



Homeland Security

June 12, 2009

MEMORANDUM FOR: Tony Russell, Acting Director
FEMA Louisiana Transitional Recovery Office

FROM: *Tonda L. Hadley*
Tonda L. Hadley, Director
Central Regional Office

SUBJECT: *City of New Orleans Residential Solid Waste and Debris Removal*
FEMA Disaster Number 1603-DR-LA
Public Assistance Identification Number 071-55000-00
Audit Report Number DD-09-11

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

The City received an award of \$3.42 million under Project Worksheet (PW) 17720 from the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, for removal of residential solid waste and debris related to Hurricane Katrina. The award provided 100% funding for the project and covered costs incurred from September 2007 through May 2008. As of February 2009, the City had claimed \$3.94 million for reimbursement from GOHSEP. We audited 100% of the \$3.94 million claimed plus an additional \$39,165 not claimed.

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, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We interviewed FEMA, GOHSEP, and City officials; reviewed 100% of cost documentation to support contractor invoices; and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of the City'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 City's method of accounting for disaster-related costs and its procurement policies and procedures.

RESULTS OF AUDIT

The City accounted for FEMA funds on a project-by-project basis according to federal regulations; maintained adequate documentation to support claimed costs; and followed federal procurement standards in awarding contracts for disaster-related work. However, the City claimed costs for the removal of debris that was not eligible because it was not disaster-related. As a result, we question \$663,382 in ineligible costs.

The U.S. Army Corps of Engineers removed combined trash and disaster-related debris in the City of New Orleans under a FEMA mission assignment for a period of 2 years after Hurricane Katrina. FEMA approved PW 17720 to cover the City's costs of residential solid waste and debris removal related to Hurricane Katrina for the period September 2007 through May 2008. The City used contractors to remove the debris, and paid the contractors monthly fees based on the number of work crews used.

To be eligible for financial assistance, an item of work must be required as a result of the disaster (44 CFR 206.223(a)). To estimate the amount of eligible debris already removed and the amount to be removed, FEMA reviewed photographs of debris being collected and conducted surveys in the City. FEMA determined that 75% of debris removed from September 2007 through February 2008 was disaster-related and that approximately 75,000 cubic yards of eligible debris remained to be removed. The PW divided the scope of work into two phases for work completed and work to be completed. For the 6-month period September 2007 through February 2008, FEMA would reimburse the City for 75% of its cost of debris removal already completed. For the estimated 75,000 cubic yards of eligible debris that remained, FEMA determined that, based on the average volume of debris removed previously, it would take the City contractors about 2.5 months to remove 75,000 cubic yards of debris. FEMA rounded this estimate up to 3 months and decided to pay the City 100% of its debris removal costs for the 3-month period March through May 2008, based on previous monthly fees. Therefore, regardless of how long it took the City to remove the remaining 75,000 cubic yards of eligible debris, FEMA's cost reimbursement ended in May 2008.

On August 26, 2008, the City submitted a \$3.94 million claim to GOHSEP for debris removal costs from September 2007 through May 2008. However, the City's claim did not reflect the FEMA-required 25% reduction in debris removal costs from September 2007 through February 2008. We reviewed 100% of the City's debris removal costs for the approved period and identified \$39,165 in costs that the City inadvertently omitted from its claim. We applied the 25% reduction for the appropriate period to the total costs incurred and determined the following:

- Of the \$3,944,657 costs claimed, \$3,251,701 was eligible for reimbursement.
- Of the \$39,165 costs not claimed, \$29,574 was eligible for reimbursement.

Therefore, we question \$663,382 which represents the difference between the claimed amount and the eligible amount (\$3,944,657 - \$3,281,275). We discussed the preliminary results of our audit with City officials on January 29, 2009. They concurred with our findings, but said they do not agree with FEMA's determination that 25% of costs incurred before March 2008 are ineligible. City officials also said that they plan to file an appeal regarding this matter.

RECOMMENDATION

We recommend that the Acting Director, FEMA Louisiana Transitional Recovery Office, disallow \$663,382 of ineligible costs for removal of debris not related to the disaster.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the final results of our audit with FEMA officials on May 13, 2009, and with City and GOHSEP officials on May 8, 2009. FEMA and City officials concurred with our findings and recommendations while GOHSEP officials elected to reserve their comments until after the report was issued.

Please advise this office by August 11, 2009, of the actions planned or taken to implement the recommendation, including target completion dates for any planned actions. Significant contributors to this report were Judy Martinez, Paige Hamrick, Susan Stipe, and Ronald Jackson. Should you have questions concerning this report, please contact me at (940) 891-8900, or your staff may contact Judy Martinez, Audit Manager, at (504) 739-7730.

cc: Acting Regional Administrator, FEMA Region VI
Audit Liaison, FEMA Region VI
Audit Liaison, FEMA Louisiana Transitional Recovery Office
Audit Liaison, FEMA (Job Code DG8C14)