



Homeland  
Security

April 20, 2006

MEMORANDUM FOR: Karen E. Armes  
Acting Regional Director  
FEMA, Region IX

*Robert J. Lastrico*

FROM: Robert J. Lastrico  
Director, Grants Program Management Audit Division

SUBJECT: *Audit of Sonoma County, Santa Rosa, California*  
*Public Assistance Identification Number 097-00000*  
*FEMA Disaster Number 1203-DR-CA*  
*Audit Report Number DS-03-06*

The Department of Homeland Security, Office of Inspector General (OIG) audited public assistance grant funds awarded to Sonoma County, Santa Rosa, 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 grant award of \$7.8 million from the California Office of Emergency Services (OES), a FEMA grantee, for debris removal, emergency protective measures, and repairs to County facilities damaged as result of severe winter storms and flooding beginning February 2, 1998 and continuing through April 30, 1998. The award provided 75 percent federal funding for 22 large projects and 49 small projects.<sup>1</sup> The audit covered the period of February 2, 1998, to June 24, 2003, and included a review of nine large projects with a total award of \$5,278,824 (see Exhibit).

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to *Government Auditing Standards* issued by the Comptroller General of the United States. The audit included a review of FEMA, OES, and County records, a judgmental sample of project expenditures, and other auditing procedures considered necessary under the circumstances.

## RESULTS OF AUDIT

The OIG questions \$442,644 claimed by the County (FEMA's share of the questioned amount is \$331,983). Specifically, we question \$361,673 in costs claimed but not adequately supported,

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<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$47,100.

\$57,853 in ineligible costs, \$13,050 of credit not provided to FEMA, and \$10,068 in costs covered under FEMA’s statutory administrative allowance.

**Finding A – Unsupported Costs**

The County claimed \$361,673 in project costs that were not supported with documentation proving the charges were disaster related. According to 44 CFR § 13.20(b)(2), the County is required to maintain accounting records that identify how FEMA funds are used. While this disaster occurred in February 1998, 44 CFR § 13.42 required the County to retain financial and programmatic records for 3 years from specified dates. If any action involving the records such as litigation, audit, etc., began before the expiration of the 3-year period, the records must be retained until its completion. In February 2003, OES forwarded to FEMA its “Project Completion and Certification Report”. However, FEMA did not close the County award until April 25, 2003 when it determined that all applicable administrative actions and all required work had been completed (see 44 CFR § 13.50). Since the award was not closed until April 2003, the County should have retained all necessary records to support its claim until April 24, 2006, or for 1 year after the audit began. Details regarding the unsupported costs are provided below.

For the six projects shown in Table 1, the County’s records lacked source documentation such as invoices, timesheets, or similar records to support \$361,673 of the County’s claim. The projects provided funding for debris removal and emergency protective measures. However, the County could not produce documentation to support the costs it claimed for these projects.

**Table 1**

Project Number	Scope of Work	Costs Claimed But Not Supported
02860	Emergency Protective Measures	\$ 31,294
21946	Emergency Protective Measures	87,196
22207	Emergency Protective Measures	16,715
73773	Debris Removal	43,091
73774	Emergency Protective Measures	95,384
92910	Emergency Protective Measures	87,993
Total		<u>\$361,673</u>

- County accounting records did not include invoices supporting costs claimed under four projects.
  - For project 02860, accounting records did not include invoices for \$24,570 in hired labor costs and \$6,724 for supplies and equipment.
  - For projects 73773 and 73774, accounting records included a summary report labeled “Audited”. This summary report and supporting invoices showed that a single contractor completed the scope of work under both projects, and that actual costs were less than the amounts claimed by the County. Those records showed that the County had over claimed \$43,091 for project 73773 and \$95,384 for project 73774. A similar discrepancy was identified for project 22207.
- County accounting records did not support force account labor costs claimed for two projects.

- Costs claimed for project 21946 pertained to overtime labor performed by management employees from 19 different County departments. The County’s policy allowed “straight time overtime” to management employees when working disaster hours beyond 40 hours. Records supporting the amount claimed included timesheets for only 4 of the 19 departments. Our review of those time sheets identified various instances where the overtime hours claimed were not in compliance with the County’s policy or timesheets did not identify that the employee worked overtime hours.
- Costs claimed for project 92910 pertained to overtime hours worked by the County’s Sheriff Department. The County’s support for the claim included a summary worksheet that identified employees and related overtime hours worked, payroll summary reports, time sheets, and forms completed by management for approving overtime (approval forms). Our review of those records identified instances where: 1) employees included in the summary worksheet did not appear in the payroll reports, 2) timesheets did not identify disaster overtime hours and were not accompanied by an approval form, and 3) time sheets were missing.

County officials agreed that County records did not include sufficient documentation to support the amounts claimed for the projects and stated they would continue searching for records and provide them to FEMA when responding to the final report. In regards to projects 21946 and 92910, County officials explained that the records were either missing or had already been destroyed due to the County’s records retention requirements. Since County records did not support the amounts claimed, as required by federal regulations, we questioned \$361,673.

**Finding B – Ineligible Project Costs**

The County’s claim for five projects included \$57,853 in ineligible project charges attributable to: 1) costs for work outside the scope of the project, 2) costs that were the responsibility of another federal agency, and 3) costs for an ineligible project improvement. Table 2 identifies the five projects and respective ineligible costs.

**Table 2**

Project Number	Claimed Ineligible Costs
02860	\$ 24,867
22206	11,128
22207	3,800
79156	17,054
92910	1,004
Total	<u>\$57,853</u>

- For projects 02860 and 92910, the County claimed \$25,871 in costs that were not within the approved scope of work. The projects provided funding for emergency protection measures. According to 44 CFR § 206.225(a)(3), emergency protective efforts must eliminate or lessen immediate threats to lives, public health or safety, or property.

- The claim for project 02860 included \$24,867 in hired labor costs that were not within the project scope. The costs pertained to hired labor that was temporarily assigned to work on another FEMA grant program.<sup>2</sup>
  - The claim for project 92910 included costs for helicopter emergency services that were supported by manually prepared summary reports and flight logs. Review of those records showed that \$1,004 of the \$6,114 claimed was for other than emergency protective measures.
- For projects 22206 and 22207, the County claimed \$14,928 (\$11,128 and \$3,800) in costs that were the responsibility of another federal agency. According to 44 CFR § 206.223(a)(3), to be eligible for financial assistance, an item of work must be the legal responsibility of an eligible applicant. Also, the Stafford Act does not allow funding for disaster costs paid under another program, insurance, or any other source.
- The claim for project 22206 included \$11,128 for lodging and meal costs of California National Guard (Guard) members who provided assistance during the disaster. The Department of Defense pays the costs of lodging and meals directly to individual Guard Members during mission assignments. The Guard assisted the County with emergency protective measures that included security, and search and rescue.
  - The claim for project 22207 included \$3,800 in engineering costs pertaining to a Federal Highway project, a cost that FEMA had previously determined not eligible.
- For Project 79156, the County claimed \$17,054 in ineligible improved project costs. According to 44 CFR § 206.226, claimed costs are limited to restoring damaged facilities to their pre-disaster condition without allowing for non-code requirements. FEMA records show that the scope of the project entailed a 90 linear feet standard pile retaining wall, and the County planned to construct a larger wall of 110 linear feet at its own expense. However, the claim for the project included costs for the larger wall and was not reduced by the expenses relating to the construction of the additional 20 linear feet (110 less 90 linear feet). We multiplied the percentage of additional linear feet,<sup>3</sup> times the total cost incurred for the wall for labor, equipment, and material and determined that the ineligible improved project costs were \$17,054 (18.18% times \$93,806).

As was the case with finding A, County officials stated they would continue searching for records and provide them to FEMA when responding to the final report. In response to project 22206, County officials stated that they were not aware that the Department of Defense paid the costs of lodging and meals directly to individual Guard Members during mission assignments. Since the County included ineligible costs in the claims for the above five projects, we questioned \$57,853.

### **Finding C – Credit Not Provided to FEMA**

The County's claim for project 73774 did not include a credit due to FEMA of \$13,050. As a condition of receiving funding for this project, the County agreed to credit the cost of the project with the salvage value of used and unneeded materials that were funded by FEMA for another

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<sup>2</sup> Hazard Mitigation Grant Program

<sup>3</sup> 20 linear feet divided by 110 linear feet equals 18.18 percent

project.<sup>4</sup> County records supporting total costs for project 73774 showed that the County did not reduce the project claim. Since the County did not comply with the project funding agreement by reducing total costs with the salvage value of the used and unneeded materials, we questioned \$13,050.

**Finding D - Costs Covered Under FEMA's Statutory Administrative Allowance**

The County's claim for project 95818 included \$10,068 in costs covered by FEMA's statutory administrative allowance. According to 44 CFR § 206.228(a)(2)(ii), the County is reimbursed for the direct and indirect cost associated with requesting, obtaining, and administering public assistance based on a statutory percentage allowance. Based on direct costs claimed by the County, FEMA paid an administrative allowance of \$75,246. However, the County also claimed as direct costs \$10,068 paid to two consultants for assisting in the contract bidding process. Since the County is reimbursed for administrative costs based on the allowance, the same costs are not allowed as direct project costs. Therefore, the \$10,068 is questioned.

**RECOMMENDATION**

The OIG recommends that the Acting Regional Director, FEMA Region IX, in coordination with OES, disallow \$442,644 in costs claimed by the County.

**DISCUSSIONS WITH MANAGEMENT AND AUDIT FOLLOW UP**

The OIG discussed the results of this audit with County officials on March 8, 2006. Comments made by County officials are incorporated in each finding above. OIG also notified FEMA and OES officials of the audit results on March 13, 2006.

Please advise this office by June 19, 2006 of the actions taken to implement the recommendation in this report. Should you have any questions concerning this report, please contact me at (510) 637-1482. Key contributors to this assignment are Humberto Melara, Arona Maiava, and Gloria Conner.

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<sup>4</sup> Project 73773

Schedule of Audited Projects  
 Sonoma County, Santa Rosa, California  
 Public Assistance Identification Number 097-00000  
 FEMA Disaster Number 1203-DR-CA

Project No.	Amount Awarded	Questioned Costs	Finding Reference
02860	\$ 594,919	\$ 56,161	A, B
21946	114,930	87,196	A
22206	450,169	11,128	B
22207	231,174	20,515	A, B
73773	192,842	43,091	A
73774	356,380	108,434	A, C
79156	138,076	17,054	B
92910	292,143	88,997	A, B
95818	<u>2,908,191</u>	<u>10,068</u>	D
Total	<u>\$5,278,824</u>	<u>\$442,644</u>	

Finding Reference Legend

A – Unsupported Costs

B – Ineligible Project Costs

C – Credit Not Provided to FEMA

D – Costs Covered Under FEMA’s Statutory Administrative Allowance