

# Department of Homeland Security Office of Inspector General

**Los Angeles County, California, Did Not Properly  
Account For and Expend \$3.9 Million in FEMA Grant  
Funds for Debris-Related Costs**






**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

JUL 18 2013

MEMORANDUM FOR: Nancy Ward  
Regional Administrator, Region IX  
Federal Emergency Management Agency

FROM: John V. Kelly   
Assistant Inspector General  
Office of Emergency Management Oversight

SUBJECT: *Los Angeles County, California, Did Not Properly Account For and Expend \$3.9 Million in FEMA Grant Funds for Debris-Related Costs*  
FEMA Disaster Number 1577-DR-CA  
Audit Report Number DS-13-11

We are currently auditing Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to Los Angeles County, California (County), Public Assistance Identification Number 037-99037-00. This report generally focuses on debris-related activities of that Public Assistance grant. Our audit objective is to determine whether the County accounted for and expended FEMA Public Assistance grant funds according to Federal regulations and FEMA guidelines.

The California Emergency Management Agency (Cal EMA), a FEMA grantee, awarded the County \$54.9 million for costs resulting from storms, flooding, debris flows, and mudslides during the period of December 27, 2004, through January 11, 2005.<sup>1</sup> The award provided 75 percent FEMA funding for 143 large projects and 35 small projects.<sup>2</sup> Our audit covered the period from December 27, 2004, to May 1, 2013. This report presents findings related to five projects we comprehensively audited, totaling \$10.4 million in awarded project funding for debris-related costs, for which the County has requested \$6 million in reimbursements for costs incurred.

The purpose of this memorandum is to advise you that although we have not yet completed our final report on the County for the aforementioned disaster, we nevertheless identified a broad spectrum of costs associated with the County's debris-related activities that should be disallowed.

<sup>1</sup> At the time of this disaster, the grantee's name was the Governor's Office of Emergency Services, which became part of Cal EMA on January 1, 2009.

<sup>2</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$55,500.



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We conducted this segment of this performance audit between January 2013 and May 2013, pursuant to 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 upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. 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 final audit report (notwithstanding the issuance of any additional interim reports), including any other findings and recommendations.

We interviewed FEMA, State, and County officials; judgmentally selected project costs (generally based on dollar value); reviewed cost documentation; evaluated applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our audit objective. We did not assess the adequacy of the County's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective. However, we gained an understanding of the County's method of accounting for disaster-related costs and its policies and procedures for administering activities provided for under the FEMA grant.

### RESULTS OF AUDIT

Of the \$6,020,249 in claimed costs that we audited for this report, County officials did not properly account for or expend a total of \$3,942,409 in costs associated with their debris-related activities.



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**Table 1: Summary of Costs Questioned**

Finding	Subject	Total Costs Questioned	Questioned Costs Included in Other Findings	Net Costs Questioned
A	Improper Procurement	\$2,473,706		\$2,473,706
B	Debris Basin Cleanout	862,878		862,878
C	Unsupported Debris Removal Contract Costs	2,038,260	\$1,664,930 (Finding A)	373,330
D	Unsupported Equipment Costs	232,495		232,495
<b>Total</b>		<b>\$5,607,339</b>	<b>\$1,664,930</b>	<b>\$3,942,409</b>

**Finding A: Improper Procurement**

County officials did not comply with Federal procurement regulations and FEMA guidelines, for contracts totaling \$2,473,706 for Projects 2274 (\$490,630), 2890 (\$231,976), 2940 (\$1,664,930), and 2996 (\$86,170).<sup>3</sup> As a result: full and open competition, after the exigency period and when a scope of work could be formulated, did not occur; work was improperly awarded on a time and materials basis; and costs were neither contained nor carefully monitored. Consequently, FEMA had no assurance that these costs were reasonable.

Federal procurement standards at 44 Code of Federal Regulations 13.36 require that—

- Performance of procurement transactions occur in a manner providing full and open competition except under certain circumstances, such as when there are circumstances that will not permit a delay resulting from competitive solicitation. (13.36(c)(1) and (d)(4)(i)(B))
- Subgrantees shall not use time and materials contracts unless a determination is made that no other contract is suitable and provided that the contract includes a ceiling price that the contractor exceeds at its own risk. (13.36(b)(10))
- Subgrantees maintain a contract administration system that ensures contractors perform according to the terms, conditions, and specifications of their contracts or purchase orders. (13.36(b)(2))

<sup>3</sup> Our audit threshold for the review of the County's compliance with applicable procurement standards was \$75,000 and above.



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FEMA provides additional procurement guidelines in its publications. FEMA's *Public Assistance Guide* (FEMA 322, October 1999, p. 40), and *Public Assistance Applicant Handbook* (FEMA 323, September 1999, pp. 28–29), state that—

- FEMA provides reimbursement for three types of contracts: lump sum, unit price, and cost-plus-fixed-fee.
- Time and materials contracts should be avoided.
- If time and materials contracting is used, it should relate to work that is necessary immediately after the disaster has occurred, when a clear scope of work cannot be developed.
- Time and materials contracts for debris removal, for example, should be limited to a maximum of 70 hours of actual debris clearance work and should be used only after all available local, tribal, and State government equipment has been committed. These contracts should be terminated once the designated dollar ceiling or the not-to-exceed number of hours is reached.
- Time and materials contracts may, on occasion, be extended for a short period when absolutely necessary, for example, until appropriate unit price contracts have been prepared and executed.
- Applicants must carefully monitor and document contractor expenses.
- When time and materials contracting is employed, the applicant should notify the State to ensure proper guidelines are followed.

County officials noncompetitively awarded debris-related work to various contractors for four FEMA-funded projects. The County awarded these contracts: without full and open competition; after the exigency period; and when a scope of work could be formulated. The County selected the contractors from an on-call list that the County established in early 2002 (approximately 3 years before the disaster) for its internal operations. Because the County's selection occurred before the disaster, pricing could not be predicated upon a FEMA- (or otherwise-) specified scope of work, nor could a comparison be made to other contractors who may have offered more competitive pricing on a particular, defined, post-disaster scope of work.

Without proper procurement, contractors may charge higher rates for their services—particularly in comparison with other contractors that could potentially perform the work at more competitive prices. Using these preselected/on-call contractors may have





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been advantageous to the County for routine (nondisaster) projects, and even in the immediate aftermath of a disaster (i.e., the exigency period), when a scope of work could not be easily defined and a streamlined procurement process was necessary to ensure the safety of lives and property. However, it was not appropriate to claim costs associated with these contracts for the full extent of disaster-related projects ultimately reimbursed by the Federal Government when there was no exigency or actual assurance that contract costs were reasonable.



Figure 1: Debris Removal: Roads, Shoulders, and Drains  
Source: FEMA Project Worksheet 2940.

After the exigency period had passed, full and open competition—through competitive bidding on an appropriate type of contract (i.e., non-time and materials)—should have occurred. It did not. Instead, County officials allowed the four contractors to complete the projects on a time and materials basis, and without project-specific contracts and project-specific scopes of work (see finding C). Further—

- The circumstances did not warrant the award of a noncompetitive/time and materials contract after the exigency period passed.
- There was no evidence that only time and materials contracts would be suitable.
- The contracts did not include project-specific cost ceilings.
- Contractor expenses were not carefully and consistently monitored.
- County personnel did not notify Cal EMA to ensure that proper procurement guidelines were being followed.



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Table 2: Improper Procurement by Project							
Project	Procurement Violations for FEMA Disaster-Related Work: Noncompliance with Federal Rules and Regulations						Costs Questioned
	Avoided Time and Materials Contracts?	Limited Time and Materials Contracts to Exigency Period?	Established Non-Time and Materials Contracts with Full and Open Competition (After Any Exigency Period)?	Established a Project Cost Ceiling or 'Not To Exceed' Provision?	Carefully Monitored and Documented Contractor Expenses?	Notified State (Grantee) to Ensure Proper Procurement Guidelines Were Followed?	
2274	No	No	No	No	No	No	\$490,630
2890	No	No	No	No	No	No	231,976
2940	No	No	No	No	No	No	1,664,930
2996	No	No	No	No	No	No	86,170
<b>Total</b>							<b>\$2,473,706</b>

Full and open competition helps provide assurance that contract costs are reasonable; increases the number of available contracting sources, and thereby increases the opportunity for obtaining reasonable pricing from the most qualified contractors; and helps discourage and prevent favoritism, collusion, fraud, waste, and abuse.

Because the County did not comply with Federal procurement standards and FEMA guidelines, we question \$2,473,706 claimed for improper and ineligible costs associated with Projects 2274 (\$490,630), 2890 (\$231,976), 2940 (\$1,664,930), and 2996 (\$86,170).

County officials told us that it is administratively cost-effective for the County to precompete its debris-related trucking contracts every 2–3 years. However, (1) the County’s use of Federal funds is governed by Federal rules—with which the County did not comply (including requirements to use full and open competition, limit time and materials contracts, etc.); (2) the precompeted contracts were awarded to contractors that needed only to *appear* the most competitive and responsible; and (3) the contracts were established for the County’s “as-needed”—rather than specific, FEMA-related—work.

Cal EMA officials did not comment on this finding.

FEMA officials told us that they will withhold comment on this finding until after they review their records and those documents associated with the County’s final claimed costs.



**Finding B: Debris Basin Cleanout**

County officials claimed a total of \$862,878 in ineligible debris basin cleanup costs for Project 2275 that were unrelated to Disaster 1577 (under which they are claiming reimbursement). This occurred because the disaster-related debris contained within the basin was comingled with the non-disaster-related debris, and there was no documentation to support that the debris—and therefore costs—could be attributed to FEMA Disaster 1577.

Federal regulations and FEMA guidelines state that—

- To be eligible for financial assistance, an item of work must be required as the result of the major disaster event. (44 CFR 206.223(a)(1))
- The predisaster level of debris in the channel or basin is of particular importance to determine the amount of newly deposited disaster-related debris. Such a facility must also have had a regular clearance schedule to be considered an actively used and maintained facility. (FEMA 322, October 1999, p. 55)<sup>4</sup>
- Work performed must: (1) be required as a direct result of the declared disaster; and (2) relate to the project's FEMA-approved scope, to be eligible for Federal funding. (FEMA 322, October 1999, pp. 23 and 73; and FEMA 323, September 1999, pp. 21, 32, and 52)

County officials did not comply with these criteria. Specifically, the County last removed the debris from the basin in July 2003—approximately 17 months *before* the disaster.<sup>5</sup> This is problematic because County officials charged FEMA for all debris-related activities without considering the amount of debris in the basin from the time of their last cleanout until the disaster for which they requested Federal funds, or the debris that accumulated after the disaster and before the FEMA-funded debris cleanout—which occurred about 9 months later. Thus, non-disaster-related debris in the basin was comingled with disaster-related debris, whereby all resulting costs were improperly charged to FEMA.

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<sup>4</sup> These criteria relate to those projects designated by FEMA as Category D: *Water Control Facilities*. Such facilities include debris basins, as well as dams and reservoirs, levees, lined and unlined engineered drainage channels, shore protective devices, irrigation facilities, and pumping facilities. FEMA assigned Category D to Project 2275.

<sup>5</sup> According to the County, no more than 5 percent of debris remained in the basin after cleanout.





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We know of no methodology, documentary support, or criteria that would allow County officials to claim, and FEMA officials to approve, *all* the debris-removal costs as eligible.

Therefore, to determine eligible costs, we prorated the total debris basin cleanup costs claimed by County officials under Disaster 1577 by using the percentage of (debris-producing) rainfall that occurred during the period of the last (County-funded) cleanup in July 2003 until the next cleanup (which was FEMA-funded) in September 2005. We determined that \$862,878, or 67 percent of the claimed amount of \$1,282,791, is ineligible because it was not the result of the disaster under which the County is seeking Federal funding. Therefore, eligible costs, for which the County should receive funding, equal \$419,913, or 33 percent of the claimed costs.<sup>6</sup> In addition, the County may be entitled to receive approximately \$121,919 associated with Disaster 1585 if/when (1) County officials claim those costs under that disaster, (2) eligibility can be established, and (3) costs are adequately supported with sufficient documentation.

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<sup>6</sup> Proration of these total costs claimed for Disaster 1577, using the percentage of total rainfall, as identified above, calculates that 67 percent of the County's total claimed amount (\$862,878 divided by \$1,282,791) is ineligible; therefore, 33 percent (\$419,913 divided by \$1,282,791) can be considered eligible for FEMA Public Assistance grant funding.



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Table 3: Proration of Questioned Costs by Total Rainfall: July 2003 – September 2005							
Debris-Producing Event		Debris-Producing Period	Rainfall (Inches)	Percent of Total Rainfall: July 1, 2003 through Sept. 30, 2005	Amount Claimed	Proration of Total Debris Basin Cleanup Costs from July 1, 2003 through Sept. 30, 2005	Costs Questioned
<b>Last Debris Basin Cleanout: July 2003 (County-Funded)</b>							
Major Declared Disaster (Federal & State Responsibility, per Eligibility)	Major Declared Disaster DR-1577-CA	December 27, 2004 - January 11, 2005	15.12"	32.73%	\$1,282,791	\$419,913	0
	Major Declared Disaster DR-1585-CA <sup>7</sup>	February 16, 2005 - February 23, 2005	4.39	9.50	0	121,919	\$121,919
<b>Subtotals: Major Declared Disasters</b>			<b>19.51"</b>	<b>42.23%</b>	<b>\$1,282,791</b>	<b>\$541,832</b>	<b>\$121,919</b>
Regular Rainfall / Non-Declared Disasters (County Responsibility)	Regular Rainfall (Non-Declared Disaster)	July 1, 2003 <sup>8</sup> - December 26, 2004	18.85"	40.81%	N/A	\$523,503	\$523,503
	Regular Rainfall (Non-Declared Disaster)	January 12, 2005 - February 15, 2005	0.70	1.52	N/A	19,441	19,441
	Regular Rainfall (Non-Declared Disaster)	February 24, 2005 - September 30 2005 <sup>9</sup>	7.13	15.44	N/A	198,015	198,015
<b>Subtotals: Regular Rainfall / Non-Declared Disasters</b>			<b>26.68"</b>	<b>57.77%</b>	<b>N/A</b>	<b>\$740,959</b>	<b>\$740,959</b>
<b>Totals</b>			<b>46.19"</b>	<b>100%</b>	<b>\$1,282,791</b>	<b>\$1,282,791</b>	<b>\$862,878</b>

<sup>7</sup> Federal regulations at 44 CFR (206.223(a)(1)) stipulate that to be eligible for financial assistance, an item of work must be required as the result of the major disaster event. As such, FEMA obligated separate Public Assistance grant funding for Disaster 1585, and therefore costs associated with that Disaster are ineligible when claimed under a different disaster (such as Disaster 1577).

<sup>8</sup> This date denotes the County's last debris basin cleanup prior to Disaster 1577-DR-CA. The rainfall accounted for in this period did not begin in earnest until approximately December 2003.

<sup>9</sup> This date denotes the County's last debris basin cleanup subsequent to Disaster 1585-DR-CA.



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This circumstance—and the reason why proration was necessary—was, in part, exacerbated by the County’s debris maintenance policy, which does not mandate the pre- and post-disaster measurement and removal of debris. Consequently, the specific amount of debris at given intervals cannot be established, and it cannot be determined whether the debris that was removed was entirely the result of Disaster 1577, rather than of a subsequent declared disaster (Disaster 1585, in February 2005), or the other rainy periods before or after Disaster 1577.



Figure 2: Debris Basin Pre-Storm (January 19, 2005) (Little Dalton)  
Source: FEMA Project Worksheet 2275.



Figure 3: Debris Basin Post-Cleanout (June 7, 2005) (Little Dalton)  
Source: FEMA Project Worksheet 2275.

We therefore question \$862,878 claimed for Project 2275 as ineligible and unrelated to the Federal disaster to which it was attributed.

County officials disagreed with our finding, stating that there was negligible rainfall (and therefore debris) between the date of the County’s last cleanout and the disaster. Those officials, however, did not provide documented evidence supporting their assertions. They also did not comment on the rainfall and debris produced after the disaster but prior to the FEMA-funded cleanout. Our analysis—based directly on annual



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rainfall data provided to us by County officials—revealed that the County’s assertion was inaccurate and that there was significant rainfall before and after the disaster.

Cal EMA officials stated that debris levels measured prior to the FEMA-funded cleanout identified that 95 percent of the debris was attributed to Disaster 1577. Cal EMA also stated that based on County policy for routine debris basin cleanout, the County does not remove 5 percent of its debris; thus the County charges to the FEMA-funded projects do not include costs relating to 5 percent of the debris. Cal EMA explained, however, that neither the County nor Cal EMA officials have sufficient documented evidence to substantiate that the County’s claim to FEMA pertains only to debris generated by Disaster 1577.

FEMA officials told us that they will withhold comment on this finding until after they review their records and those documents associated with the County’s final claimed costs.

### **Finding C: Unsupported Debris Removal Contract Costs**

County officials improperly claimed \$2,038,260 in contracted debris removal activities for Project 2940 that they could not support with sufficient documentation.

Federal regulations and FEMA guidelines predicate eligibility on sufficient documentary support:

- 44 CFR 13.20(a)(2) and (b)(2) requires subgrantees to have fiscal controls and accounting procedures that permit the tracing of funds, and to maintain records that adequately identify the source and application of funds provided for financially assisted activities.
- *Cost Principles for State, Local, and Indian Tribal Governments* require that costs be adequately documented to be allowable under a Federal award. (Office of Management and Budget Circular A-87, Attachment A, Section C.1.j)<sup>10</sup>
- FEMA’s *Public Assistance Guide* (FEMA 322, October 1999, pp. 113–114) states that it is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work, and that the importance of maintaining a complete and accurate set of records for each project cannot be overemphasized; good documentation facilitates the project formulation, validation, approval, and funding processes.

<sup>10</sup> Office of Management and Budget Circular A-87, in effect at the time of the disaster, was relocated to 2 CFR 225 on August 31, 2005.



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- The information required for documentation describes the “who, what, when, where, why, and how much,” for each item of disaster recovery work.
- The applicant should have a financial and record-keeping system in place that can be used to track these records.
- All of the documentation pertaining to a project should be filed with the corresponding project (files) and maintained by the applicant as the permanent record of the project.
- These records become the basis for verification of the accuracy of project cost estimates during validation of small projects, reconciliation of costs for large projects, and audits.

County officials did not comply with these criteria in the following ways:

- A specific (measurable) scope of work for the contractors was never established.
- Documentation indicating how much debris was being hauled, and how much was being dumped, was never maintained by either County officials or the contractors.
- Contractors’ timesheets associated with these debris removal activities were not consistently validated.
- The FEMA inspector’s report notes that the debris removal activities were 100 percent completed by August 2005, yet the County continued to charge the project with costs after this date.

Consequently, we cannot determine how FEMA, Cal EMA, or County officials quantified the debris or validated its hauling and disposal. Without this information, we are unable to verify both the accuracy and validity of the charges to this project, and consequently question \$2,038,260 in claimed costs. Because we questioned \$1,664,930 as part of the total funding questioned due to improper procurement for Project 2940 (finding A), the balance of ineligible costs is \$373,330 (\$2,038,260 less \$1,664,930).

County officials acknowledged that they did not maintain documentation (such as load quantity tickets) because they were dumping the debris on their own sites, at zero cost to the project, and stated that the use of these sites resulted in cost savings. However,





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without such documentation, we cannot establish how much debris was cleared and the amount that was dumped. County officials also stated that the FEMA inspector who documented that the debris removal activities were 100 percent completed by August 2005 was mistaken. They indicated that they would look for additional information to support their claimed costs and provide that documentation to us, if available. We did not receive any additional information.

Cal EMA officials agreed that the costs may not have been supported to the level of detail Federal criteria requires to validate disaster charges, but stated that the County does not always have documentary support.

FEMA officials told us that they will withhold comment on this finding until after they review their records and those documents associated with the County’s final claimed costs.

**Finding D: Unsupported Equipment Costs**

County officials claimed \$232,495 in equipments costs for which they do not have sufficient documentation.

<b>Project Number</b>	<b>Documentation Identified Operator?</b>	<b>Unsupported Equipment Costs Claimed</b>
2274	No	\$133,052
2890	No	44,989
2996	No	54,454
<b>Total</b>		<b>\$232,495</b>

Specifically, County officials, when charging for equipment, did not specify an operator of that equipment. For example, claimed costs for the usage of trucks, loaders, tractors, etc., could not be matched to the operators of that equipment. Consequently, we were unable to verify whether the equipment hours claimed for the projects were the actual number of hours the equipment was in operation—a requirement of Federal regulations and FEMA guidelines:

- 44 CFR 13.20(a)(2) and (b)(2) require subgrantees to have fiscal controls and accounting procedures that permit the tracing of funds, and to maintain records that adequately identify the source and application of funds provided for financially assisted activities.



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- *Cost Principles for State, Local, and Indian Tribal Governments* require that costs be adequately documented to be allowable under a Federal award. (Office of Management and Budget Circular A-87, Attachment A, Section C.1.j)<sup>11</sup>
- FEMA's *Public Assistance Guide* (FEMA 322, October 1999, pp. 113–114) states that it is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work, and that the importance of maintaining a complete and accurate set of records for each project cannot be overemphasized; good documentation facilitates the project formulation, validation, approval, and funding processes.
  - The information required for documentation describes the “who, what, when, where, why, and how much,” for each item of disaster recovery work. This includes force account equipment information.
  - The applicant should have a financial and record-keeping system in place that can be used to track these records.
  - All of the documentation pertaining to a project should be filed with the corresponding PW and maintained by the applicant as the permanent record of the project.
  - These records become the basis for verification of the accuracy of project cost estimates during validation of small projects, reconciliation of costs for large projects, and audits.

Therefore, we conclude that \$232,495 in equipment costs associated with Projects 2274, 2890, and 2996 are ineligible as a result of insufficient documentation to support the costs claimed.

County officials stated that the work was performed, even when supporting documentation does not identify an operator. We told them that it is critical to have documentation supporting what equipment was used, by whom, and for how long. Such documentation constitutes the basis to validate that the equipment was actually being used and, for example, costs were not claimed for equipment that was idle.

Cal EMA officials agreed that there was no support, but stated that the County typically would not document this information. We responded that the County generally does

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<sup>11</sup> Office of Management and Budget Circular A-87, in effect at the time of the disaster, was relocated to 2 CFR 225 on August 31, 2005.



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maintain this documentation—such as on the other projects we reviewed—and that these three particular projects were the obvious exception.

FEMA officials concurred with this finding.

### RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IX:

**Recommendation #1:** Disallow \$2,473,706 (Federal share \$1,855,280) of ineligible costs claimed for Projects 2274 (\$490,630), 2890 (\$231,976), 2940 (\$1,664,930), and 2996 (\$86,170) related to contracts that were not procured in accordance with Federal requirements, unless FEMA officials decide to grant an exception for all or part of the costs as provided for in 44 CFR 13.6(c) and Section 705(c) of the *Stafford Act* (finding A).

**Recommendation #2:** Disallow \$862,878 (Federal share \$647,159) claimed for Project 2275 as ineligible and unrelated to the Federal disaster to which it was attributed (finding B).

**Recommendation #3:** Instruct the County on the benefits of specific maintenance and/or debris measurement schedules, as well as keeping regular, verifiable data on the current amount of basin debris—particularly with respect to claims for Federal reimbursement (finding B).

**Recommendation #4:** Formulate a methodology for determining eligible debris removal costs in the absence of specific measurement data for debris comingled across a variety of debris-producing periods (finding B).

**Recommendation #5:** Determine, in coordination with Cal EMA (grantee) officials, whether the County is entitled to receive approximately \$121,919 (based on our proration) in Public Assistance grant funding for debris basin cleanup costs associated with Disaster 1585 when (1) claimed under that disaster, (2) eligibility can be established, and (3) costs are adequately supported with sufficient documentation (finding B).

**Recommendation #6:** Disallow \$2,038,260 (Federal share \$1,528,695) in unsupported contracted debris removal costs for Project 2940, unless County officials can provide adequate documentation to support them. Because we question (and recommend disallowance of) \$1,664,930 as part of the total funding questioned as a result of improper procurement (finding B), the balance of ineligible costs recommended for disallowance per this finding is \$373,330 (\$2,038,260 less \$1,664,930) (Federal share \$279,998) (finding C).



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**Recommendation #7:** Disallow \$232,495 (Federal share \$174,371) in unsupported equipment costs associated with Projects 2274 (\$133,052), 2890 (\$44,989), and 2996 (\$54,454), unless County officials can provide adequate documentation to support them (finding D).

### DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed these results with County officials during the course of this interim audit and included their comments in this report, as appropriate. We also provided a written summary of our findings and recommendations in advance to County and Cal EMA officials on December 3, 2012, and FEMA officials on January 29, 2013. We discussed the findings and recommendations at an exit conference with County and Cal EMA officials on January 23, 2013, and FEMA officials on May 1, 2013. The County requested a 2-week period in which to provide us any additional information, if available, in response to our questioned costs. They did not provide any additional (new) information.

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 each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendations. Until your response is received and evaluated, the recommendations 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.

Major contributors to this report are Humberto Melara, Western Regional Office Director; Devin Polster, Supervisory Analyst; Ravi Anand, Senior Auditor; and Montul Long, Auditor.

Please call me with any questions, or your staff may contact me at (202) 254-4100 or Humberto Melara at (510) 637-1463.



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Exhibit

**Schedule of Costs Questioned**

Project Number <sup>12</sup>	FEMA Category of Work	Project Award Amount	Project Costs Claimed / Incurred	Costs Questioned				
				Improper Procurement (Finding A)	Debris Basin Cleanup (Finding B)	Unsupported Debris Removal Contract Costs (Finding C)	Unsupported Equipment Costs (Finding D)	Total Questioned Costs
2274	D	\$1,242,180	\$1,079,046	\$490,630			\$133,052	\$623,682
2275	D	1,854,000	1,282,791		\$862,878			862,878
2890	A	2,959,095	565,410	231,976			44,989	276,965
2940	A	2,357,432	2,357,432	1,664,930		\$373,330		2,038,260
2996	C	2,032,403	735,570	86,170			54,454	140,624
<b>Total</b>		<b>\$10,445,110</b>	<b>\$6,020,249<sup>13</sup></b>	<b>\$2,473,706</b>	<b>\$862,878</b>	<b>\$373,330</b>	<b>\$232,495</b>	<b>\$3,942,409</b>

<sup>12</sup> The County filed a *Project Listing and Completion and Certification Report (P4)* for these projects with Cal EMA.

<sup>13</sup> County officials had \$4,424,861 in unneeded funding for these projects that we identified in the course of this audit and presented in our Interim Report #1. We recommended that these funds be deobligated and put to better use. Consequently, FEMA has deobligated this funding pursuant to our audit recommendation. See [http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DS-12-06\\_Mar12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DS-12-06_Mar12.pdf).





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