




Homeland Security

May 20, 2009

MEMORANDUM FOR: Karen Armes
Acting Regional Administrator
FEMA Region IX

FROM: 
Robert J. Lastrico
Western Regional Director

SUBJECT: *California Department of Parks and Recreation*
Sacramento, California
Public Assistance Identification Number 000-U8RA6-00
FEMA Disaster Number 1577-DR-CA
Audit Report Number DS-09-05

The Office of Inspector General audited public assistance funds awarded to the California Department of Parks and Recreation; Sacramento, California (CDPR). The objective of the audit was to determine whether CDPR expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

CDPR received a public assistance subgrant award of \$5.7 million from the California Office of Emergency Services (now, the California Emergency Management Agency – CalEMA), a FEMA grantee, for debris removal and repairs to Southern California CDPR facilities damaged by winter storms in January 2005. This subgrant award provided 75% federal funding for 20 large projects¹ and 99 small projects.

The audit covered the period December 27, 2004, through February 26, 2009, and included a review of six large projects with a total award of \$3.3 million. As of December 31, 2008, CDPR completed or abandoned the work on these projects, but had not submitted its final claim to CalEMA because work on other projects had not yet been completed. FEMA's final inspection and closeout of the subgrant award is pending CDPR completion of the remaining projects and CalEMA's submittal of the Project Completion and Certification Report which will provide CDPR's final accounting of project costs.

We conducted this performance audit under 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. The evidence obtained during the audit provides a

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

reasonable basis for our findings and conclusions based on our audit objective. We interviewed FEMA, CalEMA, and CDPR officials; reviewed cost documentation for a judgmentally selected sample of large projects (generally based on dollar value); and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of CDPR's internal controls related to grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of CDPR's methodology of accounting for disaster-related costs.

RESULTS OF AUDIT

CDPR expended and accounted for disaster funds according to federal regulations and FEMA guidelines. However, for the six completed projects reviewed, over \$1.3 million in project funding made available to CDPR was no longer needed and could be deobligated by FEMA. In addition, CDPR's quarterly progress reports did not accurately reflect project status.

Finding A - Project Funding

The table below shows that of the \$3.3 million awarded for six projects, actual project costs incurred and audited totaled only about \$2.0 million, leaving about \$1.3 million in project funds that FEMA could deobligate. As noted below, one project was abandoned, and five projects were completed under budget up to 3 years ago.

Project Number	Date Work Completed	Project Funding Obligated by FEMA	Project Costs Supported by the Audit	Funding Not Used or Needed
812	Abandoned	\$ 523,501	\$ 0	\$ 523,501
1321	11/30/08	193,876	118,205	75,671
1739	12/05/06	126,645	76,680	49,965
2034	01/04/06	941,000	592,000	349,000
2687	03/28/05	1,358,575	1,183,575	175,000
2866	05/31/06	140,842	7,072	133,770
Totals		\$3,284,439	\$1,977,532	\$1,306,907

According to Title 44, *Code of Federal Regulations*, Section 206.205(b)(1) [44 CFR 206.205(b)(1)], 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 CDPR has completed the approved work and requested payment. Even though CDPR has not requested final payment and closure of its entire award, nothing in the regulations precludes CDPR from requesting final payment on a project-by-project basis.

According to 44 CFR 13.40(a), CalEMA is 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, through its project monitoring system, should receive information

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

quarterly from CDPR that identifies project completion information and unneeded funds that FEMA should deobligate. While the objective and scope of this audit did not include a review of CalEMA's project monitoring system, its Addendum to the State Administrative Plan for disaster number 1577-DR-CA says,

...OES [CalEMA] has adopted this system [Large Project Monitoring Program] for all large projects and has combined it with the current quarterly reporting process to develop a comprehensive automated "Progress Reporting System" whereby applicants [subgrantees] will provide updated information on all of their large projects to OES [CalEMA] electronically each quarter.

The CalEMA officials we spoke to said they were unaware that the projects had been completed at about \$1.3 million under budget. As discussed subsequently in this report, quarterly progress reports submitted to CalEMA by CDPR did not accurately reflect project status or project costs.

Project records showed that CDPR informed CalEMA in February 2009 – over 4 years after the disaster occurred – that project 812 was not feasible and therefore had been abandoned. For the five projects completed under budget, CDPR has (1) requested partial reimbursement for project 1739, (2) requested full reimbursement for projects 2034, 2687 and 2866, and (3) not submitted a request for cost reimbursement for project 1321 although the work was completed in November 2008. Projects records did not indicate that CDPR had informed CalEMA that the projects had been completed.

CDPR officials said they were unaware of specific guidance requiring timely notification to CalEMA or FEMA about completed projects or unneeded project funding. They explained that they normally wait until subgrant close-out and instructions from CalEMA before providing an accounting of each large project. FEMA officials explained that federal regulations do not provide specific timelines, other than as soon as practicable, for a grantee to submit accounting information on completed projects. However, FEMA officials noted that deobligating 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.

Finding B - Quarterly Progress Reporting

CDPR needs to submit accurate, current, and complete quarterly progress reports to CalEMA. According to 44 CFR 13.20(b)(1), both CalEMA and CDPR are required to meet various financial management standards including the disclosure of accurate, current, and complete reporting of the financial results of financially assisted activities. The reports submitted by CDPR also help CalEMA fulfill the project monitoring and program performance reporting required by FEMA.

FEMA requires CalEMA – and in turn, CalEMA requires CDPR – to prepare and submit quarterly progress reports that must highlight significant developments in grant and subgrant activities [see 44 CFR 13.40(d)]. These developments could include (1) problems, delays, or adverse conditions that impact grant or subgrant execution, or (2) favorable conditions that enable the grantee or subgrantee to meet time schedules sooner, or at a cost less than expected.

Information required in a quarterly report, includes quarter-end project status with respect to percent completion, costs incurred, projected completion dates, actual completion dates, and cost

reimbursement status. Our review of quarterly reports and other CDPR project records confirmed that project costs and project completion dates were not accurately recorded in the reports. CDPR officials agreed that data included in the quarterly reports was not always checked for accuracy before submitting the reports to CalEMA. As a result, CalEMA's quarterly reporting to FEMA for declared disaster 1577 may be inaccurate.

RECOMMENDATIONS

We recommend that the Acting Regional Administrator, FEMA Region IX, in coordination with CalEMA:

Recommendation #1. Deobligate \$1,306,907 (\$980,180 federal share) in disaster funds currently obligated for projects 812, 1321, 1739, 2034, 2687, and 2866.

Recommendation #2. Require CalEMA to strictly follow the monitoring and program performance reporting requirements of 44 CFR 13.40 and its own Administrative Plan to ensure that quarterly progress reports submitted by subgrantees are accurate, current, and complete and reflect significant developments in project execution. By doing so, CalEMA's quarterly progress report to FEMA will better reflect CalEMA's compliance with federal requirements and achievement of performance goals.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of this audit with CDPR officials on February 26, 2009, and with CalEMA officials on March 19, 2009. Those officials agreed with the audit findings. We also notified FEMA of the audit results on March 27, 2009.

Please advise us by June 20, 2009, regarding actions taken or planned to implement our recommendations. Should you have questions concerning this report, please contact me at (510) 637-1482. Key contributors to this assignment were Humberto Melara and Willard Stark.