



# Homeland Security

February 16, 2011

MEMORANDUM FOR: Tony Russell, Regional Administrator  
FEMA Region VI

*Tonda L. Hadley*

FROM: Tonda L. Hadley, Director  
Central Regional Office

SUBJECT: *Tangipahoa Parish, Louisiana*  
FEMA Disaster Number 1603-DR-LA  
Public Assistance Identification Number 105-99105-00  
Audit Report DD-11-09

We audited public assistance funds awarded to Tangipahoa Parish, Louisiana (Parish). Our audit objective was to determine whether the Parish accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

The Parish received an award of \$4.8 million from the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred on August 29, 2005. The award provided 100% FEMA funding for 18 large and 5 small projects for debris removal, emergency protective measures, and repairs to Parish facilities and buildings.<sup>1</sup> The audit covered the period August 29, 2005, to June 17, 2009, during which time the Parish claimed \$4.7 million. We audited 22 projects totaling \$4.7 million or 99% of the total award (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

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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.

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

We interviewed FEMA, GOHSEP, and Parish officials; reviewed judgmentally selected transactions (generally based on dollar value) of claimed costs; and performed other procedures considered necessary to accomplish our audit objective. We did not assess the adequacy of the Parish'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 Parish's method of accounting for disaster-related costs and its procurement policies and procedures.

## **RESULTS OF AUDIT**

The Parish generally accounted for and expended FEMA grant funds according to federal guidelines. However, the Parish's claim included \$49,242 in costs that were unsupported or ineligible. Additionally, FEMA should deobligate \$41,897 in approved project costs that exceeded the actual amounts incurred and claimed.

### **Finding A: Force Account Equipment Emergency Operations**

The Parish could not provide documentation adequate to support \$23,171 claimed for force account equipment and materials under Project 79. Cost principles at 2 CFR 225, Appendix A, Section C.1.j, state that a cost must be adequately documented to be allowable under federal awards.<sup>2</sup> The Parish claimed \$21,397 for hourly force account equipment usage that was not supported by the associated hourly force account labor. For example, an employee's time sheet showed the employee on vacation or sick leave while the force account equipment summary report listed equipment being operated by that employee during that same period. The Parish also could not provide adequate support, and their records stated "worksheet not available", for \$1,774 claimed for materials used. Therefore, we question \$23,171 (\$21,397+ \$1,774) for unsupported costs claimed for force account equipment and materials. Parish officials agreed with this finding.

### **Finding B: Emergency Shelter Expenses**

The Parish claimed \$63,621 under Project 6245 to operate an emergency shelter in a church. Of this amount, we question \$19,625 (\$17,700 as ineligible and \$1,925 as unsupported). The \$19,625 was comprised of the following amounts:

- \$13,200 in costs paid for by donations to the church. Section 312(a) of the Stafford Act, as amended, prohibits duplication of benefits, stating that entities will not receive assistance for any loss for which financial assistance has already been received from any other program, from insurance, or from any other source.

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<sup>2</sup> OMB Circular A-87, in effect at the time of the disaster, was relocated to 2 CFR, Part 225 on August 31, 2005

- \$4,500 approved for sealing the church’s parking lot. At the time of our audit, this work had not started; and the Parish had not requested a time extension to complete the project. According to 44 CFR 206.204, an applicant will be reimbursed only for those costs incurred up to the latest approved completion date for a particular project. Without an approved extension, the time limit for completing Katrina-related public assistance projects in Louisiana ended August 29, 2009.
- \$1,925 of expenses claimed without supporting documentation. The church claimed \$1,925 for contract costs; however, neither the church nor the Parish could provide adequate documentation such as a cancelled check or bank statement. Cost principles at 2 CFR 225, Appendix A, Section C.1.j, state that a cost must be adequately documented to be allowable under federal awards.

Parish officials agreed with this finding. They said that they intend to request a time extension to seal the church’s parking lot. GOHSEP officials said they will assist the Parish in requesting a time extension to complete the work.

### **Finding C: Project Completion**

The Parish received \$5,785 under Project 8705 to restore a storage shed. However, at the time of our audit, the Parish had not started work on this project. Although applicants are not required to provide detailed cost records to receive funding for a small project, they are generally required to complete the project (44 CFR 206.205(a)). During our audit, the Parish informed us that they had contracted with a vendor to restore the shed, but had not requested an extension of time from FEMA. As stated above in Finding B, without an approved extension, the time limit for completing Katrina-related public assistance projects in Louisiana ended August 29, 2009. Therefore, we question \$5,785 as ineligible. Parish Officials agreed with this finding and stated that they would submit a request for a time extension. After we concluded our audit fieldwork, Parish officials told us they had since completed repairs to the storage shed. GOHSEP officials said they would assist the Parish in requesting a time extension for the work. We informed Parish and GOHSEP officials that, during audit follow-up, we would close our recommendation to disallow the \$5,785 after we confirmed their planned actions had been completed

### **Finding D: Labor Costs**

The Parish claimed \$15,728 under Project 4382 to restore 25 bridges.<sup>3</sup> The Parish’s claim included \$661 for force account labor that was not eligible. The Parish claimed \$478 in labor costs for two employees who were on vacation and sick leave at the time and claimed \$183 twice for the same force account labor hours. To be eligible, costs must be incurred in the performance of eligible work (44 CFR 206.205(b)). Therefore, we question \$661 of ineligible labor costs because \$478 was not for eligible work and \$183 was not incurred. Parish officials agreed with this finding.

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<sup>3</sup> Although the Parish claimed only \$15,728 for Project 4382, FEMA approved estimated costs for the project of \$55,763, making it a large project subject to 44 CFR 206.205(b), *Large projects*.

### **Finding E: Estimated Project Cost**

The Parish claimed \$15,728 under Project 4382 and \$63,621 under Project 6245. The amounts FEMA estimated and approved for Projects 4382 and 6245 exceeded the amounts claimed by \$40,035 and \$1,862, respectively. Therefore, FEMA should deobligate \$41,897 (\$40,035 + \$1,862) from Projects 4382 and 6245 and put those federal funds to better use. Parish officials agreed with this finding.

### **Other Matters**

Before our audit, FEMA disallowed \$9,887 in force account labor claimed under Project 79 for what appeared to be salaried employees. The cost for salaried employees is usually not eligible because general supervisory employees do not normally perform direct disaster-related labor. However, in this case, the employees were hourly employees who were incorrectly designated as salaried employees. Therefore, we recommend that FEMA reconsider the eligibility of the \$9,887 claimed for force account labor.

## **RECOMMENDATIONS**

We recommend the Regional Administrator, FEMA Region VI:

**Recommendation #1:** Disallow \$23,171 for unsupported costs claimed (Finding A).

**Recommendation #2:** Disallow \$19,625 claimed for emergency shelter costs, of which \$17,700 was ineligible and \$1,925 was unsupported (Finding B).

**Recommendation #3:** Disallow \$5,785 ineligible costs paid to the Parish for a small project that was not completed (Finding C).

**Recommendation #4:** Disallow \$661 ineligible costs claimed for force account labor (Finding D).

**Recommendation #5:** Deobligate \$41,897 of funds that exceeded amounts claimed and put those federal funds to better use (Finding E).

**Recommendation #6:** Reconsider the eligibility of force account labor totaling \$9,887 previously disallowed by FEMA under Project 79 (Other Matters).

## **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP**

We discussed the results of our audit with Parish, GOHSEP, and FEMA officials during our audit and 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 the exit conferences held with FEMA on January 20, 2011, with GOHSEP on January

18, 2011, and with the Parish on January 19, 2011. These officials agreed with our findings and recommendations. Please advise this office by May 17, 2011, 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 and Ron Jackson. Should you have questions concerning this report, please contact me at (214) 436-5200 or Judy Martinez, Audit Manager, at (504) 739-7730.

cc: Acting Executive Director, FEMA Louisiana Recovery Office  
Audit Liaison, FEMA Louisiana Recovery Office  
Audit Liaison, FEMA Region VI  
Audit Liaison, FEMA (Job Code G-10-051)  
Audit Liaison, DHS

**EXHIBIT**

**Schedule of Projects Audited  
Tangipahoa Parish, Louisiana  
FEMA Disaster Number 1603-DR-LA**

<b><u>Project Number</u></b>	<b><u>Project Amount</u></b>	<b><u>Amount Claimed</u></b>	<b><u>Amount Questioned</u></b>	<b><u>Amount Over Obligated</u></b>
79	\$ 335,394	\$ 335,395	\$ 23,171	\$ 0
1458	6,883	6,883	0	0
1464	2,000	2,000	0	0
1466	4,574	4,574	0	0
1469	4,950	4,950	0	0
1624	4,590	4,590	0	0
1628	15,654	15,654	0	0
1663	6,770	6,770	0	0
3056	2,345	2,345	0	0
4205	3,842	3,842	0	0
4382	55,763	15,728	661	40,035
4432	1,891	1,891	0	0
4548	4,140,630	4,145,885	0	0
4816	2,421	2,421	0	0
4891	4,450	4,450	0	0
4983	1,000	1,000	0	0
5312	1,000	1,000	0	0
5325	2,500	2,500	0	0
5545	15,636	15,636	0	0
6223	1,916	1916	0	0
6245	65,451	63,621	19,625	1,862
8705	<u>5,785</u>	<u>0</u>	<u>5,785</u>	<u>0</u>
<b>Totals</b>	<b><u>\$4,685,445</u></b>	<b><u>\$4,643,051</u></b>	<b><u>\$49,242</u></b>	<b><u>\$41,897</u></b>