



*Final
Report*

County of San Diego, California

Auditor and Controller

Firestorm 2007 Expenditures Submitted for FEMA/CalEMA Reimbursement Validation Audit – Countywide Quality First

Office of **A**udits & **A**dvisory **S**ervices

October 2009
Report No. A09-014



COUNTY OF SAN DIEGO

INTER-DEPARTMENTAL CORRESPONDENCE

October 16, 2009

TO: Dorothy Y. Thrush, Group Finance Director
Public Safety Group

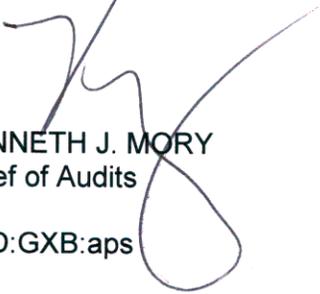
FROM: Kenneth J. Mory
Chief of Audits

FINAL REPORT: FIRESTORM 2007 EXPENDITURES SUBMITTED FOR FEMA/CALEMA REIMBURSEMENT VALIDATION AUDIT – COUNTYWIDE QUALITY FIRST

Enclosed is our report on the Firestorm 2007 Expenditures Submitted for FEMA/CalEMA Reimbursement Validation Audit – Countywide Quality First. The report includes various audit findings and recommendations.

We have reviewed your responses and have attached them to the audit report. The actions taken and planned, in general, are responsive to the findings and recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations.

If you have any immediate concerns about the report, please contact me at (858) 495-5662.


KENNETH J. MORY
Chief of Audits

AUD:GXB:aps

Enclosure

c: Raymond A. Fernandez, Deputy Chief Administrative Officer, Public Safety Group
Donald F. Steuer, Chief Financial Officer
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller

INTRODUCTION AND BACKGROUND

Starting on October 21, 2007, seven wildfires burned through the County of San Diego. These fires resulted in over 369,000 acres burned, or 13% of the County's total land mass. Extensive damage was caused to 1,751 homes, 800 outbuildings, 253 structures, 239 vehicles, and two commercial properties.

As declared by the Federal Emergency Management Agency (FEMA), Firestorm 2007's official incident period began October 21, 2007. It was officially closed as of March 31, 2008.

Beginning on October 21, 2007, various departments in San Diego County mobilized employees to assist in multiple disaster-related activities. County departments worked to procure and disseminate materials and to provide disaster assistance to County citizens with personal, property, and/or livestock issues, as well as to provide fire-fighting efforts and other services toward the safety and well-being of displaced and affiliated County residents.

The Director, Office of Emergency Services (OES) has been leading the overall County operational efforts while the Finance Director, Public Safety Group, has led the Finance team.

The Chief Financial Officer (CFO) requested that the Office of Audits & Advisory Services (OAAS) conduct an audit of the Countywide Quality First Firestorm 2007 related expenditure amounts claimed for reimbursement to:

- 1) Prevent any material disallowance by the Office of Inspector General (OIG) of amounts claimed; and
- 2) Provide reasonable assurance to the CFO and County management that the claims and reimbursements are adequately supported.

During the October 2007 wildfires (Firestorm 2007), 22 County departments incurred Quality First (QF) costs associated with disaster-related work from October 21, 2007 through November 8, 2007. The County submitted two claims totaling \$423,889 for departments' QF costs and additional fringe expenses that related to Firestorm 2007. Based on their review of supporting records for the claims, FEMA project officers submitted two Countywide consolidated project worksheets (PW) for these costs: ALL150 for total emergency work costs of \$421,110 and ALL150A for total permanent work costs of \$2,779.

AUDIT SCOPE AND LIMITATIONS

The objective of the audit was to ensure that the departments have gathered, organized, titled, and referenced documentation supporting cost claims on FEMA PWs, and that all the supporting documentation will be maintained in a manner that the OIG and other reviewers can easily follow.

The information reviewed and submitted for reimbursement was based on QF expenditures reported by the departments during Firestorm 2007. FEMA and California Emergency Management Agency (CalEMA) project officers assigned to the QF Project made the final

eligibility determination. OAAS did not make eligibility determinations of the expenditures submitted to FEMA/CalEMA for reimbursement.

This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.

METHODOLOGY

OAAS reviewed the supporting documentation for the County departments QF costs submitted to FEMA for reimbursement by:

- Verifying that all supporting documentation was organized, titled, and cross-referenced with the line items listed on each PW;
- Comparing the amount reported on the PW to the amounts provided in supporting documentation to ensure the total amounts reconciled and that required documentation was provided;
- Recalculating the total amount claimed to ensure that the amount calculated from the supporting documentation agreed with the total amount listed on the PW; and
- Reviewing sample payroll records to ensure the regular and overtime labor hours incurred and rates applied were reconciled with those claimed on the PW, and to determine if labor and related fringe benefits were correctly calculated and properly supported.

AUDIT RESULTS

OAAS' review of supporting documentation confirmed that expenditures of \$50,145 were properly substantiated. However, while verifying the accuracy of the calculations and reconciling supporting records with the amount claimed on the PWs, OAAS did not clear \$373,694 for the reasons indicated in the findings. Table 1 gives a detailed outline of the QF claims reviewed by OAAS. See the Appendix for the full name of the County department acronyms used below.

Table 1. Firestorm 2007 Quality First Department Claim Amount

	Department	Final PW Amount	Total Amount Cleared
1.	APD	\$ 130	\$ 130
2.	AWM	\$ 189	\$ 118
3.	CSS	\$ 13,858	\$ 1,343
4.	DA	\$ 6,064	\$ 2,318
5.	DAS	\$ 7,069	\$ 0
6.	DEH	\$ 36,938	\$ 36,938
7.	DGS	\$ 8,299	\$ 0
8.	DHR	\$ 336	\$ 278
9.	DPLU	\$ 1,015	\$ 0
10.	DPR	\$ 1,101	\$ 1,072

11.	DPW - Emergency Work	\$ 17,320	\$ 0
12.	HCD	\$ 419	\$ 254
13.	HHSa-MOC	\$ 4,373	\$ 0
14.	ME	\$ 1,121	\$ 1,090
15.	MPR	\$ 2,738	\$ 2,710
16.	OES	\$ 11,975	\$ 0
17.	P&C	\$ 1,104	\$ 1,104
18.	PD	\$ 355	\$ 355
19.	PROB	\$ 24,228	\$ 0
20.	ROV	\$ 101	\$ 66
21.	SHF	\$279,958	\$ 0
ALL150 GRAND TOTAL		\$421,060	\$ 50,145
22.	DPW - Permanent Work	\$ 2,779	\$ 0
ALL150A GRAND TOTAL		\$ 2,779	\$ 0

Finding I: Incorrect Methodology Used to Calculate Quality First Costs

While calculating overtime QF costs, several County departments used incorrect hourly rates and did not separate other overtime (OT) Earn Code, such as Basic Overtime Cash (BOT) or Basic Overtime Composition (BOC), from Paid Overtime Cash (POT). In addition, one of the departments used an incorrect departmental effective QF rate to calculate their QF expenditures. Per the FEMA Public Assistance Guide, only actual costs of force account labor, associated with the conduct of eligible work, may be claimed for reimbursement. Table 2 summarizes, by department, the reasons that certain QF reimbursements could not be claimed.

Table 2. Departmental Details of Finding I

Cause of the Discrepancy	AWM	DAS	CSS	DPLU	DPR	HCD	ME	MPR	PRO	ROV
Incorrect overtime hourly rate	√			√		√		√		√
Incorrect QF regular hour fringe benefit rate			√	√						
Incorrect QF overtime fringe benefit rate		√	√		√		√			
Incorrect departmental QF effective rate										√
Mixed BOT hours with POT hours	√				√				√	

Finding II: Hours Claimed Do Not Reconcile With the Hours Recorded in Kronos

DAS claimed some of their regular hours worked as overtime and the number of the hours claimed were different from the records in Kronos. Furthermore, the DHR and DAS charged

some of their FEMA QF overtime to a non-FEMA related project alias in Kronos. Per FEMA's guidance, labor must be properly classified and supported in the timekeeping system of record.

Finding III: QF Regular Hours Eligibility Could Not be Verified

DA incurred QF costs of \$3,746 which could not be cleared for reimbursement. Per FEMA Recovery Policy RP9525.7, only regular labor costs from employees who are fully funded from an external source are eligible for FEMA reimbursement. DA did not have documentation on file to substantiate compliance with RP9525.7. The lack of documentary evidence is a basis for FEMA to disallow the QF costs from regular labor hours claimed by the DA.

Finding IV: Duplication of Funding

HHSA's QF costs of \$4,373 have already been reimbursed and are not eligible for FEMA reimbursement. HHSA indicated it has already obtained funding for claimed costs from other external sources and will no longer seek reimbursement from FEMA. PROB and DAS have some of their QF hours claimed in both the Countywide LAC project and department PWs. As a result, parts of their QF costs were double claimed. Per FEMA Guidance FEMA Policy 9525.3, duplicate benefits are not allowed and will result in the disallowance of part, or all, of the claim.

Finding V: Supporting Documentation is Not Ready for Review

DPW, DGS, and SHF have not submitted documentation for review. OES submitted the supporting documentation; however, it was not complete and organized, or ready for audit review. Per FEMA's Public Assistance Guide, the importance of maintaining a complete and accurate set of records for each project cannot be over-emphasized.

RECOMMENDATIONS

OAAS recommends that the departments indicated below consider taking the following actions in accordance with the FEMA's Public Assistance Guide:

Recommendation I: The departments listed in Finding I should use the eligible and actual labor hourly rate, QF departmental rate, and QF fringe benefit rates to calculate their QF costs. However, MPR, ME, and CSS revised their QF overtime costs using the correct fringe benefit rates. As a result, the amounts cleared for these departments differ from the amounts claimed. Labor QF costs should reflect actual expenditures in order to be in compliance with FEMA Recovery Policy.

Recommendation II: DAS should eliminate the labor hours claimed that were not related to the Firestorm 2007, correct the labor hours classification, and make the necessary adjustment in the FEMA true up process. DHR and DAS should maintain their complete hand-written corrections and adjustments along with Kronos records for external auditors.

Recommendation III: In order to comply with FEMA Recovery Policy, DA should prepare sufficient documentation to confirm that only regular labor costs from employees who are fully funded from an external source are claimed for reimbursement.

Recommendation IV: In order to prevent a double claim of QF costs, a reduction of the HHS portion of the PW ALL150 should be addressed in the FEMA's true up process; PROB and DAS should review the hours claimed on both the LAC PW and their department PWs to determine the correct classification, and make the necessary adjustments to reflect the correct hours worked on Firestorm 2007.

Recommendation V: DPW, DGS, and SHF should provide complete and accurate documentation that is necessary to support the costs claimed in QF PWs. OES should have all supporting documentation organized, titled, and cross-referenced with the line items listed on QF PWs.

The departments should maintain all original supporting documentation for their portion of QF costs claimed, and keep them separate from other documentation.

COMMENDATION

The Office of Audits & Advisory Services commends and sincerely appreciates the courtesousness and cooperation extended by the officers and staff of the departments that claimed QF expenditures throughout this audit.

AUDIT TEAM

Jim Pelletier, Senior Audit Manager
Geena Balistreri, Auditor I
Franco Lopez, Auditor II
Kathleen Whitehead, Auditor I
Angela Chen, Auditor I

APPENDIX

Department Acronyms	
APCD	Air Pollution Control District
APD	Alternate Public Defender
AWM	Agriculture, Weights & Measures
CSS	Child Support Services
DA	District Attorney's Office
DAS	Department of Animal Services
DEH	Department of Environmental Health
DGS	Department of General Services
DHR	Department of Human Resources
DPR	Department of Parks & Recreation
DPLU	Department of Planning & Land Use
DPW	Department of Public Works
HCD	Housing and Community Development
HHSA	Health & Human Services Agency
ME	Medical Examiner
MPR	Media & Public Relations
OES	Office of Emergency Services
P&C	Purchasing & Contracting
PD	Public Defender
PROB	Probation Department
ROV	Registrar of Voters
SHF	Sheriff's Department

DEPARTMENT RESPONSE



County of San Diego

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PUBLIC SAFETY GROUP

734 W. BEECH STREET, SUITE 301, SAN DIEGO, CALIFORNIA 92101

October 9, 2009

TO: Kenneth J. Mory, Chief of Audits
Office of Audits and Advisory Services

FROM: Dorothy Y. Thrush, Group Finance Director
Public Safety Group

I have reviewed the final draft report entitled **Firestorm 2007 Expenditures Submitted for FEMA/CalEMA Reimbursement Validation Audit – Countywide Quality First** dated June 2009 Report No. A09-014. The objective of this review was to ensure that departments gathered, organized, titled and referenced documentation supporting cost claims on FEMA Project Worksheets (PWs) and that all supporting documentation will be maintained in a manner that the Office of Inspector General and other reviewers can easily follow.

With respect to the findings and recommendations of this report:

Finding I: Incorrect Methodology Used to Calculate Quality First Costs.

Recommendation I: The departments listed in Finding I should use the eligible and actual labor hourly rate, QF departmental rate, and QF fringe benefit rates to calculate their QF costs. However, MPR, ME, and CSS revised their QF overtime costs using the correct fringe benefit rates. As a result, the amounts cleared for these departments differ from the amounts claimed. Labor QF costs should reflect actual expenditures in order to be in compliance with FEMA Recovery Policy.

The Public Safety Group Finance Director agrees with this recommendation and will advise departments to schedule either a first or subsequent review of their calculations with the OAAS prior to the close out of this FEMA PW to determine what adjustments are required.

Finding II: Hours Claimed Do Not Reconcile with the Hours Recorded in Kronos

Recommendation II: DAS should eliminate the labor hours claimed that were not related to the Firestorm 2007, correct the labor hours classification, and make the necessary adjustment in the FEMA true up process. DHR and DAS should maintain their complete hand-written corrections and adjustments along with Kronos records for external auditors.

The Public Safety Group Finance Director agrees with this recommendation and will advise departments to schedule a second review of their calculations with the OAAS prior to the close out of this State DSR to make all required adjustments.

Finding III: QF Regular Hours Eligibility Could Not be Verified

Recommendation III: In order to comply with FEMA Recovery Policy, DA should prepare sufficient documentation to confirm that only regular labor costs from employees who are fully funded from an external source are claimed for reimbursement.

The Public Safety Group Finance Director agrees with this recommendation and will advise the departments to prepare the suggested documentation.

Finding IV: Duplication of Funding

Recommendation IV: In order to prevent a double claim of QF costs, a reduction of the HHSA portion of the PW ALL150 should be addressed in the FEMA's true up process; PROB and DAS should review the hours claimed on both the LAC PW and their department PWs to determine the correct classification, and make the necessary adjustments to reflect the correct hours worked on Firestorm 2007.

The Public Safety Group Finance Director agrees with this recommendation and will advise departments to revise either this PW or the LAC DSR claim.

Finding V: Supporting Documentation is Not Ready for Review.

Recommendation V: DPW, DGS, and SHF should provide complete and accurate documentation that is necessary to support the costs claimed in QF PWs. OES should have all supporting documentation organized, titled, and cross-referenced with the line items listed on QF PWs.

The Public Safety Group Finance Director agrees with this recommendation and will advise departments to schedule their review with OAAS. The review of Sheriff Project Worksheets began October 7, 2009. The Land Use and Environment Group is in discussion with OAAS regarding the timing of the review of DPW. The Public Safety Group Finance Director will contact the Community Services Group regarding scheduling the review of the DGS.

Sincerely,



Dorothy Y. Thrush, Group Finance Director
Public Safety Group