




Homeland Security

September 22, 2009

MEMORANDUM FOR: Nancy Ward
Regional Administrator
FEMA, Region IX

FROM: 
Robert J. Lastrico
Western Regional Director

SUBJECT: *City of San Diego, California*
Public Assistance Identification Number 073-66000-00
FEMA Disaster Number 1577-DR-CA
Audit Report Number DS-09-12

The Office of Inspector General audited public assistance grant funds awarded to the City of San Diego, California (City). The objective of the audit was to determine whether the City expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The City received a public assistance subgrant award of \$4.3 million from the California Office of Emergency Services (OES is now the California Emergency Management Agency – CalEMA), a FEMA grantee, to cover the cost of damages caused by flooding that occurred on December 27, 2004, and continued through January 11, 2005. Of the \$4.3 million, FEMA provided 75% federal funding and non-federal sources funded the remaining 25% for 11 large projects and 56 small projects.¹ The audit covered the period December 27, 2004, through our cut-off date of July 30, 2009. We reviewed seven large projects with a total award of \$2,278,320 and six small projects with a total award of \$127,861 (see Exhibit). The City had completed the work and identified costs for the projects we audited, but had not submitted final claims to CalEMA or requested that the projects be closed. Consequently, FEMA had not performed final inspections and closeout of the projects.

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 us a reasonable basis for our findings and conclusions based on our audit objective.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$55,500.

We interviewed FEMA, CalEMA, and City officials; reviewed judgmentally selected samples of cost documentation to support invoices and personnel charges; 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.

RESULTS OF AUDIT

The City expended and accounted for public assistance funds according to federal regulations and FEMA guidelines on 11 of the 13 projects we audited. For the other two projects, the City intended to claim \$25,796 in questionable force account labor costs (FEMA share - \$19,347). We questioned these costs because \$14,394 was ineligible for reimbursement and \$11,402 was computed incorrectly. In addition, as of our cut-off date of July 30, 2009, over \$500,000 in project funding was no longer needed because four projects had been completed under budget in 2006.

Finding A -Force Account Labor Costs

For Project Worksheet (PW) 290, the City's project and cost records showed total claimable costs of \$81,277 which included \$14,394 for regular time hours worked by the City's permanent staff. According to Title 44, *Code of Federal Regulation*, Section 206.228(a)(4) [44 CFR 206.228(a)(4)], the straight or regular time salaries and benefits of employees are not eligible for emergency work projects (Category A – Debris Removal and Category B – Emergency Protective Measures). Since PW 290 was classified as a Category A debris removal project, reimbursement of regular time salary is ineligible. Therefore, the total claim amount for this PW should be only \$66,883. The City agreed to reduce its final claim by \$14,394.

Finding B –Force Account Labor Calculations

PW 2818 was approved for \$409,000 and the City's project records supported claimable costs of \$327,850 which included \$47,162 in force account labor. The City's supporting documentation for force account labor grouped the costs by employee and by pay period but did not provide sufficient supporting labor cost details. At our request, the City provided the details which supported only \$35,760 in labor costs, or \$11,402 less than the intended claim amount. We brought this matter to City officials who said the difference in amounts was caused by an accounting error. The City agreed to reduce its final claim for this PW by \$11,402. Therefore, the total claim amount for this PW should be \$316,448 (\$327,850 less \$11,402).

Finding C – Project Funding

As documented in its quarterly progress reports submitted to CalEMA, the City completed the four projects identified in the table below about 3 years ago. Because the City did not request project closure, \$502,634 of the estimated costs for those projects remained obligated although the funding was no longer needed (FEMA share – \$376,976).

PW	Date Work Completed	Amount Awarded	Costs Incurred	Funds Not Used or Needed
290	05/26/06	\$ 127,896	\$ 81,277	(\$ 46,619)
291	08/04/06	479,363	175,199	(304,164)
2818	05/31/06	409,000	327,850	(81,150)
2903	12/11/06	103,576	32,875	(70,701)
Totals		\$1,119,835	\$617,201	(\$502,634)

According to 44 CFR 206.205(b)(1), the grantee for this disaster, CalEMA, shall make an accounting of eligible costs for each large project and certify to FEMA that the reported costs were for eligible disaster work as soon as practicable after the City has completed the approved work and requested payment. While the City did not request final payment for the projects listed above, nothing in the regulations precluded it from doing so on a project-by-project basis especially since its quarterly progress reports to CalEMA indicated that the projects had been completed no later than December 2006.

According to 44 CFR 13.40(a), CalEMA is also responsible for monitoring and reporting program performance to ensure compliance with federal requirements and achievement of performance goals. In addition, 44 CFR 13.40(d) requires that as soon as known, CalEMA must inform FEMA of favorable developments which enable meeting time schedules and objectives sooner or at less cost than anticipated.² CalEMA's quarterly reports to FEMA reflected that the work on the four projects was 100% complete but CalEMA had taken no action to close these projects.

In a similar finding in a previously issued report,³ FEMA officials explained that federal regulations do not provide a specific timeline, other than as soon as practicable, for a grantee to submit accounting information on completed projects. However, FEMA officials noted that de-obligating excess funding from completed projects in a timely manner can improve FEMA's overall management of a disaster and make funding available for other disaster projects such as underfunded projects.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IX,

Recommendation #1. Require CalEMA to disallow \$25,796 in force account labor costs if these costs are included in the City's final claim for PWs 290 and 2818, and verify that the final claim, when submitted by CalEMA on behalf of the City, does not include these questionable costs.

Recommendation #2. In coordination with CalEMA, reduce project funding for PWs 290, 291, 2818 and 2903 by \$502,634 (\$376,976 federal share) since those projects have been completed and the funds are no longer needed.

² This citation also requires the grantee to report problems, delays, and adverse conditions as soon as they become known.

³ DS-09-05, *California Department of Parks and Recreation*, issued May 20, 2009.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of this audit with City officials on July 30, 2009, and the City agreed to adjust its final claim. We also notified CalEMA and FEMA officials of the audit results on September 1, 2009.

Please advise this office by November 23, 2009, of the actions 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 any questions concerning this report, please contact me at (510) 637-1482. Key contributors to this assignment are John Richards and Montul Long.

cc: Audit Liaison, FEMA Region IX
Audit Liaison, FEMA (Job Code: DG9W11/G-09-062-EMO-FEMA)

**Schedule of Projects Audited
City of San Diego, CA
Public Assistance Identification Number 073-66000-00
FEMA Disaster Number 1577-DR-CA**

Large Project Number	Amount Awarded	Claimed Amount	Funding Not Used or Needed	Amount Questioned	Finding Reference
290	\$ 127,896	\$ 81,277	(\$ 46,619)	\$14,394	A, C
291	479,363	175,199	(304,164)	0	C
2298	176,594	176,594	0	0	
2336	266,891	266,891 ⁴	0	0	
2581	715,000	715,000 ⁵	0	0	
2818	409,000	327,850	(81,150)	11,402	B,C
2903	103,576	32,875	(70,701)	0	C
Totals	\$2,278,320	\$1,775,686	(\$502,634)	\$25,796	

Small Project Number	Amount Awarded	Amount Questioned
117	\$ 49,941	\$0
740	13,755	0
1287	8,515	0
2296	20,692	0
2584	5,421	0
3000	29,537	0
Totals	\$127,861	\$0

Finding Reference:

- A – Force Account Labor Costs.
- B – Force Account Labor Calculations
- C – Project Funding

⁴ Improved Project - amount expended \$760,487, but funding limited to original award amount of \$266,891.

⁵ Improved Project - amount expended \$2,030,063, but funding limited to original award amount of \$715,000.