




Homeland Security

SEP 27 2011

MEMORANDUM FOR: Tony Russell
Regional Administrator, Region VI
Federal Emergency Management Agency

FROM: Matt Jadacki 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
Orleans Parish Criminal Sheriff's Office, Louisiana*
FEMA Disaster Number 1603-DR-LA
Audit Report Number DD-11-24

We audited public assistance grant funds awarded to the Orleans Parish Criminal Sheriff's Office in Orleans Parish, Louisiana (OPCSO) (Public Assistance Identification Number 071-UPP9W-00). Our audit objective was to determine whether OPCSO accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

OPCSO received an award of \$41.4 million from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, for emergency protective measures (Category B work) resulting from Hurricane Katrina, which occurred on August 29, 2005. The award provided 100% funding for 77 projects (39 large and 38 small).¹ The audit covered the period August 29, 2005, to February 11, 2011, and included a review of 24 large and 18 small projects totaling \$29.2 million, or 71% of the total award for Category B projects. As of February 11, 2011, the cutoff date of our audit, OPCSO had claimed \$18.4 million for the projects we audited (see Exhibit, Schedule of Projects Audited). We also conducted a limited review of projects written for the City of New Orleans, Louisiana, because the city owned several buildings that OPCSO used. This limited review consisted of verifying that work authorized in the city's projects did not duplicate work authorized in OPCSO's projects.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$55,500. We previously audited three large projects (360, 1320, and 15882) totaling \$6.3 million, or 15% of the \$41.4 million awarded for Category B work, that were not in the scope of this audit. See OIG report, *Orleans Parish Criminal Sheriff's Office*, DD-10-08, issued March 31, 2010.

We conducted this performance audit pursuant to 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, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit according to the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

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

BACKGROUND

OPCSO operates jail facilities to provide care, custody, and control of incarcerated subjects in Orleans Parish, Louisiana. The sheriff executes all writs, orders, and processes of the Traffic, Municipal, and Criminal Courts. Before Hurricane Katrina, OPCSO maintained 7,200 beds to house incarcerated subjects. Many of the facilities that OPCSO owned or operated sustained significant damages and will remain under reconstruction for several years. OPCSO operated a medical facility to provide medical services for the inmates inside the Templeman I facility and housed inmates in the House of Detention facility.

Several OPCSO-operated buildings sustained severe flood damage to most of the main mechanical and electrical services located in the basement levels. The loss of power necessitated the use of several large and small generators, which OPCSO used for extended periods in its own buildings and those owned by the City.

The House of Detention has a two-story base with a nine-story tower at the center. The ground floor of this building sustained floodwaters to a depth of 3 to 4 feet. The damaged electrical and heating, ventilation, and air conditioning (HVAC) equipment located on this floor served the entire building. Therefore, the entire building was out of service without water, HVAC, and electrical operations for several days.

RESULTS OF AUDIT

OPCSO accounted for FEMA funds on a project-by-project basis as required by federal regulations. However, OPCSO did not always expend the funds according to federal regulations and FEMA guidelines. As a result, we question \$3,532,607 of ineligible and unsupported costs that OPCSO claimed. In addition, FEMA should deobligate and put to better use \$285,771 in federal funds that exceeded the actual amounts OPCSO incurred and claimed.

Finding A: Legal Responsibility for Work

FEMA obligated \$1,818,576 under Project 15556 and \$422,819 under Project 16871 for work on two facilities that OPCSO did not own and, therefore, was not legally responsible for at the time of the disaster. Federal regulations at 44 CFR 206.223(a) require that, to receive federal funding, the subgrantee must be legally responsible for the facility. Also, the *Public Assistance Guide* (FEMA 322, p. 25) states that an eligible applicant must be legally responsible for the damaged facility at the time of the disaster. FEMA authorized funding under Project 15556 for OPCSO to construct a temporary medical facility to replace the Templeman I facility. FEMA also authorized funding under Project 16871 for the operation and architectural and engineering (A&E) service fees associated with repairs to the House of Detention facility. However, the City of New Orleans, Louisiana, not OPCSO, owned both of these facilities. OPCSO officials stated that the \$422,819 for A&E fees associated with the House of Detention facility were their legal responsibility even though the city owned the building. However, we performed a limited review of several of the city's projects and determined that one of the city's projects (Project 924) included \$288,302 for A&E fees related to permanent work for the House of Detention.

Because the City of New Orleans owns Templeman I and the House of Detention and there was no written agreement between the city and OPCSO regarding legal responsibility, we question \$1,818,576 under Project 15556 and \$422,819 under Project 16871 as ineligible. FEMA and OPCSO agreed with the recommendation to disallow the \$1,818,576, and FEMA has deobligated this amount from Project 15556. FEMA did not comment on our finding and recommendation for the House of Detention.

Finding B: Use of Generators

OPCSO claimed \$1,190,903 (\$984,047 under Project 1677 and \$206,856 under Project 15990) for the use of generators to restore power for 2 years after Hurricane Katrina (August 30, 2005–August 29, 2007). We question the entire amount claimed because OPCSO could have used electricity provided by the local power company beginning 2 months after the hurricane, and OPCSO could not adequately support any of the costs it claimed. Cost principles at 2 CFR Part 225, Appendix A, state that, to be allowable, a cost must be necessary and reasonable for proper and efficient performance and administration of federal awards (section C.1.a) and must be adequately documented (section C.1.j).

According to FEMA's Project Worksheet 16939, written for one of OPCSO's small projects, the local power company restored power to the area in late October 2005. We corroborated this fact with the local power company. Therefore, using generators instead of electricity from the local power company was not necessary or reasonable for 22 months of the 24-month period. Further, OPCSO could not provide adequate documentation to support the \$1,190,903 claimed for generators under Projects 1677 and 15990. To support its claim, OPCSO could only provide us with a copy of its Force Account Equipment Summary Record, which contained incorrect equipment rates. OPCSO did not provide maintenance logs or supervisory reports documenting use of the generators.

Therefore, we question \$1,190,903 consisting of (1) \$1,091,661 as ineligible because the costs of using generators for 22 months of the 24-month period were unnecessary and unreasonable and (2) the remainder of \$99,242 as unsupported because OPCSO could not adequately support any of the costs it claimed.² If FEMA somehow proves that using the generators for 2 years was necessary and reasonable, we would still question the entire amount as unsupported unless OPCSO provides additional documentation that we determine is adequate.

FEMA officials stated that they would ask OPCSO why it did not use the local power company when electricity became available in late October.

Finding C: Estimated Project Costs

The amount FEMA estimated and approved for nine projects exceeded the claimed amounts by \$285,771. Therefore, FEMA should deobligate \$285,771 and put those federal funds to better use. OPCSO, GOHSEP, and FEMA officials agreed with this finding and recommendation.

Finding D: Salvage Value for Motor Homes

OPCSO should return to FEMA two motor homes or the retail value of the motor homes because, at the time of our audit, OPCSO was no longer using them for their intended purpose. In December 2005, OPCSO received \$160,000 for its October 2005 purchase of two motor homes under Project 373 to be used for administrative and command and control functions. An OPCSO official told us that one of the motor homes was currently being used for various Mardi Gras activities and the other one was parked in a warehouse. Pursuant to 44 CFR 13.32(e) and 13.33(b) and Disaster Assistance Policy 9525.12, the disposition of equipment or residual unused supplies purchased by the grantee or subgrantee with a current fair market value exceeding \$5,000 requires compensation to FEMA when the items are no longer needed for the current operation of the FEMA Public Assistance Program or another federally-sponsored program or project. At the time of our audit, our conservative estimate of the fair market value for the two motor homes was \$81,060. Therefore, FEMA should disallow approximately \$81,060 from Project 373 for the fair market value of the two motor homes or acquire ownership of them. FEMA agreed to determine the fair market value of the two motor homes.

Finding E: Project Completion

OPCSO received \$48,857 under Project 1011 for lock replacement and electrical work, but it did not complete all authorized project work. The estimate for lock replacement work totaled \$24,500; however, OPCSO did not perform work valued at \$19,249 of the \$24,500. According to 44 CFR 206.205(a), *Small Projects*, failure to complete a small project may require the repayment of federal funds. Therefore, we question \$19,249 as ineligible. OPCSO officials agreed with this finding. FEMA officials stated that they would review the documentation before taking any action.

² \$1,190,903 times 22/24 months equals \$1,091,661; \$1,190,903 times 2/24 months equals \$99,242.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation #1: Disallow \$1,818,576 (\$1,818,576 federal share) of ineligible costs under Project 15556 for work that was not OPCSO's legal responsibility (finding A).³

Recommendation #2: Disallow \$422,819 (\$422,819 federal share) of ineligible costs under Project 16871 for A&E services that were not OPCSO's legal responsibility (finding A).

Recommendation #3: Disallow \$1,091,661 (\$1,091,661 federal share) of ineligible costs under Projects 1677 and 15990 for the unnecessary, unreasonable, and unsupported costs of using generators (finding B).

Recommendation #4: Disallow \$99,242 (\$99,242 federal share) of unsupported costs under Projects 1677 and 15990 for the use of generators (finding B).

Recommendation #5: Deobligate \$285,771 (\$285,771 federal share) of funds that exceeded amounts claimed and put those federal funds to better use (finding C).

Recommendation #6: Disallow approximately \$81,060 of ineligible costs under Project 373 for the fair market value of two motor homes or acquire ownership of the motor homes (finding D).

Recommendation #7: Disallow \$19,249 (\$19,249 federal share) in ineligible costs paid to OPCSO for a small project that was not completed (finding E).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with FEMA, GOHSEP, and OPCSO 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 exit conferences held with FEMA and GOHSEP officials on August 3, 2011, and with OPCSO officials on August 2, 2011. FEMA officials generally agreed with our findings and recommendations.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

³ FEMA has already taken action on this recommendation to disallow \$1,818,576 (\$1,818,576 federal share) under Project 15556.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. To promote transparency, this report will be posted to our website, with the exception of sensitive information identified by your office. Significant contributors to this report were Tonda Hadley, Judy Martinez, Ronald Jackson, Bryan Chauvin, and Natalie Fussell.

Should you have questions concerning this report, please contact me at (202) 254-4100 or Tonda Hadley at (214) 436-5200.

cc: Administrator, FEMA
Audit Liaison, FEMA Louisiana Recovery Office
Audit Liaison, FEMA Region VI
Audit Liaison, FEMA (Job Code G-11-007)
Audit Liaison, DHS

EXHIBIT

Schedule of Projects Audited
 August 29, 2005, to February 11, 2011
 Orleans Parish Criminal Sheriff's Office, Louisiana
 FEMA Disaster Number 1603-DR-LA

Large Project Number	Project Amount	Amount Claimed	Amount Questioned	Funds Put to Better Use (Finding C)
19011	\$10,215,158	\$ 1,497,045	\$ 0	\$ 0
16807	6,209,324	6,205,604	0	4,381
668	2,872,972	2,872,982	0	0
15556	1,818,576	18,749	1,818,576	0
238	1,478,784	1,536,999	0	0
135	988,613	993,427	0	0
1677	984,383	984,047	984,047	336
1042	684,897	651,823	0	33,074
16849	543,614	531,395	0	12,218
16871	422,819	422,819	422,819	0
362	393,488	159,235	0	234,253
15870	292,419	293,155	0	0
16126	277,845	277,606	0	239
18258	261,000	252,861	0	0
16125	229,043	229,043	0	0
15990	206,856	206,856	206,856	0
929	196,068	196,068	0	0
373	160,000	160,000	81,060	0
17453	148,910	149,114	0	0
18970	145,918	145,853	0	65
572	74,345	74,345	0	0
18074	68,962	0	0	0
923	67,573	66,993		580
303	<u>58,825</u>	<u>58,200</u>	<u>0</u>	<u>625</u>
Large Project Subtotal	\$28,800,392	\$17,984,219	\$3,513,358	\$285,771

Schedule of Projects Audited
August 29, 2005, to February 11, 2011
Orleans Parish Criminal Sheriff's Office, Louisiana
FEMA Disaster Number 1603-DR-LA

Small Project Number	Project Amount	Amount Claimed	Amount Questioned	Funds Put to Better Use (Finding C)
733	\$ 52,445	\$ 52,445	\$ 0	\$ 0
1011	48,857	48,857	19,249	0
14007	46,674	46,674	0	0
16207	39,993	39,993	0	0
3263	39,414	39,414	0	0
16939	33,000	33,000	0	0
15927	27,358	27,358	0	0
1282	25,784	25,784	0	0
6394	20,207	20,207	0	0
2033	18,630	18,630	0	0
1048	18,096	18,096	0	0
1020	15,913	15,913	0	0
17347	14,215	14,215	0	0
4264	8,845	8,845	0	0
1483	5,707	5,707	0	0
3034	4,965	4,965	0	0
1323	2,819	2,819	0	0
904	2,240	2,240	0	0
Small Project Subtotal	\$ 425,162	\$ 425,162	\$ 19,249	\$ 0
Total All Projects	\$29,225,554	\$18,409,381	\$3,532,607	\$285,771