



Homeland Security

November 8, 2005

MEMORANDUM FOR: John E. Pennington
Regional Director
FEMA Region X

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

SUBJECT: *Audit of Yakima County
Yakima, Washington
Public Assistance Identification Number 077-00000
FEMA Disaster Number 1100-DR-WA
Audit Report Number DS-01-06*

The Office of Inspector General (OIG) audited public assistance grant funds awarded to Yakima County, Yakima, Washington (County) for Disaster No. 1100. 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 \$6.5 million from the Washington Military Department, Emergency Management Division (EMD), a FEMA grantee, for damage resulting from high winds, severe winter storms, and flooding that occurred from January 26, 1996 to February 3, 1996. The award provided 75 percent federal funding for 11 large projects and 13 small projects.¹ The audit covered the period January 26, 1996 to January 7, 2002, and included the review of the 11 large projects and 1 small project with a total award of \$6.3 million (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 the review of FEMA, EMD, and County records, a judgmental sample of project expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The County generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines for 8 of 12 projects reviewed. However, for three large projects, OIG questioned \$22,436 of the force account labor costs claimed by the County (FEMA's share of

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$43,700.

the claimed amount is \$16,828). The amount questioned consisted of \$12,296 in excessive overtime fringe benefits costs and \$10,140 in unsupported charges.

Finding A – Excessive Overtime Fringe Benefits Costs

The County's claim for projects 58801, 58803, and 58808 included \$12,296 (\$7,996, \$2,106², and \$2,194, respectively) of excessive overtime fringe benefits costs. For these three projects, the County applied an overtime fringe rate of 44 percent to overtime wages although the correct rate per the County's payroll policy was 20 percent. According to 44 CFR § 13.20(b)(5), the County is required to follow Office of Management and Budget (OMB) cost principles, agency program regulations, and the terms of grant and subgrant agreements in determining reasonableness, allowability, and allocability of costs. OMB Circular A-87, Attachment B, Section 11, allows federal reimbursement for fringe benefits costs when the charges are consistent with the County's established policies.

County officials did not agree that the \$12,296 should be returned to FEMA. These officials stated that the County had incurred higher total expenses than actually submitted to FEMA for reimbursement and thus, FEMA should allow the County to offset the questioned costs with unclaimed expenses. In reconciling the County's total claim with FEMA records, OIG determined that the County's unclaimed costs: (1) had previously been disallowed by FEMA, (2) were not related to force account labor, or (3) were not eligible for public assistance funding. Therefore, OIG continues to question the \$12,296 since the claimed overtime fringe benefits costs were not consistent with the County's established policy and were excessive.

Finding B – Unsupported Costs

The County's claim for project 58803 included \$10,140 in force account labor costs³ not supported with documentation showing the charges were disaster related. According to 44 CFR § 13.20, the County is required to maintain accounting records that identify how FEMA funds are used. The County claimed \$59,469 in force account labor costs for project 58803; however, accounting records only supported \$49,329. As for Finding A above, the County did not believe the unsupported amount should be returned to FEMA because more costs were incurred for other projects than actually submitted for reimbursement. However, for the same reasons stated in Finding A, OIG continues to question \$10,140 (\$59,469 claimed less \$49,329 supported) as unsupported costs.

RECOMMENDATION

The Office of Inspector General recommends that the Regional Director, FEMA Region X, in coordination with EMD, disallow questioned costs of \$22,436.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW UP

The OIG discussed the results of this audit with County officials on August 29, 2005. Those officials did not agree with the OIG's conclusion that FEMA should disallow the questioned costs. The OIG also notified FEMA and EMD officials of the audit results on September 13, 2005.

² Excessive overtime fringe benefits costs on project 58803 were computed net of Finding B unsupported costs.

³ Force account labor costs include wages and benefits for both regular and overtime hours.

Please advise this office by January 9,2006 of any actions taken in response to the recommendations in this report. Should you have any questions concerning this report, please contact me at (510) 627-7011. Key contributors to this assignment were Humberto Melara and Kenneth B. Valrance.

Schedule of Audited Projects
 Yakima County, Washington
 Public Assistance Identification Number 077-00000
 FEMA Disaster Number 1100-DR-WA

Project Number	Award Amount	Questioned Costs	Finding Reference
Large Projects:			
22055	\$ 555,091		
28336	89,959		
36174	1,986,953		
58801	1,825,712	\$ 7,996	A
58803	548,866	12,246	A,B
58806	80,752		
58808	747,824	2,194	A
58815	45,374		
58816	65,201		
59804	132,410		
59924	234,449		
Sub-total	<u>\$6,312,591</u>	<u>\$22,436</u>	
Small Projects:			
59920	\$3,125		
Sub-total	<u>\$3,125</u>		
Total:	<u>\$6,315,716</u>	<u>\$22,436</u>	

Finding Reference Legend

A – Excessive Overtime Fringe Benefits Costs

B – Unsupported Costs