

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**State of California's Administration of the
Fire Management Assistance Grant Program
for the Pine Fire**



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September 2008

*Office of Inspector General
Office of Emergency Management Oversight*

U.S. Department of Homeland Security
300 Frank H. Ogawa Plaza, Ste. 275
Oakland, California 94612



**Homeland
Security**

September 26, 2008

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the Inspector General Act of 1978. This is one of a series of audits, inspections, and special reports published as part of our oversight responsibilities to promote economy, effectiveness, and efficiency within the department.

The attached report presents the results of the audit of the Fire Management Assistance Grant for the Pine Fire. We contracted with the independent public accounting firm of Cotton & Company LLP to perform the audit. The contract required that Cotton & Company LLP perform its audit according to generally accepted government auditing standards and guidance from the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Title 44 of the Code of Federal Regulations, and the Office of Management and Budget. Cotton & Company reported an area where the Regional Administrator, Federal Emergency Management Agency, Region IX can improve the management and administration of the Fire Management Assistance Grant Program. In addition, Cotton & Company reported two areas in which the State of California's administration of the Fire Management Assistance Grant Program could be improved. The report contains seven recommendations addressed to the Regional Administrator, Federal Emergency Management Agency, Region IX.

Cotton & Company is responsible for the attached auditor's report dated August 29, 2008, and the conclusions expressed in the report. The recommendations herein have been discussed in draft with those responsible for implementation. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Robert J. Lastrico".

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Cotton & Company LLP performed an audit of the State of California's management of Federal Emergency Management Agency's funds awarded under the Fire Management Assistance Grant Program. The audit was performed in accordance with our Task Order TPDARCBPA070016, dated September 27, 2007.

This report presents the results of the audit and includes recommendations to help improve management of the audited Fire Management Assistance Grant Program.

Our audit was conducted in accordance with applicable *Government Auditing Standards*, July 2007 revision. Although the audit report comments on costs claimed by the State of California, we did not perform a financial audit, the purpose of which would be to render an opinion on the State of California's financial statements or funds claimed in Financial Status Reports submitted to the Federal Emergency Management Agency.

We appreciate the opportunity to have conducted this audit. Should you have any questions, or if we can be of further assistance, please contact me at 703.836.6701 or mikeg@cottoncpa.com.

Sincerely,

COTTON & COMPANY LLP

Michael W. Gillespie, CPA, CFE
Operations Managing Partner

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Abbreviations

CALFIRE	California Department of Forestry and Fire Protection (formerly, CDF)
CFR	Code of Federal Regulations
CHP	California Highway Patrol
DHS	U.S. Department of Homeland Security
FEMA	Federal Emergency Management Agency
FMAG	Fire Management Assistance Grant
GAR	Governor's Authorized Representative
OES	California Governor's Office of Emergency Services
OIG	Office of Inspector General
OMB	Office of Management and Budget
PW	Project Worksheets
USFS	United States Forest Service

Executive Summary

Cotton & Company LLP audited the State of California's administration of the Fire Management Assistance Grant (FMAG) Program for the Pine Fire (FMAG Declaration 2528). The audit objective was to determine if the state administered the FMAG Program in an efficient and effective manner. To accomplish the objective, we considered the overall impact of material deficiencies on grant program administration. Specifically, we determined how well the state (1) coordinated and communicated with the Federal Emergency Management Agency (FEMA) and subgrant applicants, (2) ensured compliance with federal laws and FEMA guidelines, and (3) accounted for and expended FMAG Program funds. Appendix A contains additional details on the objectives, scope, and methodology of this audit.

FEMA Region IX awarded \$6,772,444 under FMAG Declaration 2528 to the California Governor's Office of Emergency Services (OES) on November 4, 2004. At completion of our fieldwork, May 28, 2008, FEMA had not closed this declaration. Although the audit scope included a review of costs reimbursed under the grant, a financial audit of those costs was not performed. Accordingly, we do not express an opinion on the state's financial statements or the funds claimed in financial status reports submitted to FEMA.

OES could have administered the Pine Fire grant in a more efficient and effective manner by complying with federal laws and FEMA regulations. Specifically, OES' processes for reviewing the eligibility of applicant costs was not adequate and it did not always comply with FMAG Program requirements. In addition, FEMA Region IX did not enforce some FMAG Program regulations relating to verifying incident period information submitted by the state and grant closeout requirements.

We recommend that the Regional Administrator, FEMA Region IX require OES to: (1) improve its processes for reviewing incurred costs, (2) ensure that each applicant has reliable processes to review incurred costs, (3) meet with FEMA to determine if cooperative agreements need to be revised, and (4) comply with the regulations governing the grant. We also recommend that the Regional Administrator: (5) disallow \$360,844 of ineligible federal share costs, (6) disallow \$2,660,694 of unsupported federal share costs, and (7) ensure OES' and FEMA's compliance with federal grant regulations.

We held an exit conference with FEMA Region IX and OES on May 28, 2008. FEMA and OES generally concurred with our findings and recommendations. A synopsis of their verbal comments is included in the Results of Audit section of this report.

Background

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, (Stafford Act), signed into law November 23, 1988, authorizes the President to provide federal funds to state and local governments under the FMAG Program for mitigation, management, and control of any fire burning on public or private forestland or grassland. The FMAG Program replaced the Fire Suppression Assistance Program on October 30, 2001. Title 44, *Code of Federal Regulations* (44 CFR), Part 204, provides procedures for declaration and grants management processes for the FMAG Program and details applicant eligibility and eligibility of costs to be considered under the program.

Declaration Process

A declaration request must be submitted while a fire is burning uncontrolled and threatens such destruction as would constitute a major disaster. The Governor or the Governor's Authorized Representative (GAR) is authorized to submit requests to the FEMA Regional Administrator or Regional Fire Duty Liaison for fire management declarations. Due to the magnitude and impact of a fire, the Governor or GAR can expedite the declaration process by verbally requesting the declaration, but must follow-up promptly after the date of an initial telephone request with all official forms and written information.

Upon declaration approval by FEMA, the Governor or GAR will enter into a standing FEMA-State Agreement (the Agreement) for the declared fire and for future declared fires in that calendar year. The state must have a current and signed Agreement before receiving federal funding under the FMAG Program. The Agreement states the understandings, commitments, and conditions under which FEMA will provide federal assistance, including the 75% federal and 25% non-federal cost share provision and articles of agreement necessary for the administration of the grants. The Agreement must identify the state legislative authority for firefighting, as well as the state's compliance with laws, regulations, and other provisions applicable to the FMAG Program.

By virtue of the Agreement signed and executed by the Governor on May 28, 2004, OES serves as grantee for all FMAG Program funding in the State of California.

Grant Application and Reimbursement Process

Following a declaration, the state is required to submit a grant application package to the FEMA Regional Administrator within 9 months of the declaration. The Regional Administrator may grant an extension of up to 3 months upon receipt of a written request from the state that includes the justification for an extension. The grantee must document the total eligible

costs for a declared fire on Project Worksheets (PWs), which are submitted with the grant application. The Regional Administrator has 45 days from the receipt of the state's initial grant application, or an amendment to the state's grant application, to approve or deny the application package or amendment, or to notify the state of a delay.

By submitting PWs, the grantee certifies that all reported costs were incurred for work that was performed in compliance with laws, federal regulations and FMAG Program policy and guidance, as well as terms and conditions outlined in the FMAG Program FEMA-State Agreement. Upon approval of the grant application, FEMA obligates funds after determining that: (1) the state's eligible costs meet or exceed the individual or cumulative fire cost thresholds; and (2) the state has up-to-date Public Assistance State Administrative and Hazard Mitigation Plans approved by the Regional Administrator.

Subgrantee requests for FMAG Program funding are submitted on a Request for Fire Management Assistance Subgrant (FEMA Form 90-133) to the grantee according to state procedures and within timelines set by the grantee. This request must be submitted not more than 30 days after the close of the incident period. The grantee will review and forward the request to the Regional Administrator for final review and determination.

On July 14, 2004, FEMA declared the Pine Fire eligible for the FMAG Program and established an incident period of July 13 through July 21, 2004. On April 30, 2008, FEMA Region IX issued an amendment to the grant and corrected the incident start date to July 12, 2004, on Exhibit E of the FEMA-State Agreement. On September 17, 2004, FEMA Region IX approved the following four applicants¹ as eligible to receive FMAG funds under 44 CFR 204.51:

- Los Angeles County
- California Highway Patrol (CHP)
- California Department of Transportation
- California Department of Forestry and Fire Protection (CALFIRE - formerly, CDF)

OES was also approved to receive FMAG funds for the administration of the grant. Grant funding for the Pine Fire is shown in Appendix B.

¹ Under Title 44 CFR, Chapter 1, Part 204, Fire Management Assistance Grant Program, applicants submit an application to the grantee for a subgrant. This regulation further defines a subgrantee as "an applicant that is awarded a subgrant." Accordingly, FMAG Program regulations use the terms applicant and subgrantee interchangeably.

Results of Audit

OES' Response and Recovery Division could have managed the Pine Fire grant more efficiently and effectively by complying with federal laws and FEMA requirements when reviewing applicant costs and administering program processes. In addition, FEMA should have required OES to follow FMAG grant administration processes. Specifically, OES needed better processes for reviewing the eligibility of applicant costs and to ensure compliance with FMAG Program requirements. Likewise, FEMA Region IX needed to enforce those requirements.

OES Payment Processes

OES needs to (a) have adequate processes in place for reviewing the eligibility of applicant costs and (b) spend an adequate amount of time reviewing documentation. Supporting documentation from three applicants was not sufficiently reviewed to ensure that costs incurred were eligible, as required by 44 CFR 204.53. Two examples are provided below.

- Detailed review of available supporting documentation at CALFIRE showed that CALFIRE did not have adequate documentation to support claims or was reimbursed for costs that occurred outside the incident period on two PWs. OES spent less than 4 hours at CALFIRE headquarters reviewing documentation supporting one PW with reported costs of over \$4.3 million. For the other PW with total reported costs of over \$3.8 million submitted on a cooperative agreement between CALFIRE and the U.S. Forest Service (USFS), OES neither requested CALFIRE to provide available documentation for review, nor verified that CALFIRE had adequate review processes.
- OES processed all five PWs submitted by Los Angeles County without reviewing documentation available at the county. In this instance, our review showed that one PW, in its entirety, contained ineligible costs.

According to 44 CFR 204.53, " By submitting the applicants' Project Worksheets to us [FEMA], the Grantee is certifying that all costs reported on applicant Project Worksheets were incurred for work that was performed in compliance with FEMA laws, regulations, policy and guidance applicable to the Fire Management Assistance Grant Program, as well as with the terms and conditions outlined for the administration of the grant in the FEMA-State Agreement for the Fire Management Assistance Grant Program."

In addition, 44 CFR 204.42 addresses eligible costs and states that all eligible work and related costs must be associated with the incident period of a declared fire.

Further, 44 CFR 13.42 requires the retention of all financial and programmatic records, supporting documents, statistical records, and other records of grantees and subgrantees and 44 CFR 13.20(6) says that accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, and contract and subgrant award documents.

Finally, Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, C. Basic Guidelines, j., requires that, to be allowable under federal awards, costs must be adequately supported.

OES should have performed a sufficient review of claimed costs to ensure compliance with FEMA laws, regulations, and policy and guidance applicable to the FMAG Program for three of the four applicants (CALFIRE, Los Angeles County, and CHP²). Based on available documentation we reviewed, over \$3 million in federal share reimbursements is at risk for three PWs that we identify and discuss in Appendix C and summarize below.

- CALFIRE and OES did not sufficiently review supporting documentation for all costs associated with PW 2-1, and thus a federal-share amount of \$2,660,694 was unsupported. The federal share reimbursed to OES under PW 2-1 was \$2,873,264. We reviewed three mutual-aid invoices, the only supporting documentation available from USFS. The invoices totaled \$283,427, or \$212,570 federal share. Thus, the federal share not reviewed was \$2,660,694 (\$2,873,264 minus \$212,570).
- Based on the three PWs discussed in Appendix C, and the supporting documentation examined, we identified an additional \$360,844 of federal-share ineligible costs as follows:

PW No.	Ineligible Costs
2-1	\$60,386
2-0	54,367
6	<u>246,091</u>
Total	<u>\$360,844</u>

Recommendations

We recommend that the Regional Administrator, FEMA Region IX, require OES to:

² We also reviewed PW 3 submitted by CHP. We determined that the costs that were not supported were immaterial.

Recommendation #1. Improve its processes for reviewing incurred costs submitted by applicants, such as reconciling a pre-determined, statistical amount of supporting documentation against PW cost categories (equipment, labor, and contracts).

Recommendation #2. Ensure that each applicant establishes a reliable process for reviewing incurred costs prior to submitting PWs to OES.

Recommendation #3. Meet with the FMAG Program Analyst and determine if cooperative agreements similar to the agreement between CALFIRE and USFS need to be revised to require a sufficient amount of supporting documentation to be available for review in the event of FMAG Program declaration.

We also recommend that the Regional Administrator, FEMA Region IX:

Recommendation #4. Disallow \$360,844, federal-share, in ineligible costs included in the PWs submitted by OES.

Recommendation #5. Disallow unsupported federal-share costs of \$2,660,694 under PW 2-1 and require OES to comply with FMAG regulations for obtaining and retaining supporting documentation.

Management Comments

FEMA Region IX's FMAG Program Analyst concurred with the five recommendations. We spoke with the FMAG Program Analyst at the May 28, 2008, exit conference and then again in a phone conversation on July 14, 2008. In the latter conversation, we informed the analyst that we would be recommending disallowing most of the federal-share costs under PW 2-1. On July 23, 2008, the FMAG program analyst informed us by email and said he did not have any "issues with the facts as presented in the report", but had concerns about disallowing all the costs (Recommendation #5). The final dollar value, if any, will be determined based on FEMA's additional work on determining available support with the state.

At the May 28, 2008 exit conference, OES said that, as a general rule for reviewing all PWs, it did not have the time or staffing resources to review every line item on a PW. Moreover, even though it previously acknowledged that the quality of CALFIRE PWs was not good, it considered that the four hours spent reviewing PW 2-0 (CALFIRE), or over \$4.3 million in total incurred costs, was sufficient. OES said that it used its best judgment to review selected costs for accuracy and reliability.

Nevertheless, OES generally agreed at the exit conference that it needed to improve its PW billing review processes. OES said that it plans to be more

vigilant in reviewing agencies that incur large labor costs. OES also said it would perform more timesheet sampling for all applicants. In addition, OES acknowledged that it should have corrected PWs where costs were incurred for activities outside the incident period.

OES Grant Compliance

OES needs to comply with FMAG Program requirements, and FEMA needs to enforce those requirements. Specifically, OES should have filed a separate PW for costs billed by USFS to CALFIRE and requested an extension from FEMA to close the grant. In addition, OES submitted an inaccurate incident period start date to FEMA and FEMA did not verify the accuracy of OES-submitted incident-period dates. Furthermore, FEMA should have ensured that PWs were filed in every instance, and that grant closeout deadlines were met according to FMAG Program regulations.

OES said that fire activity in 2004 overwhelmed staff assigned to handle these matters. FEMA Region IX indicated that it did not enforce deadlines with grantees because of an inordinate amount of fire and disaster activity in calendar year 2004.

CFR Parts 204 and 13.50 define the incident period, requirements for PWs, and requirements for grant closeout as follows:

- 44 CFR 204.3 – The incident period is the time interval during which the declared fire occurs. The Regional Administrator in consultation with the GAR and the principal advisor will establish the incident period.
- 44 CFR 204.23(a) and 204.42 - The Region will verify the information submitted in the state's request. The Regional Administrator must approve PWs or amendments to PWs. Before obligating federal funds, the Regional Administrator must review and approve the initial grant application, along with PWs submitted with the application and any subsequent amendments to the application.
- 44 CFR 13.50(b) - Within 90 days after the expiration or termination of the grant, the grantee must submit the final program performance report, the final financial status report, and all other reports required as a condition of the grant. Upon request by the grantee, federal agencies may extend this timeframe.

Incident Period

OES provided FEMA Region IX an erroneous incident start date (July 13, 2004 instead of July 12, 2004) but could not explain why since the former Fire Duty Officer for FMAG at OES was no longer at OES. Providing an inaccurate start date precluded applicants from submitting costs incurred for July 12, 2004 (although some applicants did, in violation of the original incident start date). In addition, FEMA did not ensure the accuracy of the incident start date submitted by the grantee on the Exhibit E Amendment to the Agreement for the FMAG Program as required by 44 CFR 204.23(a) and did not properly review and approve the initial grant application before obligating federal funds as required by 44 CFR 204.42

The original Exhibit E, filed on October 18, 2004, established the incident period from July 13 through July 21, 2004 (although the correct start date was subsequently determined to be July 12). A review of claimed costs from applicants, however, showed that costs were submitted and approved for dates before and after the original incident period. We notified FEMA Region IX about the matter during the audit, and Region IX management determined that errors occurred in verifying the incident period. FEMA said that it did not crosscheck Exhibit E dates against records maintained internally, such as the "decision checklist" or the ICS-209, the Incident Status Summary Report. FEMA also said that it is not "atypical" that a grantee records an inaccurate incident period, thus requiring FEMA to issue an amendment to Exhibit E. FEMA further maintained that, based on its internal records, costs submitted by applicants for July 12, 2004 should have been eligible.

Accordingly, after recognizing that the July 2004 incident start date was erroneous, FEMA Region IX amended Exhibit E on April 30, 2008, to establish July 12, 2004, as the incident start date.

Because the original Exhibit E recorded an inaccurate incident start date of July 13, applicants could not submit costs incurred for July 12 (although some applicants did, in violation of the original incident start date³). Therefore, some applicants may not have claimed costs that are now eligible. For example, we saw evidence in which the Los Angeles Administrative Office did not approve costs incurred by some of its agencies on July 12, 2004.

Project Worksheets

OES should have submitted a PW for costs attributed to the CALFIRE-USFS cooperative agreement, totaling over \$3.8 million. While OES referred to this as PW 2-1, a PW was never submitted to FEMA. For these costs, OES only

³ See OES Payment Processes at Appendix C of this report for a discussion of costs submitted outside the original or amended incident period.

submitted a cost activity report to FEMA Region IX, along with an amended Standard Form 424, Application for Federal Assistance. FEMA processed and paid the claim without a PW.

Under 44 CFR 204.52(c)(2) and (3), applicants should submit PWs through the grantee for approval and transmittal to the Regional Administrator as amendments to the state's application. While the grantee can determine the deadline for an applicant to submit completed PWs, the deadline must be no later than 6 months from the close of the incident period. At the request of the grantee, a Regional Administrator may grant an extension of up to 3 months if so justified by the grantee in its extension request.

We brought the matter to FEMA's attention during the audit, but Region IX program staff could not explain why the claim was paid without a PW. Nevertheless, FEMA paid federal-share costs for this claim, or over \$2.8 million. FEMA Region IX explained that it did not want to penalize OES when it was overburdened with fire activity. Selectively enforcing some regulations, however, weakens overall program compliance at the grantee level.

Grant Closeout

Under 44 CFR 13.50(b), the grantee must submit all financial, performance and other reports required as a condition of the grant within 90 days after grant expiration or termination. FEMA can extend this timeframe upon request by a grantee. OES did not, however, request an extension to closeout the grant and it remains open, almost 4 years after the incident period.

FEMA Region IX also should have ensured that the grant was closed in a timely manner. The Pine Fire grant was not closed within 90 days of the performance period expiration date of April 13, 2005. The FMAG Program Analyst for FEMA Region IX said that, generally, it did not require states in Region IX to file closeout extensions. In addition, FEMA also said that the grant performance period end date that the grantee entered on the Standard Form 424, which was April 13, 2005, for the Pine Fire, is not reliable, claiming that the grantee "cannot possibly know when the performance period should end."

Recommendations

We recommend that the Regional Administrator, FEMA Region IX, require OES to:

Recommendation #6. (a) Ensure that incident periods are accurate, (b) file PWs whenever FMAG Program costs are incurred, and (c) comply with FMAG Program grant closeout processes.

We also recommend that the Regional Administrator, FEMA Region IX, require its FMAG Program office to:

Recommendation #7. (a) Ensure that incident dates submitted by grantees on Exhibit E are accurate, (b) determine if applicants may submit additional claims for costs incurred on July 12, 2004, (c) require grantees to submit PWs with all cost reports, and (d) complete grant closeout within 90 days of the performance period expiration date.

Management Comments

The FEMA Region IX FMAG Program Analyst representing Region IX concurred with the recommendations. In addition, the FMAG Program Analyst agreed to make a decision regarding applicants filing claims for costs incurred on July 12, 2004.

OES said at the exit conference that it would closeout the grant within 10 days. Its representatives further said that they were waiting to identify minor grant closeout costs. OES had no explanation as to why one PW was not filed with FEMA.

Other Audit Matters

We reported in our review of PW 2-0 and CALFIRE's supporting documentation that CALFIRE did not claim all eligible labor costs. Some labor costs were unbilled, while other costs were under-billed due to an incorrect labor rate. All labor costs were eligible under 44 CFR 204.42. The current CALFIRE staff in the Office of Accounting Services could not explain why the former accounting staff did not include unclaimed costs in PWs submitted to OES. The aggregate total of federal-share costs unbilled (\$7,942) and under-billed (\$7,758) is \$15,700.

Objectives

The objective of the audit was to determine whether the state administered the FMAG Program in an efficient and effective manner. To accomplish the objective, we considered the overall impact of material deficiencies on grant program administration. Specifically, we determined how well the state (1) coordinated and communicated with FEMA and subgrant applicants, (2) ensured compliance with federal laws and FEMA guidelines, and (3) accounted for and expended FMAG Program funds.

We were not engaged to and did not perform a financial statement audit, the objective of which would be to express an opinion on specified elements, accounts, or items. Accordingly, we neither were required to nor expressed an opinion on the costs claimed for the grant programs included in the scope of the audit. Had we been required and performed additional procedures or conducted an audit of the financial statements according to generally accepted auditing standards, other matters might have come to our attention that would have been reported. This report relates only to the programs specified and does not extend to any financial statements of the State of California.

Scope

We audited the Pine Fire FMAG that was awarded by FEMA to the State of California on November 4, 2004. The grant, totaling \$6,772,444 (federal share) remained open at the time we completed our fieldwork, May 28, 2008. This FEMA grant award was selected for review, because the award was significantly higher than other fire declarations within the same FEMA Region. The Response and Recovery Division at the California Governor's Office of Emergency Services administered the FMAG Program.

Methodology

We performed fieldwork at the California Governor's Office of Emergency Services, California Department of Transportation, California Department of Forestry and Fire Protection, California Highway Patrol, and Los Angeles County.

To obtain an understanding of grant procedures, we reviewed FEMA regulations, the Stafford Act as amended, pertinent sections of Title 44 of the CFR, and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. We also held numerous discussions with the FEMA Region IX program analyst during the course of the audit to help us better understand the FMAG Program.

To achieve the objective of this audit, we:

- 1) Interviewed FEMA, state, and subgrantee personnel to obtain an understanding of policies and procedures followed and to identify potential internal control weaknesses and their causes;
- 2) Reviewed grant files to determine whether sufficient documentation was present to support proper administration of the grant;
- 3) Reviewed the state's internal controls over accounting for grants to ensure that the state properly recorded and reported grant expenditures;
- 4) Reviewed a sample of project worksheets to determine whether grant monies were spent according to laws and regulations.

We conducted this performance audit 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our audit between January 30, 2008, the date of the entrance teleconference with FEMA Region IX, and May 28, 2008, the date of our exit conference at OES headquarters in Rancho Cordova, California, with FEMA and OES officials. We performed fieldwork and interviewed responsible officials at OES and the four applicants in March and April 2008. We performed our work according to *Government Auditing Standards* prescribed by the Comptroller General of the United States (July 2007 Revision).

Appendix B
 Grant Funding for the Pine Fire

Applicant	PW Number	Total Amount Approved	Total Federal Share (75%)
California Department of Transportation	1	\$12,867	\$9,650
California Department of Forestry and Fire Protection	2	4,370,224	3,277,668
California Department of Forestry and Fire Protection	PW missing/not submitted *	3,831,018	2,873,264
California Highway Patrol	3	91,445	68,584
Los Angeles County	4 through 7 and 11	635,665	476,749
California Office of Emergency Services	8, 9, 10, and 10-1	<u>88,705</u>	<u>66,529</u>
Totals		<u>\$9,029,924</u>	<u>\$6,772,444</u>

* OES referred to the missing PW as "PW 2-1", even though a PW was never submitted.

California Department of Forestry and Fire Protection

CALFIRE-USFS Cooperative Agreement, PW 2-1

The cooperative agreement between CALFIRE and USFS, which was part of an overall package submitted to OES, was commonly referred to as PW 2-1, even though a PW was never issued for these incurred costs. Total incurred costs for this package were \$3,831,018. Incurred costs submitted and attributable to the CALFIRE-USFS cooperative agreement were \$3,691,637, representing about 97% of the total PW costs. The federal-share amount FEMA reimbursed to OES was \$2,873,264.

CALFIRE reimbursed USFS based on USFS accounting system reports and subsequently did not review supporting invoices and documentation. Terms and conditions of the cooperative agreement between CALFIRE and the USFS did not require that USFS provide original source documentation for claimed costs. For example, the agreement stipulates that cost and labor summary sheets and other applicable transaction registers are acceptable forms of documentation. The agreement also does not require USFS to provide CALFIRE with original invoices, receipts, or timesheets. Consequently, CALFIRE personnel processed USFS accounting system reports without reviewing any line-item entries contained on these reports, merely recording the amount that USFS invoiced as an account payable. CALFIRE management informed us that no one at CALFIRE reviewed supporting documentation that was available at USFS. As required by Section 42 of 44 CFR, Part 13, *Uniform Administrative Requirements for Grants and Cooperative Agreements To State and Local Governments*, records and supporting documentation must remain available for 3 years from the date the final expenditure report is filed.

We reviewed USFS accounting reports provided to CALFIRE and found many entries to be unclear. For example, one payroll expense line-item entry read "Misc Employee: \$140,228.75." In addition, each page on the USFS accounting report showed that costs were from July 12 through July 24, 2004, dates that were outside the original or amended incident period. Even with the April 30, 2008 Exhibit E change, there were still 3 days charged after the end date of July 21, 2004. Accordingly, costs attributable to the three days were ineligible costs.

We contacted USFS in an attempt to review any source documentation that might be available from the CALFIRE-USFS cooperative agreement. USFS provided us with only a limited amount of documentation, saying that most documentation would be difficult, if not impossible, to retrieve. USFS located three mutual-aid invoices from local fire departments totaling \$283,427 (\$212,570 federal share), which we reviewed for cost eligibility. We

calculated \$80,514 of claimed costs (\$60,386 federal share) incurred beyond the incident period end date, July 21, 2004.

Because all other entries on USFS accounting reports were unclear and could not be verified through supporting documentation, and costs were claimed for days outside the incident period, FEMA does not have assurance that the over \$2.8 million federal share for the CALFIRE-USFS cooperative agreement was accurately accounted and reported.

OES should have conducted a review of costs associated with the cooperative agreement at the time CALFIRE submitted the invoice. OES should have requested and reviewed an appropriate amount of source documentation that could have been available at the time CALFIRE submitted the invoice for PW 2-1 in 2005. Under that scenario, OES might have been able to satisfy itself regarding the accuracy of the entire claim.

PW 2-0

This PW was submitted by CALFIRE to for \$4,370,224 (\$3,277,668 federal share). CALFIRE submitted a 37-page PW package to OES that contained detailed accounting-level information on the \$4.3 million incurred costs. OES spent less than 4 hours at CALFIRE headquarters reviewing documentation supporting this accounting information.

Our review identified \$54,367 in ineligible costs that CALFIRE submitted to OES and OES approved:

- CALFIRE claimed \$23,754 in costs that were incurred outside of the incident period, were inadequately supported, or were billed at an incorrect rate.
- CALFIRE also claimed mutual aid costs (fire departments) of \$74,809 that were initially ineligible because they represented costs from July 12, 2004, as well as costs beyond July 21, 2004. The April 30, 2008, FEMA amendment changing the incident start date to July 12 reverses some of these ineligible costs; however, \$30,613 of claimed costs represent costs beyond July 21, 2004.

CALFIRE also submitted Overhead Crew Equipment Reports (CDF Form FC-33) with several internal control deficiencies. Form FC-33 reflects labor hours and equipment usage at an incident. Deficiencies included unsigned reports and changes not initialed. When deficiencies of these types occur, no assurance exists that reporting for labor and equipment usage is accurate.

Los Angeles County

Los Angeles County submitted five PWs to OES, accompanied by accounting-level information on incurred costs. Applicant costs submitted by Los Angeles County are a summary of costs incurred by five departments within the Los Angeles County government organizational structure and assembled by the Los Angeles County Administrative Office, the administrative arm for Los Angeles County. The Los Angeles County Administrative Office is the point-of-contact to OES for grant matters.

The Los Angeles County Administrative Office informed us that OES did not request a review of any supporting documentation for the five PWs that were submitted by Los Angeles County. Thus, OES was not in compliance with 44 CFR 204.53, *Certifying costs and payments*.

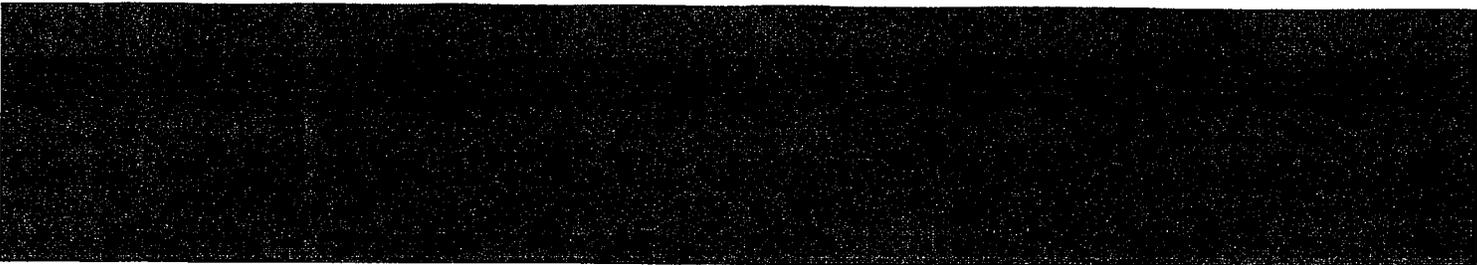
Based on our review, three of the five PWs contained errors and inaccuracies. Two of the three PWs contained errors that totaled less than \$300 and are not being reported here.

PW 6, totaling \$328,122 (\$246,091 federal share), represented costs incurred by the Los Angeles County Sheriff's Department. The Los Angeles County Sheriff's Department did not maintain an acceptable level of time-and-attendance documentation for its employees, a deficiency that the Los Angeles County Administrative Office has identified as being a longstanding issue with the Sheriff's Department. The Administrative Office has repeatedly asked the Sheriff's Department to maintain time-and-attendance records to include, at a minimum:

...employee name, employee number, item number, total hours worked each day and daily variances, and total hours charged to an unusual occurrence code or overtime code (for State and Federal reimbursable programs). The timecards should be signed by the employee attesting to the hours worked, and certified by their supervisors as correct.

The Sheriff's Department has not, however, complied with this basic recordkeeping request.

As a result of the Sheriff's Department noncompliance with the request to maintain timecards, the Los Angeles County Administrative Office withheld Pine Fire grant funds (\$246,091 federal share) from the Sheriff's Department that it received from OES, and through the time of our audit, had not released those funds to the Sheriff's Department.



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