



Homeland Security

July 2, 2009

MEMORANDUM FOR: Dennis Hunsinger
Acting Regional Administrator
FEMA, Region X

FROM: *Robert J. Lastrico*
Robert J. Lastrico
Western Regional Director

SUBJECT: *City of Seattle, Washington*
Public Assistance ID. Number: 033-63000-00
FEMA Disaster Number: 1682-DR-WA
Audit Report Number: DS-09-08

The Office of Inspector General audited public assistance grant funds awarded to the City of Seattle, Washington (city). The objective of the audit was to determine whether the city expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The city received a public assistance subgrant award of nearly \$9.0 million from the Washington Military Department, Emergency Management Division (EMD), a FEMA grantee, for damage caused by severe winter storms, landslides, and mudslides that occurred in December 2006. The award provided 75% federal funding for 13 large projects¹ and 39 small projects.² The audit covered the period December 14, 2006, to February 23, 2009, and included a review of four large projects with a total award of \$6,798,293 and five small projects with a total award of \$139,556 (see Exhibit).

We conducted this performance audit under the 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 based on our audit objective. The evidence obtained during the audit provides a reasonable basis for our findings and conclusions based on our audit objective. We interviewed FEMA, EMD, and city officials; reviewed judgmentally selected samples of cost documentation (generally based on dollar value) to support invoices and personnel charges; and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of the city's internal controls applicable to grant activities because it was not

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$59,700

² Project listing and award amounts obtained from the National Emergency Management Information System as of September 18, 2008.

necessary to accomplish our audit objective. We did, however, gain an understanding of the city's method of accounting for disaster-related costs.

RESULTS OF AUDIT

The city generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines. However, for one project, \$74,112 was questionable as discussed below. FEMA's share of the questionable cost is \$55,584.

Finding A – Disaster-related Costs

For Project 622, the city requested \$5.3 million in costs associated with repairing damage to an estimated 267 power system poles, 98 transformers and 34 miles of downed wire. While overtime labor represented \$2.2 million of the request, the city had not adjusted the amount for \$74,112 in non-storm related charges. City records showed that \$2,864 identified as claimable project costs was incurred before the disaster incident period. In addition, the city's project records showed claimable costs that were associated with non-disaster overtime codes as follows:

- \$45,647 for "Maintenance & Construction,"
- \$25,446 for "Billed Work," and
- \$155 for "Administrative & Clerical."

These costs were not disaster related and therefore, did not conform to Title 44, *Code of Federal Regulations*, Section 206.223(a)(1) [44 CFR 206.223(a)(1)], *General work eligibility*, which stipulates that to be eligible for financial assistance, an item of work must be required as the result of the major disaster event.

Although this project was completed on April 30, 2007, EMD had not prepared project closeout documentation as of December 21, 2008. FEMA Region X should ensure that these costs are not included in the city's final claim when forwarded by EMD for closeout.

RECOMMENDATION

We recommend that the Acting Regional Administrator, FEMA Region X, in coordination with EMD, disallow \$74,112 in costs related to project 622 if included in the city's final claim.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW UP

We met with city and EMD officials on February 23 and 24, 2009, to discuss the results of our review. We discussed the use of overtime pay codes with state officials again on May 12, 2009. They stated that personnel in the field used acceptable pay codes that were required by regulations for all disasters not just this particular FEMA declared one. As a follow up to that discussion, a state official responded by email on May 14, 2009, that the state did not concur with the questionable cost relating to the use of the Maintenance & Construction and Billed Work overtime pay codes. City officials responded similarly to the state in an email we received on May 22, 2009. Despite state and city objections to the costs questioned in this report, we based our conclusions on the documents

available to us and they did not support charging these costs to FEMA. We provided FEMA officials our audit results on May 7, 2009. On May 14, 2009, those officials stated that responses to the report will be provided subsequent to its issuance.

Please advise us by August 31, 2009, of actions planned or taken to implement our recommendation. Please note that your responses should include target completion dates for actions planned and actual completion dates for actions taken. Should you have any questions concerning this report, please contact me at (510) 637-1482. Key contributors to this assignment were John Richards, and Greg Suko.

Schedule of Projects Audited
City of Seattle, WA
Public Assistance Identification Number 033-63000-00
FEMA Disaster Number 1682-DR-WA

<u>Large Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Questioned Costs</u>
417	\$ 130,935	\$ 202,141	\$ 0
485	370,492	370,492	0
610	998,060	998,060	0
622	<u>5,298,806</u>	<u>5,298,806</u>	<u>74,112</u>
Totals	<u>\$6,798,293</u>	<u>\$6,869,499</u>	<u>\$74,112</u>

<u>Small Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Questioned Costs</u>
77	\$ 18,124	\$ 18,124	\$0
356	43,409	43,409	0
418	39,792	39,792	0
530	33,225	33,225	0
658	<u>5,006</u>	<u>5,006</u>	<u>0</u>
Totals	<u>\$139,556</u>	<u>\$139,556</u>	<u>\$0</u>