

# Spotlight

Department of Homeland Security



## Office of Inspector General

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### Why This Matters

We initiated this audit of the Federal Emergency Management Agency (FEMA) decisions to replace, rather than repair, University of Iowa (University) buildings based on an anonymous complaint we received that FEMA Region VII did not correctly decide to replace University buildings. Our audit objective was to determine whether Region VII correctly applied the "50 Percent Rule" when deciding to fund replacement, rather than repair, of two University buildings following the 2008 Iowa River flood. Generally, FEMA can decide to fund the replacement of a damaged facility when repair costs exceed 50 percent of replacement costs.

### DHS Response

FEMA officials generally agreed to improve Region VII cost estimating policies, procedures, and review standards. However, these officials did not agree to deobligate the \$83.7 million as funds put to better use.

### For Further Information:

Contact our Office of Public Affairs at (202)254-4100, or email us at [DHS-OIG.OfficePublicAffairs@dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@dhs.gov)

## FEMA's Decisions to Replace Rather than Repair Buildings at the University of Iowa

### What We Determined

FEMA Region VII officials did not correctly apply FEMA's "50 Percent Rule" when deciding in 2008 to replace the Hancher Voxman-Clapp (HVC) building complex and Art Building East. In early 2012, near the conclusion of our audit, FEMA officials provided new and detailed cost estimates for HVC and Art Building East. However, these new estimates continued to include unallowable code-triggered upgrades without which FEMA could not reach the minimum 50 Percent Rule replacement thresholds. In their response to the draft audit report, FEMA officials continued to assert they properly decided to replace, rather than repair, the buildings. This misapplication of the 50 Percent Rule occurred primarily because, in late 2008, State, University, and FEMA officials rushed FEMA Region VII cost estimating staff to develop repair and replacement cost estimates. This also occurred, in part, because FEMA Region VII did not have policies, procedures, and review standards to address the special concerns and precautions FEMA should have considered before making repair or replacement decisions on large and complex projects.

### What We Recommend

We recommend that the Regional Administrator, FEMA Region VII, suspend the replacement decisions for HVC and Art Building East; develop cost estimating policies and procedures for estimating costs on large and complex projects; and deobligate \$61,684,880 (\$55,516,392 Federal share) from HVC (Project 10367) and \$22,060,714 (\$19,854,643 Federal share) from Art Building East (Project 1587) as funds put to better use.