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The Honorable Mike McCormack  
House of Representatives

Dear Mr. McCormack:

By letter of August 6, 1973, you forwarded correspondence from Mr. and Mrs. G. A. Bremer alleging mismanagement of the post-June 1972 flood recovery program in the Entiat River Basin, Washington, by the Corps of Engineers, Department of the Army. You requested us to review the propriety of the allegations.

To more fully understand the allegations, we discussed them with Ms. Jerry Ellis, your district representative in Yakima, Washington, and with Mr. and Mrs. Bremer. Also we interviewed officials of the Corps' headquarters and Seattle district offices; Federal Disaster Assistance Administration (FDAA) headquarters and Seattle region offices of the Department of Housing and Urban Development; and the Wenatchee National Forest Office of the Forest Service, Department of Agriculture; and reviewed pertinent records.

The allegations and our findings thereon follow.

ALLEGATION THAT FDAA REQUEST AUTHORIZED  
THE CORPS TO DO RECOVERY WORK ON, AND  
REMOVE DEBRIS FROM,  
THE BREMER PROPERTY

On July 3, 1972, the board of commissioners, Chelan County, Washington, passed a resolution requesting FDAA (formerly the Office of Emergency Preparedness, Executive Office of the President) to clear flood debris, reestablish the river channel, riprap river banks, and correct damage due to bank erosion on the Entiat River. This resolution provided the Federal Government with the right-of-access, without cost, to do the approved work and released it from any claims arising from such work.

Under the Disaster Relief Act of 1970 (Public Law 91-606), FDAA is responsible for managing and coordinating Federal disaster assistance and related support and field staff in coping with major disasters. On July 24, 1972, FDAA requested the Corps to do work along the Entiat to help the county clear debris from the channel,

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rechannel the river to its predisaster location where necessary and feasible, andrevet the riverbanks to protect public and private property in imminent danger of erosion damage. FDAA officials said that the Corps was to prepare damage survey reports. The reports were to generally describe the work to be done on the Entiat and to estimate the costs of the needed equipment and manpower.

The Bremers contended that FDAA's request authorized the Corps to reduce erosion of their meadowland in addition to removing flood debris. The disaster assistance on the Entiat was authorized by the Disaster Relief Act of 1970. FDAA instructions implementing the act contained the following limitations which precluded the Bremers from qualifying for FDAA disaster assistance to reduce erosion of their meadowland.

"V.D.2: Disaster assistance under PL 91-606 is not normally available for work coming within the statutory authorities of other Federal agencies.

"V.E.2.(5): Emergency measures to correct the meander of streams and rivers, and related damages thereto, are eligible where floodwaters have cut or are cutting new channels which pose an imminent threat to appurtenant structures or improved property." (Underscoring supplied.)

The Corps' Seattle district official assigned to investigate erosion on the Bremer property concluded that the Bremer home was not in imminent danger of destruction by floodwaters. FDAA officials concurred in the Corps' conclusion. Also Corps and FDAA officials said that meadowland was not considered improved property under the law.

FDAA's approval of the damage survey reports authorized the Corps to do the recovery work specified in the reports. Due to the limitations on the work which could be authorized, as discussed above, the damage survey report covering the Bremer property limited the recovery work to debris removal. An FDAA official said that, even if the Corps had recommended more work on the Bremer property in the damage survey report, he would have disapproved it.

In summary, the general wording of FDAA's request apparently led the Bremers to conclude that they would qualify for disaster assistance to reduce erosion of their meadowland. An FDAA headquarters official said that the wording of the mission assignments and requests was general because the Federal agencies which provide disaster assistance understood the required limitations. FDAA regional officials told us that future mission assignments or requests would specify the limitations on the work to be done.

In October 1973, when we visited the Bremers, we learned that they had had the river rechanneled and the banks riprapped. They said that they had obtained about \$10,000 in assistance on a cost-sharing basis for this work through the Rural Economic Assistance Program of the Department of Agriculture.

ALLEGATION OF ABUSES IN CORPS' MANAGEMENT  
OF RECOVERY WORK

The Bremers said that the Corps had not properly managed the flood recovery work along the Entiat. They alleged that the Corps was either reimbursed Federal funds for work it did not do or was overpaid for the work it did do. To assess this allegation, we reviewed the Corps' damage survey reports and its contracting, accounting, and inspection practices for the work.

Damage survey reports

FDA regional officials told us that the damage survey report estimates did not constitute either an obligation of funds or a ceiling on the funds available for the work. The following damage survey reports were submitted and approved for the work along the Entiat. (Also shown are the related actual costs recorded by the Corps.)

<u>Damage survey report</u>	<u>Date</u>	<u>General description of work</u>	<u>Location of work</u>	<u>Estimated cost</u>	<u>Actual costs recorded by Corps</u>
CL-1	7- 3-72	Debris removal	Mile 0 to mile 27	\$ 29,600	
CL-1A	9-13-72	Debris removal	Mile 24.1 to mile 34 on Forest Service land	<u>19,620</u> <u>49,220</u>	\$47,783
EN-4B	10-16-72	Debris removal and river rechanneling	Preston Creek at mile 21.6	<u>67,000</u>	<u>27,922</u>
Total				<u>\$116,220</u>	<u>\$75,705</u>

The table shows an overlap of 2.9 miles between the work assigned under damage survey reports CL-1 and CL-1A. The Corps employee who surveyed the damages told us that this overlap was an oversight. In addition, the Corps did not allocate actual costs for work under the two reports but rather counted both reports as one for cost-accounting purposes. Further, the Corps' cost-accounting records did not reveal any duplicate payments for the two reports.

Damage survey report EN-4B was for removing debris and rock resulting from the Preston Creek slide and for rechanneling the river to its predisaster location to protect a public road. The estimated cost of this work was \$67,000; the actual cost recorded by the Corps was \$27,922. The major reason for this variance, according to Corps and FDAA officials, was that there was less rock and sediment in the river channel than estimated.

#### Contracting practices

The Corps was responsible for contracting for the flood recovery work along the Entiat. Corps officials said that they had three options available for carrying out the assigned work. The options and the reasons for selecting the contracting procedure used are discussed below.

#### Contracting options

1. To develop specifications and contract for the work.
2. To supervise and do the work with hired labor and rented equipment.
3. To supervise the work and contract for renting equipment and for related labor.

#### Contracting option selected

Corps officials said that it was impracticable to develop specifications for debris removal along each segment of the river and that time limitations precluded using advertised contracts. A Seattle district official said that the Corps did not hire laborers because of the Office of Management and Budget's limitation on Federal employment levels. Thus the Corps negotiated rental contracts for the equipment needed on the basis of an hourly rate. Each contract included equipment operators and up to two laborers.

#### Reasonableness of contract quotations

FDAA regulations require that, in spending Federal funds for debris clearance and other major disaster assistance activities

carried out by private contractors, preference be given, to the extent feasible and practicable, to contractors operating in the disaster area. Therefore the Corps solicited quotations for each type of equipment required from contractors known to be operating in the local area. The Bremers specifically questioned the Corps' renting a D-9 caterpillar tractor crawler from a firm in Yakima when one was available locally. Corps records indicated the equipment available locally did not have the related safety equipment required by Corps' guidelines. As a result, equipment had to be rented at Yakima, about 150 miles away.

To determine the reasonableness of quotations received, we compared them with the commercial standard rates used by the industry for renting construction equipment. All the quotations were below these rates. We found that seven pieces of heavy equipment had been used on the Entiat, all of which had been rented on the basis of the lowest responsive quotation.

#### Accounting practices

The Code of Federal Regulations, title 32, part 1709, prescribed the policies governing reimbursement to Federal agencies for work under the Disaster Relief Act of 1970. According to this regulation, the Corps was entitled to reimbursement for all project costs, including all wages and salaries of regular employees.

#### Allocation of costs

The Corps identified the cost of work on the Entiat by allocating the costs to two accounts--debris removal along the Entiat and work at the Preston Creek slide. The Corps billed FDAA \$59,950 for its work along the Entiat between October 11 and November 5, 1972. Of that amount, \$45,257 was for debris removal and \$14,693 was for the work at the slide. FDAA reimbursed the Corps \$59,928 on June 25, 1973. The remaining \$22 was included in a separate billing which was submitted late to FDAA and which had not been paid as of February 6, 1974.

According to a Corps official, costs totaling \$15,755 for operating rental equipment along the Entiat had been erroneously charged to other projects through clerical errors. On August 16 and October 3, 1973, the Corps made adjusting entries to correct the errors. The net effect of the adjustments was to increase the cost of the Entiat project by \$15,755 and decrease the costs of other flood recovery projects by the same amount. The Corps did not report these adjustments to FDAA since FDAA had reimbursed the Corps for these costs under the other projects. We discussed this matter with Corps officials who informed us that in the future they would more closely monitor the assignment of costs to the accounting records.

Documentation of costs

To verify the accuracy of the costs charged for work on the Entiat, we examined on a test basis, the documentation supporting the costs, totaling about \$72,890, for the wages and salaries paid to Corps employees and for equipment rentals. These costs were about 96 percent of the total costs reported by the Corps for the Entiat work. We found supporting documentation for all costs except about \$2,800 for transportation of rental equipment and travel pay for equipment operators. Corps officials said that they would see that all future expenditures were documented.

Final inspection practices

The Corps made no final inspection of its work on the Entiat. This is contrary to both FDAA and Corps instructions. The FDAA operating manual specifies that a final inspection of flood recovery work be made as soon as possible after completion. Regional FDAA officials said that it was their understanding of FDAA policy that final inspections were not required in cases when Federal agencies, such as the Corps, did the work. However, an FDAA headquarters official told us that the Corps should have been requested to make a final inspection.

Corps instructions require the Corps to make a final inspection of its completed work. However, Corps officials said that the Corps had not made a final inspection because FDAA had not requested one.

Despite the lack of a final inspection, a letter to FDAA dated November 30, 1972, from the Forest Service commended the Corps for its quick and complete removal of great quantities of debris from the Forest Service lands along the river. The Forest Service work accounted for about 10 of the 34 miles of river along which debris removal work had been assigned to the Corps.

Because of the lack of a final inspection, we could not determine whether the Corps had completed its assigned flood recovery work on the Entiat.

ALLEGATION THAT CORPS ALTERED  
DAMAGE SURVEY REPORTS

The Bremers said that the Forest Service had reimbursed the Corps \$7,000 for work along the Entiat and that the Corps had altered its records to hide this reimbursement. The Bremers had copies of two dissimilar damage survey reports covering the same work. A note on one report said that the Forest Service would contribute \$7,000 toward the cost of the project, estimated at \$19,620; the second report did not have this note.

The Corps official who prepared the damage survey report said that the report having the note was a draft and not the one approved by FDAA. FDAA regional officials confirmed this statement. The Corps official could not recall the source of the information on which the note had been based. However, the final agreement between the Forest Service and the Corps was for the Corps to remove specified debris from the river and stack it, at an estimated cost of \$19,620 to be reimbursed by FDAA. (The Forest Service, in turn, was to burn the debris.) Corps, FDAA, and Forest Service officials said that the Corps' disaster assistance on Forest Service lands had been done as agreed.

We interviewed Corps, FDAA, and Forest Service officials and examined Forest Service financial records. We found no evidence that funds had been transferred from the Forest Service to the Corps for its debris removal work on Forest Service lands along the Entiat.

ALLEGATION THAT PERMISSION FOR THE CORPS  
TO REMOVE DEBRIS FROM BREMER PROPERTY  
WAS NOT REFUSED

According to Corps records, debris removal on the Entiat and the cleanup work at the slide were started on October 12, 1972. Corps records indicate that Corps officials discussed debris removal from the Bremer property with the Bremers on three occasions between October 24 and 31, 1972. The records indicate that initially the Bremers had refused the Corps permission to remove debris from their property and that, a few days later, the Corps informed the Bremers that it would soon need a final decision. The Corps records show that the Bremers were told on October 31, 1972, that the Corps wanted to remove the debris from their property at that time because the equipment would be moving downriver in a few days and would not return. The Corps' field supervisor said that the Bremers had refused permission until the additional work they had requested had been authorized and that he therefore had had the equipment moved downriver.

The Bremers contend that they had not refused the Corps permission to remove debris. They said that they had only questioned the Corps' plan to remove a logjam at the north boundary of their property because it was, in effect, protection against further erosion.

No evidence was provided by either the Corps or the Bremers that clearly confirmed or refuted the claim that the Bremers had refused the Corps permission to remove debris from their land. A Corps headquarters official told us that it was not Corps policy to require access denials in writing from the landowners. However, the Corps' district officials said that they intend to obtain future access denials in writing.

ALLEGATION THAT THE CORPS  
UNDULY INFLUENCED CONTRACTOR HIRING

The Bremers contended that the Corps influenced the hiring practices of two contractors on the Entiat project. One contention was that the Corps influenced a contractor to hire a relative of the Corps' field supervisor. The field supervisor for the Corps said that his brother-in-law had worked for a contractor on the project. However, cognizant contractor and Corps officials told us that the brother-in-law had been hired without the Corps' influence.

The second contention was that the Corps told another contractor whom to employ. The contractor said that all employees hired to work on the project had been referred to him by the applicable labor union.

We discussed the above matters with agency officials and have considered their views in preparing this report.

Sincerely yours,



[Deputy Comptroller General  
of the United States