

DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Oakland Field Office – Audits Division
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Oakland, California 94607-4052

June 13, 2003

MEMORANDUM

TO: Jeff Griffin, Regional Director, FEMA Region IX

FROM: Robert J. Lastrico, Field Office Director

SUBJECT: City of Napa, California
Public Assistance Identification Number 055-50258
FEMA Disaster Number 1046-DR-CA
Audit Report Number DO-11-03

The Office of Inspector General (OIG) audited public assistance funds awarded to the City of Napa, California (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 an award of \$1.02 million from the California Office of Emergency Services (OES), a FEMA grantee, for debris removal and emergency repairs to structures damaged as a result of flooding. The disaster period was February 13, 1995, through April 19, 1995. The award provided for 75 percent FEMA funding for 8 large projects and 32 small projects.¹ The audit covered the period February 13, 1995, to March 19, 2002, and included a review of seven large projects and two small projects with a total award of \$792,825 (see attached Exhibit).

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included a review of FEMA's, OES', and the City's records, a judgmental sample of project expenditures, and other auditing procedures considered necessary under the circumstances.

¹ Federal regulations in effect at the time of the disaster defined a large project as one costing \$43,600 or more and a small project as one costing less than \$43,600.

RESULTS OF AUDIT

The City generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines. However, the City's claim included \$31,964 in questionable costs (FEMA's share - \$23,973). The questionable costs consisted of \$24,727 in excessive, ineligible, and unsupported material costs, and \$7,237 in unsupported labor costs.

Finding A - Excessive, Ineligible, and Unsupported Material Costs

The City's claim for projects 37618 and 21516 included \$24,727 in material costs that were excessive, ineligible, and unsupported as follows:

- **Excessive Material Costs.** The City's claim for project 37618 included \$13,573 in costs for material not used in disaster related activities. According to Title 44, Code of Federal Regulations, Section 206.223(a)(1)[44 CFR 206.223(a)(1)], to be eligible for financial assistance, an item of work must be required as the result of a major disaster event. The City claimed \$66,074 for the cost of chemicals used in the Jameson Water Treatment Plant, a task approved in the project scope. However, the City's records for the project supported that only \$52,501 in chemical cost was incurred in disaster related activities. The remaining balance of \$13,573 in material costs was not supported as being disaster related.
- **Ineligible Material Costs.** The City's claim for project 21516 included \$6,483 in material costs not related to the scope of the project. The scope of project entailed emergency response activities (Category B). However, City records supporting project costs included \$6,338 in charges for work performed at a local high school and \$145 for other unrelated costs. The charges pertaining to work at a local high school had been previously disallowed by FEMA under another FEMA funded project. According to 44 CFR 206.223(a)(1), to be eligible for financial assistance, an item of work must be required as the result of a major disaster event.
- **Unsupported Material Costs.** The City's claim for project 21516 included \$4,671 in costs not supported with accounting records or similar documentation proving the costs were incurred. According to 44 CFR 13.20(b)(6), accounting records must be supported by source documentation such as checks and paid bills.

Since material costs were not disaster related or were not supported with adequate accounting records or source documentation, \$24,727 was questioned.

Finding B - Overstated Labor Cost

The City's claim for projects 21516 and 21517 included \$7,237 in overtime labor and benefit costs that were not supported with payroll records as follows:

- The City's payroll records for project 21516 did not support 258 overtime hours claimed. This resulted in an overstatement of \$6,773 in direct overtime labor plus \$264 in fringe benefits, for a total overstatement of \$7,037.
- The City's payroll records for project 21517 did not support 8 overtime hours claimed. This resulted in an overstatement of \$193 in direct overtime labor plus \$7 in fringe benefits, for a total overstatement of \$200.

According to 44 CFR 13.20(b)(6), accounting records must be supported by source documentation such as payrolls and time and attendance records. Since the City did not have adequate documentation proving the labor costs were incurred, the \$7,237 was questioned.

RECOMMENDATION

The OIG recommends that the Regional Director, FEMA Region IX, in coordination with OES, disallow \$31,964 of questionable costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of this audit with the City officials on April 18, 2003, and OES officials on April 28, 2003. Those officials generally agreed with the findings and recommendation. The OIG also discussed audit results with FEMA Region IX officials on May 22, 2003.

Pursuant to FEMA instruction 1270.1, please advise this office by August 14, 2003, of the actions taken to implement the recommendation in this report. Should you have any questions concerning this report, please contact me at (510) 627-7011. Key contributors to this assignment were Trudi Powell and Apolinar Tulawan.

Schedule of Audited Projects
City of Napa, California
FEMA Disaster Number 1046-DR-CA

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Questioned</u>	<u>Finding Reference</u>
<u>Large Projects</u>			
21516	\$128,730	\$18,191	A & B
21517	145,090	200	B
21703	109,076	0	
21793	70,003	0	
21796	123,805	0	
37618	66,074	13,573	A
37619	69,547	0	
Subtotal	<u>\$712,325</u>	<u>\$31,964</u>	
<u>Small Projects</u>			
15506	\$ 40,250	0	
21511	40,250	0	
Subtotal	<u>\$ 80,500</u>	<u>\$ 0</u>	
Total	<u><u>\$792,825</u></u>	<u><u>\$31,964</u></u>	

Legend:

- A. Excessive, Ineligible, and Unsupported Material Costs
- B. Overstated Labor Costs