



Why This Matters

Columbus Regional Hospital received an award of \$94.4 million from the Indiana Department of Homeland Security (IDHS), a Federal Emergency Management Agency (FEMA) grantee, for damages caused by severe storms and flooding that occurred May 30, through June 27, 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. We perform audits of FEMA grantees and subgrantees, focusing on grants with potential for problems and areas that are of interest to Congress and FEMA.

DHS Response

FEMA officials generally agreed with our findings but withheld comment until they receive the final report. FEMA's written response is due within 90 days.

FEMA Should Recover \$10.9 Million of Improper Contracting Costs from Grant Funds Awarded to Columbus Regional Hospital, Columbus, Indiana

What We Determined

Columbus Regional Hospital did not follow Federal procurement standards in awarding \$64.8 million for 9 contracts. Two of the nine contracts were non-competitive contracts for non-exigent work, another two were prohibited cost-plus-percentage-of-cost contracts for exigent work, and all nine contracts involved violations of other Federal procurement standards. As a result, open and free competition did not occur, and FEMA has no assurance that costs were reasonable. Therefore, we question \$10.9 million, consisting of \$8.7 million for the two non-competitive contracts for non-exigent work and \$2.2 million for prohibited markups on the two cost-plus contracts for exigent work. We did not question all of the costs for the nine contracts because contractors performed the majority of the work under exigent circumstances to restore the Hospital to its full operating capability.

What We Recommend

We recommend that the Regional Administrator, FEMA Region V:

- 1) Disallow \$10,931,981 (\$8,242,875 Federal share) as ineligible contract costs, unless FEMA grants an exemption for all or part of the costs as provided for in 2 CFR 215.4 and section 705(c) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended (finding A).
- 2) Direct the Indiana Department of Homeland Security to instruct the Hospital to comply with Federal procurement regulations in future disasters by—
 - not using prohibited cost-plus-percentage-of-cost contracts;
 - performing all procurements using open and free competition to the maximum extent practicable;
 - including required provisions in its contracts;
 - making positive efforts to utilize small businesses, minority-owned firms and women's business enterprises, whenever possible;
 - performing a cost or price analysis on all procurements; and
 - documenting the project requirements in their solicitations (finding B).

For Further Information:

Contact our Office of Public Affairs at (202)254-4100, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov