

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

FEMA Public Assistance Grant Funds Awarded to  
St. John the Baptist Parish, Louisiana



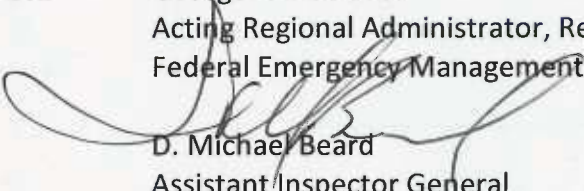


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Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

JAN 3 2013

MEMORANDUM FOR: George A. Robinson  
Acting 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. John the Baptist Parish, Louisiana*  
FEMA Disaster Number 1792-DR-LA  
Audit Report DD-13-02

We audited Public Assistance (PA) grant funds awarded to St. John the Baptist Parish, Louisiana (Parish) (PA Identification Number 095-99095-00). 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 Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, awarded the Parish \$5.9 million for damages resulting from Hurricane Ike, declared on September 13, 2008. The award provided 100 percent FEMA funding for four large projects and six small projects.<sup>1</sup> The audit covered the period September 11, 2008, through May 3, 2012, the cutoff date of our audit, and included a detailed review of all ten projects (see exhibit A). As of the cut-off date of our audit, the Parish had claimed \$5.1 million.

We conducted this performance audit between January 2012 and August 2012 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.

<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$60,900.



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We interviewed FEMA, GOHSEP, and Parish officials; reviewed judgmentally selected project costs (generally based on dollar value); 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 method of accounting for disaster related costs and its procurement policies and procedures.

**RESULTS OF AUDIT**

The Parish accounted for FEMA grant funds on a project-by-project basis as required by Federal regulations. However, the Parish’s claim included \$579,348 of unsupported costs (finding A) and \$333,294 of ineligible costs (finding B); and, although the Parish awarded contracts for disaster work competitively, it did not always follow other required procurement standards (finding C). These conditions occurred largely because GOHSEP did not always fulfill its responsibilities regarding grant management.

Accordingly, we recommend that FEMA disallow the \$912,642 in unsupported and ineligible costs. FEMA should also deobligate \$42,975 of unused Federal funds and put those funds to better use (finding D); and ensure that GOHSEP takes steps to improve its grant management procedures (finding E).

**Finding A: Unsupported Costs**

The Parish could not provide adequate documentation to support \$579,348 in costs incurred or authorized for contract work, force account labor, equipment rentals, and direct administrative costs (DAC) for four projects (see table 1). Without adequate documentation, GOHSEP cannot assure FEMA that the Parish incurred eligible costs to complete these projects.

**Table 1: Unsupported Costs**

Project Number	Award Amount	Category Of Work <sup>2</sup>	Contract Costs	Force Account	Equipment Rental	DAC	Totals
1222	\$5,011,636	A	\$ 0	\$ 0	\$ 0	\$ 98,267	\$ 98,267
1217	352,453	A	345,542	0	0	6,911	352,453
1132	128,520	B	8,059	44,545	75,916	0	128,520
1224	5,505	A	0	0	0	108	108
<b>Totals</b>	<b><u>\$5,498,114</u></b>		<b><u>\$353,601</u></b>	<b><u>\$44,545</u></b>	<b><u>\$75,916</u></b>	<b><u>\$105,286</u></b>	<b><u>\$579,348</u></b>

<sup>2</sup> Category A is debris removal work and Category B is emergency protective measures.



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Federal regulations at 44 CFR 13.20(b)(2) require subgrantees to maintain records that adequately identify the source and application of funds provided for financially assisted activities; and Federal Cost Principles at 2 CFR part 225, appendix A, section C.1.j, state that costs must be adequately documented to be allowable under Federal awards.<sup>3</sup> In addition, FEMA Disaster Assistance Policy 9525.9, section D (dated March 12, 2008), states that DAC must be tracked, charged, and accounted for directly to a specific project, and are limited to actual, reasonable costs. FEMA has stated that DAC must be adequately supported even for small projects, which require documentation to prove the work was completed, but typically do not require documentation to support costs incurred.

Regarding Projects 1132 (\$128,520 for emergency protective services) and 1217 (\$352,453 for debris removal), Parish officials stated that they incurred costs for these two projects more than 2 years ago, but have not submitted a claim for them. When we reviewed documentation for all projects, the folders for these two projects were empty. Parish officials said they are reviewing documents and expect to meet with Parish administration officials to determine how to handle these projects. A GOHSEP official said that they are working with the Parish to submit all eligible costs and close out the projects.

FEMA authorized (obligated) \$105,286 on Projects 1217, 1222, and 1224 for anticipated DAC. However, Parish officials stated that they did not request the DAC and did not have documentation to support DAC at the time of our audit. The Parish is aware of the Federal requirements for supporting and requesting DAC.

Therefore, if the Parish claims the \$579,348, FEMA should disallow those costs as unsupported unless the Parish can provide adequate documentation to support them. If the Parish does not claim the costs, FEMA should deobligate the funds and put them to better use (see finding D).

#### **Finding B: Ineligible Costs Not Related to the Disaster**

As shown in table 2 below, the Parish claimed \$333,294 for five projects without adequate evidence that the damages were the result of Hurricane Ike. To be eligible for financial assistance, an item of work must be required as the result of the major disaster event (44 CFR 206.223(a)(1)). Therefore, we question \$333,294 as ineligible costs.

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<sup>3</sup> Office of Management and Budget (OMB) Circular A-87, in effect at the time of the disaster, was relocated to 2 CFR, Part 225 on August 31, 2005.



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**Table 2: Ineligible Costs**

Project Number	Award Amount	Category Of Work	Ineligible Amount
1635	\$177,184	A	\$177,184
1634	48,566	A	48,566
1576	45,951	A	45,951
1636	44,396	A	44,396
1219	<u>17,197</u>	<u>A</u>	<u>17,197</u>
Totals	<u>\$333,294</u>		<u>\$333,294</u>

Projects 1635, 1634, 1576, and 1636 were for debris removal work that started more than 2 years after Hurricane Ike occurred. According to 44 CFR 206.204(c)(1), the deadline for completing debris clearance is 6 months after the disaster declaration. Extensions may be granted only when allowed by the grantee or when based “on extenuating circumstances or unusual project requirements beyond the control of the subgrantee” according to 44 CFR 206.204(c)(2)(i)-(ii). FEMA officials stated that the Parish completed the work without a formal time extension and did not request or obtain approval for an extension until April 2011, or 2½ years after the disaster declaration. In addition, the contract for performing the work stated that it was for “drainage excavation of Parish annual contract”; therefore, the scope of work appeared to be normal maintenance work, rather than emergency work. Federal regulation 44 CFR 206.224 authorizes the removal of debris and wreckage from publicly and privately owned lands and waters only when such removal is in the public interest. Among other possibilities such removal is in the public interest when it is necessary to (1) eliminate immediate threats to life, public health, and safety; or (2) eliminate immediate threats of significant damage to improved public or private property according to 44 CFR 206.224(a)(1)-(2). FEMA officials could not adequately explain how they determined that the four debris removal projects were Hurricane Ike-related, rather than normal or annual canal maintenance (for example, according to Parish records they had problems with beavers building dams and blocking drainage).

The scope of work for Project 1219 was for monitoring debris removal that FEMA approved on Project 744. However, Project 744 was for the removal of debris caused by Hurricane Gustav; therefore, the cost of monitoring the debris may be eligible under Hurricane Gustav, but it is not eligible under Hurricane Ike. FEMA agreed with our finding and stated that the project should have been written under Hurricane Gustav and they would correct Projects 744 and 1219.

Therefore, we question \$333,294 for the five projects as ineligible because they do not appear to be the direct result of Hurricane Ike. For four projects, FEMA could not adequately explain how the debris was Hurricane Ike-related or how FEMA could consider the debris to be an immediate threat to life, public health, and safety when the Parish did not start removing it for



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over 2 years after Hurricane Ike occurred. The remaining project (1219) was the result of Hurricane Gustav, rather than Hurricane Ike.

#### **Finding C: Contracting**

The Parish competitively awarded six of seven contracts totaling \$5.1 million for disaster-related work. The non-competitive contract was for \$36,983 to drain standing flood waters during exigent circumstances. However, the Parish did not always comply with other Federal procurement standards at 44 CFR 13.36. Specifically, the Parish did not always comply with the following standards listed at 44 CFR 13.36—

- Including certain required contract provisions such as those for records retention and termination for cause (13.36(i)). These provisions document the rights and responsibilities of the parties and minimize the risk of misinterpretations and disputes.
- Preparing a cost or price analysis in connection with every procurement action, including contract modifications (13.36(f)(1)). Performing a cost or price analysis decreases the likelihood of unreasonably high or low prices, contractor misinterpretations, and errors in pricing relative to the scopes of work.
- Taking all necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible (13.36(e)).

We did not question any costs related to contracting because the Parish otherwise properly procured its disaster-related contracts and because it awarded \$4.9 million of the \$5.1 million in contract work to a minority-owned firm. However, for future Federally-funded disaster contracts, the Parish should ensure that it complies with all Federal procurement standards.

#### **Finding D: Unused Funds**

The Parish claimed \$4,870,394 to complete drainage clean-up work under Project 1222. This amount is \$141,242 less than the \$5,011,636 FEMA estimated and obligated for this project. The \$141,242 difference consists of the \$98,267 in unsupported DAC that we questioned in finding A and \$42,975 that the Parish did not use to complete the work. Federal regulations at 44 CFR 206.205(b)(1) require grantees to make an accounting to the FEMA Regional Administrator of eligible costs for each approved large project "as soon as practicable after the subgrantee has completed the approved work and requested payment." The Parish's quarterly reports indicate that the Parish completed the project by October 25, 2011. We consider 6 months after the subgrantee has completed the approved work and requested payment a reasonable amount of time for the grantee to complete its reviews of costs claimed and submit an accounting of eligible costs to FEMA. Therefore, GOHSEP should have already submitted closeout information for the project and requested the deobligation of unused funds. Therefore, FEMA should deobligate the \$42,975 of unused Federal funds from Project 1222 and put those funds to better use. In addition, GOHSEP should also have completed reviews of



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costs for other completed projects, such as the other four projects discussed in finding A above. As stated in finding A, FEMA should also deobligate and put to better use the unsupported \$579,348 if the Parish does not claim these costs (the \$579,348 includes the \$98,267 DAC in project 1222).

**Finding E: Grant Management**

GOHSEP officials did not always fulfill their responsibilities regarding grant management. The majority of findings in this report occurred because GOHSEP, as the grantee, did not monitor quarterly reports, ensure projects were progressing towards completion, or report delays to FEMA. According to 44 CFR 13.37(a)(2), the grantee is required to ensure that subgrantees are aware of requirements imposed on them by Federal regulations. Further, 44 CFR 13.40(a) requires the grantee to manage the day-to-day operations of subgrant activity and monitor subgrant activity to ensure compliance with applicable Federal requirements. Grantees must also submit a quarterly progress report for each open large project (44 CFR 206.204(f)). Progress reports are critical to ensuring that FEMA and grantees have up-to-date information on public assistance program grants. According to FEMA's Public Assistance Guide (FEMA 322, June 2007, p.141), the progress reports should include—

- The status of the project, such as "in design" or "percentage of construction completed";
- Time extensions granted, if any;
- A projected completion date;
- The amount of expenditures and amount of payment for each project; and
- Any problems or circumstances that could delay the project or result in noncompliance with the conditions of the FEMA approval.

Parish officials submitted incomplete reports to GOHSEP, and the reports did not contain key information needed to monitor the grant adequately. GOHSEP passed along this information in its quarterly progress reports to FEMA without supplementing the reports with the missing information. As a result, GOHSEP did not properly track and monitor the progress of open projects or attempt to close them. GOHSEP's quarterly progress reports did not contain accurate information on time extensions, project completion dates, and the amount of costs incurred. The reports also did not identify any problems or circumstances that could delay the project or result in noncompliance.

It is FEMA's responsibility to hold grantees accountable for proper grant administration. Therefore, FEMA should ensure that GOHSEP takes steps to improve its grant management procedures. Federal regulations establish uniform administrative rules for grants and procedures for public assistance project administration. These rules and procedures require that grantees and subgrantees have fiscal controls, accounting procedures, and project administration procedures that provide FEMA assurance that: (1) grant and subgrant financial



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and project status reports are accurately reported; (2) expenditures can be traced to a level that ensures that funds have not been used in violation of applicable statutes; and (3) grantees and subgrantees adhere to the specific provisions of applicable Federal regulations when administering public assistance grants.

**RECOMMENDATIONS**

We recommend that the Acting Regional Administrator, FEMA Region VI:

**Recommendation #1:** Disallow unsupported costs totaling \$579,348 unless the Parish can provide adequate documentation to support them (finding A). Also, see recommendation #3 below.

**Recommendation #2:** Disallow ineligible costs totaling \$333,294 unless FEMA determines the work is a direct result of Hurricane Ike (finding B).

**Recommendation #3:** Deobligate \$42,975 in unused Federal funds and put those funds to better use (finding D). If the Parish does not claim the costs recommended for disallowance in recommendation #1 above, FEMA should deobligate them and put them to better use.

**Recommendation #4:** Ensure that GOHSEP takes steps to improve its grant management procedures (findings C and E), to include procedures for—

- Informing subgrantees of their responsibility to comply with Federal requirements,
- Monitoring subgrantees' operations to ensure compliance with Federal requirements,
- Performing timely closeouts of completed large and small projects and
- Submitting quarterly progress reports that comply with FEMA's Public Assistance Guide for all uncompleted large projects.

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

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 officials on August 6, 2012, and with GOHSEP and Parish officials on October 1, 2012. FEMA generally agreed with our findings and recommendations. GOHSEP and Parish officials generally declined to make comments 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





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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. We will post the report on our website for public dissemination. Significant contributors to this report were Tonda Hadley, Judy Martinez, and Ronald Jackson.

Should you have questions please call me at (202) 254-4100 or your staff may contact Tonda Hadley, Director, Central Regional Office, at (214) 436-5200.



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**EXHIBIT A**

**Schedule of Projects Audited**  
**September 11, 2008 to May 3, 2012**  
**St. John the Baptist Parish, Louisiana**  
**FEMA Disaster Number 1792-DR-LA**

<b>Project Number</b>	<b>Award Amount</b>	<b>Category Of Work</b>	<b>Finding A (Unsupported)</b>	<b>Finding B (Ineligible)</b>	<b>Total Questioned Costs</b>	<b>Finding D (Unused Funds)</b>
1222	\$5,011,636	A	\$ 98,267	\$ 0	\$ 98,267	\$42,975
1217	352,453	A	352,453	0	352,453	0
1635	177,184	A	0	177,184	177,184	0
1132	128,520	B	128,520	0	128,520	0
1634	48,566	A	0	48,566	48,566	0
1576	45,951	A	0	45,951	45,951	0
1636	44,396	A	0	44,396	44,396	0
1271	36,983	B	0	0	0	0
1219	17,197	A	0	17,197	17,197	0
1224	<u>5,505</u>	<u>A</u>	<u>108</u>	<u>0</u>	<u>108</u>	<u>0</u>
<b>Totals</b>	<b><u>\$5,868,391</u></b>		<b><u>\$579,348</u></b>	<b><u>\$333,294</u></b>	<b><u>\$912,642</u></b>	<b><u>\$42,975</u></b>



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**EXHIBIT B**

**Distribution List**  
**St. John the Baptist Parish, Louisiana**  
**FEMA Disaster Number 1792-DR-LA**

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Secretary  
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Chief Counsel  
Director, Risk Management and Compliance  
Interim Director, FEMA Louisiana Recovery Office  
Audit Liaison, FEMA Louisiana Recovery Office  
Audit Liaison, FEMA Region VI  
Audit Liaison, FEMA (Job Code G-12-013)

**Grantee**

Director, Louisiana Governor's Office of Homeland Security and Emergency Preparedness  
Audit Liaison, Louisiana Governor's Office of Homeland Security and Emergency Preparedness

**State**

Louisiana Legislative Auditor

**Subgrantee**

President, St. John the Baptist Parish, Louisiana

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