DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Oakland Field Office – Audit Division
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August 15, 2003

MEMORANDUM

TO: Jeff Griffin
Regional Director
FEMA Region IX

Robert J. Lastrico

FROM: Robert J. Lastrico
Field Office Director

SUBJECT: Simi Valley Unified School District
City of Simi Valley, California
Public Assistance Identification Number 111-91005
FEMA Disaster Number 1008-DR-CA
Audit Report Number DO-18-03

The Office of Inspector General (OIG) audited public assistance funds awarded to Simi Valley Unified School District, City of Simi Valley, California (District). The objective of the audit was to determine whether the District expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The District received an award of $11.4 million from the California Office of Emergency Services (OES), a FEMA grantee, for debris removal, emergency protective measures, and permanent repairs to District facilities damaged by the Northridge earthquake in January 1994. The award provided 100 percent federal funding for emergency work until January 25, 1994, and 90 percent FEMA funding thereafter for large and small projects.[1] The award consisted of $9.7 million for 50 large projects and $1.7 million for 243 small projects.

[1] Federal regulations in effect at the time of the disaster defined a large project as one costing $42,400 or more and a small project as one costing less than $42,400.

The audit covered the period of January 17, 1994, to June 22, 2001, and included review of $7.2 million awarded for 19 completed large projects (90 percent FEMA funding). Of the $7.2 million, $5.3 million was for five large projects at Simi Valley High School (project 73240 – repairs and replacement of fire alarm and public address systems, projects 73431 and 37234 – multi-purpose building repairs and reconstruction, and projects 73432 and 37235 – gymnasium repairs and reconstruction). The remaining 14 projects consisted of soffit[2] replacements and building repairs at Simi Valley High School, Sequoia Junior High School, and Mountain View Elementary School (see Exhibit A for the schedule of audited projects).

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 review of FEMA, OES, and District records, discussions with FEMA, OES, and District officials, tests of the District's accounting records, a judgmental sample of project expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The District's claim included questionable costs of $2,404,776 (FEMA's share - $2,164,298). The findings and questionable costs are listed below.

Finding	Title	Questionable Costs
A	Improper 2nd Appeal Decisions	$ 0
B	Ineligible Improvements and Upgrades	839,008
C	Other Ineligible Improvements and Upgrades	292,742
D	Ineligible Project Costs	567,891
E	Unsupported Costs	430,225
F	Costs Covered by FEMA's Statutory Administrative Allowance	225,746
G	Duplicate Claims	49,164
	Total Questionable Costs	$2,404,776

Finding A - Improper 2nd Appeal Decisions

The District received $2.92 million in public assistance funding as a result of improper 2nd appeals decisions. In total, the District received an award of $4,649,003 for various projects relative to repair and reconstruction work at Simi Valley High School's (SVHS) multi-purpose building and gymnasium. The table below shows the sequence of events and

[2] A soffit is the underside of structural components such as a beam, arch, staircase, or cornice.

FEMA funding provided for both facilities. The table also shows that FEMA provided most of the funding to the District after completion of the work in November 1995.

Date	Purpose of Funding	Multi-Purpose Building	Gymnasium	Total
Mar. 1994	Funding for structural A&E evaluations	$ 16,538	$ 10,625	$ 27,163
Aug. 1995	Funding for initial project costs based on A&E evaluations	774,989	713,567	1,488,556
Nov. 1995	Work completed	--	--	--
Various	Contract bid items, change orders, purchase orders, and other costs not previously funded	437,507	740,614	1,178,121
Jul. 1998	Costs funded - 1st Appeals	42,150	22,865	65,015
	Approved funding after the 1st appeals	$1,271,184	$1,487,671	$2,758,855
Aug. 1999	Costs funded - 2nd Appeals	1,460,000	1,460,000	2,920,000
Oct. 2000	Project closeout funding adjustments (unspent funds)	(632,770)	(397,082)	(1,029,852)
	Final award amounts	$2,098,414	$2,550,589	$4,649,003

The following paragraphs provide background and additional discussion regarding the impropriety of the 2nd appeal decisions and the funds awarded in August 1999.

1st Appeals. In May 1996, the District requested supplemental funding for completed contract bid package costs not previously funded by FEMA; however, FEMA provided significantly less funding than the District requested. From February 1998 to May 1998, OES forwarded six 1st appeals prepared by the District (three projects each for the multi-purpose building and gymnasium) requesting that contract bid items, change orders, purchase orders, and other eligible costs be funded (e.g., replacement of the roofs and door assemblies, and increases in construction management, inspection, and architectural and engineering [A&E] design costs). Between July 1998 and January 1999, FEMA's Northridge Long-Term Recovery Area Office (NLTRAO) partially approved three appeals and denied the other three. FEMA denied the District's requests for supplemental funding based on the following general observations in the appeal analyses:

- There was insufficient or no documentation that damage was disaster related.
- Removal and replacement of items were not necessitated by the disaster.
- Work accomplished went beyond the scope of work approved in project documentation.

- The roofs on the two buildings were in poor condition and had reached or were nearing the end of their useful lives.

- Codes and standards upgrades associated with components of structures not damaged by the disaster were not eligible.

- Some costs were covered by FEMA's statutory administrative allowance.

2nd Appeals. In July 1999, the District, through OES, submitted its 2nd appeals to FEMA's Associate Director, Response and Recovery Directorate. OES routed those appeals through the FEMA Region IX Regional Director, as required by federal regulations. NLTRAO's Deputy Disaster Recovery Manager issued two letters in August 1999 providing 2nd appeal decisions for the District's three multi-purpose building projects and the three gymnasium projects. The appeal decisions indicated that while FEMA still maintained that the upgrade work was not eligible under Title 44, Code of Federal Regulations, Section 206.226(b) [44 CFR 206.226(b)], ". . . the work may be eligible under the Section 406 hazard mitigation program due to the location and vulnerability of the facilities to future seismic damage."[3] The Deputy Disaster Recovery Manager authorized $1.46 million in supplemental funding on project 73431 (multi-purpose building) and $1.46 million on project 73432 (gymnasium). The 2nd appeal decisions memoranda provided a ". . . detailed scope of eligible repair work and upgrade work . . ." in attachments to each memorandum (see Exhibits B and C). In addition, each memorandum stated that the funding was provided to address the scope of ". . . eligible restoration work and hazard mitigation . . ." for both facilities.

The 2nd appeal decisions rendered by the Deputy Disaster Recovery Manager were improper for at least three reasons:

1. NLTRAO officials did not have the requisite appeal decision authority. According to 44 CFR 206.206(b)(2), the Associate Director (or Executive Associate Director) was the decision making authority for 2nd appeals.[4] There was no evidence at FEMA Headquarters that the Associate Director ever received the District's requests for 2nd appeal decisions or that 2nd appeal decision authority had been delegated to the Deputy Disaster Recovery Manager. Therefore, the 2nd appeal decisions were not appropriate under federal regulations.

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[3] Section 406 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Act) authorizes the public assistance funding of hazard mitigation measures as compared to the Hazard Mitigation Grant Program funding authorized under Section 404. Title 44 of the Code of Federal Regulations provides specific regulations for implementing the Act. Section 406 provides public assistance funding authority for any cost effective hazard mitigation measure that reduces the potential for damage to a facility from a disaster event. Section 406 of the Act limits funding to repair, restoration, reconstruction, or replacement of a public facility damaged or destroyed during a major disaster.

[4] The October 1, 1998, version of the Code of Federal Regulations was in effect when the District filed its 2nd appeals in July 1999.

Discussions with both FEMA Headquarters and Regional officials indicated that it was not uncommon for a Region to "re-consider" and reverse a 1st appeal decision based on compelling additional information submitted with a 2nd appeal made through the Region. In fact, various NLTRAO officials have rendered 2nd appeal decisions that both approved and denied 2nd appeals for Northridge earthquake subgrantees. However, it is the OIG's opinion that the placement of 2nd appeal authority with the Associate Director was intended to provide an internal control to ensure that a fair and objective analysis was rendered when a 2nd appeal decision was made. Such an internal control would not obviate Regional input based on additional information submitted with the 2nd appeal; but the designated official should render the decision unless such authority is delegated to another subordinate official. Further, the Code of Federal Regulations does not give FEMA regional offices the authority to reconsider earlier 1st appeal decisions.

2. NLTRAO did not incorporate Section 406 hazard mitigation planning into the recovery process or determine the cost-effectiveness of mitigation measures. According to 44 CFR 206.220, public assistance funding of hazard mitigation measures must conform to the hazard mitigation planning requirements specified in 44 CFR 206.400 through 206.407. Among other things, 44 CFR 206.404(a) requires that hazard mitigation survey teams[5] evaluate the hazards, incorporate mitigation measures into the recovery process, and identify possible measures to be funded under the Hazard Mitigation Grant Program authorized under Section 404 of the Stafford Act or under other disaster assistance programs. In addition, a FEMA policy memorandum, dated October 14, 1994, required a benefit-cost analysis be performed on potential Section 406 (public assistance funded) hazard mitigation projects.

   In various Damage Survey Reports (i.e., project documentation), FEMA documented that Section 406 hazard mitigation was ineligible for FEMA public assistance funding because the work did not directly relate to damaged elements of the facilities. The documentation also stated that the District might want to apply for mitigation funding under the Hazard Mitigation Grant Program. Irrespective of the comments made in project documentation, the decision to provide public assistance funding for hazard mitigation work 3¾ years after the work had been completed and all costs had been incurred:

   (1) Reversed FEMA's earlier analyses and work eligibility determinations regarding Section 406 hazard mitigation and

   (2) Deviated from the planning requirements to determine the appropriate funding and cost-effectiveness of mitigation measures in advance of executing such projects.

[5] Hazard mitigation survey teams are activated by the Regional Director immediately following the disaster declaration. The teams are comprised of FEMA, State, and appropriate local government representative, and any other federal agency representative that may be appropriate.

As far as cost-effectiveness, the OIG noted that benefit-cost analyses were not performed for projects at SVHS' multi-purpose building and gymnasium as required and therefore, the cost-effectiveness of the work already completed was not readily apparent. Consequently, FEMA's assertion that Section 406 hazard mitigation program eligibility may be used as a basis for funding the repairs and reconstruction of the facilities was neither valid nor in compliance with federal regulations and FEMA's own policy.

3. NLTRAO did not adequately determine the nature and eligibility of the work funded by the 2nd appeal decisions or identify the associated costs. The attachments to the 2nd appeal decision memoranda did not differentiate what work was eligible repair, upgrade, restoration, or hazard mitigation work, but merely provided lists of already completed work items. In addition, the documents did not identify any costs associated with those work items (see Exhibits B and C). As indicated in the table at the beginning of this finding, the sequence of events leading to the final 2nd appeal decisions and the funding awarded by FEMA as a result of those decisions support an audit conclusion that additional funding was provided to cover costs already incurred without adequately determining the nature and eligibility of the work or costs associated with that work.

Since the Deputy Disaster Recovery Manager did not have 2nd appeal decision authority, FEMA has yet to render appeal decisions that conform to federal regulations. In that regard, the OIG recommends that the Regional Director, FEMA Region IX forward this report and the District's 2nd appeals to the Director, Recovery Division[6] for formal and final decisions.

Finding B - Ineligible Improvements and Upgrades. As discussed in Finding A, the 2nd appeal decisions relative to SVHS' multi-purpose building and gymnasium did not adequately identify the nature of the work (i.e., repair, upgrade, restoration, or hazard mitigation) or the associated costs. Consequently, the OIG evaluated the eligibility of work performed based on project documentation available from FEMA and from source documents used by the District to support its claim. The audit determined that claimed costs for the multi-purpose building and gymnasium included ineligible improvements and upgrades totaling at least $839,008 because work accomplished by the District and paid for by FEMA:

(1) Improved facilities beyond that which existed before the disaster or

(2) Included components of facilities not damaged during the disaster.

[6] As a result of the Homeland Security Act of 2002, 2nd appeal decisions are now rendered by the Director, Recovery Division, Emergency Preparedness and Response Directorate, Department of Homeland Security.

These questionable costs related to roof replacements ($404,035); door, frame, and hardware replacements ($157,575); bleacher replacements ($162,658); electrical work ($49,790); and other miscellaneous improvements and upgrades ($64,950). Details are discussed below.[7]

- Roof Replacements. The District claimed $416,497 to replace roofs on both facilities of which $404,035 was ineligible because damage was not related to the Northridge earthquake. FEMA approved project costs of $8,662 for roof repairs ($3,500 for the multi-purpose building on project 73431 and $5,162 for the gymnasium on project 73432), based on damage assessments conducted by FEMA, OES, and District inspectors. However, the District replaced the roofs and cited hidden damages as support for these actions well after the work had been completed. In the 1st appeal analyses, FEMA noted that the pre-disaster condition of the roofs was poor and that the roofs were in need of replacement based on their age. Further, documentation submitted by the District indicated that roof replacement was partially necessitated by pre-disaster condition with the exception of the locations where damage from the earthquake was clearly evident. The appeal analyses noted that the typical useful life of the roofs at each location was between 7 and 12 years. The multi-purpose building roof was 9-years old, and the gymnasium roof was 14-years old at the time of the disaster. In addition, neither FEMA nor the District documented the hazard mitigation benefits or cost-effectiveness of replacing the roofs. Therefore, the $404,035 claimed as the additional costs to replace the roofs constituted an improvement and upgrade to the pre-disaster condition of the facilities (project 73431 - $161,614 and project 73432 - $242,421).

- Doors, Frames, and Hardware Replacements. The District claimed $218,985 to replace doors, frames, and hardware of which $157,575 was for ineligible upgrades. FEMA approved project costs of $38,561 for repairs to doors, frames, and hardware of the facilities based on damage assessments conducted by FEMA, OES, and District inspectors and subsequent contractors' change orders approved by FEMA. However, the District substituted upgraded components and replaced all of the doors in the multi-purpose building (while only three of the doors were damaged during the disaster) and replaced undamaged assemblies and hardware. Although the District asserted after the work was completed that these improvements were required to meet code and standards required by the State Architect Inspector, FEMA's review during the 1st and 2nd appeals found that the upgrades did not meet the eligibility criteria of 44 CFR 206.226(b). Further, the mitigation benefits and cost-effectiveness of the work performed was not documented. Therefore, the $157,575 expended and claimed by the District for replacement doors, frames, and hardware constituted an improvement and upgrade to the pre-disaster condition of the facilities (project 73431 - $85,090 and project 73432 - $72,485).

[7] The amounts questioned below are separate and distinct from the unsupported multi-purpose building and gymnasium costs questioned in Finding E – Unsupported Costs.

- Bleacher Replacements. The District claimed $162,658 to replace the bleachers at SVHS' gymnasium. Information in disaster project files disclosed that a contractor was hired to detach the bleachers from the walls and place them in the center of the gymnasium to allow for asbestos removal. While the bleachers stood in a fully extended static position in the middle of the gymnasium, the center bay of the bleachers collapsed. FEMA documentation noted that the bleachers were not designed as freestanding structures, and when they were detached from the gymnasium walls, measures should have been taken by the contractor to properly anchor them. Since the damage to the bleachers was the responsibility of the contractor and the bleachers were not damaged as a result of the Northridge earthquake, the OIG questioned the $162,658 the District claimed (project 73432).

- Electrical Work. Of the $401,168 claimed by the District for electrical work at both facilities, $49,790 previously had been denied by FEMA as non-disaster related work ($35,351 for project 73431 and $14,439 for project 73432). The work included such tasks as installing light fixtures and providing the electrical service for the new bleachers discussed in the paragraph above. The District resubmitted these costs as part of its final claim. FEMA inadvertently allowed these costs at project close out.

- Miscellaneous Improvements and Upgrades. The District claimed $64,950 for miscellaneous improvements and upgrades at the two facilities that was ineligible because the improvements and upgrades were not related to the Northridge earthquake. Examples of ineligible work included installation of new items in plumbing and mechanical/air conditioning systems that were not damaged as a result of the disaster. Therefore, the $64,950 claimed by the District improved the facilities beyond their pre-disaster condition and were questionable costs (project 73431 - $29,817 and project 73432 - $35,133).

Of the $839,008 in questioned costs, $311,872 was applicable to the multi-purpose building (project 73431) and $527,136 was applicable to the gymnasium (project 73432).

Finding C - Other Ineligible Improvements and Upgrades

The District claimed $292,742 against project 73240 for other ineligible improvements and upgrades at SVHS. Specifically, the District improved and upgraded campus-wide fire alarm and public address systems that were ineligible for FEMA reimbursement because they improved facilities beyond that which existed before the disaster. According to 44 CFR 206.226, eligible damaged facilities are to be restored on the basis of the design of the facilities existing immediately prior to the disaster. Also, according to 44 CFR 206.203(d)(1), work to improve the condition of a facility beyond that which existed before the disaster may be accomplished, but such work in conjunction with eligible disaster related work is

considered an improved project with funding limited to the federal share of the estimate of the eligible work.

During March and April 1994, the District completed temporary repairs to the fire alarm and public address systems at a cost of $66,451. District officials also obtained a $360,000 quote from a contractor to replace the fire alarm and public address systems. This price included all equipment, cable, labor, hardware, as-built drawings, training, and sales tax. On April 8, 1994, FEMA awarded $370,800 under project 73240 for the replacement systems, based on the price quote of $360,000 plus a 3 percent inspection fee of $10,800. The project narrative specified that no new codes or standards were, or would be adopted to perform the work, and that there was no basis for hazard mitigation.

In July and October 1997, over 3 years later, the District installed an integrated replacement system at a cost of $663,542, through a State of California, Department of General Services, California Multiple Award Schedules contract. District officials stated that the contract originally envisioned was not awarded because the District believed the project was too large for the contractor. District officials also stated that the replacement system was an improved system (state of the art and advanced technology) as compared with the pre-disaster systems (combination of piecemeal/separate, hard-to-maintain components, installed at SVHS throughout the years). The District claimed $745,593 for the initial repair of campus-wide fire alarm and public address systems, and the subsequent replacement of those systems with an integrated paging/intercom, fire alarm, and clock system. FEMA approved project costs of $729,993 ($66,451 for temporary repairs and $663,542 for the replacement system) and disallowed $15,600 of administrative allowance.

While the replacement fire alarm and public address system significantly improved and upgraded the systems existing at the time of the earthquake, the OIG recognizes that a new system may have been required so as to function at a level to better protect the health and safety of SVHS students and staff. However, functionality can be achieved through various methods and at significantly different costs. For example, as a result of initial funding provided by FEMA ($66,451), SVHS had functional fire alarm and public address systems in November 1995 when all the work was completed. The fact that SVHS replaced its old systems with a single integrated paging/intercom, fire alarm, and clock system is not in question. Rather, the OIG is questioning the reasonableness of the costs incurred for the replacement system, and more importantly, who should bear the costs of improvements and upgrades beyond what is considered reasonable.

The advantages of replacement system are readily apparent, given the age and condition of the pre-disaster systems. However, review of the initial contractor's bid and the specifications of the system actually acquired showed that the replacement system was technologically advanced over what the initial contractor planned to install and what FEMA agreed to fund more than 3 years earlier. The OIG concluded that the District could have

replaced its fire alarm and public address systems for substantially less cost than what was actually expended and claimed. Therefore, we considered the work performed as an "unapproved" improved project and questioned $292,742 which is the difference between what the District claimed ($663,542) and the federal estimate of eligible work ($370,800).

Finding D - Ineligible Project Costs

The District claimed $567,891 for SVHS multi-purpose building (projects 73431 and 37234) and gymnasium (projects 73432 and 37235) project costs that did not relate to those projects. The project costs claimed covered other District-wide projects or were associated with the ineligible improvements and upgrades discussed in Finding B. These questionable costs were related to project management services ($250,000), project costs associated with ineligible improvements and upgrades ($183,194), security services ($71,512), demolition and cleanup ($31,624), and mobile classrooms ($31,561).

According to Office of Management and Budget, Circular A-87, Attachment A, Section C, to be allowable under FEMA awards, costs must be necessary and reasonable for proper and efficient performance and administration of the awards. Further, 44 CFR 206.223(a)(1) requires that an item of work be required as a result of the disaster in order to be eligible for federal assistance. Likewise, costs must be allocable to FEMA project awards and be authorized or not prohibited under State or local laws or regulations. Details regarding the ineligible project costs are provided below.

- Project Management Services. The District's claim included $250,000 for contractual project management services for work not related to the multi-purpose building and gymnasium. Review of project management contract files and invoices and discussions held with District officials regarding the costs claimed confirmed that $250,000 was ineligible because those services covered other District-wide projects. The project management services contract was awarded as 5 percent of the estimated $5 million cost to repair and reconstruct other District-wide facilities and, therefore, did not relate specifically to the multi-purpose building or gymnasium projects. Consequently, $115,000 claimed under project 73431 and $135,000 claimed under project 73432 was questionable.

- Project Costs Associated with Ineligible Improvements and Upgrades. The District claimed $743,077 for A&E services, construction management services, construction inspection services, plans compliance reviews, and asbestos monitoring relative to the multi-purpose building and gymnasium. Of this amount, $183,194 was ineligible because the services, reviews, and monitoring were associated with the ineligible improvements and upgrades discussed in Finding B. Of the $183,194 in costs questioned, $87,038 was applicable to project 73431 and $96,156 was applicable to project 73432.

- Security Services. The District claimed $71,512 and was reimbursed for security services at the multi-purpose building and gymnasium. FEMA previously denied the District's request to fund security services because such services were not necessary to perform eligible work. Because the security services were not within the scope of the approved projects, the $71,512 constituted an ineligible project cost. Of the amount questioned, $35,756 was applicable to project 73431 and $35,756 was applicable to project 73432.

- Demolition and Cleanup. The District claimed $31,624 for demolition and cleanup work at the multi-purpose building and gymnasium. These costs were not within the scope of the repair and reconstruction projects for these facilities. In fact, the demolition and cleanup work was completed in March 1994, while repair and reconstruction work did not begin until June 1995. Therefore, $31,624 for demolition and cleanup work, constituted ineligible project costs. Of the amount questioned, $14,915 was applicable to project 73431 and $16,709 was applicable to project 73432.

- Mobile Classrooms. The District claimed $31,561 for three mobile classrooms. The District could not provide any documentation to confirm that the mobile classrooms were utilized in the repair and reconstruction of the two facilities. Therefore, $31,561 for the classrooms constituted ineligible project costs. Of the amount questioned, $18,118 was applicable to project 37234 and $13,443 was applicable to project 37235.

Of the $567,891 in total questioned costs, $252,709 was applicable to project 73431, $18,118 was applicable to project 37234, $283,621 was applicable to project 73432, and $13,443 was applicable to project 37235.

Finding E - Unsupported Costs

The District's claim included $430,225 of costs that were unsupported. Specifically, the District's claim for repairs at SVHS' multi-purpose building (project 73431) and gymnasium (project 73432) contained $210,892 of unsupported costs. Likewise, the District's claim for soffit replacements and other repairs at SVHS and two other schools contained $219,333 of unsupported costs.

According to 44 CFR 13.20(b)(6), grantees and subgrantees must maintain accounting records that identify how FEMA funds are used, and accounting records must be supported by source documents such as cancelled checks, paid bills, mileage logs, and payroll records. Also, 44 CFR 13.20(b)(1) requires grant recipients to accurately report the results of financially-assisted activities. Details regarding the unsupported costs are provided below.

- Multi-purpose Building and Gymnasium Repairs. For the categories of work listed below, the District claimed $2,657,258 under project 73431 (multi-purpose building) and project 73432 (gymnasium) but could only support $2,446,366 of the costs claimed.

Therefore, the $210,892 difference between the claimed and supported amounts was unsupported and questionable.

Repair & Reconstruction	Costs Claimed	Costs Supported	Costs Unsupported *
Project Inspections/Tests	$ 83,044[8]	$ 49,065	$ 33,979
General Construction	766,681	691,341	75,340
Roofing	416,497	412,697	3,800
Doors/Frames	218,985	196,136	22,849
Glass	50,811	50,328	483
Stucco/Plaster	456,428	452,428	4,000
Flooring	159,709	156,329	3,380
Plumbing	103,935	101,135	2,800
Electric	401,168	336,907	64,261
Totals	$2,657,258	$2,446,366	$210,892

* These unsupported costs are unrelated to the ineligible improvements and upgrade costs discussed in Finding B.

The audit determined that the District based its claim on the purchase orders issued to various contractors without determining whether or not the costs claimed were associated with the work actually completed on the two projects. In addition, the project management contractor for the District accumulated actual project costs that differed from what the District claimed. The project management contractor's reports of actual repair and reconstruction costs were used as the basis for this finding because the District did not accurately report the results of financially-assisted activities as required by 44 CFR 13.20(b)(1). Of the $210,892 questioned, $119,140 was applicable to project 73431 and $91,752 was applicable to project 73432.

- Soffit Replacements and Other Repairs. The District claimed $877,184 for soffit replacements and other repairs at three schools (Sequoia Junior High, Mountain View Elementary, and Simi Valley High School[9]). However, $219,333 of the costs claimed was unsupported (see Exhibit D for project specific details). The unsupported amounts were determined by comparing the District's final claim to the supporting documents for soffit replacements and building repairs on the applicable projects. For the majority of projects reviewed, payments were made to contractors at prices lower than the District's final claim.

Finding F - Costs Covered by FEMA's Statutory Administrative Allowance

[8] A $44 duplicate payment is not included in this total but addressed in Finding G.
[9] Soffit replacements and other repairs at SVHS related to facilities other than the multi-purpose building and gymnasium.

The District's claim included $225,746 of direct project costs that were covered by FEMA's statutory administrative allowance. Necessary costs of requesting, obtaining, and administering federal disaster assistance are covered by the statutory administrative allowance prescribed by 44 CFR 206.228(a)(2)(ii).

Of the $225,746 questioned, $150,000 related to administrative services claimed under a project management contract associated with other District-wide facilities and $75,746 related to administrative services at other SVHS facilities and two other schools (Sequoia Junior High and Mountain View Elementary). Details are provided below.

- Administrative Services – SVHS Multi-purpose Building and Gymnasium. As a part of the project management contract discussed in Finding D, the District claimed $150,000 for District-wide administrative services under projects 73431 and 73432. The costs claimed were not associated with these two projects and were covered by FEMA's statutory administrative allowance. Therefore, the OIG questioned the $150,000 ($69,000 for project 73431 and $81,000 for project 73432).

- Other Administrative Services. The District claimed $75,746 for other administrative services at Simi Valley High School, Sequoia Junior High School, and Mountain View Elementary School that were not eligible because they were also covered by FEMA's statutory administrative allowance. Questionable costs for each project are identified in Exhibit E. Of the $75,746 questioned, $53,369 related to the inspection of District facilities to look for additional damage, and $17,203 was identified by the District as a claimable administrative allowance. The remaining $5,174 was previously determined ineligible by FEMA as a fee for structural evaluation services, but later claimed by the District at project closeout.

Finding G - Duplicate Claims

The District's claim included $49,164 in duplicate costs. Specifically, the District claimed $9,343 twice under project 73431, $9,341 twice under project 73432, and $19,480 twice under project 73294. The District also claimed $11,000 ($5,500 each under projects 37234 and 37235) for A&E services previously claimed under projects 73431 and 73432. According to 44 CFR 13.20(b)(1), grant recipients are required to accurately report the results of financially assisted activities. Duplicate claims were indicative that financially-assisted activities were not accurately reported.

RECOMMENDATIONS

The OIG recommends that the Regional Director, FEMA Region IX:

1. Forward this report and the District's 2nd appeals to the Director, Recovery Division for formal and final 2nd appeal decisions that meet the requirements of federal regulations.

The OIG also recommends that the Regional Director, FEMA Region IX, in coordination with OES:

2. Disallow $839,008 in questionable upgrades and improvements to SVHS' multi-purpose building and gymnasium pending formal 2nd appeal decisions from the Director, Recovery Division, and

3. Disallow $1,565,768 of other questionable costs discussed in this report.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed the results of this audit with the District and OES officials on June 18, 2003. District and OES officials stated that they withhold comments until they receive this audit report. FEMA Region IX officials were informed of audit results on July 9, 2003.

Please advise this office by September 15, 2003, of the action taken to implement our recommendations. Should you have any questions concerning this report, please contact me at (510) 627-7011. Key contributors to this assignment were Brian Byrne, Arona Maiava, and Gregory Suko.

Exhibit A

Schedule of Audited Projects
Simi Valley Unified School District
FEMA Disaster Number 1008-DR-CA

Project Number	Amount Awarded*	Amount Claimed	Disallowed by FEMA	Amount Questioned	Finding Reference
73431	$2,069,386	$2,069,386	$ 0	$ 762,064	A, B, D, E, F & G
37234**	29,028	29,028	0	23,618	D & G
73432	2,498,565	2,498,565	0	992,850	A, B, D, E, F & G
37235**	52,024	52,024	0	18,943	D & G
73240	729,993	745,593	15,600	292,742	C
21737	295,371	302,272	6,901	0	
22195	139,586	143,774	4,188	0	
73251	135,043	135,043	0	8,006	F
73294	84,714	84,714	0	28,986	F & G
73253	135,583	135,583	0	8,099	F
41376	56,839	56,839	0	14,879	E & F
73234	107,731	107,731	0	42,178	E & F
48499	148,870	148,870	0	8,211	F
73296	43,086	43,086	0	22,614	E & F
50067	103,216	103,216	0	31,818	E & F
05875	91,062	91,062	0	63,276	E & F
50066	59,628	59,628	0	10,292	F
73445	198,113	198,113	0	61,262	E & F
73219	277,137	277,137	0	14,938	E & F
Totals	$7,254,975	$7,281,664	$26,689	$2,404,776	

* Amounts awarded are based on final project costs approved by FEMA after the District submitted its final claim (P-4 Report).

** FEMA awarded and approved final project costs of $29,028 on project 37234 for the multi-purpose building and $52,024 on project 37235 for the gymnasium. However, these two projects were not included as supplements to project 73431 (multi-purpose building) and project 73432 (gymnasium) when the projects were approved and when FEMA closed out these two projects. The scope of the audit included these two projects.

Legend
A. Improper 2nd Appeal Decisions
B. Ineligible Improvements and Upgrades
C. Other Ineligible Improvements and Upgrades
D. Ineligible Project Costs
E. Unsupported Costs
F. Costs Covered by FEMA's Statutory Administrative Allowance
G. Duplicate Claims

Attachment A - NLTRAO Letter to OES dated August 6, 1999
2nd Appeal Scope of Repair, Upgrade, Restoration, and Hazard Mitigation Work
Simi Valley High School Multi-Purpose Building

ATTACHMENT A

Provide and install new channel at head of curtain wall
Add weld washers at column base plates and along grade beam
Chip existing pile cap to allow installation of new rebar cages
Repair torn webs on beams by providing a plate extended to toe
Break back slab at grid lines K-2 and A-2
Install channel guide at North and South curtain wall
Remove and replace concrete sidewalk
Level concrete at entry thresholds (4) Room 215
Below stage at storage area, provide and install new doors
Fill weld access holes in columns
Additional toilet accessories required
Install acoustical glue-up tile in the music practice rooms
Provide additional wood nailers at the east end of the roof
Furnish and install 3/8" plywood, finish framing, paint wood framing
Curtain rod removed for acoustic tile installation
Install lath and plaster on CMU walls in Room 215, install veneer plaster on ceiling
Remove and install new drinking fountain in corridor No. 208
Modify stainless steel dish sink and reinstall in Room 221
Remove, modify, replace, reseal, and re-insulate ductwork in Room 216
Provide 4" flex connectors for seismic retrofit of chilled water lines, 3" specified
Repair all exhaust fans at restrooms
Install two 12'-0 florescent fixtures at entryway of staff Dining Room
Replace damaged clock in Room 215
Provide and install wire guards over all fire alarm audio and visual devices
Provide security for duration of construction
Locate wall, column, and roof elevations
Provide final clean-up of building for School District occupancy
Relocate gate at southeast corner of Multi-Purpose Room
Kitchen, Classroom, Walkways -- miscellaneous
Abatement
Framing and Finishes
Roofing and Flashing
Doors, Frames, and Hardware
Store Fronts, Glass, and Glazing
Stucco and Plaster
Plumbing
HVAC
Electrical and Communications
Finish Hardware
Replace all Conduit and Wire
Patch and Paint East Wall
Remove and Replace Wood Paneling
Remove and Replace Damaged Doors/Frames
Remove and Replace Entire East Wall
Fire Rating of Doors
Remove and Replace lightweight Concrete Roof
Seismic Brace Water heater

Attachment A - NLTRAO Letter to OES dated August 6, 1999
2nd Appeal Scope of Repair, Upgrade, Restoration, and Hazard Mitigation Work
Simi Valley High School Multi-Purpose Building

Sawcut and Place Concrete in Slab
Remove and Replace Ceramic Tile Wainscot
Remove Acoustical Tile Finish, Install Ceiling Plaster
Repair Conduits and Wire Re: Demo
Miscellaneous Plumbing
A/E design fees
Project Management
Construction Management
Inspections
Testing
Liquefaction Survey
Roof Survey

Attachment A - NLTRAO Letter to OES dated August 6, 1999
2nd Appeal Scope of Repair, Upgrade, Restoration, and Hazard Mitigation Work
Simi Valley High School Gymnasium

ATTACHMENT A

Realignment of existing beam
Finish Hardware
Replace Metal toilet partitions
Replace doors, frames, and hardware
Continuous steel plates
New pile caps and piles at sewer pipe and conduits
Replace new pile and pile cap
Shim to match column and new diagonal tube
Repair/replace high bay light fixture
Add electrical supply to new bleachers
Replace damaged fire sprinkler piping
Revise continuous shear plate
Provide code required duct hangers
Remove quarry tile and replace with ceramic tile
Install new 4" high resilient wall base
Misc. Electrical work in gym
Misc. plumbing work
Framing and Finishes
Roofing and Flashing
Doors, Frames, and Hardware
Stucco and Plaster
Hardware Gym Floor
Plumbing
HVAC
Electrical and Communications
Gusset plate installed two pieces instead of one
Demolish Bleachers
Widen gusset plate at grid B-7 shown on Detail 16/S1.5
Remove and replace lightweight concrete and steel decking at low roof
Remove and replace concrete in front of the Gym
Correct cross brace frame on stairs in Rooms 110 and 113 on grid line "N"
Remove and install new marble tile at base of trophy case in Lobby
Patch and replaced 42 LF of quarry tile cove base at Lobby and 15 SF of flooring
Straighten and reinforce existing studs along grid line "B" between column line 2 & 6
Reframe and refinish ceilings of entry vestibules in Activity Room 111
Replace all gypsum wall board on walls in Rooms 102, 104, and 105
Paint all crack repair in Activity Room 111
Provide and install mirrors to meet ADA requirements
Install new galvanized sheet metal gutter at low roof to match gutter at high roof
Cabinet at snack bar in Room 101
Install FRP panels at north wall of Activity Room 111
Reconfigure operable wall – hinge/sweeps
Change 5" thresholds at 16 locations to 8" thresholds
Chip existing concrete curbs
Remove/replace lavatory fixtures in Rooms 106 and 107; reinstall janitor sink
Roof drainage re-engineered and included in roofing contractor scope of work
Room 109 – install two fountains/spittoons at locations of existing fixtures

Attachment A - NLTRAO Letter to OES dated August 6, 1999
2nd Appeal Scope of Repair, Upgrade, Restoration, and Hazard Mitigation Work
Simi Valley High School Gymnasium

Install new drinking fountain in Lobby Room 102 at locations of existing fixtures
Provide new louvers with expanded metal covers
Install flashing at exterior louvers
Replace damaged receptacles, switches, and plates
Repair backboard motors
Troubleshoot and repair reader board at exterior of north wall
Troubleshoot and repair control circuit for site lighting
Provide and install wire guards over all fire alarm audio and visual devices
Replace defective emergency lights
Delete installation of approximately one third of exterior lighting
Delete the slurry requirement of low voltage fire alarm
Remove asbestos-containing plaster throughout Gymnasium
Replace bleachers in Room 108
Remove existing and install new wood flooring in Rooms 108 and 111
Provide security for duration of construction
Locate wall, column, and roof elevations
Additional clean-up
Replace trophy case which was damaged by vandalism
Inspect, repair, and realign basketball backboards
Replace cracked quarry tile in Lobby Room 103
A/E design fees
Project Management
Construction Management
Inspections
Testing
Roof Survey
Hazardous materials abatement
Liquefaction Testing and Survey

Exhibit D

Unsupported Costs for Soffit
Replacements And Other Repairs
(Finding E)

Project	School	Costs Claimed	Costs Supported	Costs Unsupported
41376	Sequoia Junior High	$ 56,839	$ 43,244	$ 13,595
73234	Sequoia Junior High	107,731	67,520	40,211
73296	Sequoia Junior High	43,086	21,086	22,000
Sub-totals:		$207,656	$131,850	$ 75,806
05875	Mt. View Elementary	103,216	50,964	52,252
50067	Mt. View Elementary	91,062	60,728	30,334
Sub-totals:		$194,278	$111,692	$ 82,586
73219	Simi Valley High	$198,113	$187,839	$ 10,274
73445	Simi Valley High	277,137	226,470	50,667
Sub-totals:		$475,250	$414,309	$ 60,941
Totals:		$877,184	$657,851	$219,333

Exhibit E

Other Administrative Services Covered by
FEMA's Statutory Administrative Allowance
(Finding F)

Project	School	A&E Services Claimed	Admin. Allowance Claimed	Structural Evaluation Costs Claimed	Totals
73219	Simi Valley High	$ 0	$ 4,664	$ 0	$ 4,664
73445	Simi Valley High	0	5,421	5,174	10,595
Sub-totals:		$ 0	$10,085	$5,174	$15,259
73251	Sequoia Junior High	$ 8,006	$ 0	$ 0	$ 8,006
73294	Sequoia Junior High	9,506	0	0	9,506
73253	Sequoia Junior High	8,099	0	0	8,099
41376	Sequoia Junior High	0	1,284	0	1,284
73234	Sequoia Junior High	0	1,967	0	1,967
48499	Sequoia Junior High	,211	0	0	8,211
73296	Sequoia Junior High	0	614	0	614
Sub-totals:		$33,822	$ 3,865	$ 0	$37,687
50067	Mt. View Elementary	$ 0	$ 1,484	$ 0	$ 1,484
05875	Mt. View Elementary	9,255	1,769	0	11,024
50066	Mt. View Elementary	10,292	0	0	10,292
Sub-totals:		$19,547	$ 3,253	$ 0	$22,800
Totals:		$53,369	$17,203	$5,174	$75,746