

# **Jefferson Parish, Louisiana, Generally Accounted For and Expended FEMA Grant Funds Properly**





# DHS OIG HIGHLIGHTS

## *Jefferson Parish, Louisiana, Generally Accounted For and Expended FEMA Grant Funds Properly*

**August 20, 2015**

### **Why We Did This**

Jefferson Parish, Louisiana, (Parish) received an award of \$18.1 million from the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (Louisiana), a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from Hurricane Isaac, which occurred in August 2012.

Our audit objective was to determine whether the Parish accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines.

### **What We Recommend**

FEMA should disallow \$129,480 of ineligible costs.

#### **For Further Information:**

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

### **What We Found**

The Parish generally accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines. However, we identified \$129,480 of ineligible costs:

- \$109,773 of duplicate benefits for costs recoverable from insurance;
- \$16,177 of ineligible force account Labor; and
- \$3,530 of ineligible costs for an uncompleted small project.

The \$129,480 represents less than 1 percent of the Parish's \$18.1 million award. When we brought these minor findings to FEMA's and Louisiana's attention, they quickly took corrective actions to implement our recommendations.

### **FEMA Response**

FEMA officials agreed with our findings and have corrected the deficiencies we identified in this report; therefore, we consider the recommendations resolved and closed and this audit closed.



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Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

August 20, 2015

MEMORANDUM FOR: George A. Robinson  
Regional Administrator, Region VI  
Federal Emergency Management Agency

FROM: John V. Kelly  
Assistant Inspector General  
Office of Emergency Management Oversight

SUBJECT: *Jefferson Parish, Louisiana, Generally Accounted  
For and Expended FEMA Grant Funds Properly*  
Audit Report Number OIG-15-127-D

We audited Public Assistance grant funds awarded to Jefferson Parish, Louisiana (Parish). The Louisiana Governor's Office of Homeland Security and Emergency Preparedness (Louisiana), a FEMA grantee, awarded the Parish \$18.1 million for damages resulting from Hurricane Isaac, which occurred in August 2012. The award provided 75 percent FEMA funding for repairs to buildings and facilities, emergency protective measures, demolition of damaged buildings, and the removal and disposal of debris. The award consisted of 16 large projects and 10 small projects. However, at the time of our audit, Louisiana had not submitted a final claim and FEMA has not closed the projects.

### **Background**

Hurricane Isaac's heavy rains and strong winds damaged the Parish's electrical grid causing 510 sewer lift stations to shut down. The Parish needed to act quickly to prevent sewage from backing up in over 1300 miles of pipe. The Parish used its own labor and equipment and rented vacuum trucks with pumps and generators to remove the sewage. Hurricane Isaac also caused extensive water damage to the walls, contents, and electrical components of several buildings. The Parish performed emergency protective measures to prevent further damage to the buildings. Additionally, the hurricane caused structural damage to residential properties located throughout the Parish.



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### Results of Audit

The Parish generally accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines. However, we identified \$129,480 of ineligible costs:

- \$109,773 of duplicate benefits for costs recoverable from insurance;
- \$16,177 of ineligible force account labor; and
- \$3,530 of ineligible costs for an uncompleted small project.

The \$129,480 represents less than 1 percent of the Parish's \$18.1 million award. When we brought these minor findings to FEMA's and Louisiana's attention, they quickly took corrective actions to implement our recommendations.

#### **Finding A: Duplicate Benefits**

The Parish claimed \$109,773 under Projects 1110 (\$47,363) and 1523 (\$62,410) for costs that insurance covered; these costs represent duplicate benefits and are, therefore, ineligible. According to the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, Section 312, *Duplication of Benefits*, no entity will receive assistance for any loss for which it has received financial assistance from any other program, insurance, or any other source. Further, Federal regulations at 44 CFR 206.250(c) require FEMA to deduct actual and anticipated insurance recoveries from otherwise eligible costs.

We reviewed the insurance proceeds the Parish received for damages and compared the amounts of proceeds to the amounts FEMA reduced from eligible project costs. We determined that FEMA did not reduce two projects by \$109,773 by allocating insurance proceeds to those projects. Therefore, the \$109,773 represents ineligible duplicate benefits. FEMA officials agreed with this finding and have taken corrective action; therefore, we consider this finding and the associated recommendation resolved and closed.

#### **Finding B: Ineligible Force Account Labor**

The Parish's claim included \$16,177 of ineligible force account labor costs for emergency work under Project 1436. Before our audit, Louisiana reviewed most of the Parish's labor claims and identified \$45,000 of ineligible labor. However, because Louisiana had not completed its review of labor costs, the ineligible labor costs Louisiana identified did not include the \$16,177.



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According to Federal cost principles at 2 CFR 225, Appendix A, section C.1.a., costs must be reasonable to be allowable; and section C.2., defines a reasonable cost as one that, in nature and amount, does not exceed that which a prudent person would incur under similar circumstances. FEMA's Recovery Policy RP9525.7, *Labor Costs - Emergency Work*, states that FEMA will reimburse up to 24 hours labor cost per person for each of the first 2 days, and up to 16 hours for each of the following days for emergency work. We believe claiming more labor hours than this FEMA policy allows would be unreasonable.

We identified 128 employees who claimed hours exceeding FEMA's 16-hour policy after the first two 24-hour periods, which resulted in unreasonable costs totaling \$16,177. After we discussed this finding with Louisiana officials, they reviewed the supporting documentation and reduced the Parish's claim by \$16,177. Because Louisiana has reduced the project by \$16,177, we consider this finding and the related recommendation resolved and closed.

### **Finding C: Small Project Work Not Complete**

The Parish claimed \$13,012 for emergency work under one small project; however, \$3,530 of that amount is not eligible because the Parish did not complete all of the work. According to 44 CFR 206.205(a), failure to complete work under a small project may require a refund of the Federal payment.

The Parish received \$13,012 of FEMA funding under Project 1386 (small project) to demolish several privately owned buildings that Hurricane Isaac damaged. However, the Parish did not demolish one of the buildings. Parish officials said that they did not demolish it because the owner objected to the demolition. Both the Parish and Louisiana agreed with this finding and recommendation to return the \$3,530 attributable to the building the Parish did not demolish. Because FEMA has reduced the project by \$3,530, we consider this finding and the related recommendation resolved and closed.

### **Recommendations**

We recommend that the Regional Administrator, FEMA Region VI:

**Recommendation #1:** Disallow \$109,773 (\$82,330 Federal share) of duplicate benefits as ineligible because insurance covered these costs (finding A). FEMA has taken corrective actions sufficient to resolve and close this recommendation; therefore, no further action is necessary.



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**Recommendation #2:** Disallow \$16,177 (\$12,133 Federal share) in ineligible force account labor costs (finding B). Louisiana has taken corrective actions sufficient to resolve and close this recommendation; therefore, no further action is necessary.

**Recommendation #3:** Disallow \$3,530 (\$2,648 Federal share) of ineligible cost for work the Parish did not complete under Project 1386 (finding C). FEMA has taken corrective actions sufficient to resolve and close this recommendation; therefore, no further action is necessary.

### Discussion with Management and Audit Follow-up

We discussed the results of our audit with Parish, Louisiana, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at exit conferences with FEMA on May 15, 2015, and with Louisiana and the Parish on May 27, 2015. The Parish, Louisiana, and FEMA officials agreed with our findings and have corrected the deficiencies we identified in this report; therefore, we consider the recommendations resolved and closed and this audit closed. At the exit conference, FEMA officials said that they believed either FEMA or Louisiana would have identified and corrected the deficiencies we identified as part of the normal project closeout process.

The Office of Emergency Management Oversight major contributors to this report are Christopher Dodd, Director; Paige Hamrick, Director; Judy Martinez, Audit Manager; Ronald Jackson, Auditor-in-charge; and Dwight McClendon, Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact Christopher Dodd, Director, Central Regional Office - South, at (214) 436-5200.



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## Appendix A

### Objective, Scope, and Methodology

We audited FEMA Public Assistance grants funds awarded to Jefferson Parish (Public Assistance Number 051-99051-00). Our audit objective was to determine whether Jefferson Parish accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines. Louisiana awarded Jefferson Parish \$18.1 million for damages resulting from Hurricane Isaac (FEMA Disaster Number 4080-DR-LA) that occurred on August 29, 2012. The audit covered the period August 29, 2012, through August 18, 2014, the cutoff date of our audit. The award provided 75 percent funding for 16 large projects and 10 small projects.<sup>1</sup>

We initially audited 19 projects with awards totaling \$17.6 million (see appendix B, table 2). This included 13 large projects and 6 small projects. Table 1 shows the gross and net award amounts before and after reductions for insurance for all projects and for those in our audit scope. Because of our initial review of Parish’s insurance settlements, we expanded the scope of our audit to include a limited review of an additional large category E project (1523) totaling \$191,138.

**Table 1: Gross and Net Award Amounts**

	<b>Gross Award Amount</b>	<b>Insurance Reductions</b>	<b>Net Award Amount</b>
All 26 Projects	\$18,090,099	(\$619,786)	\$17,470,313
Audit Scope	\$17,810,311	(\$619,786)	\$17,190,525

Source: FEMA project worksheets and Office of Inspector General (OIG) analysis

We interviewed FEMA, Louisiana, and Parish officials; gained an understanding of the Parish’s method of accounting for disaster-related costs and its procurement policies and procedures; judgmentally selected and reviewed (generally based on dollar amounts) project costs and procurement transactions for the projects included in our review; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances to accomplish our audit objective.

<sup>1</sup> Federal regulations in effect at the time of Hurricane Isaac set the large project threshold at \$66,400.



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### Appendix A (continued)

As part of our standard audit procedures, we also notified the Recovery Accountability and Transparency Board of all contracts the Parish awarded under the projects within our audit scope to determine whether the contractors were debarred or whether there were any indications of other issues related to them that would indicate fraud, waste, or abuse. The Recovery Accountability and Transparency Board's analysis did not identify any issues related to the contractors. We did not perform a detailed assessment of the Parish internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between August 2014 and May 2015 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. To conduct this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.



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## Appendix B

### Potential Monetary Benefits

**Table 2: Schedule of Projects Audited and Questioned Costs**

Project Number	Category of Work <sup>2</sup>	Amount Awarded	Duplicate Benefit (Finding A)	Ineligible Labor (Finding B)	Incomplete Project (Finding C)	Total Questioned Cost
<b>Initial Project Scope</b>						
64	B	\$ 6,447,274	\$ 0	\$ 0	\$ 0	\$ 0
369	B	1,238,899	0	0	0	0
510	A	6,014,483	0	0	0	0
616	B	7,075	0	0	0	0
790	A	77,038	0	0	0	0
888	B	34,180	0	0	0	0
927	B	176,350	0	0	0	0
938	B	298,785	0	0	0	0
1087	A	129,858	0	0	0	0
1092	A	63,829	0	0	0	0
1110	B	170,817	47,363	0	0	47,363
1111	B	37,601	0	0	0	0
1226	B	263,489	0	0	0	0
1244	A	1,156,548	0	0	0	0
1258	B	159,372	0	0	0	0
1386	B	13,012	0	0	3,530	3,530
1436	B	506,174	0	16,177	0	16,177
1437	B	33,416	0	0	0	0
1438	B	<u>790,973</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Subtotal</b>		17,619,173	47,363	16,177	3,530	67,070
<b>Limited Scope Insurance Review</b>						
1523	E	191,138	62,410	0	0	62,410
<b>Totals</b>		<b>\$17,810,311</b>	<b>\$109,773</b>	<b>\$16,177</b>	<b>\$3,530</b>	<b>\$129,480</b>

Source: FEMA project worksheets and OIG analysis

<sup>2</sup> FEMA classifies disaster-related work by type: debris removal (Category A), emergency protective measures (Category B), and permanent work (Categories C through G).



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**Appendix B (continued)**

**Table 3: Summary of Potential Monetary Benefits**

<b>Type of Potential Monetary Benefit</b>	<b>Amounts</b>	<b>Federal Share</b>
Questioned Costs – Ineligible	\$ 129,480	\$ 97,111
Questioned Costs – Unsupported	0	0
Funds Put to Better Use	<u>0</u>	<u>0</u>
<b>Totals</b>	<b><u>\$129,480</u></b>	<b><u>\$97,111</u></b>

Source: OIG analysis of findings in this report



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## Appendix C

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