

**DEPARTMENT OF HOMELAND SECURITY**  
**Office of Inspector General**

**Audit of Louisiana State Grant Management  
Award, Public Assistance Program**





Homeland  
Security

January 17, 2008

MEMORANDUM FOR: James W. Stark, Director  
FEMA Louisiana Transitional Recovery Office  
*Tonda L. Hadley*

FROM: Tonda L. Hadley, Director  
Central Regional Office

SUBJECT: *Audit of Louisiana State Grant Management  
Award, Public Assistance Program*  
FEMA Disaster Number DR-1603-LA  
Audit Report DD-08-01

We audited Federal Emergency Management Agency (FEMA) Public Assistance (PA) funds awarded to the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (State) for managing disaster work related to Hurricanes Katrina and Rita. As of June 2007, FEMA had awarded the State about \$59.2 million for PA grant management activities, \$57 million of which was awarded under Project Worksheet (PW) 337. With the funds awarded under this PW, the State contracted with James Lee Witt and Associates (Witt) to perform the work.

Our objective was to determine the effectiveness of the grant management contract and whether the contract award and costs billed were eligible under applicable laws, regulations, and guidelines. We conducted the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. We interviewed State and FEMA officials and contractor personnel; reviewed judgmentally selected samples (generally based on dollar value) of cost documentation to support contractor invoices for the period September 2005 through July 2006; and performed other procedures considered necessary to accomplish our objective. We reviewed the State's internal controls related to contract monitoring and documenting contract costs. We also reviewed the State's policies and procedures for awarding contracts.

## BACKGROUND

Hurricane Katrina hit the State of Louisiana on August 29, 2005. The storm surge breached the New Orleans levee system at multiple points, leaving 80% of the city submerged, thousands of victims requiring rescue, and thousands more scattered to shelters around the country. Three weeks later, Hurricane Rita re-flooded much of the area, increasing demands on an already stressed response and recovery effort by all levels of government. The devastation caused by these two

hurricanes presented unprecedented rebuilding challenges to the State of Louisiana because all of its 64 parishes were affected and many communities were completely destroyed.

FEMA's PA Program provides assistance to states, local governments, and certain nonprofit organizations to repair damages resulting from major disasters or emergencies declared by the President. The PA Program is administered through a coordinated effort between FEMA, the state (grantee), and the subgrantees. While all three entities must work together to meet the overall objective of quick, effective program delivery, each has a different role.

FEMA and the state share responsibility for making PA funds available to subgrantees. FEMA uses a PW for each project to record the scope of eligible work, estimated or actual costs necessary to complete the work, and special considerations associated with the project. The PW serves as the basis for federal funding. Once FEMA approves a PW, it makes the federal share of the approved amount available to the state. These obligated funds are available to the state via electronic transfer, but reside in a federal account until the state approves funding to eligible subgrantees.

The state is responsible for notifying the subgrantee that funds are available, and for disbursing those funds to the subgrantees. The state is also responsible for providing technical advice and assistance to eligible subgrantees, ensuring that all potential subgrantees are aware of the available assistance programs, providing support for damage assessment operations, and submitting the necessary paperwork for grant awards.

FEMA provides three types of financial assistance to states for managing and administering FEMA grants.<sup>1</sup> First, a State Management Grant covers the ordinary or regular costs directly associated with program administration. Second, a statutory administrative allowance covers "extraordinary" direct costs to formulate PWs for small and large projects, to validate small projects, to prepare final inspection reports, project applications, final audits, and to make related field inspections by state employees.<sup>2</sup> Eligible costs include overtime pay and per diem and travel expenses. Finally, states may also claim the indirect costs of administering disaster programs according to applicable federal regulations. Current FEMA policies allow only these three types of costs under the statutory administrative allowance.

As of June 2007, FEMA had approved seven PWs under Louisiana's State Management Grant totaling about \$59 million for Hurricanes Katrina and Rita (see Appendix A). Of that amount, \$57 million, or about 96%, was to fund the Witt contract (PW 337). Also, as of June 2007, FEMA estimated that about \$6.3 billion in PA funds were needed in Louisiana to repair damages from Hurricanes Katrina and Rita. The State's statutory administrative allowance based on that amount is about \$31.5 million. The State also plans to request reimbursement for indirect costs related to the Hurricanes.

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<sup>1</sup> 44 CFR 206.228(a)(2) and (3) and (b)

<sup>2</sup> The State's statutory administrative allowance is based on the federal share of total assistance provided to its subgrantees as follows: 3% for the first \$100,000 of net eligible costs, 2% for the next \$900,000, 1% for the next \$4,000,000, and ½% of costs over \$5,000,000 (44 CFR 206.228(a)(2)).

Before Hurricane Katrina, the State had an authorized staff of 44 to manage disasters; however, due to vacancies and deployments, only 39 personnel were on-hand at the time of the storm. Only 5 of those 39 personnel were dedicated to the PA Program. The State has since increased its authorized disaster management staff to 418 positions (300 of those are temporary positions). As of June 2007, the State had 116 personnel dedicated to PA. The State continues to fill vacant positions, but even at the full staffing level, it needs assistance from contractors to manage its disaster grants.

## **RESULTS OF REVIEW**

On September 15, 2005, the State awarded the Witt contract without full competition because Hurricane Katrina created an unprecedented emergency situation. However, the contract transitioned from being used in an emergency to use for long-term recovery. The State's continued longer-term use of this contract was inappropriate because full competition is needed to ensure reasonable costs and because the contract's terms and conditions were too brief to ensure contractor performance. Further, the State did not adequately monitor the Witt contract. As a result, State officials were not fully aware of what the contractor was doing or whether billed costs were appropriate and reasonable.

We discussed these issues with the State in December 2006; and the State issued a request for proposals (RFP) for a new contract in January 2007. In March 2007, we discussed the same issues with the Director of FEMA's Louisiana Transitional Recovery Office (TRO). The TRO Director instructed the State to monitor the contractor's activities and costs and ensure that the new contract contained appropriate terms and conditions. In April 2007, the State awarded a new contract for state grant management to GlobalOptions Group, Inc., which announced in March 2006 that it had acquired James Lee Witt and Associates. However, due to an internal State review, the new contract was not effective until September 1, 2007.

Also of concern was the quality of service Witt provided to the State's subgrantees. PW 337 required Witt to provide grants managers and on-site project managers; prepare PWs, project applications, and reports; and conduct field inspections. However, Witt did not provide enough trained personnel to accomplish these tasks or to oversee subgrantee activities. The majority of subgrantees we interviewed said they were not satisfied with the level of support provided by Witt personnel. Further, the results of audits we conducted of seven Louisiana subgrantees demonstrate they did not follow contracting regulations and accurately account for disaster costs. More effective oversight by the State or the State's contractor might have prevented these problems. We applaud FEMA's and the State's efforts to correct the contractual deficiencies we identified in the original Witt contract. However, if the State continues to rely on contractors for its grant management functions, it must take steps to improve the quality of service its contractors provide to its subgrantees.

## **PROCUREMENT ISSUES**

On September 3, 2005, the Governor of Louisiana suspended the normal state procurement procedures by issuing Executive Order KBB 2005-27, "Emergency Procedures for Conducting State Business," authorizing state officials to use "their best judgment in purchasing necessary goods and services to satisfy the situation." The State interviewed two companies interested in managing the

PA Program before awarding the contract to Witt. On October 18, 2005, the Governor of Louisiana issued Executive Order KBB 05-66, which added some structure back to state contracting. On June 2, 2006, the Governor issued Executive Order KBB 06-22 establishing a return to normal procurement procedures, except where strict compliance would have a detrimental effect on recovery efforts. More than a year after this Executive Order and almost 2 years after Hurricane Katrina struck, the State continued to use the Witt contract awarded in September 2005 under emergency conditions. Considering the contract's scope and the costs involved, State officials should have replaced it with a competitively awarded contract as soon as possible to save costs and better ensure contractor performance.

### **Contract Terms and Conditions**

The Witt contract was a time-and-materials contract without a ceiling and with terms and conditions too brief for the magnitude of the work to be performed under this project. FEMA initially estimated the State Grant Management Award at \$29 million for 9 months of contract service. The State continued to use the Witt contract, and FEMA-approved funding reached \$57 million by June 2007. The contract's description of deliverables was vague and the scope of work (SOW) too brief (1 page). The contract required the contractor to provide "a team of State Public Assistance Specialist[s]. The Specialist is a Federal Emergency Management Agency (FEMA) program expert who serves as the State's subgrantee's customer service representative on Public Assistance (PA) Program matters and assists with the processing of the grantee and subgrantee's projects." However, the contract did not specify what constitutes an "expert" or describe the amount of training, education, or experience required for the various categories of personnel listed in the rate schedule. The contract also did not say how much markup the contractor could add to the cost of personnel provided by a third party (see example of contractor profit on grants managers below under the caption Expertise of Contract Employees).

The contract stated that written task orders would be issued with detailed SOWs and the State and contractor would jointly agree in writing to the SOW, budget, and deliverables. The State eventually wrote three task orders, but they were undated. The task orders improved the description of services required, but were still too vague. For example, only one task order mentioned "deliverables," which were described as "provide advice and guidance," "deliver training materials," and "prepare a plan."

Neither the task orders nor the SOWs mentioned debris monitoring, for which Witt was paid more than \$10.4 million from October 2005 through July 2006. State Quality Assurance/Quality Control personnel informed State emergency management personnel in May 2006 that debris monitoring was not in the scope of the contract. The State amended the contract's rate schedule to include a category for debris monitors, but did not amend the contract to describe what the debris monitors were to accomplish. Subgrantees had the option of managing their debris removal operations or allowing the U.S. Army Corps of Engineers (Corps) contractors to remove debris through FEMA mission assignments. The Corps removed about 56% of the estimated debris in Louisiana and provided their own debris monitors. Some of the subgrantees that managed debris removal operations hired their own contractors to monitor those operations. Therefore, the contract should have described the scope of Witt's debris monitoring activities so the State and FEMA could assess whether the costs were necessary and reasonable.

## **Contract Monitoring**

The State's monitoring of the Witt contract was not sufficient to ensure effective contractor performance. Witt provided activity reports on a regular basis, but State personnel told us they did not keep any documentation showing that they reviewed the activity reports or took any action based on the results of any reviews. The State did review Witt's invoices to verify that each charge was supported by a document; however, this review did not extend to questioning the appropriateness of the charges. We asked State employees about several unusual items we noted during a review of two invoices totaling about \$3.5 million that had been approved and paid. These items totaled about \$13,000 and included a first class airplane ticket, a chartered airplane used twice, and costs to send a Witt employee to an out-of-state conference. The State employee told us they sometimes questioned such items, but did not maintain documentation of the items questioned or how the issues were resolved.

Generally, the costs Witt billed were eligible under applicable laws, regulations, and guidelines. We reviewed a judgmentally selected sample of contractor invoices totaling about \$25 million from the period October 2005 through July 2006 and identified payment errors (such as math errors and duplicate payments) totaling \$510,386, or about 2% of the amount reviewed. State officials corrected these errors when we brought them to their attention. Also, in July 2007, State officials told us they changed their procedures and now maintain documentation and follow up on items billed that appear questionable.

In December 2006, we discussed with State officials our concerns about the continued use of the Witt contract, and, in January 2007, the State issued a request for proposals for a new contract. On March 13, 2007, we discussed the issues of contract award, contract terms and conditions, and contract monitoring with the TRO Director. On March 16, 2007, the TRO Director issued a letter to the State that included the following statements:

1. The current Witt contract must be replaced as soon as is reasonably feasible with a contract that is competitively bid in accordance with State procurement laws and regulations.
2. FEMA's and the IG's concern is that the fundamental flaws in the existing contract may have been carried forward in the new RFP. If the State intends to supplant the Witt contract or use a new contract for grant management activities related to this disaster, 1603-DR-LA, it is imperative that the State ensures the RFP and contract clearly correct all flaws identified by the Inspector General with regard to the existing Witt contract. Specifically, these issues must be clearly addressed: a detailed scope of work, a specific list of required deliverables, and the qualifications of personnel to be provided (education, training and experience). FEMA would strongly advise against the award of any proposed grants management contract pending a review to ensure that all issues have been addressed. Failure to address these issues may imperil FEMA funding for State grant management contracts.

3. Any new or replacement contract for grants management must include a plan for the State to monitor diligently all grant management contract activities and costs to ensure that the contractor provides the required services and deliverables, and that contract billings are accurate, supported, and for eligible cost items.

We met with State officials again in April 2007 and discussed the contracting issues included in the TRO Director's letter. State officials told us they did not agree with some of the letter's content, but did agree with its recommendations. They also said they had received and evaluated three responses to its January 2007 RFP; had tentatively selected one of the three; and were drafting a new contract. In July 2007, State officials provided us a copy of the draft contract for our review. The draft contract contained hourly rates less than the previous contract, a more detailed SOW, and qualifications of personnel to be provided. On September 1, 2007, the State's new contract with GlobalOptions Group, Inc. became effective. State officials told us that Witt had agreed to apply the reduced hourly rates retroactively to all billings after April 1, 2007. Although the State has taken steps to improve the contract, it must effectively monitor the contractor's activities to ensure the contractor is providing the State the necessary support to effectively manage the PA Program.

### **QUALITY OF SERVICE**

The State should take additional steps to improve the effectiveness of its grant management. According to 44 CFR 13.37(a)(2), the State is required to ensure that subgrantees are aware of requirements imposed on them by federal regulations. Further, 44 CFR 13.40(a) requires the State to manage the day-to-day operations of subgrant activity and monitor subgrant activity to ensure compliance with applicable federal requirements.

More and better-trained contract employees are needed to improve the effectiveness of the State's grant management. We identified problems with the expertise of contract employees and learned that many subgrantees were not satisfied with the level of support they have been receiving. Further, the results of our prior audits indicate that the State's grant management should be more effective.

#### **Expertise of Contract Employees**

Contractor employees may not have had sufficient experience and training to qualify them as "experts." The Witt contract stated that the contractor would provide State PA Specialists, who are FEMA program experts to be the State subgrantees' customer service representatives. However, Witt officials often could not provide evidence that its employees and subcontractors had the requisite qualifications to be classified as experts.

In June 2006, Witt had 57 direct employees and 77 debris monitors hired through subcontractors.<sup>3</sup> Witt provided resumes for 51 of its direct employees. We reviewed all of the resumes provided and determined that 10 of the 51 resumes did not present evidence of the experience or education needed

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<sup>3</sup> As of June 2007, Witt was using 94 personnel for its contract with the State.

to perform the jobs for which they were hired. Further, Witt provided a resume for only 1 of the 77 debris monitors; therefore, we could not assess their qualifications.

In addition, from February 2006 through July 2006, Witt billed the State about \$4.1 million for 76 grants managers obtained through a subcontract with a temporary employment agency. Witt paid the temporary agency about \$1.8 million for the grants managers. Witt later refunded about \$267,000 to the State because the State had determined that the grants managers lacked expertise. We interviewed nine of Witt's grants managers, all of whom told us they had no prior experience in performing grants management work.<sup>4</sup>

### **Results of Subgrantee Interviews**

We interviewed officials from 16 of the 19 subgrantees that received the largest amount of PA grant funding. These 16 subgrantees have requested more than \$2.5 billion in federal PA grant assistance. We asked each subgrantee questions about grant administration and their interaction with Witt employees serving as State PA Coordinators (PAC). According to the State, all PAC positions were filled using Witt personnel. Overall, the 16 subgrantees responded negatively to 55% of our questions, which indicated they were not receiving an appropriate level of services to support their subgrant activities. For example:

- 11 of the 16 subgrantees were not satisfied with the overall support provided by Witt personnel;
- 7 were rarely or never in contact with Witt personnel;
- 8 said Witt personnel had never discussed types of eligible contracts or discussed supporting documentation requirements;
- 11 said Witt personnel never discussed emergency work eligibility; and
- 10 said Witt personnel did not explain their role at kickoff meetings.

Of the 16 subgrantees interviewed, 7 had debris removal operations; 5 of the 7 managed their own debris removal and 2 used the U.S. Army Corps of Engineers. We asked these seven subgrantees additional questions about their interaction with State debris removal monitors, which Witt provided. Generally, the subgrantees did not know what functions the State debris monitors performed. Only one subgrantee said that State debris monitors had provided written or verbal guidance to them; and only one subgrantee knew whether State debris monitors were providing services such as checking truck certifications, verifying the accuracy of load tickets, and overseeing subgrantee debris monitors.

The need for interaction between Witt personnel and the subgrantees, as well as subgrantee dissatisfaction with grant management, indicates that Witt personnel did not adequately manage the

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<sup>4</sup> In December 2006, during an unannounced visit to Witt's worksite in Baton Rouge, Louisiana, we interviewed the nine grants managers who were present that day.



day-to-day operations of subgrant activities and did not provide enough services to ensure subgrantees were aware of requirements imposed on them by federal regulations. Therefore, the State should improve the quality of services provided to subgrantees whether performed by State or State contractor personnel.

### **Office of Inspector General Audits of Louisiana Subgrantees**

As part of our role in oversight of disaster assistance, we audit subgrant activities. Since Hurricane Katrina, we have issued seven audit reports on subgrant activities in Louisiana that identified areas where the subgrantee did not follow federal regulations and FEMA guidelines on critical issues that could result in the subgrantee either having to return a portion of federal funds or not receiving any federal funding (see Appendix B). The issues identified included noncompliance with federal procurement standards, not maintaining records by project, claiming ineligible costs, retaining interest earned on advance funds, lack of documentation to support claimed costs, and inadequate debris removal monitoring. The results of these audits corroborate the need for the State to provide increased subgrantee oversight.

### **CONCLUSIONS AND RECOMMENDATIONS**

The magnitude of damages caused by Hurricanes Katrina and Rita poses an unprecedented challenge for the State to effectively manage its PA Program. The State has relied largely on the Witt contract to meet that challenge, but it needs more and better resources to improve the effectiveness of its grant management activities. The State has awarded a new contract with reduced hourly rates and better terms and conditions. However, the State should take additional steps to improve the quality of services provided to the nearly 1,100 subgrantees devastated by the hurricanes.

We cannot conclude that another contractor would have performed better than Witt. The shortage of qualified personnel in Louisiana after the 2005 hurricanes affected almost everyone, including FEMA, the State, contractors, and subgrantees. Both FEMA and the State told us that the quality of Witt's personnel has improved over the last 2 years. However, many subgrantees do not effectively manage their public assistance projects or prepare adequately supported claims. They need additional support and oversight by the State.

Therefore, we recommend that the Director, FEMA Louisiana TRO:

1. Assist the State in determining the number of qualified personnel needed to manage the PA Program and in formulating a plan for acquiring or contracting for the personnel; and
2. Require the State to develop and document a plan for monitoring grant management contractors' activities and costs.

## **MANAGEMENT COMMENTS AND OFFICE OF INSPECTOR GENERAL ANALYSIS**

The Director, FEMA Louisiana TRO, agreed with our audit findings and recommendations and provided detailed action plans for implementing the two recommendations. Therefore, we consider the recommendations to be resolved and will close them when FEMA completes its planned actions. See Appendix C for the complete text of comments received from the TRO.

**Louisiana Grant Management Costs  
Hurricanes Katrina and Rita  
June 2007**

PW	Purpose	Amount
	<b>Hurricane Katrina</b>	
337	Witt Contract	\$56,955,329
16202	Force account labor for state full-time permanent employees and full-time temporary employees, contract costs, and force account material costs	986,416
13942	Reimbursement of state management costs for regular full-time employees	440,723
3445	Acquire a web-based software package for management of PA Grants	330,040
850	Acquire a media consultant for print, television, local, and federal communication	182,850
7410	Purchase a dedicated server for the above-purchased software to manage the PA Grants	<u>61,718</u>
	<b>Katrina Total</b>	<b><u>\$58,957,076</u></b>
	<b>Hurricane Rita</b>	
4169	Reimbursement of state management costs for regular full-time employees	<u>220,339</u>
	<b>Rita Total</b>	<b><u>\$220,339</u></b>
	<b>Katrina and Rita Total</b>	<b><u>\$59,177,415</u></b>

### Grant Management Findings in OIG Reports Issued for Hurricane Katrina

1. *Interim Review of Hurricane Katrina Activities – St. Bernard Parish, Louisiana* (GC-LA-06-54, dated September 28, 2006) contained the following grant management issues where the Parish did not:
  - Meet federal requirements to maintain records for each approved project resulting in ineligible expenditures of more than \$2.6 million;
  - Follow federal procurement standards on more than \$18.8 million of contract actions;
  - Account for capital purchases totaling \$2,490,000.
  
2. *Interim Review of Hurricane Katrina Activities – City of New Orleans, Louisiana* (GC-LA-06-56, dated September 29, 2006) contained the following grant management issues where the City did not:
  - Meet federal requirements to maintain records for each approved project. The City had received awards totaling more than \$130.2 million;
  - Follow federal procurement standards on more than \$92.9 million of contract actions;
  - Promptly expend expedited payments, earning \$860,110 of interest on unexpended funds.
  
3. *St. Bernard Parish, Louisiana’s Management of [FEMA Public Assistance] Grants for the Removal of Debris from Hurricane Katrina* (DD-07-02, dated November 30, 2006) contained the following grant management issues where the Parish did not:
  - Meet federal requirements for cost and price analysis.
  - Cut trees according to eligibility requirements resulting in \$209,115 being spent for ineligible cuts.
  - Control costs for debris monitoring resulting in unreasonable costs of about \$84,600.
  - Establish adequate internal controls for load ticket processing and accuracy in measuring debris hauled.
  
4. *Interim Review of Hurricane Katrina Activities – Plaquemines Parish Sheriff’s Office, Louisiana* (DD-07-05, dated February 6, 2007) contained the following grant management issues where the Sheriff’s Office did not:
  - Meet federal requirements to maintain records for each approved project. The Sheriff’s Office had PWs totaling \$36 million.
  - Maintain adequate documentation to support about \$3.8 million in claimed overtime and equipment usage charges.
  - Follow federal procurement standards resulting in the questioning of \$1,054,000 for trailers purchased but not used.
  
5. *Interim Review of Hurricane Katrina Activities – City of Kenner, Louisiana* (DD-07-08, dated March 2, 2007) contained the following grant management issues where the City did not:

- Meet federal requirements to maintain records for each approved project. The City had PWs totaling \$26 million.
  - Follow federal procurement standards in awarding contracts. This resulted in a non-competitive contract being awarded for travel trailers in the amount of about \$1.4 million.
  - Maintain adequate documentation to support about \$679,150 in various claimed costs.
6. *Review of Hurricane Katrina Debris Removal Activities, St. Tammany Parish, Louisiana (DD-07-10, dated August 20, 2007)* contained the following grant management issues where the Parish did not:
- Obtain effective performance from a debris monitoring company resulting in questioned costs of about \$445,000.
  - Follow federal procurement standards in amending a contract resulting in a contract originally awarded to cost about \$500,000 being amended to cost about \$130 million.
  - Fully utilize the administrative allowance provided by FEMA.
  - Timely remit interest earned on \$2.5 million provided to the Parish in excess of its funding needs.
7. *Review of Hurricane Katrina Debris Removal Activities, Washington Parish, Louisiana (DD-07-11, dated August 20, 2007)* contained the following grant management issues where the Parish did not:
- Maintain adequate documentation to support \$743,700 claimed for right-of-way debris removal.
  - Question its debris-monitoring contractor regarding \$613,325 of improper charges.
  - Maintain adequate documentation to support \$741,086 claimed for tree stump removals.
  - Adhere to FEMA's approved rates resulting in the disallowance of \$18,696,943 in claimed costs.

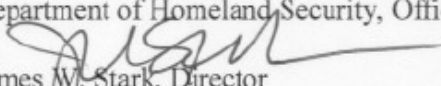
U.S. Department of Homeland Security  
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# FEMA

November 9, 2007

MEMORANDUM FOR: Tonda L. Hadley, Director  
 Central Regional Office  
 Department of Homeland Security, Office of Inspector General

FROM:   
 James W. Stark, Director  
 FEMA Louisiana Transitional Recovery Office

SUBJECT: Draft Report: Audit of Louisiana State Grant Management Award  
 Public Assistance Program  
 FEMA Disaster Number DR-1603-LA

This memorandum responds to the Office of Inspector General (OIG) audit of FEMA Public Assistance funds awarded to the State of Louisiana to manage disaster work following Hurricanes Katrina and Rita in 2005.

Hurricanes Katrina and Rita caused catastrophic damage on an unprecedented scale across the Gulf Coast. Louisiana was particularly hard hit with many local jurisdictions left without basic public services for many weeks. As the audit report recognizes, all 64 parishes in the State were affected and many communities must rebuild literally from the ground up. Federal, State and local governments struggled to identify and assemble the resources necessary for massive response and recovery efforts.

FEMA provides funding to states and communities for debris removal, implementation of emergency protective measures, and permanent restoration of infrastructure through the Public Assistance (PA) Program. FEMA approves PA grants and provides technical assistance to the State and other applicants. The State is responsible for educating its subgrantees, working with FEMA to manage the program, and implementing and monitoring PA grants. Due to the magnitude of these disasters and lack of available resources, the State of Louisiana contracted with James Lee Witt & Associates (Witt) to manage the State's PA Program.

The OIG report acknowledges that the magnitude of damages caused by Hurricanes Katrina and Rita continues to pose unprecedented challenges for the State to effectively manage its PA Program. Weaknesses in State PA program management identified in the audit include: a noncompetitive procurement process; vague terms and conditions in the original contract;  
 Tonda Hadley

November 9, 2007

Page 2 of 2

inadequate contract monitoring; the lack of expertise of contract employees; and the dissatisfaction of many subgrantees with grant support.

Notwithstanding these weaknesses, the OIG could not conclude that another contractor would have performed better than Witt. FEMA agrees with the audit findings and recommendations.

The audit makes two recommendations for FEMA action:

1. Assist the State in determining the number of qualified personnel needed to manage the PA Program, and in formulating a plan for acquiring or contracting for the personnel.
2. Require the State to develop and document a plan for monitoring grant management contractors' activities and costs.

FEMA staff has reviewed the OIG Report and developed a plan to respond to the recommendations (attached).

Thank you for the opportunity to respond to this report.

Enclosure

cc: William Peterson, Administrator, FEMA Region VI  
Gil Jamieson, Associate Deputy Administrator, Gulf Coast Recovery Office  
Joe Garcia, Chief Financial Officer, Gulf Coast Recovery Office  
Brad Shefka, Chief, FEMA GAO/OIG Audit Liaison Office  
Wayne Rickard, Audit Liaison, FEMA Region VI

OIG Audit Recommendations and FEMA Responses

OIG Recommendations	Components of the current <i>State of Louisiana Administrative Plan (AP) for Public Assistance</i> That address the OIG recommendations	FEMA Proposed Action Plan																
<p>1. Assist the State in determining the number of qualified personnel needed for the proper management of its PA Program.</p>	<ul style="list-style-type: none"> <li>• AP provides six factors to consider when determining staffing need (p14 &amp; annexes)</li> <li>1. Process for determining need is stated as “The GAR/SCO and FEMA will determine the number of Deputy Public Assistance Officers (DPAOs), Applicant Liaisons, Project Officers (Pos), Specialists, Database Specialists, and other staff required during a joint staffing meeting.”</li> <li>2. The current estimate of the State's staffing needs for all current disaster activities is: <table border="1" data-bbox="532 600 873 884"> <thead> <tr> <th>Positions</th> <th>Full-Time</th> <th>Disaster Term</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>Grant Admin. &amp; Support</td> <td>25</td> <td>175</td> <td>200</td> </tr> <tr> <td>Technical &amp; Appeals Specialist</td> <td>15</td> <td>72</td> <td>87</td> </tr> <tr> <td>TOTAL</td> <td>40</td> <td>247</td> <td>287</td> </tr> </tbody> </table> </li> </ul>	Positions	Full-Time	Disaster Term	TOTAL	Grant Admin. & Support	25	175	200	Technical & Appeals Specialist	15	72	87	TOTAL	40	247	287	<p>1. Within 30 days of OIG issuing its final report, FEMA to assist the State to:</p> <ul style="list-style-type: none"> <li>Identify types of activities and estimated levels of effort required to properly manage its PA Program</li> <li>Identify by position the number of personnel needed to perform these activities</li> <li>Clarify the relationship between the State Grant Management and State Financial Services contracts</li> </ul> <p>2. Within 120 days of OIG issuing its final report, FEMA to assist the State to amend the State Administrative Plan for PA to document the results of this process</p>
Positions	Full-Time	Disaster Term	TOTAL															
Grant Admin. & Support	25	175	200															
Technical & Appeals Specialist	15	72	87															
TOTAL	40	247	287															
<p>1. (continued) Assist the State in formulating a plan for acquiring or contracting for an adequate number of qualified personnel to manage the PA program.</p>	<ul style="list-style-type: none"> <li>• Sources of staffing are identified as permanent full-time staff, “trained” staff mobilized from 19 State agencies and organizations, and contract services (p13-14)</li> <li>• The duties of key personnel are described (p15, 17-18)</li> <li>• Qualifications of key personnel are not described in detail</li> <li>• The State PAO and designated staff will train PA Program staff in 12 areas (p15-16)</li> </ul>	<p>1. Within 60 days of OIG issuing its final report, FEMA to work with the State to:</p> <ul style="list-style-type: none"> <li>• Identify the knowledge, skills and abilities required for each position in the organization</li> <li>• Assess by position the number and qualifications of State employees and/or contractor personnel available to support the PA Program</li> <li>• Develop a plan for acquiring or contracting for personnel to address any staffing deficiencies</li> </ul> <p>2. Within 120 days of OIG issuing its final report, FEMA to</p>																



OIG Audit Recommendations and FEMA Responses

	<ul style="list-style-type: none"> <li>The annexes say that “PA [unclear if this is the State or Fed] will assure pre-declaration training and familiarization” with program</li> </ul>	<p>assist the State to amend the State Administrative Plan for PA to document the results of this process</p>
<p>2. Require the State to develop and document a plan for monitoring grant management contractors’ activities and costs.</p>	<ul style="list-style-type: none"> <li>Little detail offered on how State will monitor contractor costs</li> <li>Disaster specific annexes state “contract staffing procedures are in accordance with <i>Payment of Contractors for Grant Management Tasks</i>, policy 9525.11, dated April 22, 2001.”</li> <li>Disaster specific annexes (p1601-6, 1603-6, 1607-6, 1668-5) provide some guidance on the responsibilities of contractors to document their activities through weekly summaries provided to the SCO that cover:             <ul style="list-style-type: none"> <li>Significant Issues</li> <li>Action items</li> <li>Ongoing projects</li> <li>Accomplishments</li> <li>Calendar of future activities</li> </ul> </li> </ul>	<p>1. Within 90 days of OIG issuing its final report, FEMA to assist the State to:</p> <p>Identify types of activities and estimated levels of effort required to monitor grant management contractors’ activities and costs</p> <p>Identify by position in the organization the number of personnel needed to perform these activities</p> <p>Identify the source (employee or contractor) and secure personnel needed for monitoring</p> <p>Provide all monitoring personnel grants management training as needed</p> <p>Report quarterly to FEMA on grant management contractors’ activities and costs</p> <p>2. Within 120 days of OIG issuing its final report, FEMA to assist the State to amend the State Administrative Plan for PA to document the results of this process</p>

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