

# Spotlight

Department of Homeland Security



## Office of Inspector General

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### Why This Matters

The Martinsville Community Unit School District #C-3, Martinsville, Illinois (Martinsville) received an award of \$13.5 million from the Illinois Emergency Management Agency, a Federal Emergency Management Agency (FEMA) grantee, for damages caused by severe storms and flooding that occurred June 1, to July 22, 2008. FEMA provides such assistance to state, Tribal, and local governments, and certain types of private nonprofit organizations so that communities can quickly respond to and recover from major disasters or emergencies declared by the President.

### DHS Response

FEMA officials generally agreed with three findings and disagreed with two other findings. FEMA's written response is due within 90 days.

## FEMA Improperly Applied the 50 Percent Rule in Its Decision to Pay for the Replacement of the Martinsville High School

### What We Determined

Martinsville accounted for grant funds on a project-by-project basis as required by Federal regulations. However, FEMA Region V officials did not correctly apply the 50 Percent Rule when deciding to replace, rather than repair, Martinsville High School. Martinsville also did not follow Federal procurement standards when contracting with the high school's architectural and engineering firm and did not obtain the required type of insurance coverage for the new school. As a result, we question \$9,272,138 as ineligible. In addition, FEMA should deobligate \$2,244,614 of unused Federal funds and put them to better use.

### What We Recommend

We recommend that the Regional Administrator, FEMA Region V: (1) disallow \$1,136,581 of ineligible funds claimed for actual costs in excess of estimated repair costs; (2) establish interim policies and procedures to ensure 50 Percent Rule decisions are supported and independently reviewed by qualified professionals; (3) disallow \$805,630 of improperly procured contract costs as ineligible, unless FEMA grants an exemption for all or part of the costs as provide for in 44 CFR 13.6(c) and Section 705(c) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended; (4) disallow \$7,329,927 as the net ineligible, uninsured portion of Martinsville's new school unless Martinsville either obtains flood insurance to cover the full amount of eligible disaster assistance provided for the new school or obtains an exemption for the requirement; (5) deobligate \$2,244,614 of unused funds and put those funds to better use; and (6) require the Illinois Emergency Management Agency to develop and implement procedures to provide reasonable assurance that subgrantees comply with Federal regulations.

### For Further Information:

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