



Homeland
Security

July 27, 2010

MEMORANDUM FOR: Tony Russell, Regional Administrator
FEMA Region VI

Tonda L. Hadley

FROM: Tonda L. Hadley, Director
Central Regional Office

SUBJECT: *Louisiana State University Health Sciences Center*
FEMA Disaster Number 1603-DR-LA
Public Assistance Identification Number 000-UCW3G-00
Audit Report DD-10-15

We audited public assistance funds awarded to the Louisiana State University Health Sciences Center, New Orleans, Louisiana (Center). Our audit objective was to determine whether the Center accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, awarded the Center \$93.3 million for damages resulting from Hurricane Katrina, which occurred on August 29, 2005. The award provided 100% funding for 135 large and 149 small projects.¹ We limited our audit scope to all Category B projects for emergency protective measures obligated for over \$1 million dollars because all Category B work was complete at the time of our audit. We audited 9 projects totaling \$59.3 million, which comprised 64% of the total award, or 82% of the \$72.5 million awarded for all Category B projects. The audit covered the period August 29, 2005, through April 13, 2010, during which time the Center claimed \$56.2 million for the 9 projects (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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We

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

believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We interviewed FEMA, GOHSEP, and Center officials; reviewed judgmentally selected transactions (generally based on dollar value) of claimed costs and; and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of the Center's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of the Center's methods of accounting for disaster-related costs and its procurement policies and procedures.

BACKGROUND

The Center is an educational organization and part of the Louisiana State University system. It has teaching, research, and health care functions, and provides some health care services to the New Orleans community. The Center's buildings were damaged as a result of Hurricane Katrina, completely shutting down the component medical, dental, nursing, and associated health care schools. After the disaster, the Center temporarily relocated its schools to Baton Rouge, where it established interim housing for students, faculty, and staff in mobile homes and a cruise ship. The Center also established temporary school facilities in Baton Rouge while repairing its damaged facilities in New Orleans.

RESULTS OF AUDIT

The Center accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. However, the Center's claimed costs totaled \$3,044,234 less than the total amounts obligated on the project worksheets (PW). As a result, FEMA should deobligate that amount and put the federal funds to better use. We also identified three emergency work projects that have the same scope of work as permanent work projects approved for the same buildings. Therefore, FEMA should identify and deobligate funding for permanent work that is identical to the scope of work in emergency work projects for the same facilities.

Estimate of Project Costs

For the nine projects we audited, FEMA estimated costs totaling \$59,289,105. However, the Center claimed \$3,044,234 less than that amount for the projects. The Center verified that all work for the nine projects was complete, most of which was completed over 2 years ago. Therefore, FEMA should deobligate \$3,044,234 and put those federal funds to better use.

Scopes of Work

Three of the Center's emergency protective measure projects (PWs 16636, 16853, and 16854) included mechanical, electrical and plumbing work for three buildings. Although not in the scope of our audit, permanent projects for the same three buildings included the same work. FEMA officials explained that the emergency protective work projects were only for stabilizing

the buildings and that permanent work would begin after they approved hazard mitigation projects. They stated that they would ensure that costs reimbursed for permanent work would not duplicate those reimbursed for emergency protective measures.

RECOMMENDATIONS

We recommend the Regional Director, FEMA Region VI:

1. Deobligate \$3,044,234 in federal funds and put them to better use.
2. Identify and deobligate funding for permanent work that is identical to the scope of work in emergency protective measure projects for the same facilities.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our audit with FEMA, GOHSEP, and Center officials during our audit and have included their comments in this report as appropriate. We also provided written summaries of our findings and recommendations in advance to these officials and discussed them at exit conferences held with FEMA and GOHSEP on July 12, 2010, and with the Center on July 20, 2010. FEMA and GOHSEP agreed but the Center disagreed with our findings and recommendations. Center officials stated that they have submitted a request to FEMA for additional versions to projects in the audit scope; and, therefore, costs not claimed should remain obligated. They also stated that the scope of work for permanent projects does not duplicate the scope of work for the emergency projects as noted in the report.

Please advise this office by September 27, 2010, of the actions planned or taken to implement the recommendations, including target completion dates for any planned actions. Significant contributors to this report were Judy Martinez, Timothy Scott, Ronald Jackson, and Rodney Johnson. Should you have questions concerning this report, please contact me at (214) 436-5200, or your staff may contact Judy Martinez, Audit Manager, at (504) 739-7730.

cc: Interim Director, FEMA Louisiana Recovery Office
Audit Liaison, FEMA Louisiana Recovery Office
Audit Liaison, FEMA Region VI
Audit Liaison, FEMA (Job Code G10-008)

EXHIBIT

Schedule of Audited Projects
Louisiana State University Health Sciences Center
FEMA Disaster Number 1603-DR-LA

<u>Project Number</u>	<u>PW Amount</u>	<u>Claimed Amount</u>	<u>Over- Obligations</u>
148	\$35,058,326	\$35,042,976	\$ 15,350
2747	1,845,856	1,845,856	0
2907	3,454,597	3,448,245	6,352
4229	3,801,100	3,704,958	96,142
9755	1,835,872	1,835,872	0
12998	4,874,064	3,146,446	1,727,618
16636	1,639,578	1,362,811	276,767
16853	5,074,492	4,555,994	518,498
16854	<u>1,705,219</u>	<u>1,301,712</u>	<u>403,507</u>
Totals	<u>\$59,289,105</u>	<u>\$56,244,871</u>	<u>\$3,044,234</u>