



DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General
Oakland Field Office – Audits Division
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Oakland, California 94607-4052

July 9, 2003

MEMORANDUM

FOR: Jeff Griffin, Regional Director, FEMA Region IX

Robert J. Lastrico

FROM: Robert J. Lastrico, Field Office Director

SUBJECT: County of San Luis Obispo
San Luis Obispo, California
Public Assistance Identification Number 079-00000
FEMA Disaster Number 1046-DR-CA
Audit Report Number DO-16-03

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The Office of Inspector General (OIG) audited public assistance funds awarded to the County of San Luis Obispo, San Luis Obispo, 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 a public assistance award of \$3.2 million from the California Office of Emergency Services (OES), a FEMA grantee; for damages resulting from severe winter storms and subsequent damages from landslides and mud debris. The disaster period was February 13, 1995, through April 19, 1995. The award provided for 75 percent FEMA funding for 13 large projects and 221 small projects.¹ The audit covered the period of February 13, 1995, to March 26, 1999, and included a review of five large projects with a total award of \$745,537 (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 County's accounting records, a judgmental

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

sample of project expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The County generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines. However, the County's claim included questionable costs of \$2,112 (FEMA's share - \$1,584). The questionable costs consisted of \$1,107 of unsupported project costs and \$1,005 of overstated equipment costs.

Finding A – Unsupported Project Costs

The County's claim for two projects included \$1,107 in costs not supported with invoices, canceled checks, or similar documentation.

- For project 20667, the County claimed \$50,998 in contract costs. However, project records only supported expenditures totaling \$50,340 and did not support the difference of \$658 (\$50,998 minus \$50,340).
- For project 31366, the County claimed \$224,954 in costs but was erroneously reimbursed the project's original estimate of \$225,403. Thus, the additional \$449 (\$225,403 minus \$224,954) was not supported.

Title 44 of the Code of Federal Regulations, Section 13.20(b)(6) [44CFR 13.20(b)(6)] states that accounting records must be supported by source documentation. Since the County's project records did not support the additional costs paid by FEMA, the \$1,107 was questioned.

Finding B – Overstated Equipment Costs

The County's claim of \$1,742 for project 31366 included \$1,005 for force account equipment costs that exceeded FEMA mileage rates in effect at the time of the disaster. According to 44 CFR 206.228(a)(1), the FEMA Schedule of Equipment rates will be the basis for reimbursement in all cases where an applicant does not have rates established or approved under State guidelines.

County records supporting force account equipment costs showed the County applied vehicle mileage rates of \$0.38 and \$0.69, while the established FEMA rates were \$0.25 and \$0.31 respectively. In some cases, the County applied a higher rate of \$0.96 per mile. The County did not have rates established or approved under State guidelines. Using FEMA's rates the eligible force account equipment costs are \$737, therefore \$1,005 (\$1,742 minus \$737) was questioned.

RECOMMENDATION

The OIG recommends that the Regional Director, FEMA Region IX, in coordination with OES, disallow \$2,112 of questionable costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of our audit with the County and OES officials on June 16, 2003. District officials agreed with the findings. The OIG also discussed the results of our audit with Region IX officials on June 17, 2003.

Please advise this office by August 8, 2003, 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 Trudi Powell and Sabinus Njoku.

Schedule of Large Projects Audited
 County of San Luis Obispo
 San Luis Obispo, California
 Public Assistance Identification Number 079-00000
 FEMA Disaster Number 1046-DR-CA

| <u>Project Number</u> | <u>Amount Awarded</u> | <u>Questioned Costs</u> | <u>Finding Reference</u> |
|-----------------------|-----------------------|-------------------------|--------------------------|
| 31366 | \$225,403 | \$1,454 | A & B |
| 95645 | 205,863 | 0 | |
| 96642 | 160,352 | 0 | |
| 11340 | 102,921 | 0 | |
| 20667 | <u>50,998</u> | <u>658</u> | A |
| Total | <u>\$745,537</u> | <u>\$2,112</u> | |

Legend:

- A. Unsupported Project Costs
- B. Overstated Equipment Costs