



DEPARTMENT OF HOMELAND SECURITY

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March 11, 2004

MEMORANDUM

TO: Jeff Griffin
Regional Director
FEMA Region IX

Robert J. Lastrico

FROM: Robert J. Lastrico
Field Office Director

SUBJECT: Audit of Alameda County
Hayward, California
Public Assistance Identification Number 001-00000
FEMA Disaster Number 1203-DR-CA
Audit Report Number DS-11-04

The Office of Inspector General (OIG) audited public assistance grant funds awarded to Alameda County, Hayward, California (County). 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 an award of \$6.1 million from the California Office of Emergency Services (OES), a FEMA grantee, for debris removal and emergency and permanent repairs to structures damaged as a result of flooding. The disaster period was from February 2, 1998, to April 30, 1998. The award provided for 75 percent FEMA funding for 40 small projects and 26 large projects.¹ The audit covered the period February 2, 1998, to November 22, 2002,

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$47,100.

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and included a review of 3 small projects and 19 large projects with a total award of \$4.7 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, OES, and County records, and other auditing procedures determined 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 three small and eight large projects reviewed. However, for eleven large projects, the County's claim included questionable costs of \$638,223 (FEMA share - \$478,667). These questionable costs consisted of \$599,157 in excessive debris removal charges and \$39,066 in unsupported project costs.

Finding A – Excessive Debris Removal Charges

The County's claim for nine projects included \$599,157 in debris removal charges that were excessive. Table 1 identifies the nine projects, the debris removal costs paid, the cubic yards of debris removed, and the cost per cubic yard removed.

Table 1

Project Number	Debris Removal Costs Paid	Cubic Yards Removed	Cost Per Cubic Yard Removed
1528	\$232,354	12,554	\$18.51
1531	\$199,612	7,349	\$27.16
5521	\$114,035	5,070	\$22.49
2223	\$107,311	5,040	\$21.29
2225	\$102,094	2,584	\$39.51
2221	\$98,565	3,492	\$28.23
2219	\$58,109	1,678	\$34.63
2227	\$53,629	2,992	\$17.92
5522	\$49,758	872	\$57.06

The nine projects noted had an average cost per cubic yard of \$29.64, with a low of \$17.92 and a high of \$57.06.

The scope of work for the nine projects listed above was the removal of debris and silt from various County owned flood control channels. The OIG noted that the projects already had

been completed at the time the scopes of work were specified in Damage Survey Reports (DSR). Further, FEMA records showed that the County did not have adequate documentation identifying the pre-disaster level of sediment in the channels. The DSR Data Sheets supporting each of the projects indicated that the projects were in suspension pending additional information that would show the amount of sediment specifically associated with the disaster. The Data Sheets also noted that failure to provide the information would result in denial of claimed costs.

In an effort to close the public assistance award to the County for its largest debris removal project, FEMA evaluated claimed debris removal costs for project 5515. The County requested reimbursement of \$2.8 million for the removal of 154,856 cubic yards of debris for this project, or \$17.79 per cubic yard. However, because the County lacked documentation identifying the pre-disaster level of debris and sediment, FEMA and the County agreed to a reimbursement rate of \$10 per cubic yard for this project, reducing funding to \$1.5 million (\$10 times 154,856 cubic yards). When the County submitted its final claims for the nine debris removal projects listed above, it neither provided FEMA documentation establishing the pre-disaster debris and sediment levels nor adjusted the claims to reflect a debris removal rate comparable to that used for project 5515. FEMA approved costs claimed ranging from \$17.92 to \$57.06 per cubic yard of debris removed, all of which the OIG considered unreasonable based on the actions taken by FEMA on project 5515. Table 2 shows the excessive debris removal charges that resulted from not using a rate comparable to that used on project 5515.

Table 2

Project Number	Debris Removal Costs Paid	Computed Cost at	
		\$10 Per Cubic Yard	Excessive Charges
1528	\$ 232,354	\$125,540	\$106,814
1531	199,612	73,490	126,122
5521	114,035	50,700	63,335
2223	107,311	50,400	56,911
2225	102,094	25,840	76,254
2221	98,565	34,920	63,645
2219	58,109	16,780	41,329
2227	53,629	29,920	23,709
5522	<u>49,758</u>	<u>8,720</u>	<u>41,038</u>
Total	<u>\$1,015,467</u>	<u>\$416,310</u>	<u>\$599,157</u>

Office of Management and Budget Circular A-87, Attachment A, paragraph C.2 states that a cost is reasonable if, in its nature, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur

the cost. For FEMA, a reasonable cost should be the actual cost of removing disaster-related debris from the County's flood control channels. Since the County could not document the pre-disaster debris and sediment levels of its flood control channels and its debris removal costs per cubic yard varied significantly between projects, FEMA should have disallowed the costs claimed by the County as unsupported or determined a "reasonable" rate as was done for project 5515.

County officials explained that the flood control channels were inspected and maintained regularly and noted that at the time of the disaster they did not have a formalized system of documenting or tracking the inspections. These officials provided the OIG with copies of "work orders" generated by inspectors, prior to the disaster, for maintenance work relating to the nine projects and project 5515. While these documents showed that various maintenance tasks were completed, the tasks either did not include the removal of sediment or were for locations not related to the projects listed above.

FEMA, OES, and County records for the projects do not include documented evidence identifying the portion of debris removed that was pre-disaster and disaster related. Title 44 of the Code of Federal Regulations, Section 206.223(a)(1) [44 CFR §206.223(a)(1)], requires that "to be eligible for financial assistance, an item of work must be required as the result of the major disaster event...." Since the County did not identify the amount of debris related to the disaster and debris removal costs per cubic yard were unreasonable for the nine projects reviewed, the OIG questioned \$599,157 as excessive and unreasonable.

Finding B – Unsupported Project Costs

The County's claim for projects 5530 and 6408 included \$39,066 in charges that were not supported with documentation that proved the costs were disaster related. According to 44 CFR 13.20(b), the County is required to maintain accounting records that identify how FEMA funds are used. The scope of the projects entailed debris and silt removal and hauling it to a disposal site. A single contractor performed the work for both projects.

County accounting records for the projects contained invoices from the contractor that itemized debris loads by date, delivery tag, truck number, hours, and charges; but records did not always include support for all the itemized costs. For example, accounting records did not support with delivery tags charges of \$28,612 for project 5530 and \$10,454 for project 6408. The delivery tags would have supported that the itemized costs were actually incurred and were for disaster related activities. Since the County did not maintain records supporting the charges, the \$39,066 was questioned.

RECOMMENDATION

The OIG recommends that the Regional Director, FEMA Region IX, in coordination with OES, disallow questioned costs of \$638,223.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of this audit with County officials on January 27, 2004. These officials concurred in principle with the findings and recommendation. The OIG also notified OES and FEMA Region IX officials of the audit results on February 3, 2004.

Please advise this office by May 10, 2004, of actions taken to implement our recommendation. Should you have any questions concerning this report, please contact me at (510) 627-7011. Key contributors to this assignment were Humberto Melara and Brian Byrne.

Schedule of Audited Projects
Alameda County
Public Assistance Identification Number 001-00000
FEMA Disaster Number 1203-DR-CA

Project Number	Amount Awarded	Amount Questioned	Finding Reference
Large Projects			
1528	\$ 273,471	\$106,814	A
1531	210,636	126,122	A
1532	59,695	0	
2223	107,311	56,911	A
2225	102,094	76,254	A
2221	98,565	63,645	A
2219	58,109	41,329	A
2227	53,629	23,709	A
2898	125,328	0	
5521	114,035	63,335	A
5515	1,781,940	0	
5522	51,066	41,038	A
5523	108,478	0	
5524	229,132	0	
5526	258,502	0	
5530	328,668	28,612	B
5531	127,548	0	
5984	211,604	0	
6408	<u>313,382</u>	<u>10,454</u>	B
Subtotals	<u>\$4,613,193</u>	<u>\$638,223</u>	
Small Projects			
1529	40,443	0	
5983	32,599	0	
5516	<u>19,716</u>	<u>0</u>	
Subtotals	<u>\$ 92,758</u>	<u>\$ 0</u>	
Totals	<u>\$4,705,951</u>	<u>\$638,223</u>	

Legend

- A. Excessive Debris Removal Charges
B. Unsupported Project Costs