

# Department of Homeland Security **Office of Inspector General**

FEMA Public Assistance Grant Funds Awarded to St.  
Charles Parish, Louisiana

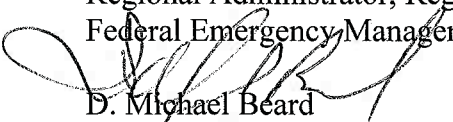




# Homeland Security

FEB 22 2012

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

FROM:   
D. Michael Beard  
Assistant Inspector General  
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to  
St. Charles Parish, Louisiana*  
FEMA Disaster Number 1603-DR-LA  
Audit Report DD-12-06

We audited public assistance (PA) grant funds awarded to St. Charles Parish, Louisiana (Parish) (Public Assistance Identification Number 089-99089-00). 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 Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, awarded the Parish \$8.9 million for damages resulting from Hurricane Katrina, which occurred on August 29, 2005. The award provided 100% funding for 11 large and 54 small projects.<sup>1</sup> The audit covered the period August 29, 2005, through June 23, 2011, the cutoff date of our audit, and included a detailed review of 15 projects totaling \$8.3 million, or 94% of the total award.<sup>2</sup> We also performed a limited review of all remaining projects totaling \$578,715 (see Exhibit A, Audited and Questioned Costs).

Because the Parish did not account for costs on a project-by-project basis as required (see finding A), we could not always determine whether the Parish's expenditures were for eligible work authorized on the projects or whether the Parish had adequate support for all projects. As a result, our audit scope was limited, and other matters might have come to our attention if the Parish had properly accounted for costs. As of the cutoff date of our audit, the Parish had claimed \$8.8 million in expenses. Table 1 shows the gross and net awards before and after insurance reductions for all projects and for our audit scope.

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

<sup>2</sup> We audited the gross amount of \$9.7 million awarded before reductions for insurance.

**Table 1 Gross and Net Award Amounts**

	Gross Award Amount	Insurance Reductions	Net Award Amount
Full Scope Audit	\$ 9,720,900	\$(1,382,394)	\$8,338,506
Limited Review	\$ 607,680	\$ (28,965)	\$ 578,715
All Projects	\$10,328,580	\$(1,411,359)	\$8,917,221

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 Parish officials; reviewed all available project costs; and performed other procedures considered necessary to accomplish our 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 methods of accounting for disaster-related costs and its procurement policies and procedures.

### **RESULTS OF AUDIT**

The Parish did not account for FEMA grant funds on a project-by-project basis as required by federal regulations. As a result, the Parish's claim included unsupported and ineligible costs. Further, although the Parish generally followed federal procurement standards for contracting, it did not include required provisions in all its contracts; did not perform a cost or price analysis on all procurements; and did not take sufficient steps to ensure the use of small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms for its contract work. We question the following \$8,917,221 in unsupported and ineligible costs:

- Finding A: \$8,155,230 of unsupported costs because the Parish could not provide an accurate accounting of expenditures (\$8,608,509 less \$453,279 also questioned in other findings) (see Exhibits A, Schedule of Audited and Questioned Costs, and B, Costs Questioned Under Multiple Criteria);
- Finding B: \$357,395 of duplicate costs;
- Finding C: \$308,712 of work not eligible under the PA grant program;
- Finding D: \$51,758 of work that the Parish did not complete;
- Finding E: \$28,474 of costs to be reduced by insurance proceeds; and
- Finding F: \$15,652 for the cost of work outside the project's scope of work.

In addition, the Parish did not submit documentation to GOHSEP for all expenses incurred, and FEMA should review the scopes of work for all the Parish's projects and deobligate those projects with duplicate scopes of work (finding A).

**Finding A: Project Accounting**

The Parish did not account for grant funds on a project-by-project basis, as required. Specifically, the Parish could not provide a complete and reliable listing of costs for the \$8.2 million it claimed for Project 23, and the Parish submitted duplicate costs for more than one project. The Parish's listing of costs for Project 23 did not reconcile to GOHSEP's records, and the Parish was unable to identify the specific documents that it had submitted to GOHSEP. Although the Parish did not account for the costs on a project-by-project basis, we did review documentation that it submitted to GOHSEP to support its claim. As a result of the improper project accounting, the Parish's claim included duplicate invoices for several projects (see Finding B, Duplicate Costs); in addition, it did not submit costs for all eligible work. Had the Parish accounted for costs as required, other matters relating to eligibility and adequate documentation might have come to our attention.

In accounting for its projects, the Parish had three difficulties. First, the projects included scopes of work that were too broad, which resulted in the Parish charging the same work to multiple projects. For example, the scope of work for Project 5786 was "to deal with the emergency problems created by the roof leaking." This duplicates part of Project 23's broad scope of work, which states, "The applicant undertook extensive response actions...as well as to avoid and/or alleviate hazards threatening significant damage to improved public or private property." Second, Parish personnel were unaware of the requirements to submit all eligible expenses for each project, including those covered by insurance. Third, the Parish had just hired its finance staff responsible for Hurricane Katrina costs when hurricanes Gustav and Ike struck in 2008.

Nevertheless, the Parish should have had a financial and record keeping system in place that could accurately track costs to prevent duplication of submitted costs. Federal regulations at 44 CFR 206.205(b) require that large project expenditures be accounted for on a project-by-project basis. Further, FEMA's *Public Assistance Guide* (FEMA 322, October 1999), Chapter 5, Project Management, states that it is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work and that the importance of maintaining a complete and accurate set of records for each project cannot be overemphasized.

In addition, the Parish did not submit documentation for incurred costs to GOHSEP on seven large projects. The eligible costs on these projects totaled \$1.9 million, which FEMA reduced by \$1.4 million for anticipated insurance proceeds, resulting in \$521,397 (\$1.9 million less \$1.4 million) of obligated costs. Because Parish officials did not realize that they must submit all eligible expenses, including those reduced by insurance proceeds, the Parish did not submit these costs. Further, because the Parish did not account for the funds on a project-by-project basis, it did not realize that it had not been reimbursed for all \$521,397 in eligible costs. We discussed this with Parish officials, and they submitted costs of \$227,605 for two of these projects in August 2011.

However, as of our audit cutoff date, the Parish had not submitted costs to support the total \$1.9 million of eligible costs before insurance reductions.

Because the Parish could not provide a complete and reliable accounting of its costs, we question \$8,608,509 as unsupported. This amount includes \$453,279 that we also questioned as ineligible in other findings (\$357,395 under finding B, \$51,758 under finding D, \$28,474 under finding E, and \$15,652 under finding F). Therefore, the net amount of total questioned costs for this finding is \$8,155,230. In addition, FEMA should review all scopes of work and deobligate those projects with duplicate scopes of work. Although Parish officials agreed there are discrepancies, they requested additional time to review their documentation before commenting. They also agreed to work with GOHSEP to ensure that they have a complete and accurate accounting of costs for all projects.

### **Finding B: Duplicate Costs**

The Parish claimed costs that included at least \$357,395 of duplicate contractor invoices. The Parish submitted invoices totaling \$330,787 to support part of the costs for Project 23. The Parish then submitted these same invoices to support costs for 5 other projects included in the 25 projects we reviewed for duplicate costs. The Parish also submitted invoices totaling \$26,608 twice to support part of the costs for Project 23. Therefore, we question \$357,395 as duplicate claimed costs. Parish officials agreed with this finding, stating that they are working to resolve these duplicate costs. They agreed to work with GOHSEP to ensure that their claimed costs are accurate.

### **Finding C: Eligibility**

The Parish claimed \$308,712 under Project 118 that was not eligible under the PA grant program. In addition, the Parish was not the correct applicant. FEMA wrote the project for crisis counseling provided by the St. Charles Community Health Center (Center) based on information the Parish provided. According to an agreement between the Parish and the Center, the Center was to “act as an evacuee center, and to perform emergency medical care.” However, the Center did not house evacuees. Further, FEMA funds crisis counseling for disaster victims who are not in shelters under its Crisis Counseling Program—a separate grant program. Consequently, the costs the Parish claimed for crisis counseling are not eligible under the PA subgrant awarded to the Parish, and the Parish was not the correct applicant for this type of costs. Therefore, we question \$308,712 as ineligible. However, the Center, a private nonprofit entity, may apply for reimbursement of these costs under FEMA’s Crisis Counseling Program. FEMA and Parish officials agreed with this finding. The current Parish staff is uncertain as to why the Parish was named as the applicant. They believe that previous Parish staff thought the Parish was responsible for this work.

### **Finding D: Incomplete Projects**

The Parish did not complete the scopes of work on six projects, totaling \$51,758. These projects included repairs to roads and purchases of a generator and basketball hoops. The Parish did not complete the replacement of the basketball hoops because the support poles were cut down to provide room for temporary housing and were never replaced. Parish officials were unsure as to

why they did not purchase the generator or complete the road repairs, but believe that new personnel in the Parish's public works and finance departments were unaware of these projects.

Federal regulations at 44 CFR 206.204(c) and (d) place time restrictions on project completion and set requirements for subgrantees to request extensions for project completion. For Category E (permanent work), the project completion deadline is 18 months after the declaration. However, extensions provided 24 additional months (February 2009). The Parish did not complete the projects within the extended deadline and, 2 years after the last extension expired, had not requested additional project extensions. In addition, federal regulations at 44 CFR 206.205(a) state that failure to complete a small project may require the repayment of federal funds. Therefore, we question \$51,758 as ineligible costs because the Parish did not complete the projects' scopes of work and did not request time extensions. Parish officials agreed with this finding.

### **Finding E: Insurance**

The Parish received \$1,439,833 in insurance proceeds for property damages. However, FEMA allocated only \$1,411,359 in anticipated insurance proceeds to the Parish's projects. Federal regulations at 44 CFR 206.253(a) require that eligible costs be reduced by the actual amount of insurance proceeds relating to the eligible costs. Therefore, FEMA should complete its insurance review, allocate the remaining \$28,474 in applicable insurance proceeds to the Parish's projects, and disallow those costs as ineligible. Parish officials agreed with this finding.

### **Finding F: Project Scope of Work**

The Parish claimed \$15,652 under Project 23 for work that was outside the scope of the project. The scope of work for Project 23 stated, in part, "extensive response actions to avoid and/or alleviate immediate threats to the life, health and/or safety of the general public as well as to avoid and/or alleviate hazards threatening significant damage to improved public or private property." However, claimed costs for Project 23 included (1) \$14,028 for materials for clothing, furniture, electronics, and vehicle accessory purchases; and (2) \$1,624 for general office supplies.

According to *Public Assistance Policy Digest* (FEMA 321, p. 75), funds for costs that are outside the FEMA-approved scope of work are not eligible. Therefore, we question \$15,652 of costs for work that was outside the scope of Project 23. Parish officials acknowledged that they mistakenly submitted these items under Project 23 and agreed to work with GOHSEP to submit them under the correct project if eligible.

### **Finding G: Contracting**

Although the Parish generally followed federal procurement standards for contracting, it did not comply with three procurement standards required by federal regulations. First, the Parish did not include in its contracts the provisions required by 44 CFR 13.36(i). These provisions document the rights and responsibilities of the parties and minimize the risk of misinterpretations and disputes.

Second, the Parish did not perform a cost or price analysis on the majority of contracts. Federal regulations at 44 CFR 13.36(f)(1) require subgrantees to perform a cost or price analysis on all procurements. Performing a cost or price analysis decreases the likelihood of unreasonably high or low prices, contractor misinterpretations, and errors in pricing relative to the scope of work.

Third, the Parish did not take sufficient steps to ensure the use of small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms. Federal regulations require subgrantees to take all necessary affirmative steps to ensure that they use these businesses when possible (44 CFR 13.36(e)). Although the Parish did not take the specific affirmative steps listed in the regulations, it did award five of its contracts to small or disadvantaged businesses (5 contracts totaling \$1.3 million out of 11 contracts totaling \$6.7 million reviewed). Therefore, we did not question any costs related to contracting because the Parish otherwise properly procured its disaster-related contracts and because the Parish did award a portion of its contracts to small or disadvantaged businesses. However, for future federally funded disaster contracts, the Parish should take steps to ensure that it complies with all federal procurement standards. Parish officials stated that they were not aware of this requirement. However, they agreed to follow the regulations in future events.

## RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region VI:

**Recommendation #1:** Disallow \$8,155,230 of unsupported costs unless the Parish can provide a complete and accurate accounting of total eligible costs for all projects (finding A).<sup>3</sup>

**Recommendation #2:** Review the scopes of work for all the Parish's projects and deobligate those projects with duplicate scopes of work (finding A).

**Recommendation #3:** Disallow \$357,395 of duplicate claimed cost as ineligible (finding B).

**Recommendation #4:** Disallow \$308,712 of ineligible costs because crisis counseling is not eligible under the PA grant program (finding C).

**Recommendation #5:** Disallow \$51,758 of ineligible costs for work the Parish did not complete (finding D).

**Recommendation #6:** Complete the insurance review and allocate approximately \$28,474 of insurance proceeds to the total cost of the Parish's projects. Because some of the costs are funded from another source, they are ineligible (finding E).

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<sup>3</sup> This amount is \$8,608,509 less \$453,279 questioned in other findings (see Exhibit A, Audited and Questioned Costs, and Exhibit B, Costs Questioned Under Multiple Criteria).

**Recommendation #7:** Disallow \$15,652 of ineligible costs for work that was outside the scope of the project (finding F).

**Recommendation #8:** Direct GOHSEP to instruct the Parish to establish the necessary affirmative steps to ensure the use of small business, minority-owned firms, women's business enterprises, and labor surplus area firms; to perform cost or price analyses; and to include federally required contract provisions in its contracts (finding G).

## **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP**

We discussed the results of our audit with Parish officials during our audit and included their comments in this report, as appropriate. We also provided a draft report in advance to FEMA, GOHSEP, and Parish officials and discussed it at exit conferences held with FEMA on December 22, 2011, and with GOHSEP and Parish officials on December 19, 2011. FEMA officials generally agreed with our findings and recommendations. GOHSEP withheld comments. The Parish generally agreed with our findings.

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.

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, Paige Hamrick, James Mitchell, and Rebecca Hetzler.

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-11-044)  
Audit Liaison, DHS



**Audited and Questioned Costs  
August 29, 2005, to June 23, 2011  
St Charles Parish, Louisiana  
FEMA Disaster Number 1603-DR-LA**

<b>Project Number</b>	<b>Net Award Amount</b>	<b>Finding A</b>	<b>Finding B</b>	<b>Finding C</b>	<b>Finding D</b>	<b>Finding F</b>	<b>Total Costs Questioned</b>
23	\$7,200,000	\$7,200,000	\$357,395	\$ 0	\$ 0	\$15,652	\$7,573,047
118	308,712	0	0	308,712	0	0	308,712
1318	321,415	321,415	0	0	0	0	321,415
4235	49,477	49,477	0	0	31,374	0	80,851
5135	105,862	105,862	0	0	0	0	105,862
5141	66,237	66,237	0	0	8,900	0	75,137
6059	48,756	48,756	0	0	0	0	48,756
6834	52,991	52,991	0	0	0	0	52,991
6985	27,882	27,882	0	0	0	0	27,882
16020	44,716	44,716	0	0	6,493	0	51,209
17288	55,909	55,909	0	0	0	0	55,909
17289	56,549	56,549	0	0	0	0	56,549
<b>Subtotals</b>	<b><u>\$8,338,506</u></b>	<b><u>\$ 8,029,794</u></b>	<b><u>\$357,395</u></b>	<b><u>\$308,712</u></b>	<b><u>\$46,767</u></b>	<b><u>\$15,652</u></b>	<b><u>\$8,758,320</u></b>
Limited							
Review	\$ 578,715	\$ 578,715	\$ 0	\$ 0	\$ 4,991	\$ 0	\$ 583,706
<b>Subtotal</b>	<b><u>\$8,917,221</u></b>	<b><u>\$8,608,509</u></b>	<b><u>\$357,395</u></b>	<b><u>\$308,712</u></b>	<b><u>\$51,758</u></b>	<b><u>\$15,652</u></b>	<b><u>\$9,342,026</u></b>
Insurance To Be Allocated (finding E)							\$ 28,474
<b>Subtotal</b>	<b><u>\$8,917,221</u></b>	<b><u>\$8,608,509</u></b>	<b><u>\$357,395</u></b>	<b><u>\$308,712</u></b>	<b><u>\$51,758</u></b>	<b><u>\$15,652</u></b>	<b><u>\$9,370,500</u></b>
Less Costs Questioned							
Twice (from exhibit B)		<u>\$(453,279)</u>					<u>\$(453,279)</u>
<b>Grand</b>							
<b>Totals</b>	<b><u>\$8,917,221</u></b>	<b><u>\$8,155,230</u></b>	<b><u>\$357,395</u></b>	<b><u>\$308,712</u></b>	<b><u>\$51,758</u></b>	<b><u>\$15,652</u></b>	<b><u>\$8,917,221</u></b>
<b>Total Questioned Costs Recommended for Disallowance</b>							<b><u>\$8,917,221</u></b>

**Costs Questioned Under Multiple Criteria  
August 29, 2005, to June 23, 2011  
St. Charles Parish, Louisiana  
FEMA Disaster Number 1603-DR-LA**

<b>Project Number</b>	<b>Gross Costs Questioned in Finding A</b>	<b>Costs Questioned More than Once<sup>4</sup></b>	<b>Finding Reference</b>	<b>Net Costs Questioned in Finding A</b>
23	\$7,200,000	\$373,047	B, F	\$6,826,953
4235	49,477	31,374	D	18,103
5141	66,237	8,900	D	57,337
7498	8,509	889	D	7,620
16020	44,716	6,493	D	38,223
16021	10,890	1,223	D	9,667
16049	17,973	2,879	D	15,094
All Other Projects	<u>\$1,210,707</u>	<u>\$ 0</u>		<u>\$1,210,707</u>
Insurance To Be Allocated		<u>\$ 28,474</u>	E	<u>\$ (28,474)</u>
<b>Totals</b>	<u><b>\$8,608,509</b></u>	<u><b>\$453,279</b></u>		<u><b>\$8,155,230</b></u>

<sup>4</sup> As shown in this exhibit, we question \$8,608,509 in Finding A that includes \$453,279 also questioned in other findings for different reasons. This amount consists of \$357,395 questioned in finding B, \$51,758 questioned in finding D, \$28,474 questioned in finding E, and \$15,652 questioned in finding F. To avoid duplicate questioned costs, we recommend that FEMA disallow \$8,155,230 (Recommendation 1) for finding A, which is net of the costs we question again in findings B, D, E and F. Therefore, if FEMA does not disallow these costs for Findings B, D, E, and F, it should add them back to the amount recommended for disallowance in finding A.

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