

Department of Homeland Security **Office of Inspector General**

FEMA Public Assistance Grant Funds Awarded to City of Vacaville, California



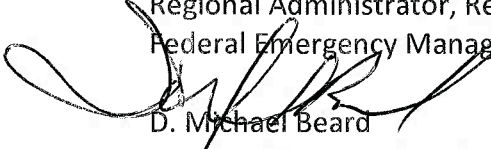


OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

AUG 27 2012

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

FROM: 
D. Michael Beard
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
City of Vacaville, California*
FEMA Disaster Number 1628-DR-CA
Audit Report Number DS-12-13

We audited Public Assistance (PA) grant funds awarded to the City of Vacaville, California (City), Public Assistance Identification Number 095-81554-00. Our audit objective was to determine whether the City accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines.

The City received a PA award of \$2 million from the California Emergency Management Agency (Cal EMA),¹ a FEMA grantee, for debris removal, emergency protective measures, and permanent repairs to facilities damaged as a result of flooding that occurred from December 17, 2005, through January 3, 2006. The award provided 75 percent FEMA funding for nine large and five small projects.² The audit covered the period from December 17, 2005, to June 19, 2012. We audited three large projects that incurred charges totaling \$1.5 million. We also performed a limited review of one large and one small project (see Exhibit, Schedule of Audited Projects). As of the date of this review, FEMA was in the process of reviewing the City's final claim.

We conducted this performance audit between May 2 and June 19, 2012, 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

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



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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 applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We discussed issues related to this audit with FEMA, Cal EMA, and City 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 City’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 City’s method of accounting for disaster-related costs and its procurement policies and procedures.

RESULTS OF AUDIT

City officials generally expended and accounted for PA funds according to Federal grant regulations and FEMA guidelines for the three projects we audited. The City did not, however, spend any money on the two projects we subjected to a limited review. In summary, our work identified \$137,530 of unused funds and \$6,000 in ineligible project costs.

Summary of Costs Recommended for Deobligation and Disallowance		
Finding	Subject	Net Costs
A	Funds Not Used	\$137,530
B	Ineligible Project Costs	6,000
TOTAL		\$143,530

Finding A: Funds Not Used

City officials said that they informed FEMA that the City will not be claiming cost reimbursements totaling \$137,530 for Projects 622 and 2585 at project closeout.

Federal appropriations laws and the Statement of Federal Financial Accounting Standards (SFFAS) require Federal agencies to record obligations in the accounting records on a factual and consistent basis throughout the Government.³ That is, the agency must increase or decrease obligated funds when probable and measurable information becomes known (7 Government Accountability Office, *Policy and Procedures Manual* § 3.5.D; B-300480, April 9, 2003, and SFFAS Number 5, paragraphs

³ U.S. Government Accountability Office, *Principles of Federal Appropriations Law*, 3rd edition, volume II, February 2006, chapter 7, section B: Criteria for Recording Obligations (31 U.S.C. § 1501).



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19, 24, 25, and 29). Agencies must document both the initial recordings and the adjustments to recorded obligations.

In addition, City records indicate that it informed Cal EMA on August 2006, and subsequently on September 2008, that it was not going to spend the funds authorized for Projects 622 and 2585. However, not until November 2011 did Cal EMA advise FEMA to deobligate the funding for both projects. As of the date of this report, FEMA was in process of completing the projects' closeouts but had not deobligated the funds associated with those two projects.

- FEMA approved small Project 622 in the amount of \$55,400 to complete debris removal work throughout the City. However, City officials said that they did not incur costs under this project because the debris removal was completed under another FEMA-funded project (1803).
- FEMA approved large Project 2585 in the amount of \$82,130 to complete road repair work. However, City officials said that the work was completed by a private developer, and the project's funding was not used.

City officials and Cal EMA agreed that no cost was incurred under Projects 622 and 2585, and those funds should be deobligated. Cal EMA officials explained that they were waiting for project closeout to advise FEMA to deobligate the unneeded funding for the two projects.

Deobligating unneeded funding in a timely manner (1) releases funds to cover cost overruns on other projects associated with the disaster, (2) provides a more accurate status of PA program costs for a disaster, and (3) is consistent with appropriations law and SFFAS Number 5, which require obligations/liabilities in FEMA's accounting system to be recorded accurately and supported. Therefore, FEMA should deobligate \$137,530 in unneeded PA funds for Projects 622 and 2585, and put those funds to better use.

Finding B: Ineligible Project Costs

The City charged \$6,000 in landscaping and irrigation cost to Project 1827 that was not approved under FEMA's statement of work.

Federal work eligibility standards at 44 CFR 206.223 stipulate that an item of work must be required as a result of a major disaster to be eligible for financial assistance (206.223(a)(1)). FEMA PA guidelines state that the replacement of trees, shrubs, and other ground cover is not eligible. This restriction applies to trees and shrubs in recreational areas such as parks, as well as trees and shrubs associated with public



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facilities, such as those located in the median strips along roadways and as landscaping for public buildings (FEMA PA Guide 322, October 1999, p. 60).

City officials and Cal EMA agreed that the \$6,000 in landscaping and irrigation cost charged to Project 1827 was ineligible.

The landscaping and irrigation work is unrelated to the disaster and ineligible under FEMA's guidelines. Therefore, we question the project cost of \$6,000 as ineligible because it was not required as a result of the disaster.

RECOMMENDATIONS

We recommend that the FEMA Region IX Administrator:

Recommendation #1: Deobligate \$137,530 (Federal share \$103,148) from Projects 622 and 2585 and put those Federal funds to better use (finding A).

Recommendation #2: Disallow \$6,000 (Federal share \$4,500) in ineligible Project 1827 costs (finding B).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of this audit with City officials during our audit, and have included their comments in this report, as appropriate. We also provided written summaries of our findings and recommendations in advance to the City officials on June 14, 2012, and discussed them at an exit conference held on June 19, 2012. City officials agreed with findings A and B. FEMA and Cal EMA officials withheld further 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. Significant contributors to this report were Humberto Melara, Louis Ochoa, Renee Gradin, Paul Sibal, and Elizabeth Finn.



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



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EXHIBIT A

Schedule of Audited Projects
December 17, 2005, to June 19, 2012
City of Vacaville, California
FEMA Disaster Number 1628-DR-CA

Project Number	Project Award Amount	Project Charges Reviewed	Project Costs Recommended for	
			Deobligation Finding A	Disallowance Finding B
Projects Audited				
1827	\$594,545	\$837,436		\$6,000
2448	276,328	411,897		
3812	209,825	294,405		
Projects Receiving a Limited Review				
622 ¹	\$55,400		\$55,400	
2585	82,130		82,130	
Total	\$1,218,228	\$1,543,738²	\$137,530	\$6,000

¹ Small project.

² The three large projects we reviewed incurred \$463,040 in cost overruns, of which the City properly informed FEMA through Cal EMA.



APPENDIX A

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