

**The City of Kenner, Louisiana,
Generally Accounted For and
Expended FEMA Grant Funds
Properly**





DHS OIG HIGHLIGHTS

The City of Kenner, Louisiana, Generally Accounted For and Expended FEMA Grant Funds Properly

August 21, 2015

Why We Did This

The City of Kenner, Louisiana (City), received a \$5.4 million Federal Emergency Management Agency (FEMA) Public Assistance grant award for August 2012 Hurricane Isaac damages. Our audit objective was to determine whether the City accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines.

What We Recommend

FEMA should disallow \$148,500 of ineligible costs that insurance covered and direct Louisiana to instruct the City to comply with all Federal procurement regulations in future disaster contracting.

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 City generally accounted for and expended FEMA Public Assistance grant funds according to Federal requirements. However, FEMA should recover \$148,500 of the \$5.4 million award because the City claimed project costs that insurance covered. In addition, the City awarded 12 contracts totaling \$3.1 million, without taking the required affirmative steps to ensure the use of small and minority firms, women's business enterprises, and labor-surplus area firms when possible. As a result, FEMA has little assurance that these types of firms had sufficient opportunities to bid on federally funded work.

Although the City did not take the specific steps that Federal procurement standards require, the City did award more than half of the \$3.1 million in contracts to these types of firms and otherwise properly procured its disaster-related contracts. Therefore, we did not question costs associated with this finding.

The contracting problem occurred because City officials did not know about this Federal requirement. Therefore, Louisiana, as the grantee, should have taken a more proactive role in educating City officials and monitoring their contracting activities.

FEMA Response

FEMA's written response is due within 90 days.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

August 21, 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: *The City of Kenner, Louisiana, Generally Accounted
For and Expended FEMA Grant Funds Properly*
Audit Report Number OIG-15-130-D

We audited Public Assistance grant funds awarded to the City of Kenner, Louisiana (City). The Louisiana Governor's Office of Homeland Security and Emergency Preparedness (Louisiana), a Federal Emergency Management Agency (FEMA) grantee, awarded the City \$5.4 million for damages resulting from Hurricane Isaac, which occurred in August 2012. The award provided 75 percent Federal funding for debris removal, emergency protective measures, repairs to buildings and facilities, and replacement of traffic signs. We audited 12 projects totaling \$5.4 million, or 100 percent of the total award (see appendix A). At the time of our audit, the City had completed most disaster-related work but had not submitted a final claim to Louisiana for any projects; therefore, FEMA had not closed any of the projects.

Background

The City is the largest incorporated area in Jefferson Parish, a suburban parish in the New Orleans Standard Metropolitan Statistical Area. The City includes the New Orleans International Airport. During the incident period, August 26, through September 10, 2012, Hurricane Isaac's high winds, heavy rain, and flooding damaged roads, which threatened public health and safety by limiting access to medical facilities, schools, food, fuel, and utilities. Citizens evacuated many sections of the City.



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Results of Audit

The City generally accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines. However, the City's claim included \$148,500 of project costs that insurance covered.¹ Federal regulations do not allow such duplicate benefits; therefore, FEMA should disallow \$148,500 as ineligible. In addition, the City awarded 12 contracts totaling \$3.1 million without taking required affirmative steps to ensure it used the services of small and minority firms, women's business enterprises, and labor-surplus area firms when possible. As a result, FEMA has little assurance that these types of firms had sufficient opportunities to bid on federally funded work.

Although the City did not take the specific affirmative steps that Federal procurement standards require, the City did award more than half of the \$3.1 million in contracts to these firms and otherwise properly procured its disaster-related contracts. Therefore, we did not question these costs. Because City officials were not aware of this requirement, Louisiana, as the grantee, should have taken a more proactive role in educating City officials and monitoring the City's contracting activities.

Finding A: Duplicate Benefits

Project 1546 included \$148,500 of project costs that insurance covered. According to Section 312(a) of the *Robert T. Stafford Disaster and Emergency Assistance Act*, as amended, no entity will receive assistance for any loss for which it has received financial assistance from any other program, from insurance, or from any other source. In addition, Federal regulations at 44 Code of Federal Regulations (CFR) 206.250(c) stipulate, "actual and anticipated insurance recoveries shall be deducted from otherwise eligible costs."

FEMA obligated \$2.2 million under Project 1546 for the City's Community Center. This amount included costs of \$148,500 for an electronic video display sign that experienced wind and water damage. The City received \$148,500 for these damages from its insurance carrier. However, at the time of audit, FEMA had not applied the insurance proceeds to reduce the project amount and had not conducted a final review of insurance proceeds. FEMA officials said that they would have identified these proceeds as part of their normal closeout procedures.

¹ While the City has not filed an official claim with Louisiana, City officials provided us with summaries of what they intend to claim.



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Finding B: Noncompliance with Federal Procurement Standards

The City did not follow all Federal procurement standards in awarding 12 disaster-related contracts totaling \$3,102,485. Although the City competitively awarded the contracts, it did not take affirmative steps to ensure the use of small and minority firms, women's business enterprises, and labor-surplus area firms when possible as 44 CFR 13.36(e)(1) requires. As a result, FEMA has little assurance that these types of firms had sufficient opportunities to bid on the work as Congress intended. The required affirmative steps should include using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.

Although the City did not take the specific steps that Federal procurement standards require, it did award 4 of its 12 contracts to these types of firms. The four contracts totaled \$1.7 million, or 55 percent of the \$3.1 million total dollar amount of the contracts the City awarded. We did not question costs relating to contracting because the City used these firms and otherwise properly procured its disaster related contracts.

City officials told us they were not aware of this Federal requirement. Federal regulations require grantees to ensure that subgrantees are aware of and follow Federal regulations (44 CFR 13.37(a)(2) and 44 CFR 13.40(a)). Therefore, Louisiana, as the grantee, should have taken a more proactive role in educating City officials and monitoring the City's contracting activities.

Recommendations

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation #1: Disallow \$148,500 (\$111,375 Federal share) as ineligible duplicate benefits (finding A).

Recommendation #2: Direct Louisiana to instruct the City that it must follow all Federal procurement regulations in future disasters (finding B).

Discussion with Management and Audit Follow-up

We discussed the results of our audit with the City officials during and after our audit and included their comments in this report. We also provided a draft report in advance to FEMA, Louisiana, and City officials. We considered their comments in developing our final report and incorporated their comments as appropriate.

During our fieldwork, the City provided comments on our findings and recommendations. The City generally agreed with our finding and



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recommendation regarding procurement. We discussed the draft report at exit conferences with FEMA on June 9, 2015, and with Louisiana and City officials on May 29, 2015. FEMA officials generally agreed with our findings and recommendations. FEMA Region VI also provided written comments, which we included in appendix C. Louisiana officials also generally agreed with our findings but withheld specific comments.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include the contact information for responsible parties and any other supporting documentation necessary to inform us about the status of the recommendations. Please email a signed pdf copy of all responses and closeout request to Christopher.Dodd@oig.dhs.gov. Until we receive and evaluate your response, we will consider the recommendations open and unresolved.

Major contributors to this report were Christopher Dodd, Director; Paige Hamrick, Director; Judy Martinez, Audit Manager; William Haney, Senior Auditor; Dwight McClendon, Auditor-in-Charge; and Mary Monachello, 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 grant funds awarded to the City of Kenner (Public Assistance Identification Number 051-39475-00). Our audit objective was to determine whether the City accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines. Louisiana awarded the City \$5.4 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 March 30, 2015, the cutoff date of our audit. The award provided 75 percent funding for eight large projects and four small projects.² We audited 12 projects totaling \$5.4 million, or 100 percent of the total award. Appendix B includes Table 1, Schedule of Projects Audited and Questioned Costs, and Table 2, Summary of Potential Monetary Benefits.

We interviewed FEMA, Louisiana, and City officials; gained an understanding of the City's method of accounting for disaster-related costs; reviewed the City's procurement policies and procedures and contracting documents; selected (generally based on dollar amount) and reviewed cost transactions and supporting documentation for all projects; and performed other procedures necessary to accomplish our objective. As part of our standard audit procedures, we notified the Recovery Accountability and Transparency Board of all contracts the City awarded under the grant to determine whether the contractors were debarred or whether there were any indications of other issues related to those contractors that would indicate fraud, waste, or abuse. The Recovery Accountability and Transparency Board's analysis did not produce any issues related to the contractors. We did not perform a detailed assessment of the City's internal controls over its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between August 2014 and June 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. We conducted this audit by applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

² Federal regulations in effect at the time of Hurricane Isaac set the large project threshold at \$66,400.



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Appendix B

Potential Monetary Benefits

Table 1: Schedule of Projects Audited and Questioned Costs

Project Number	Category of Work*	Award Amount	Duplicate Benefits (Finding A)	Questioned Costs
676	B	\$ 709,534	\$ 0	\$ 0
756	B	509,554	0	0
853	B	164,339	0	0
879	A	1,170,085	0	0
1037	B	100,297	0	0
1431	C	28,208	0	0
1511	G	269,879	0	0
1521	E	8,183	0	0
1530	B	165,049	0	0
1532	F	49,352	0	0
1546	E	2,179,985	148,500	148,500
1553	E	31,362	0	0
Totals		\$5,385,827	\$148,500	\$148,500

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

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

Table 2: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefit	Amounts	Federal Share
Questioned Costs – Ineligible	\$148,500	\$111,375
Questioned Costs – Unsupported	0	0
Funds Put to Better Use	0	0
Totals	\$148,500	\$111,375

Source: OIG analysis of finding in this report



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Appendix C

Management Comments

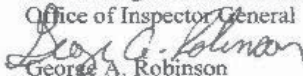
U.S. Department of Homeland Security
FEMA Region 6
Federal Regional Center
800 North Loop 288
Denton, TX 76209-3698



FEMA

June 17, 2015

MEMORANDUM FOR: Christopher Dodd, Director
Central Regional Office - South
Office of Inspector General

FROM: 
George A. Robinson
Regional Administrator

SUBJECT: Response to Draft Report and Exit Conference
*The City of Kenner, Louisiana, Generally Accounted for and
Expended FEMA Grant Funds Properly*
Audit Job Code: G-14-046

Thank you for the opportunity to comment on the draft Audit Report, *The City of Kenner, Louisiana, Generally Accounted for and Expended FEMA Grant Funds Properly*. This draft was discussed at our recent exit conference conducted with your staff on June 9, 2015, and this response provides your office with additional detail. We recognize the need to continue to improve our processes, including addressing the recommendations raised in this report. The following is our preliminary written response to the two recommendations, of which FEMA concurs with both.

Recommendation #1: *Disallow \$148,500 as ineligible duplicate benefits (finding A).*

Response: Concur - FEMA agrees with this recommendation. FEMA is currently in the process of preparing a version for obligation to properly allocate the actual insurance proceeds in the amount of \$148,500. Additional insurance adjustments may be necessary at closeout once the subgrantee and State have submitted all insurance documentation for actual insurance proceeds. It should be noted that insurance adjustments to actual proceeds, based on settlement documents, are reconciled at closeout.

Recommendation #2: *Direct Louisiana to instruct the City that it must follow all Federal procurement regulations in future disasters (finding B).*

Response: Concur - FEMA agrees with the recommendation and will request the State to develop policies and procedures to ensure their subgrantees are aware of and follow federal procurement standards in the future. FEMA recognizes GOHSEP's current efforts to ensure subgrantees comply with all applicable federal grant requirements, including procurement standards.

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Appendix C (continued)

Christopher Dodd

June 17, 2015

Page 2

Additionally, we recommend changing the language in Finding B from "*As a result, FEMA has little assurance that these types of firms had sufficient opportunities to bid on the work as Congress intended*" to "*As a result, FEMA has little assurance that these types of firms had sufficient opportunities to bid on the work as intended by 44 CFR, Part 13.*" It reasons that this change will add specificity to the finding language and be less general than "*as Congress intended*".

When the final report is released by your office, we will provide a response in the form of a corrective action plan to include target completion dates for each recommendation. We ask that this memorandum be included as an attachment to the final report when it is distributed and published on the OIG website. If you have any questions concerning our response, please contact this office at the address above.

cc: State Director
Division Director
Deputy Division Director
Divisional Audit POC
Regional Counsel
Grants Management Division Director
OCFO
OPPA-ALO
Regional Audit Coordinator



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Appendix D

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Appendix D (continued)

External

Director, Louisiana Governor's Office of Homeland Security
and Emergency Preparedness

Deputy Director of Disaster Recovery Division, Louisiana Governor's Office of
Homeland Security and Emergency Preparedness

State Coordinating Officer, Louisiana Governor's Office of Homeland Security
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