

Department of Homeland Security Office of Inspector General

**Interim Report on FEMA Public
Assistance Grant Funds Awarded
to Los Angeles County, California**

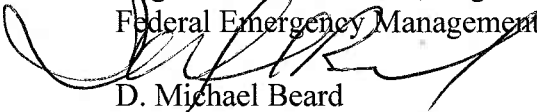




Homeland
Security

MAR 14 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: *Interim Report on FEMA Public Assistance Grant Funds Awarded to
Los Angeles County, California*
FEMA Disaster Number 1577-DR-CA
Audit Report Number DS-12-06

We are currently auditing Federal Emergency Management Agency (FEMA) public assistance (PA) grant funds awarded to Los Angeles County, California (County), Public Assistance Identification Number 037-99037-00, for disaster recovery work related to storms, flooding, debris flows, and mudslides during the period of December 27, 2004, through January 11, 2005. The purpose of this memorandum is to advise you that at least \$16.1 million of the total \$54.9 in awarded funds are unneeded and should immediately be deobligated and put to better use (see Exhibit, Schedule of Unneeded Funding).

We are conducting this performance audit pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Our audit objective is to determine whether the County accounted for and expended FEMA PA grant funds according to federal regulations and FEMA guidelines. We conducted this audit applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster. At the conclusion of our audit, we plan to issue our complete audit report, including any additional findings and recommendations.

COMPLETED PROJECTS – UNNEEDED FEDERAL FUNDS

The County, after completing all of the 143 large projects as of May 2011, has \$16,069,737 (federal share \$12,052,303) in unneeded funds from 79 projects for which final costs have been accounted (see Exhibit). The majority of these projects were completed between 2005 and 2006, and federal funding for these projects has not yet been deobligated. According to 44 CFR 206.205 (b)(1), the grantee (the state) shall make an accounting to the FEMA Regional Administrator of eligible costs for *each large project* “...as soon as practicable after the subgrantee [the County] has completed the

approved work and requested payment.” Therefore, FEMA should immediately deobligate the unneeded funding associated with these projects and put those federal funds to better use.¹

County and California Emergency Management Agency (Cal EMA) officials agreed that the large projects we identified as having unneeded funds that could be put to better use have been completed. Despite the fact that these projects were completed more than 5 years ago, both County and Cal EMA officials disagreed that the funds should be deobligated at this time because the County has not yet submitted a final claim for all large projects.

County officials believed that the unneeded funds could be used to cover cost overruns for their other (in-process) large projects. We explained to them that federal rules prohibit such action, and that funding for each large project must be accounted for separately from all other projects. We clarified that funding for large projects is obligated based on estimated costs and funded on documented actual costs. At project completion, Cal EMA, as Grantee, is responsible for ensuring that all incurred costs are associated with the approved scope of work and for certifying that the work has been completed in accordance with FEMA standards and policies. Cal EMA must then submit documentation of project costs to FEMA for review and, in the case of unneeded funds for completed projects, deobligation.²

Cal EMA officials disagreed that the funds should be deobligated at this time on the basis that it would not be cost-effective for Cal EMA. These officials told us that although they agree that the projects we identified were completed—and that a significant amount of unneeded funding remains obligated—they have chosen not to submit the necessary documentation to FEMA at this point because they feel that there would be unnecessary financial, time-, and effort-related costs associated with doing so. They told us that it is generally their practice, despite the considerable time that has already elapsed, to wait until all projects have been completed before taking action. We told Cal EMA officials that this practice is not consistent with federal rules. Cal EMA is paid an administrative allowance to process the completed projects in a timely manner and in accordance with federal criteria.³ These criteria require that Cal EMA inform FEMA of favorable developments that enable meeting time schedules and objectives sooner or at less cost than anticipated as soon as this information is available.⁴ Moreover, FEMA officials have noted that deobligating unneeded 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.⁵

RECOMMENDATION

We recommend that the Regional Administrator, FEMA Region IX, in coordination with Cal EMA, deobligate \$16,069,737 (federal share \$12,052,303) from the 79 projects for which final costs have been accounted and unneeded federal funds remain obligated, and put those funds to better use.

¹ Additional unneeded funding from the remaining applicable projects, for which final project cost accounting has not yet occurred, may likewise be identified in our ongoing audit of the PA grant awarded to LA County for 1577-DR-CA.

² 44 CFR 206.205(b)(1) and FEMA Public Assistance Guide (FEMA 322; October 1999), Pg. 83.

³ FEMA’s Public Assistance Guide (FEMA 322; October 1999), Pgs. 41-43.

⁴ 44 CFR 13.40(a) and (d)(2).

⁵ For example, please see DS-09-05.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the interim results of this audit with County officials during our audit and included their comments in this report, as appropriate. We also provided a written summary of our finding and recommendation in advance to FEMA on February 6, 2012, and Cal EMA, and supporting documentation to County officials, on February 9, 2012. We discussed the finding and recommendation at an exit conference with County and Cal EMA officials on February 14, 2012. FEMA officials withheld 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 the recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendation 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. We will post the report on our website for public dissemination. Significant contributors to this report were Humberto Melara, Devin Polster, Ravi Anand, and Montul Long.

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 (Job Code G-12-010)
Audit Liaison, FEMA Region IX
Audit Liaison, DHS

**Schedule of Unneeded Funding
Los Angeles County, California
Public Assistance Identification Number 037-99037-00
FEMA Disaster Number 1577-DR-CA**

Project Number	Project Award Amount	Project Costs Incurred	Project Completion Date	Unneeded Funding
992	\$72,791	\$23,962	8/4/2006	\$48,829
993	61,219	37,234	8/4/2006	23,985
994	450,360	157,313	8/4/2006	293,047
995	83,430	73,148	8/4/2006	10,282
997	112,316	45,655	8/4/2006	66,661
998	61,220	36,732	8/4/2006	24,488
999	255,528	90,588	8/4/2006	164,940
1000	294,390	113,697	8/4/2006	180,693
1001	203,526	162,802	8/4/2006	40,724
1002	85,402	50,876	8/4/2006	34,526
1023	201,781	137,169	8/4/2006	64,612
1024	122,939	118,759	8/4/2006	4,180
1025	124,422	81,734	8/4/2006	42,688
1026	475,155	463,222	8/4/2006	11,933
1028	206,609	134,448	8/4/2006	72,161
1176	206,377	82,015	8/4/2006	124,362
1179	159,086	75,978	8/4/2006	83,108
1442	85,004	84,994	8/4/2005	10
1494	369,376	52,595	6/30/2007	316,781
1853	111,789	103,410	8/4/2006	8,379
2269	104,473	74,447	8/4/2006	30,026
2270	925,730	458,671	8/4/2006	467,059
2274	1,242,180	1,079,046	8/4/2006	163,134
2275	1,854,000	1,282,791	8/4/2006	571,209
2878	390,556	196,317	8/4/2006	194,239
2886	749,138	182,320	8/4/2005	566,818
2887	727,261	379,970	8/4/2005	347,291
2888	212,885	127,010	8/4/2005	85,875
2889	1,123,707	264,081	2/4/2006	859,626
2890	2,959,095	565,410	8/4/2005	2,393,685
2891	254,779	60,472	8/4/2005	194,307
2929	151,075	109,293	8/4/2005	41,782
2934	230,392	41,531	2/4/2006	188,861
2935	206,194	156,678	8/4/2005	49,516
2936	262,198	23,336	2/4/2006	238,862
2937	434,464	164,832	8/4/2005	269,632

2938	249,537	162,774	8/4/2005	86,763
2939	310,858	140,043	8/4/2005	170,815
2942	2,247,414	168,236	8/4/2005	2,079,178
2944	269,690	101,899	8/4/2005	167,791
2945	112,371	34,524	8/4/2006	77,847
2947	200,497	172,910	8/4/2006	27,587
2966	66,698	52,513	8/4/2006	14,185
2967	94,442	17,728	8/4/2006	76,714
2975	198,257	152,619	8/4/2006	45,638
2983	184,372	93,083	8/4/2006	91,289
2986	56,087	26,425	8/4/2006	29,662
2991	79,087	68,803	8/4/2006	10,284
2996	2,032,403	735,570	8/4/2006	1,296,833
2999	58,336	24,363	8/4/2006	33,973
3007	142,192	68,207	8/4/2006	73,985
3010	61,906	59,366	8/4/2005	2,540
3013	80,980	75,882	8/4/2006	5,098
3015	126,785	68,571	8/4/2006	58,214
3026	580,835	258,807	8/4/2006	322,028
3030	252,454	86,663	8/4/2006	165,791
3036	96,930	58,561	8/4/2006	38,369
3040	57,009	32,758	8/4/2006	24,251
3041	718,619	526,314	8/4/2006	192,305
3045	650,849	281,797	8/4/2006	369,052
3047	99,089	45,792	8/4/2006	53,297
3052	234,829	76,077	8/4/2006	158,752
3053	58,729	19,216	8/4/2006	39,513
3062	242,614	144,385	8/4/2005	98,229
3065	799,354	454,517	2/4/2006	344,837
3066	603,021	284,745	2/4/2006	318,276
3067	365,279	80,338	8/4/2006	284,941
3069	249,203	166,093	8/4/2006	83,110
3071	625,888	456,161	8/4/2006	169,727
3072	115,305	104,176	8/4/2006	11,129
3073	77,755	50,148	8/4/2006	27,607
3077	203,282	121,352	8/4/2006	81,930
3079	66,855	54,688	8/4/2006	12,167
3082	107,627	68,834	8/4/2005	38,793
3094	890,587	519,121	8/4/2006	371,466
3100	133,725	79,339	8/4/2006	54,386
3113	925,076	876,526	8/4/2006	48,550
3119	75,508	33,945	9/30/2009	41,563
3177	151,370	58,409	8/4/2006	92,961
TOTALS:	\$30,524,551	\$14,454,814		\$16,069,737

ADDITIONAL INFORMATION AND COPIES

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