



# Homeland Security

May 29, 2009

MEMORANDUM FOR: Tony Russell, Acting Director  
FEMA Louisiana Transitional Recovery Office  
*Tonda L. Hadley*

FROM: Tonda L. Hadley, Director  
Central Regional Office

SUBJECT: *Downtown Development District, New Orleans, Louisiana*  
FEMA Disaster Number 1603-DR-LA  
Public Assistance Identification Number 071-UBAAP-00  
Audit Report Number DD-09-09

We audited public assistance funds awarded to the New Orleans Downtown Development District (DDD). Our objective was to determine whether DDD accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, awarded DDD \$739,741 for damages related to Hurricane Katrina. The award provided 100% funding for seven projects that were in various stages of completion. We audited all seven projects (five large and two small projects)<sup>1</sup> and National Flood Insurance Program anticipated and actual proceeds of \$268,934. The total amount we audited was \$1,010,041 (see Exhibit).

We conducted this performance audit under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed judgmentally selected invoices (generally based on dollar value); interviewed GOHSEP, DDD, and FEMA officials; reviewed DDD's compliance with federal procurement standards; and performed other auditing procedures we considered necessary to accomplish the audit objective. We did not assess the adequacy of DDD's internal controls applicable to its grant activities because it was not necessary to

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<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$55,500.

accomplish our audit objective. We did, however, gain an understanding of DDD’s grant accounting system for disaster-related costs and its procurement policies and procedures.

## BACKGROUND

DDD is a political subdivision created in 1975 by an Act of the Legislature of the State of Louisiana as a special taxing district in downtown New Orleans. DDD has five major areas and borders the New Orleans French Quarter, the Mississippi River, and two major thoroughfares (see red outline). A board of commissioners oversees DDD and specifies the public improvements and services DDD provides. DDD occupied an office building in downtown New Orleans that was damaged during Hurricane Katrina. Using pre-disaster contracts, DDD sought to assist the City of New Orleans’ recovery efforts to remove debris and care for and remove damaged trees located within the district.



Source: <http://www.neworleansdowntown.com/uploads/RangerMapwithDowntownOn.jpg>

## RESULTS OF AUDIT

DDD did not expend and account for FEMA funds according to federal regulations and FEMA guidelines. DDD’s claim included \$149,020 in unreasonable costs for debris removal and \$111,996 in duplicate federal funding for replacement of way-finding (directional) signage. Therefore, we question \$261,016.

### Reasonableness of Cost

DDD claimed \$306,775 in costs for debris removal, of which \$149,020 was unreasonable. To be allowable under federal awards, costs must be reasonable (2 CFR Part 225, Appendix A, C.1.a). Further, DDD did not comply with federal procurement standards at 44 CFR 13.36, which require full and open competition. DDD had a pre-disaster contract for the cleaning and maintenance of side walks. DDD temporarily suspended the contract following the hurricane and then re-scoped the contract without full and open competition to provide debris removal services within the district. The pre-existing contract terms specified monthly payments. DDD claimed the same monthly amount after the hurricane but could not provide adequate documentation to support the claimed costs. DDD submitted documentation for removing 1,860 cubic yards of debris, which is equivalent to about \$165 per cubic yard based on the amount of costs claimed. FEMA LA TRO staff assisted us in determining that a reasonable rate for the removal of

this debris was \$85 per cubic yard or \$157,755 for the 1,860 cubic yards of debris removed. FEMA based this rate on its established reasonable cost matrix for Hurricane Katrina-related debris operations in Louisiana. Therefore, we question \$149,020 (\$306,775 - \$157,755) as unreasonable.

### **Other Federal Funding**

FEMA awarded \$170,977 in estimated costs to replace way-finding (directional) signage. The Federal Highway Administration (FHWA) also provided funding to the State of Louisiana for DDD way-finding signage. In December 2006, the State of Louisiana Department of Transportation and Development awarded a contract for \$111,996 that was funded by a federal grant from FHWA for the construction and placement of DDD way-finding signage. Section 312 of the Stafford Act, Duplication of Benefits, prohibits any person, business concern, or other entity from receiving assistance that duplicates benefits available for the same purpose from any other source. The state has not provided information to determine whether the federal funds are duplicative, although we requested the information several times. Because the state has not provided documentation that the \$111,996 of FHWA funding is not a duplicate of FEMA funding, we question this amount as duplicate federal funding.

## **RECOMMENDATIONS**

We recommend that the Acting Director, FEMA Louisiana Transitional Recovery Office:

1. Disallow \$149,020 in unreasonable costs for debris removal.
2. Disallow \$111,996 as duplicate federal funding.

## **DISCUSSIONS WITH MANAGEMENT AND FOLLOW-UP**

We discussed the results of our audit with FEMA officials on May 13, 2009. FEMA officials agreed with our findings. We discussed the results of our audit with GOHSEP and DDD officials on May 28, 2009. Please advise this office by August 31, 2009, of the actions planned or taken, including target completion dates for any planned actions, to implement our recommendations. Significant contributors to this report were Paige Hamrick and Timothy Scott. Should you have questions concerning this report, please contact me, or your staff may contact Paige Hamrick, Audit Manager, at (940) 891-8900.

cc: Acting Regional Administrator, FEMA Region VI  
Audit Liaison, FEMA Louisiana Transitional Recovery Office  
Audit Liaison, FEMA (Job Code DG8C16)  
Audit Liaison, FEMA Region VI

Schedule of Projects  
Downtown Development District  
FEMA Disaster Number 1603-DR-LA

<b>Project Number</b>	<b>PA Funding</b>	<b>Anticipated &amp; Actual NFIP Proceeds</b>	<b>Audited Amount</b>	<b>Questioned Costs</b>	<b>Notes</b>
2240	\$ 89,208	\$ 0	\$ 89,208	\$ 0	
2335	1,673	0	1,673	0	
2347	0	232,434	233,800	0	
9021	170,977	0	170,977	111,996	Duplication of funds
12490	306,775	0	306,775	149,020	Unreasonable costs
13761	171,108	0	171,108	0	
15538	<u>0</u>	<u>36,500</u>	<u>36,500</u>	<u>0</u>	
<b>Totals</b>	<b><u>\$739,741</u></b>	<b><u>\$268,934</u></b>	<b><u>\$1,010,041</u></b>	<b><u>\$261,016</u></b>	