

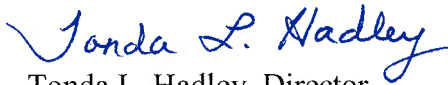
U.S. Department of Homeland Security
Central Regional Office
Office of Emergency Management Oversight
7460 Warren Parkway, Suite 275
Frisco, Texas 75034



**Homeland
Security**

February 5, 2010

MEMORANDUM FOR: Mark H. Landry, Interim Director
FEMA Louisiana Transitional Recovery Office

FROM: 
Tonda L. Hadley, Director
Central Regional Office

SUBJECT: *Roman Catholic Archdiocese of New Orleans, Bidding Process*
FEMA Disaster Number 1603-DR-LA
Public Assistance Identification Number 000-UV6IX-00
Audit Report Number DD-10-05

We are currently auditing \$329 million of FEMA public assistance funds awarded to the Roman Catholic Archdiocese of New Orleans (Archdiocese) for disaster recovery work related to Hurricane Katrina. The purpose of this memorandum is to advise you of an issue that requires your immediate attention. As discussed below, the Archdiocese has not been competing its contracts openly as required by federal regulations.

We are conducting this audit under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Our overall objective is to determine whether the Archdiocese accounted for and expended FEMA public assistance funds according to federal regulations and FEMA guidelines. At the conclusion of our audit, we plan to issue our complete audit report including any additional findings and recommendations.

During our review of Archdiocese procurements, we noted that the Archdiocese did not comply with the federal contracting requirements for "full and open competition."¹ Generally, full and open competition means that all responsible sources are allowed to compete for contracts.² Specifically, for public assistance grants, federal regulations require subgrantees to advertise contract solicitations publically. However, the Archdiocese did not advertise its contracts, but

¹ 44 CFR 13.36(c)(1): "All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of section 13.36..."

² FAR Subpart 2.101, *Definitions*

rather invited only its preselected contractors to bid on construction projects. Federal regulations require subgrantees to publicly advertise invitations for bids³ or publicize requests for proposals on contracts, including architectural and engineering contracts, to receive public assistance grant funds.⁴ FEMA reinforces this requirement in its *Public Assistance Guide*.⁵

After Hurricane Katrina, the Archdiocese continued to follow its established (pre-Katrina) procurement practice of soliciting bids from its list of pre-approved contractors. According to the Archdiocese, FEMA's Public Assistance Coordinator verbally approved this practice. However, the Archdiocese did not provide any written evidence of this approval.

A representative of the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) told us she was aware that the Archdiocese was not openly competing contracts, but that Archdiocese officials told her FEMA allowed them to follow their pre-Katrina contracting procedures. She also said that FEMA officials were aware that the Archdiocese was not openly competing its contracts.

FEMA representatives said they advised the Archdiocese on numerous occasions to adhere to federal procurement procedures. FEMA officials also told us that they were not aware of any FEMA Disaster Specific Guidance that would have allowed the Archdiocese to avoid publicizing contract solicitations.

By limiting contractor selection to its pre-approved list, the Archdiocese did not conduct "full and open" competitions as required by federal regulation. As a result, FEMA has little assurance that contract costs are reasonable. A goal of full and open competition is to increase the number of available contracting sources and thereby increase the opportunity for obtaining the most cost efficient pricing. Additionally, limiting competition to a pre-selected group increases the risk of collusion among bidders.

RECOMMENDATION

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

1. Require the Louisiana Governor's Office of Homeland Security and Emergency Preparedness to advise the Roman Catholic Archdiocese of New Orleans that, to qualify for federal assistance, it must follow federal contracting regulations and that continued non-compliance with federal regulations will jeopardize its funding.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our audit with GOHSEP officials on January 27, 2010, with Archdiocese officials on January 21, 2010, and with FEMA officials on February 3, 2010. FEMA, GOHSEP and Archdiocese officials generally agreed with our finding and recommendation.

³ 44 CFR 13.36(d)(2)(ii)(A), Procurement by *sealed bids*: "The invitation for bids will be publicly advertised..."

⁴ 44 CFR 13.36(d)(3)(i), Procurement by *competitive proposals*: "Requests for proposals will be publicized..."

⁵ FEMA *Public Assistance Guide*, FEMA 322, June 2007, page 52, and Appendix C, pages C-34 to C-37.

Please advise this office by February 19, 2010, of the actions planned or taken, including target completion dates for any planned actions, to implement our recommendation. Should you have questions concerning this report, please contact me, or your staff may contact Chris Dodd, Audit Manager, at (214) 436-5200.

cc: Regional Administrator, FEMA Region VI
Audit Liaison, FEMA Louisiana Transitional Recovery Office
Audit Liaison, FEMA (Job Code G-10-005)
Audit Liaison, FEMA Region VI