Spotlight
Department of Homeland Security
Office of Inspector General
April 2014 OIG-14-63-D

FEMA Should Recover $1.7 Million of Public Assistance Grant Funds Awarded to the City of Waveland Mississippi-Hurricane Katrina

Why This Matters

The Federal Emergency Management Agency (FEMA) provides public 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. The City of Waveland, Mississippi (City) received a Public Assistance grant award of $130.2 million from the Mississippi Emergency Management Agency (State), a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005.

DHS Response

FEMA's written response is due within 90 days.

What We Determined

FEMA should recover $1.7 million of the $5.2 million grant funds it awarded to the City for installing a temporary sewer collection system. The City accounted for FEMA projects on a project-by-project basis as Federal regulations and FEMA guidelines require. However, the City (1) included in its claim $1,419,000 that the contractor improperly billed the City for costs that did not comply with contract terms; (2) did not comply with Federal procurement requirements when awarding contracts totaling $248,586 for permanent sewer repair work; and (3) did not remit $21,440 of interest earned on FEMA advances.

What We Recommend

We recommend that Regional Administrator, FEMA Region IV:

1. Disallow $1,419,000 of contract costs the City claimed that the contractor did not bill according to the contract terms unless the City provides additional evidence to show the costs are eligible.
2. Direct the City to comply with contract monitoring requirements under the FEMA award.
3. Disallow $248,586 of ineligible costs the City claimed for contracts that it did not procure in accordance with Federal requirements, unless FEMA decides to grant an exception for all or part of the costs.
4. Direct the State to advise its subgrantees of their responsibility to comply with Federal procurement regulations and FEMA guidelines when acquiring goods and services with FEMA funds.
5. Direct the City to remit $21,440 of interest earned on FEMA advanced funds.
6. Direct the State to advise its subgrantees of their responsibility to remit any interest earned on FEMA advanced funds at least quarterly or reduce its requests to the State for reimbursement of project expenditures by any interest earned amount.
7. Remind the State that it is the grantee's responsibility to adequately review costs subgrantees claim for adherence to Federal regulations and FEMA guidelines.

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