



Why This Matters

The University of New Orleans Research and Technology Foundation (Foundation) received an award of \$11.2 million from the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (Louisiana), a Federal Emergency Management Agency (FEMA) grantee, for damages caused by Hurricane Katrina that occurred on August 29, 2005. FEMA provides such assistance to certain types of private nonprofit organizations (and others) so that communities can quickly respond to and recover from major disasters or emergencies. 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 Disallow \$9.6 Million of Disaster-Related Costs Incurred by the University of New Orleans Research and Technology Foundation

What We Determined

The Foundation did not account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines. The Foundation did not follow Federal procurement standards in awarding \$7,875,262 for four noncompetitive contracts and incurred \$1,752,117 in costs for markups billed on a prohibited costs-plus-percentage-of-costs basis. The Foundation also did not properly reconcile Federal funds in a timely manner. FEMA authorized \$12 million (gross) for 12 projects, but the Foundation has spent over \$19 million without requesting authorization for the cost overruns. Almost 9 years after the disaster, the Foundation has claimed only \$5.3 million although it completed most work several years ago. These reconciliation problems make it impossible for FEMA to determine the precise status of Federal appropriations. These findings occurred, in part, because Louisiana, as the grantee, should have managed this grant better. It is the grantee's responsibility to ensure that its subgrantees are aware of and comply with Federal requirements.

What We Recommend

We recommend that the Regional Administrator FEMA Region VI disallow \$7,875,262 as ineligible for four noncompetitive contracts for non-exigent work and disallow \$1,752,117 in prohibited markup as ineligible unless FEMA grants an exception for all or part of the costs as provided for in 2 CFR 215.4. We also recommend that FEMA and Louisiana instruct the Foundation to complete the reconciliation of all projects and submit actual costs to Louisiana, FEMA provide documentation that Louisiana is working with the Foundation to strengthen its accounting procedures to ensure compliance with Federal regulations for future disasters, and for FEMA to direct Louisiana to finalize and close out the Foundation's completed projects within 12 months of our report.

For Further Information:

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