Office of Inspector General

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

October 5, 2005

MEMORANDUM FOR: Gil Jamieson
Deputy Principal Federal Officer
Joint Field Office, Baton Rouge, Louisiana

FROM: Richard L. Skinner
Inspector General

SUBJECT: *Process for Preparing Project Worksheets*
Report Number GC-HQ-06-01

The purpose of the memo is to inform you of a weakness in the Federal Emergency Management Agency's (FEMA) application of management controls for estimating damages caused by Hurricane Katrina and obligating funds for local entities to initiate recovery activities. As part of the coordinated Katrina oversight effort, the Louisiana Office of the Legislative Auditor (LOLA) is reviewing the State's requests for public assistance funding. In three instances, LOLA noted discrepancies between funds requested by applicants and funds granted by FEMA and brought those discrepancies to our attention. Accordingly, we performed a limited review of FEMA's approval of the three projects. Our objective was to determine whether the discrepancies could be explained, and, if not, to determine what caused the breakdown in controls and make recommendations to prevent recurrence.

We interviewed officials from FEMA, the Louisiana Office of Homeland Security and Emergency Preparedness (LOHSEP), LOLA, and selected FEMA Public Assistance Program applicants. We also reviewed written FEMA policies and procedures for preparing Project Worksheets (PWs) and other procedures as necessary to accomplish our objective.

RESULTS OF REVIEW

The apparent discrepancies in two[1] of the three projects were explainable; the estimated costs and scope of work for the two PWs agreed with those prepared by the applicant (subgrantee). However, the applicant's estimated costs and the scope of work for PW 97 (Jefferson Davis Parish) did not agree with FEMA's obligated amount of $2.9 million. To accomplish eligible disaster-related work, the applicant estimated the costs at $200,000. Thus, FEMA obligated $2.7 million more than was

[1] PWs number 71 and 121.

necessary to accomplish the work. Further, the funds obligated by FEMA were available to applicant for "drawdown"[2] and potentially could have been used for inappropriate purposes.

Title 44, Code of Federal Regulations, Section 206.202 (44 CFR § 206.202 [October 2004]) and FEMA's Public Assistance (PA) Guide (FEMA 322, October 1999, p.69) prescribe the procedures for processing assistance to disaster grant recipients. Generally, an applicant requesting PA funds for a large project[3] works with a FEIVIA Project Officer in preparing a PW that documents the scope of work and cost estimate for the disaster funds needed. The applicant then acknowledges the PW scope and cost estimate, and submits it to FEMA so that the funds may be obligated.[4] Further, FEMA PA staff at the Baton Rouge Joint Field Office (JFO) developed supplemental guidance and procedures specific to Hurricane Katrina. The JFO's guidance and procedures, entitled Process for Public Assistance Funding, establish management controls in the form of "checks and balances" between FEMA and the disaster grant recipients to ensure that the correct disaster funds are disbursed to grant and subgrant recipients

FEMA and Jefferson Davis Parish officials were unaware of the excess obligation for PW 97. The Parrish official told LOLA auditors that he had never seen the PW, only needed about $200,000 for Katrina-related expenses, and had no projected use for the additional $2.7 million that FEMA obligated. FEMA deobligated all but $200,000 of the $2.9 million when the grantee notified appropriate FENIA officials of this error.

The error occurred because the FEMA Project Officer did not follow the management controls in place to ensure that applicants receive and acknowledge the correct amount of funds. While this could be an isolated incident, FEMA should take immediate actions to ensure that Project Officers are aware of and follow procedures for Processing PWs.

We recommend that the Deputy Principal Federal Officer for Hurricane Katrina:

1. Ensure that FEMA personnel follow appropriate management control procedures when processing project worksheets.

DISCUSSION WITH MANAGEMENT AND FOLLOW-UP

We discussed the results of this review with FEMA officials who acknowledged that an error had occurred on PW 97. We also discussed the results with the Deputy Principal Federal Offices, who concurred with ow finding and recommendation.

Please advise the OIG by Octoba 14,2005, of the actions taken or planned to implement the recommendation. Should you have questions concerning this report, please call me, or your staff may call Richard Berman, Assistant Inspector General for Audits, at (202) 254-4100. Major contributors to this report were Tonda Hadley and Douglas Denson.

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[2] A "drawdown" is a disbursement of federal funds from the grantee to a subgrantee for disaster-related expenses incurred by tlie subgrantee.

[3] Federal regulations in effect at the time of the disaster set the large project threshold at $55,500.

[4] 44CFR § 206.202(c)(2).