

**Gulf Coast Mental Health
Center, Mississippi, Generally
Accounted for and Expended
FEMA Public Assistance Grant
Funds According to Federal
Requirements**





HIGHLIGHTS

Gulf Coast Mental Health Center, Mississippi, Generally Accounted for and Expended FEMA Public Assistance Grant Funds According to Federal Requirements

December 9, 2014

Why We Did This

The Gulf Coast Mental Health Center (Center) received an award of \$2.1 million from the Mississippi Emergency Management Agency, a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. Our audit objective was to determine whether the Center accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines.

What We Recommend

FEMA should disallow \$61,200 of duplicate benefits the Center claimed.

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 Center generally accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines. However, we identified \$61,200 of duplicate benefits for costs recoverable from another source. This amount represented about 4 percent of the \$1.4 million we reviewed for five projects.

FEMA Response

FEMA's written response is due within 90 days.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security
Washington, DC 20528

DEC 9 2014

MEMORANDUM FOR: Robert Samaan
Acting Regional Administrator, Region IV
Federal Emergency Management Agency

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

SUBJECT: *Gulf Coast Mental Health Center, Mississippi,
Generally Accounted for and Expended FEMA
Public Assistance Grant Funds According to
Federal Requirements*
FEMA Disaster Number 1604-DR-MS
Audit Report Number OIG-15-15-D

We audited Public Assistance funds awarded to the Gulf Coast Mental Health Center (Center) located in Gulfport, Mississippi (FIPS Code 000-UVYPO-00). Our audit objective was to determine whether the Center accounted for and expended Federal Emergency Management Agency (FEMA) funds according to Federal regulations and FEMA guidelines.

The Center received a Public Assistance grant award of \$2.1 million from the Mississippi Emergency Management Agency (Mississippi), a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for permanent repairs to buildings and facilities, demolition of damaged facilities, and replacement of equipment and facility contents. The award consisted of 29 large projects and 9 small projects.¹

We audited five projects with awards totaling \$1.4 million (see Appendix A, Schedule of Projects Audited and Questioned Costs). This included four large projects and one small project. The audit covered the period of August 29, 2005, to February 27, 2014, during which the Center received \$1.4 million in FEMA funds for the five projects we reviewed. At the time of our audit, the Center had completed work on all projects and submitted a final claim to Mississippi for all project expenditures.

¹ Federal regulations in effect at the time of Hurricane Katrina set the large project threshold at \$55,500.



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.

Table 1: Gross and Net Award Amounts

	Gross Award Amount	Insurance Reductions	Net Award Amount
All Projects	\$2,140,412	\$(68,450)	\$2,071,962
Audit Scope	\$1,426,247	\$ (0)	\$1,426,247

Source: FEMA Project Worksheets.

Background

The Gulf Coast Mental Health Center is a nonprofit organization. The Center is responsible for the administration of services and programs available for treatment of mental illness, emotional disorders, and developmental disabilities. It provides a wide range of community-based services and programs throughout Hancock, Harrison, Pearl River, and Stone counties in Mississippi. The Center received a Public Assistance grant to cover disaster-related damage as a private nonprofit facility, as defined under 44 Code of Federal Regulations (CFR) 206.221(e).

Results of Audit

The Center generally accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines for the projects we reviewed. However, the Center did not always comply with Federal regulations and FEMA guidelines under the award resulting in \$61,200 of duplicate benefits for costs recoverable from another source.

The Center claimed costs totaling \$61,200 under Projects 6051 and 7365 for activities recoverable from another source. According to Section 312(a) of the *Robert T Stafford Disaster Relief and Emergency Assistance Act*, as amended (*Stafford Act*), grant recipients cannot use FEMA funds for expenditures recoverable from another Federal program, insurance, or any other source. Further, FEMA’s *Public Assistance Policy Digest* (FEMA 321, October 2001) states “grants and cash donations received from nonfederal sources, designated for the same purpose of public assistance funds are considered a duplication of benefits.” After the disaster, the Center received cash donations from various organizations.

We reviewed documentation on donations the Center received during fiscal years 2006 and 2007 totaling \$269,188. We determined that while



\$207,988 of the donations did not duplicate costs on FEMA approved projects, \$61,200 of the donations were specifically designated to cover disaster-related damages to the Crisis Stabilization Unit Building (Project 6051) and the Live Oaks Treatment Center (Project 7365). However, the Center did not reduce project expenditures it claimed for damages that the cash donations covered, resulting in a duplication of benefits. Center officials said they believed they could use the donated funds for any purpose needed to recover from the disaster. However, that is not the case because the gifts were earmarked for FEMA eligible projects. FEMA should not bear the costs of disaster work funded from another source. Therefore, we question the \$61,200 of duplicate benefits (\$25,000 under Project 6051 and \$36,200 under Project 7365) as table 2 shows.

Table 2: Questioned Costs for Duplicate Benefits

Project Number	Project Scope	Donor's Name	Purpose of Donation	Amount Donated
6051	Crisis Stabilization Unit Building Repair	AmeriCares	Cleanup, repair, and refurbishing of Crisis Stabilization Unit	\$ 5,000
6051	Crisis Stabilization Unit Building Repair	AmeriCares	Cleanup, repair, and refurbishing of Crisis Stabilization Unit	20,000
7365	Live Oaks Treatment Center	Darke County Recovery Services	Katrina donations for Live Oaks Treatment Center	1,200
7365	Live Oaks Treatment Center	State Association of Addictions	Live Oaks Treatment Center Hurricane Relief	25,000
7365	Live Oaks Treatment Center	United Way of Palm Beach Florida	Damages or lost material for Live Oaks Treatment Center	10,000
Totals				\$61,200

Source: FEMA Project Worksheets and OIG Analysis.

Recommendation

We recommend that the Regional Administrator, FEMA Region IV, disallow \$61,200 of duplicate benefits (\$25,000 under Project 6051 and \$36,200 under Project 7365) the Center received from third party donors.



Discussion with Management and Audit Followup

We discussed the results of our audit with Center, Mississippi, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at the exit conference on September 2, 2014.

Center officials disagreed with our finding and recommendation. They said that it was the donors' intention to assist in all areas of the recovery process. They also said that they could use the donations for disaster expenses that they did not claim to FEMA because they were ineligible for FEMA funding. However, we disagree with the Center's assertion. It is important to note that we did not question the \$207,988 in donations that did not duplicate costs on FEMA approved projects. Donations questioned within our audit were "disaster specific" and earmarked for FEMA eligible projects. Therefore, our position remains unchanged. FEMA and Mississippi officials chose to withhold their comments until after report issuance.

Within 90 days from 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 carl.kimble@oig.dhs.gov. Until we receive and evaluate your response, we will consider the recommendations open and unresolved.

We conducted this audit between February 2014 and September 2014 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.

We interviewed FEMA, Mississippi, and Center officials; gained an understanding of the Center'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;



OFFICE OF INSPECTOR GENERAL

reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances to accomplish our audit objective. As part of our standard audit procedures, we also notified the Recovery Accountability and Transparency Board of all contracts the Center 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 determined that none of the contractors were debarred and no other issues came to its attention related to those contractors that would indicate fraud, waste, or abuse. We did not perform a detailed assessment of the Center's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective.

Major contributors to this report are David Kimble, Director; Larry Arnold, Audit Manager; and Mary James, Auditor-in-charge.

Please call me with any questions at (202) 254-4100, or your staff may contact David Kimble, Director, Eastern Regional Office, at (404) 832-6702.



Appendix A

Schedule of Projects Audited and Questioned Costs

Project Number	Category of Work ²	Project Scope	Amount Awarded	Amount Paid	Amount Questioned
5773	E	Crisis Stabilization Unit Residence Contents	\$ 99,046	\$ 99,046	\$ 0
6051	E	Crisis Stabilization Unit Building Repair	391,452	391,452	25,000
7362	E	Live Oaks Treatment Center Pavilion	40,071	40,071	0
					0
7365 ³	E	Live Oaks Treatment Center	895,678	895,678	36,200
11067 ⁴	E	Live Oaks Treatment Center Replacement	0	0	0
Totals			\$1,426,247	\$1,426,247	\$61,200

Source: FEMA Project Worksheets and OIG Analysis

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

³ The \$895,678 award amount for Project 7365 includes \$875,178 for replacement of Live Oaks Treatment Center and \$20,500 for demolition. We are only questioning the \$36,200 duplication cost.

⁴ Projects 7362 and 7365 comprise Improved Project 11067, Live Oaks Treatment Center replacement. Therefore, the award, paid, and questioned amounts are shown under Projects 7362 and 7365.



Appendix B

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