

**Audit of FEMA Grant
Funds Awarded to the
Roman Catholic Diocese of
Brooklyn, New York**





DHS OIG HIGHLIGHTS

Audit of FEMA Grant Funds Awarded to the Roman Catholic Diocese of Brooklyn, New York

**September 29,
2017**

Why We Did This Audit

The Roman Catholic Diocese of Brooklyn (Diocese) received an \$18.3 million award from the New York State Division of Homeland Security and Emergency Services (New York), a Federal Emergency Management Agency (FEMA) grantee, for damages from Hurricane Sandy that occurred in October 2012.

What We Recommend

FEMA should disallow \$897,955 and direct New York to work with the Diocese to assist it in properly supporting all claimed or planned claimed costs.

For Further Information:

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

What We Found

The Diocese generally accounted for FEMA funds on a project-by-project basis as required by Federal regulations and FEMA guidelines. However, it did not follow Federal procurement standards in awarding two contracts totaling \$897,955. The Diocese and its parishes did not provide supporting documentation for procurements or their local procurement processes.

This occurred primarily because the Diocese was not familiar with certain Federal regulations and FEMA guidelines. As FEMA's grantee, New York should have done more to ensure the Diocese was aware of and complied with Federal procurement standards and documentation requirements. FEMA should emphasize New York's role in proper grant administration.

FEMA Response

FEMA officials agreed with our findings and recommendations. Appendix C includes FEMA's written response in its entirety.



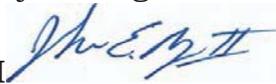
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Department of Homeland Security

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

September 29, 2017

MEMORANDUM FOR: John Rabin
Acting Regional Administrator, Region II
Federal Emergency Management Agency

FROM: John E. McCoy II 
Acting Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *Audit of FEMA Grant Funds Awarded to the Roman
Catholic Diocese of Brooklyn, New York*
Audit Report Number OIG-17-117-D

We audited Public Assistance Program grant funds awarded to the Roman Catholic Diocese of Brooklyn, New York (Diocese). The New York State Division of Homeland Security and Emergency Services (New York), a Federal Emergency Management Agency (FEMA) grantee, awarded the Diocese \$18.3 million for damages resulting from Hurricane Sandy, which occurred in October 2012. The award provided 90 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to buildings and other facilities. We audited four projects totaling about \$8.4 million or about 46 percent of the total award (see appendix B, table 1). At the time of our audit, the Diocese had completed work related to emergency protective measures.

Background

The Roman Catholic Diocese of Brooklyn is a private nonprofit organization located in Kings County, New York. In October 2012, Hurricane Sandy's high winds, torrential rainfall, and localized flooding caused severe damages to different facilities within the Diocese including community centers and schools.

Results of Audit

The Diocese generally accounted for FEMA funds on a project-by-project basis as required by Federal regulations and FEMA guidelines. However, the Diocese did not follow Federal procurement standards in awarding two contracts totaling \$897,955. Therefore, we question the \$897,955 as ineligible. The



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Diocese did not provide documentation proving that its decentralized facilities followed its policies for procurements. As a result, there is no evidence of open and free competition, and FEMA has no assurance that small and minority businesses and women's business enterprises had sufficient opportunities to bid on federally funded work. FEMA also has no assurance that costs were reasonable.

Diocese officials believed the diocesan procurement policy permitted them to waive normal bidding requirements because of the exigent nature. This occurred primarily because the Diocese was not familiar with certain Federal regulations and FEMA guidelines. As FEMA's grantee, New York should have done more to ensure the Diocese was aware of and complied with Federal procurement standards and documentation requirements. FEMA should emphasize New York's role in proper grant administration to ensure that its subgrantee, the Diocese, is aware of and complies with all Federal grant requirements.

Finding A: Grant Management

New York should have done more as FEMA's grantee to ensure the Diocese was aware of and complied with Federal procurement standards and documentation requirements. In its FEMA-State Agreement, New York agreed to "comply with the requirements of laws and regulations found in the Stafford Act and 44 CFR." Further, 44 Code of Federal Regulation (CFR) 13.37(a)(2) and 13.40(a) require grantees to (1) ensure that subgrantees are aware of Federal regulations, (2) manage the operations of subgrant activity, and (3) monitor subgrant activity to ensure compliance. It was New York's responsibility to ensure the Diocese complied with applicable Federal regulations and FEMA guidelines. It is FEMA's responsibility to hold New York accountable for proper grant administration.

Finding B: Improper Procurement

The Diocese did not provide evidence that it followed all Federal procurement standards in awarding \$897,955 in disaster-related contract costs. These costs include \$883,055 for building security and \$14,900 for permanent repairs. Diocese officials disclosed they entered into an \$883,055 contract for building security under what they believed to be exigent circumstances. According to New York Fire Code when a facility's required fire protection system was out of service, the applicant was required to utilize guards to protect the facility, because it was exposed to safety and security risks. The guards protected properties from looting and provided a fire watch detail to facilities while alarm systems were not functioning.



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Additionally, the Diocese was unable to provide any evidence to support the procurement of permanent repairs at Saint Francis De Sales School totaling \$14,900 damaged by Hurricane Sandy. Sustained high winds, floodwaters, and storm surge compromised exterior doors and windows producing damage to the interior ceiling, walls, and flooring of the facility. These high winds also removed parts of aluminum rooftop, edge capping, aluminum gutters, and downspouts. The building's close proximity to the Atlantic Ocean, Jamaica Bay, and low elevation (six feet above sea level) made it vulnerable to floodwaters and storm surge.

Federal regulations at 2 CFR 215, in part, require that subgrantees —

1. conduct all procurement transactions in a manner to provide, to the maximum extent practical, open and free competition. (2 CFR 215.43);
2. include in procurement records and files for purchases in excess of the small purchase threshold the following at a minimum: (a) Basis for contractor selection; (b) Justification for lack of competition when competitive bids or offers are not obtained; and (c) Basis for award cost or price. (2 CFR 215.46);
3. include, in addition to provisions to define a sound and complete agreement, required provisions in all contracts. (2 CFR 215.48); and
4. use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the solicitation and utilization of small businesses, minority-owned firms, and women's business enterprises. (2 CFR 215.44(b)(5)).

Open and Free Competition

The Diocese awarded contract work totaling \$883,055 under Project 2596 for emergency protective measures for security guards and \$14,900 under Project 4461 for permanent repairs to numerous facilities at Saint Francis De Sales School. The Diocese was not able to provide evidence that it took the required actions to promote open and free competition.

Open and free competition usually increases the number of bids received and increases the opportunity for obtaining reasonable pricing from the most qualified contractors.

Procurement Records

The Diocese did not provide evidence that it solicited bids or performed cost comparisons for approximately \$897,055 in contracts it awarded for security



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services and permanent repairs. In addition, the Diocese did not provide evidence of meeting socioeconomic goals as required by Federal procurement regulations. The Diocese attributed the lack of documentation to its decentralized organizational structure that hindered its efforts to procure the source documentation from local parishes, schools and other facilities to support its procurement activities. The Diocese was not able to provide evidence that it based the awards on a cost or price analysis to decrease the risk of unreasonable contract costs and misinterpretations or errors in pricing relative to scopes of work. Officials told us that, because they believed the Diocese was operating under exigent circumstances, it was problematic to use competitive methods of procurement.

Contract Provisions

The Diocese provided no evidence that the contracts it awarded contained the federally required provisions including those for remedies and termination, non-discrimination, compliance with labor laws, and prohibitions of “kickbacks.” These provisions describe the rights and responsibilities of the parties and minimize the risk of misinterpretations and disputes.

Disadvantaged Businesses

In addition, the Diocese did not provide evidence that it took the required steps to include qualified small and minority businesses and women’s business enterprises on solicitation lists or that it used the services and assistance of agencies such as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce to solicit and use these firms. As a result, FEMA has no assurance that small and minority firms, women’s business enterprises, and labor surplus area firms received sufficient opportunities to bid on federally funded work.

Therefore, because the Diocese did not provide evidence that it adhered to Federal procurement standards, FEMA has no assurance that costs were reasonable and all potential contractors received an opportunity to bid, including small businesses, minority-owned firms, and women’s business enterprises. We question \$897,955 in ineligible costs as follows:

- \$883,055 under Project 2596 beyond the exigency period for emergency protective measures for security guards.
- \$14,900 under Project 4461 for permanent repairs to numerous properties at St. Francis De Sales School.



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Recommendations

We recommend the Regional Administrator, FEMA Region II:

Recommendation #1: Direct New York to provide additional technical assistance to the Diocese and verify that the Diocese complies with Federal procurement standards and documentation requirements (finding A).

Recommendation #2: Disallow as ineligible \$897,955 (Federal share \$808,159) for contracts that did not comply with Federal procurement standards unless FEMA decides to grant an exception for all or part of the costs as 2 CFR 215.4 allows and determines that the costs are reasonable (finding B).



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Discussion with Management and Audit Follow-up

We discussed the results of our audit with the Diocese, New York, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at an exit conference on August 14, 2017. FEMA officials agreed with our findings.

The Office of Emergency Management Oversight major contributors to this report are William H. Johnson, Director; Carlos Aviles, Audit Manager; John Jadick, Auditor-in-Charge; Richard Kotecki, Auditor; Katherine McPherson, Auditor; Omar Russell, Auditor; and Nathaniel Nicholson, Independent Referencer.

Please call me with questions at (202) 254-4100, or your staff may contact Paul Wood, Acting Deputy Assistant Inspector General, or William H. Johnson, Director, Eastern Regional Office - North at (404) 832-6703.



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Appendix A

Objective, Scope, and Methodology

We audited Public Assistance grant funds awarded to the Diocese (FIPS Code 047-UGYD-00). Our audit objective was to determine whether the Diocese accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster 4085-DR-NY. The Diocese received a Public Assistance gross award of \$18.3 million from New York, a FEMA grantee, for damages resulting from Hurricane Sandy. The award provided 90 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to buildings and equipment. The award consisted of 29 large projects and 25 small projects.¹ Table 3 provides a summary of potential monetary benefits identified during this audit.

We audited the four largest projects totaling \$8,364,515 or about 46 percent of the total award (see appendix B, table 1). The audit covered the period September 16, 2015 to February 1, 2017, the cutoff date of our audit.

To accomplish our objective, we interviewed Diocese, New York, and FEMA officials; gained an understanding of the Diocese's method of accounting for disaster-related costs and its procurement policies and procedures; judgmentally selected (generally based on dollar value) and reviewed project costs and procurement transactions for the projects in our audit scope; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of the Diocese's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between September 2015 and February 2017 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

¹ Federal regulations in effect at the time of Hurricane Sandy set the large project threshold at \$67,500.



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Appendix B
Potential Monetary Benefits

Table 1: Projects Audited and Costs Questioned

Project Number	FEMA Category of Work*	Awarded Amount	Claim Amount	Total Costs Questioned
Projects Audited				
2596	B	\$918,539	\$918,539	\$883,055
4461	E	573,756	573,756	14,900
4680	E	1,586,095	0	0
4686	E	5,286,125	0	0
Totals		\$8,364,515	\$1,492,295	\$897,955

Source: Office of Inspector General (OIG) analyses of Diocese and FEMA documentation

*FEMA identifies type of work by category: A for debris removal, B for emergency protective measures, and C – G for permanent work.

Table 2: Project Questioned Cost Breakdown

Project Number	Contractor Work	FEMA Work Category	Amounts	Total Questioned
Projects Audited				
2596	Security	B	\$918,539	\$883,055
4461	Construction	E	573,756	14,900
Totals			\$1,492,295	\$897,955

Source: OIG analyses of report findings

Table 3: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefit	Total	Federal Share
Questioned Costs – Ineligible	\$897,955	\$808,159
Totals	\$897,955	\$808,159

Source: OIG analysis of findings in this report



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Appendix C
FEMA Region II Audit Response

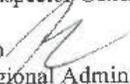
U.S. Department of Homeland Security
Region II
One World Trade Center
52nd Floor
New York, New York 10007



FEMA

August 28, 2017

MEMORANDUM FOR: John E. McCoy II
Acting Assistant Inspector General
Office of Emergency Management Oversight
Office of Inspector General

FROM: John Rabin 
Acting Regional Administrator, Region II
Federal Emergency Management Agency

SUBJECT: Management's Response to OIG Draft Report: "Audit of FEMA
Grants Awarded to the Roman Catholic Diocese of Brooklyn,
New York" (Project No. G-15-043-EMO-FEMA)

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security's (DHS) Federal Emergency Management Agency (FEMA) appreciates the Office of Inspector General's (OIG) review and report.

FEMA concurs with the two recommendations contained in the report. Please see the attached, detailed responses to each recommendation.

Again, FEMA thanks you for the opportunity to review and comment on this OIG draft report. Please direct any questions regarding this response to Anastasia Holmes, FEMA Region II Recovery Division Appeals and Audits Analyst, at Anastasia.holmes@fema.dhs.gov or 202-384-2925.



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Appendix C (continued)

**Attachment: Management Response to Recommendations
Contained in G-15-043-EMO-FEMA**

Recommendation 1: Disallow as ineligible \$897,955 (Federal share \$808,159) for contracts that did not comply with Federal procurement standards unless FEMA decides to grant an exception for all or part of the costs as 2 CFR 215.4 allows and determines that the costs are reasonable (finding A).

Response: Concur. FEMA will review the costs resulting from the contract that did not comply with Federal procurement standards and will deobligate any costs found to be ineligible.

Estimated Completion Date (ECD): July 31, 2018.

Recommendation 2: Direct New York to provide additional technical assistance to the Diocese and verify that the Diocese complies with Federal procurement standards and documentation requirements (finding B).

Response: Concur. FEMA will direct the Grantee in writing to provide technical assistance to the Diocese and to ensure compliance with all Federal grant requirements.

ECD: December 31, 2017.



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Appendix D
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