



Why This Matters

The City of Cedar Rapids (City) received an award of \$330 million from the Iowa Homeland Security and Emergency Management Division, a Federal Emergency Management Agency (FEMA) grantee, for damages caused by severe flooding that occurred May 25, to August 13, 2008. Our audit objective was to determine whether FEMA (1) correctly applied the "50 Percent Rule" when deciding to replace, rather than repair, City facilities and (2) properly approved facility locations. FEMA provides such assistance to state and local governments so that communities can quickly respond to, and recover from, major disasters or emergencies declared by the President.

DHS Response

FEMA officials did not agree with one replacement finding, but generally agreed with all other findings and with all our recommendations.

FEMA's Incorrect Decisions to Replace Rather than Repair Facilities in Cedar Rapids, Iowa, Cost Taxpayers Over \$12 Million

What We Determined

FEMA officials did not correctly apply the 50 Percent Rule when deciding to replace, rather than repair, four facilities. Replacing the four facilities cost \$20,674,433, while repairing them would have cost \$8,570,454. Normally, we would have questioned the \$12,103,979 difference. However, because FEMA Region VII made the improper decisions related to replacing facilities, and we found no evidence that the City provided false or misleading information to FEMA, we are not questioning these costs. In addition, after our audit of the University of Iowa, FEMA Region VII implemented several corrective actions to prevent future improper replacement decisions. We are working with officials in FEMA Headquarters to assist them in improving and clarifying national policies for replacement decisions. In addition, FEMA included \$278,822 of ineligible and excessive elevation costs in one properly approved replacement decision. We recommended that FEMA review and revise 50 Percent Rule policies and procedures and disallow \$278,822 of ineligible elevation costs.

What We Recommend

We recommend that the Regional Administrator, FEMA Region VII:

- 1) Review and revise 50 Percent Rule policies and procedures regarding the inclusion of Category B (Emergency Protective Measures) costs in the repair cost estimate (finding A) and provide guidance, when appropriate, on identifying and using the most cost effective elevation methodology in the 50 Percent Rule calculation and final replacement cost (findings A and B).
- 2) Disallow \$278,822 (\$250,940 Federal share) of ineligible facility elevation costs from the Animal Control Facility – Main Building (Project 522) (finding B).

For further information:

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