County, Cal EMA, and FEMA officials during our audit, and included their comments in this report, as appropriate. We also provided written summaries of our findings and recommendations in advance to these officials and discussed them at exit conferences held with the County on June 3, 2011, FEMA on June 8, 2011, and Cal EMA on June 10, 2011. County officials concurred with each finding. FEMA and Cal EMA officials are withholding comment until after we issue our final report.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendations.

Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. To promote transparency, this report will be posted to our website, with the exception of sensitive information identified by your office. Significant contributors to this report were Humberto Melara, Devin Polster, and Jeff Flynn.

Should you have questions concerning this report, please contact me at (202) 254-4100 or Humberto Melara at (510) 637-1463.

cc: Audit Liaison, FEMA Region IX
Administrator, FEMA
Audit Liaison, FEMA (Job Code G-11-016)
Audit Liaison, DHS

Schedule of Projects Audited
March 29, 2006, through June 3, 2011
County of Sonoma, California
FEMA Disaster Number 1646-DR-CA

Table 1: Projects in Initial Audit Scope				
Project Number	Project Award Amount	Project Charges	Funds Not Used (Finding A)	Questioned Costs (Findings B & C)
225	\$291,048	\$521,355		\$521,355
628	248,040	246,864		1,176
711	311,945	55,754	\$256,191	
754	223,439	47,027	176,412	
800	175,247	175,247		
801	237,512	237,512		
Subtotal	\$1,487,231	\$1,283,759	\$432,603	\$522,531
Table 2: Projects Reviewed for Unused Funding				
Project Number	Project Award Amount	Project Charges	Funds Not Used (Finding A)	
174	\$165,881	\$50,022	\$115,859	
223	81,458	54,916	26,542	
224	80,258	46,526	33,732	
431	79,961	40,895	39,066	
433	62,425	54,897	7,528	
526	80,735	54,449	26,286	
613	199,257	54,175	145,082	
634	122,857	83,239	39,618	
657	61,395	47,834	13,561	
712	130,611	62,691	67,920	
747	110,044	41,248	68,796	
749	188,341	79,841	108,500	
798	92,370	8,377	83,993	
Subtotal	\$1,455,593	\$679,110	\$776,483	
Total⁵	\$2,942,824	\$1,962,869	\$1,209,086	\$522,531

⁵ Some dollar amounts have been rounded to the nearest dollar for consistency.