

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

East St. Tammany Events Center Generally Followed Regulations for Spending FEMA Public Assistance Funds





OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

September 19, 2014

MEMORANDUM FOR: George A. Robinson
Regional Administrator, Region VI
Federal Emergency Management Agency



FROM: John V. Kelly
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *East St. Tammany Events Center Generally Followed
Regulations for Spending FEMA Public Assistance Funds*
FEMA Disaster Number 1603-DR-LA
Audit Report Number OIG-14-149-D

We audited Public Assistance grant funds awarded to the East St. Tammany Events Center (Center) in Slidell, Louisiana, (Public Assistance Identification Number 103-USUFP-00). Our audit objective was to determine whether the Center 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 (Louisiana), a FEMA grantee, awarded the Center \$3.7 million (\$2.8 million after insurance reductions) for damages resulting from Hurricane Katrina, which occurred on August 29, 2005. The award provided 100 percent funding for four large and nine small projects.¹ The audit covered the period August 29, 2005, through July 31, 2014, the cutoff date of our audit, and included a review of all projects, or 100 percent of the total award (see Exhibit, Schedule of Projects Audited). As of our cutoff date, the Center had claimed \$2.7 million and had completed all projects.

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



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Table 1 shows the gross and net award amounts before and after reductions for insurance proceeds for all projects.

Table 1. Gross and Net Award Amounts

	Gross Award Amount	Insurance Reductions	Net Award Amount
All Projects	\$3,706,095	(\$944,946)	\$2,761,149

Source: FEMA Project Worksheets.

We conducted this performance audit between March 2014 and August 2014 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 by applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We interviewed FEMA, Louisiana, and Center officials; gained an understanding of the Center’s method of accounting for disaster-related costs; reviewed its procurement policies and procedures; reviewed judgmentally selected (generally based on dollar value) project costs and procurement transactions for the projects included in our audit scope; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our objective. As part of our standard auditing procedures, we also notified the Recovery Accountability and Transparency Board of all contracts the Center awarded under the grant to determine whether their contractors were debarred or whether there were any indications of other issues related to those contractors that would indicate fraud, waste, or abuse. As of the date of this report, the Recovery Accountability and Transparency Board’s analysis of contracts was ongoing. When it is complete, we will review the results and determine whether additional action is necessary. We did not perform a detailed assessment of the Center’s internal controls over its grant activities because it was not necessary to accomplish our audit objective.



BACKGROUND

The East St. Tammany Events Center is a multipurpose convention and events facility located between New Orleans and the Mississippi Gulf Coast in Slidell, Louisiana. It provides space and support services for business, recreational, and cultural events. Its 45,000 square-foot facility and support staff can accommodate functions ranging from 25 to 2,500 people. The Louisiana Legislature created the East St. Tammany Events Center as a political subdivision of the state in 1986. In 2006, the Louisiana Legislature passed a bill to change the Center's official name to the Northshore Harbor Center.



Source: Northshore Harbor Center Management

The Center is located near Lake Pontchartrain. Hurricane Katrina caused wind and flood damage to its facilities.

RESULTS OF AUDIT

The East St. Tammany Events Center accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines. For example, Center officials accounted for disaster costs on a project-by-project basis as required by Federal regulation and procured contracts using full and open competition. Project costs were also eligible and supported. However, we did identify \$111,335 of unneeded project funds that FEMA can deobligate and put to better use.

Accounting For Project Costs

Center officials accounted for disaster costs on a project-by-project basis as Federal regulations require.² We also reviewed supporting documentation for the Center's claimed costs. We did not identify any material deficiencies. However, for Project 13843, the Center completed the approved scope of work for \$111,335 less than the

² 44 Code of Federal Regulations (CFR) 206.205(b) requires subgrantees to account for large project expenditures on a project-by-project basis, and only claim costs incurred for eligible work.



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obligated amount. The Center has submitted all cost claims to Louisiana. Therefore, we recommend that FEMA deobligate \$111,335 of unneeded funds and put them to better use.

Procuring Repair Contracts

Center officials properly procured contracts through full and open competition. For the contracts that we reviewed, officials followed all requirements for awarding the contracts, maintained auditable contract records, and included all applicable contract provisions. To obtain an understanding of the Center's procurement practices, we interviewed Center officials and reviewed procurement and contracting documentation related to their claimed costs. We did not identify any material deficiencies.

RECOMMENDATION

We recommend that the Regional Administrator, FEMA Region VI, deobligate and put to better use \$111,335 of unneeded Federal funding for Project 13843.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with the Center officials during our audit and included their comments in this report, as appropriate. We also provided a draft report in advance to FEMA, Louisiana, and Center officials and discussed it at exit conferences with Louisiana officials on August 19, 2014, and with FEMA officials on August 22, 2014. Center officials chose not to have an exit conference. FEMA Louisiana Recovery Office, Louisiana, and Center officials 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 the recommendation. Also, please include the contact information of responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until we receive and evaluate your response, we will consider the recommendation open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we will provide 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.



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Major contributors to this report are Christopher Dodd, Acting Director; Paige Hamrick, Audit Manager; John Polledo, Auditor-in-Charge; and D'Angela Dummons, Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact Christopher Dodd, Acting Director, Central Regional Office, at (214) 436-5200.



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Exhibit

Schedule of Projects Audited

Project Number	Project Category ³	Gross Award Amount	Insurance Reductions	Net Award Amount	Funds Put to Better Use
13843	E	\$2,443,442	\$ (12,601)	\$2,430,841	\$111,335
477	E	123,679	0	123,679	
519	B	101,091	0	101,091	
552	E	<u>932,345</u>	<u>(932,345)</u>	<u>0</u>	<u>0</u>
Total Large Projects		\$3,600,557	\$(944,946)	\$2,655,611	\$111,335
Total Small Projects (9)		<u>105,538</u>	<u>0</u>	<u>105,538</u>	<u>0</u>
Totals		<u>\$3,706,095</u>	<u>\$(944,946)</u>	<u>\$2,761,149</u>	<u>\$111,335</u>

Source: FEMA Project Worksheets and Office of Inspector General (OIG) analysis.

³ FEMA classifies disaster-related work by type: debris removal (Category A), emergency protective measures (Category B), and permanent work (Categories C through G).



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