

# Department of Homeland Security **Office of Inspector General**

## **The Town of San Anselmo, California, Generally Followed Regulations for Spending FEMA Public Assistance Funds**



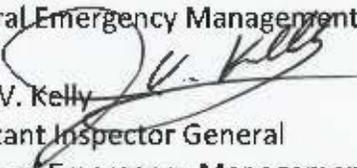


**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

DEC 30 2013

**MEMORANDUM FOR:** Nancy Ward  
Regional Administrator, Region IX  
Federal Emergency Management Agency

**FROM:** John V. Kelly   
Assistant Inspector General  
Office of Emergency Management Oversight

**SUBJECT:** *The Town of San Anselmo, California, Generally Followed  
Regulations for Spending FEMA Public Assistance Funds  
FEMA Disaster Number 1628-DR-CA  
Audit Report Number OIG-14-24-D*

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to the Town of San Anselmo, California (Town), Public Assistance Identification Number 041-64434-00. Our audit objective was to determine whether the Town accounted for and expended FEMA Public Assistance grant funds according to Federal regulations and FEMA guidelines.

The California Governor's Office of Emergency Services (State), a FEMA grantee, awarded the Town \$2,003,218 for costs resulting from storms, flooding, debris flows, and mudslides from December 17, 2005, through January 3, 2006.<sup>1</sup> The award provided 75 percent FEMA funding for six large projects and three small projects.<sup>2</sup> At the time of our audit, the Town had completed work and had submitted a final claim for all projects.

This is the second and final phase of our audit of the Town's award. In the first phase, we audited one large project for which the Town claimed about \$1.6 million—Project 3625, Category E work (Buildings and Equipment). We issued an interim audit report that questioned the Town's entire claim for the project as unsupported or ineligible costs because the Town's

<sup>1</sup> At the time of this disaster, the grantee's name was the Governor's Office of Emergency Services (OES). However, OES became part of Cal EMA from January 1, 2009, to June 30, 2013—including during the time of our fieldwork. As of July 1, 2013, Cal EMA transitioned back to the California Governor's Office of Emergency Services (State).

<sup>2</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$57,500.



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records were insufficient to provide an audit trail to support the costs.<sup>3</sup> We recommended to FEMA that the Town resubmit its claim with adequate documentation to support the costs. FEMA reviewed the Town's subsequent claim and disallowed approximately \$500,000 because of inadequate documentation. We concurred with FEMA's final determination and corrective action.

This second and final phase of the audit covers the period from December 17, 2005, to October 23, 2013. We reviewed the remaining five large projects and one of the three small projects. The awards for these projects totaled \$1,238,233, for which the Town claimed \$1,431,486. We audited the \$1,431,486 the Town claimed (see Exhibit, Schedule of Projects Audited and Questioned Costs).

We conducted this phase of the performance audit between June and October 2013, pursuant to 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 upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We interviewed FEMA, State, and Town officials; reviewed judgmentally selected project costs (generally based on dollar value), and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of the Town's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. However, we did gain an understanding of the Town's method of accounting for disaster-related costs and its procurement policies and procedures.

### BACKGROUND

The Town of San Anselmo is a small community in Marin County, located approximately 19 miles north of San Francisco, California. The Town covers less than 3 square miles, and lies within the 28-square-mile Ross Valley Watershed that flows into San Francisco Bay. The principal waterway of the Town's portion of the watershed is the San Anselmo Creek. The disaster caused the San Anselmo Creek to overflow and flood the Town of San Anselmo, damaging Town facilities. Figure 1 shows the inundation caused by the flooding event to a section of downtown San Anselmo, California.

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<sup>3</sup> OIG Report Number DS-13-02, *The Town of San Anselmo, California, Did Not Properly Account for and Expend FEMA's Public Assistance Grant Funds*, December 27, 2012.



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**Figure 1. Town of San Anselmo, California, downtown area during the disaster event.**  
Source: Town of San Anselmo, July 25, 2012

**RESULTS OF AUDIT**

The Town generally accounted for and expended FEMA Public Assistance grant funds according to Federal regulations and FEMA guidelines for the six projects we reviewed in this phase of the audit (five large and one small). Of the \$1,431,486 the Town claimed for these projects, \$26,100 was ineligible. Additionally, based on the results of both phases of this audit, the State should have performed a more thorough review of costs the Town claimed.

**Finding A: Ineligible Costs**

The Town’s claim for two projects included \$26,100 of ineligible costs consisting of \$19,807 in duplicate benefits and \$6,293 unauthorized costs outside the project scopes of work (see table 1 below).

**Table 1. Ineligible Costs by Project**

Project No.	Item Charged	Amount
3739	911 Phone System–State funded project	\$19,807
3739	Utilities–Standard operating costs	2,549
3739	Gardening–Standard facility maintenance	1,328
3627	Repairs associated with a different facility	2,416
	Total	\$26,100



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The Town claimed \$19,807 under Project 3739 for installing a 911 system that the State funded. Section 312(a) of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* prohibits such duplicate benefits, stating that an entity cannot receive Federal financial assistance for any loss for which it has already received such financial assistance from any other source.

The Town also claimed \$6,293 for three unauthorized items of cost under Projects 3627 and 3739 that were outside the FEMA-approved scope of work. Applicable Federal cost principles at 2 CFR Part 225, Appendix A, C.1.c, require costs to be authorized or not prohibited under State or local law. One item of cost for \$2,416 was for repairs to a facility different from the one FEMA named in the project worksheet. The other two items were expenses necessary for operating a temporary facility (gardening and utilities). According to FEMA's *Public Assistance Guide* (FEMA 322, October 1999, p. 58), "FEMA does not provide funds for increased operating expenses resulting from a disaster."

Therefore, we question \$26,100 the Town included in the costs it claimed for Projects 3627 and 3739, and FEMA should disallow these costs. The Town and State officials concurred with the finding, and during our exit meeting, State officials requested the Town to submit additional information regarding the State-funded 911 system.

#### **Finding B: Grantee Management Oversight**

The State should have performed a more thorough review of costs the Town claimed, particularly for Project 3625 that we reviewed in the first phase of this audit. According to its State Administrative Plan for 2005–2006, the State, as the grantee, must account for grant funds in accordance with State and Federal requirements. Specifically, the State must ensure that the subgrantee provides the necessary data to determine reasonableness of costs and eligibility for reimbursement.

During our assessment of Project 3625, we noted that the State's review of the Town's claim did not identify as many ineligible costs as FEMA's review. The State determined that \$101,547, or 6.3 percent, of the \$1,599,777 the Town claimed for Project 3625 was ineligible. In contrast, FEMA performed a more thorough review and determined that \$474,987, or 29.7 percent, was ineligible. The difference in the results of these two reviews indicates that the State should have more carefully reviewed the costs the Town claimed.

In conclusion, the State is accountable for grant management and responsible for monitoring and reviewing costs to ensure they are eligible and supported. Therefore, the State should take steps to improve its grant management procedures, and provide FEMA better assurance on the eligibility of costs that subgrantees claim.

State officials did not dispute the finding.



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### RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IX:

**Recommendation #1:** Disallow \$26,100 (Federal share \$19,575) of ineligible charges to Projects 3627 and 3739 (finding A).

**Recommendation #2:** Reemphasize to the State its grantee responsibilities and the need to provide FEMA better assurance on the eligibility of costs that subgrantees claim (finding B).

### DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with Town officials during our audit and included their comments in this report, as appropriate. We provided a discussion draft to Town and State officials on October 18, 2013, and to FEMA officials on October 29, 2013. We discussed the draft at an exit conference with Town and State officials on October 23, 2013, and with FEMA officials on November 6, 2013. All officials generally agreed with the findings and recommendations.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include the contact information of responsible parties and any other supporting documentation necessary to inform us about the status of the recommendations. Until we receive and evaluate your response, we will consider the recommendations open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Major contributors to this report are Humberto Melara, Director; Louis Ochoa, Audit Manager; Renee Gradin, Senior Auditor; Paul Sibal, Auditor; and Victor Du, Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact Humberto Melara, Director, Western Regional Office, at (510) 637-1463.



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Exhibit

**Schedule of Projects Audited and Questioned Costs**

Project Number	FEMA Category of Work	Project Award Amount	Project Charges Claimed & Reviewed	Questioned Costs
Second and Final Review				
2223	A	\$220,321	\$220,022	
2739	B	89,695	89,695	
3499	E	335,250	333,434	
3627 <sup>4</sup>	E	123,431	315,958	\$2,416
3693 <sup>5</sup>	B	5,351	8,192	
3739	B	464,185	464,185	23,684
Subtotal		\$1,238,233	\$1,431,486	\$26,100
Interim Report Results				
3625	E	\$830,672	\$1,599,777	Resolved
Total		\$2,068,905	\$3,031,263	\$26,100

<sup>4</sup> FEMA initially approved Project 3627 for \$310,617 (gross amount), and the Town received \$192,526 in insurance proceeds. However, the Town incurred actual costs of \$315,958. FEMA adjusted the award amount to match the Town's actual cost and subsequently reduced the final award amount to \$123,431 (net amount) to account for the Town's insurance proceeds.

<sup>5</sup> Project 3693 is a small project.



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