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Brian Marshall
State Fire and Rescue Chief
3650 Schriever Avenue
Mather, CA 95655-4203

Dear Chief Marshall:

Thank you for the request for clarification in your letter dated, March 19, 2019, regarding the current California Fire Assistance Agreement, (CFAA). We appreciate the questions and input from Cal OES, and the open dialogue with our staff in the Region and Washington Office. Our cooperative relationship in achieving the wildland fire mission in the State of California remains my highest priority.

Being clear, concise, and timely in our reimbursements to local governments under CFAA is an important part of how we support one another in achieving our collective mission. The information below provides clarification regarding the audit process, audit findings, and the required approach we must take toward the CFAA moving forward.

- In direct response to Director Ghilarducci's letter dated July 3, 2017, the Forest Service internal auditors reviewed the CFAA in accordance with the terms and conditions of the agreement clause 29 "...Agencies and Cal OES shall be subject to examination and audit for five years after the final payment..."
- The Chief Financial Officer, Financial Compliance and Oversight Branch, completed their audit of the CFAA on January 31, 2019, and presented me the draft report on February 27, 2019. The audit found the CFAA was not properly aligned with federal law and questioned reimbursements made to multiple California fire agencies.
- I was provided 30 days to ask questions and respond to findings identified in the draft report. On March 28, 2019, I was provided written direction from the Washington Office to take immediate action to ensure alignment with federal law and that reimbursements can be sufficiently supported.
- The actions will align the CFAA with federal law and will be applied to all payments until the CFAA expires in December 2019. Specifically, CFAA Clause 30 states: "Nothing herein shall be interpreted as obligating any parties herein to expend funds, or as involving the United States or the State of California in any contract or other obligation for the future payment of money in excess of appropriations authorized by law..." per the Reciprocal Fire Protection Act, 42 USC §1856a. As a result, I will implement the CFAA reimbursement as follows in accordance with federal law.

1. All outstanding and future invoices will be processed and reimbursed as follows:



- a. All invoices submitted for reimbursement must include supporting documentation that demonstrates the actual paid costs by the fire agency. Local governments and Cal OES may still use the F-42 as long as the actual cost documentation is attached. This includes, but not limited to:
 - i. Unemployment Insurance will be adjusted to adhere to the State law maximum of 6.2% or \$434 per year, unless supported by self-insured actual expenses.
 - ii. Fractional Hours will be adjusted up or down to adhere to the terms and conditions of the CFAA section A-11, along with compliance with the Department of Labor laws for the State of California.
 - iii. Indirect Rates over 25% will be reviewed, and if a sufficient methodology is provided, will be reimbursed.
- b. Fire agencies must complete actual expense salary surveys which demonstrate actual salary costs, along with preparing a proper form for indirect costs.
- c. Fire agencies must provide supporting documentation to support requests for portal to portal reimbursements. The use of MOA/MOU/GBR alone is not sufficient to support the reimbursement of actual costs.
- d. Portal to Portal reimbursements for persons not at the incident shall be disallowed in accordance with the definition in Exhibit I in the CFAA.

The auditors and our staff in the Region have met with several local cooperators and validated that reports can be pulled from a financial system in a fairly quick manner to show the costs incurred by that fire agency. Those costs should match the invoice that is submitted for reimbursement by the Forest Service and it should minimize, if not eliminate, the under and over reimbursements identified in both the internal Cal OES audits and the Forest Service audit. We are confident that the supporting documentation needed to comply with federal law is minimally impactful and should be something that does not impose a significant administrative burden. Further, we will provide training on how to provide the supporting documentation.

I will continue to follow the written direction I received on March 28, 2019, from the Washington Office as agency intent in our upcoming negotiation period. This will include engagement of the Forest Service Washington Office Business Operations, State & Private Forestry, and Chief Financial Officer to avoid recurrence of issues identified in this audit.

We look forward to our upcoming meetings to further discuss the CFAA. Please contact me or my staff any time if you have further questions.

Sincerely,



RANDY MOORE

Regional Forester Pacific Southwest Region

cc: Anthony Scardina, Robert Baird, Chris Schow