



Homeland
Security

February 6, 2007

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

FROM: Tonda L. Hadley, Director
Central Regional Office

SUBJECT: *Interim Review of Hurricane Katrina Activities*
Plaquemines Parish Sheriff's Office, Louisiana
FEMA Disaster Number DR-1603-LA
Public Assistance Identification Number 075-02886-00
Report Number DD-07-05

We performed an interim review of public assistance funds awarded to the Plaquemines Parish Sheriff's Office (PPSO), Louisiana. Our objective was to determine whether PPSO expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

As of May 12, 2006, the cut-off date for our review, PPSO had received an award of \$36 million (FEMA share \$34 million) from the Governor's Office of Homeland Security and Emergency Preparedness, a FEMA grantee, for damages resulting from Hurricane Katrina. The award was for eight FEMA-approved projects. It provides 100% FEMA funding for emergency work and 90% FEMA funding for restoring buildings and equipment.

We reviewed costs for the following three projects:

- (1) Project Worksheet (PW) 40, approved for \$10 million, for which PPSO received an expedited payment of \$10 million from the state and had charged \$4.6 million.
- (2) PW 2012, approved for \$5.1 million for the purchase of mobile homes.
- (3) An unapproved PW (no number and not included in the \$36 million award) for \$735,000, for site preparation for mobile homes.

We performed this review under the authority of the Inspector General Act of 1978, as amended. We interviewed PPSO, state, and FEMA officials; reviewed PPSO's accounting system, disaster cost documentation, and contracting policies and procedures; and performed other procedures considered necessary under the circumstances. The nature and brevity of this assignment precluded us using our normal audit protocols; therefore, we did not conduct this review according to generally accepted auditing standards. Had we followed such standards, other matters might have come to our attention.

RESULTS OF REVIEW

PPSO did not expend and account for FEMA funds according to federal regulations and FEMA guidelines. Specifically, PPSO did not track costs on a project-by-project basis or support cost eligibility. If left uncorrected, PPSO's final claim could include errors and ineligible costs. Further, PPSO did not follow federal procurement regulations when it awarded contracts for mobile homes and site preparation. As a result, FEMA has no assurance that costs will be reasonable.

Accounting System

FEMA regulations require project-by-project accounting. However, PPSO used only one disaster account for all projects and could not account for individual PWs or projects. According to federal regulations:

- The payment of claims requires an accounting of eligible costs for each approved large project (44 CFR 206.205 (b)(1)).
- To be eligible for FEMA funding, an item of work must be required because of the major disaster (44 CFR 206.223 (a)(1)).
- Grantees and subgrantees must maintain records that adequately identify the source and application of funds provided for financially assisted activities (44 CFR 13.20(b)(2)).
- Accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, and contract documents (44 CFR 13.20(b)(6)).

Further, according to FEMA's *Public Assistance Guide* (FEMA 322, October 1999, p.113), "The importance of maintaining a complete and accurate set of records for each project cannot be overemphasized. . . . All of the documentation pertaining to a project should be filed with the corresponding PW and maintained by the applicant as the permanent record of the project. These records become the basis for verification of the accuracy of project cost estimates during validation of small projects, reconciliation of costs for large projects, and audits."

Between August 26, 2005, and December 18, 2005, PPSO submitted cost reimbursement requests for PW 40 for overtime payroll and equipment usage without adequate documentation, including daily logs or activity records, to support nearly \$3.8 million overtime and equipment usage. PPSO officials said they incurred substantial additional overtime and equipment costs after December 18, 2005, and that they intend to claim these costs through June 30, 2006. However, they have not yet compiled the documentation to submit for reimbursement.

The following depicts additional record and documentation problems:

- PPSO charged all overtime to the disaster without activity logs to support that it was disaster-related. For example, during the pay period October 10 to October 23, 2005, PPSO charged about 7,000 hours overtime to the disaster account. We selected a pay period during the month before the disaster and noted that PPSO recorded about 900 hours overtime.

Therefore, because PPSO incurs overtime during non-disaster periods, it should maintain records during disasters to document when overtime is disaster-related and when it is not.

- PPSO claimed overtime costs for personnel who normally perform administrative duties. Under 44 CFR 206.228(a)(2)(ii), the subgrantee receives a statutory administrative allowance for administrative or indirect costs, and no additional costs for these expenditures are eligible. Except for the Sheriff, PPSO employees are called “Deputy,” regardless of their actual duties. PPSO said that, during non-disaster periods, up to 15 Deputies perform administrative duties, but after the disaster, some of their duties varied. However, PPSO did not maintain records of the nature of work performed. Based on their normal functions, up to \$140,000 charged through December 18, 2005 may be administrative or indirect costs that are covered under the administrative allowance and ineligible for direct reimbursement.
- PPSO’s overtime calculations contain mathematical errors. We selected a judgmental sample of 10 employees from one pay period (October 10 to 23, 2005) and identified math errors resulting in an overcharge of about \$3,500.
- PPSO did not maintain activity records or mileage logs to document when vehicles were used for disaster activities. According to FEMA’s *Public Assistance Guide* (FEMA 322, October 1999, p.37), “Costs for use of automobiles and pick-up trucks may be reimbursed on the basis of mileage. For all other types of equipment, costs are reimbursed using an hourly rate. . . . Standby time for equipment is not eligible.”
- PPSO charged to its disaster account a \$900 radio that it purchased and used before the hurricane. This error occurred because PPSO did not pay for the radio until after the hurricane.

Contracting Procedures

PPSO did not follow federal procurement regulations. As a result, FEMA has no assurance that costs are reasonable. Federal procurement regulations under 44 CFR 13.36:

- Require the performance of procurement transactions in a manner providing full and open competition except under certain circumstances. (13.36(c))
- Require that subgrantees maintain records sufficient to detail the significant history of the procurement, including the rationale for the method of procurement, the basis for contractor selection, and basis for the contract price. (13.36(b)(9))
- Require a cost or price analysis in connection with every procurement action. (13.36(f)(1))

In September 2005, PPSO awarded a contract to provide mobile homes as temporary housing for PPSO personnel whose homes were unusable due to the hurricane. The non-competitive contract did not contain a scope of work or basis for the contract price. PPSO also did not perform a cost or price analysis and did not determine how many mobile homes were needed before awarding the

contract. PPSO tasked the contractor to provide 150 mobile homes for \$5.1 million, but 31 of the homes, costing \$1,054,000, have never been occupied.

RECOMMENDATIONS

We recommend that the Director, FEMA Louisiana Transitional Recovery Office, in coordination with the grantee and subgrantee:

1. Require PPSO to account for each large project separately.
2. Require PPSO to provide supporting documentation for disaster costs.
3. Require PPSO to comply with federal procurement regulations for all future contracts.
4. Disallow \$1,054,000 for mobile homes purchased but not occupied, and evaluate the remaining costs for eligibility and reasonableness.

DISCUSSION WITH MANAGEMENT AND FOLLOW-UP

We discussed the results of our review with PPSO and FEMA officials on August 3, 2006, and with grantee officials on August 4, 2006. PPSO officials generally concurred with our findings and recommendations, except that they did not consider any costs to be ineligible. FEMA and grantee officials generally concurred with the findings and recommendations, but grantee officials noted that, without performing their own review, they could not say that every statement in the report is accurate.

Please advise this office within 30 days of the actions taken or planned to implement our recommendations, including target completion dates for any planned actions. If you have questions concerning this report, please call me at (940) 891-8900 or Judy Martinez at (504) 762-2055.

cc: DHS Audit Liaison
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