



# Homeland Security

December 19, 2008

MEMORANDUM FOR: James W. Stark, Director  
FEMA Louisiana Transitional Recovery Office

FROM: *Tonda L. Hadley*  
Tonda L. Hadley, Director  
Central Regional Office

SUBJECT: *Hurricane Katrina Debris Removal Activities in  
East Baton Rouge Parish, Louisiana*  
FEMA Disaster No. 1603-DR-LA  
Report Number DD-09-02

Attached for your review is our report, *Hurricane Katrina Debris Removal Activities in East Baton Rouge Parish, Louisiana*. We contracted with the independent public accounting firm Foxx & Company to perform this review. The report identifies six reportable conditions and questions \$756,869 for ineligible and unsupported costs claimed by the Parish.

We discussed the results of the review and recommendations with FEMA and grantee officials on November 12, 2008, and Parish officials on November 13, 2008. FEMA officials concurred with our findings and recommendations. With respect to Finding B, FEMA officials acknowledged the need for a clarification of the agency's policy concerning trucks being more than 95% full when carrying vegetative or construction and demolition (C&D) debris. Grantee officials elected to reserve their comment on the findings and recommendations until after the report is issued.

The Parish officials disagreed with Finding A related to the questioned costs to reduce and haul C&D debris. The officials said they are currently working with FEMA concerning this finding. The Parish officials also disagreed with Finding B, which questions the cost of debris in trucks in excess of 95% of the trucks capacity. The Parish officials' disagreement was in recognition that FEMA has agreed to clarify its policy on eligibility concerning trucks carrying in excess of 95% of capacity when hauling vegetative or C&D debris. The Parish officials concurred with the findings and recommendations concerning the unallowable force account labor, unsupported force account equipment, and undocumented administrative costs.

We appreciate the cooperation you and your staff provided to our contractor, Foxx & Company, and us during the audit. Please advise this office by March 19, 2009, of the actions taken or planned to implement the recommendations, including target completion dates for any planned actions. If you have questions concerning this report, please call me at (940) 891-8900, or your staff may contact Judy Martinez, Audit Manager, at (504) 762-2055.

Attachment

cc: Regional Director, FEMA Region VI  
Audit Liaison, FEMA Region VI  
Audit Liaison, FEMA Louisiana Transitional Recovery Office  
Audit Liaison, FEMA (Job Code DC8C02)  
Audit Liaison, Gulf Coast Recovery Office



December 19, 2008

U.S. Department of Homeland Security  
Office of Inspector General  
Central Regional Office  
Denton, Texas

Foxx & Company audited Hurricane Katrina debris removal activities in East Baton Rouge Parish, Louisiana managed by the East Baton Rouge Parish Government. The objective of the audit was to determine whether the contracts, contractor billings, and the Parish's force account costs complied with applicable federal criteria. Foxx & Company performed the audit according to Contract Number GS-23F-9832H and Task Order TPD-FIG-BPA-07-0007, dated September 27, 2007.

The enclosed report includes recommendations to improve the Parish's management of grant funds provided for debris removal under the Federal Emergency Management Agency's (FEMA) Public Assistance Program. Foxx & Company discussed the audit results in draft with FEMA, Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), and Parish officials on November 12 and 13, 2008. The comments received from these officials were included, as appropriate, in the body of the proposed final report.

We appreciate the opportunity to have conducted this audit. If you have any questions, or if we can be of any further assistance, please call me at (513) 639-8843.

Sincerely,

Foxx & Company

Martin W. O'Neill  
Partner

Enclosure

cc: Regional Director, FEMA Region VI  
Audit Liaison, FEMA Region VI  
Audit Liaison, FEMA Louisiana Transitional Recovery Office  
Audit Liaison, FEMA (Job Code DC8C02)  
Audit Liaison, Gulf Coast Recovery Office

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<b>ACRONYMS:</b>	
CFR	Code of Federal Regulations
C&D	Construction and Demolition
CYs	Cubic Yards
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
GOHSEP	Louisiana Governor's Office of Homeland Security and Emergency Preparedness
OMB	Office of Management and Budget
PW	Project Worksheet

## INTRODUCTION

Hurricane Katrina struck East Baton Rouge Parish, Louisiana (Parish) on August 29, 2005. The devastation in Louisiana was extensive, with a large amount of debris left in the Parish. As of February 21, 2006, the Parish had removed all of the debris within the Parish.

The Parish removed 497,939 cubic yards (CY) of debris from its right-of-ways. Of the 497,939 CYs, the Parish removed: (1) 67,407 CYs using its own personnel and equipment, commonly referred to as force account; and (2) 430,532 CYs using a debris removal contractor. The Parish also contracted with a firm to reduce the vegetative debris to mulch. Nearly 80% of the debris was vegetative debris, as opposed to construction and demolition (C&D) debris. All of the debris removal monitoring was done using the Parish's personnel.

By December 31, 2007, the cut-off date for our review, the Federal Emergency Management Agency (FEMA) had approved one Public Assistance Grant Program Project Worksheet (PW) for debris removal from the Parish. The total approved amount for the PW was \$15,393,261, which included the Parish's administrative allowances of \$112,404. A schedule of the Parish's claimed costs under PW 338 is included as Exhibit A. FEMA funded 100% of the cost of debris removal for all applicants affected by Hurricane Katrina. As of May 18, 2007, the Parish had claimed and received \$14,449,002 from the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee. The \$14,449,002 represented the total incurred costs approved by FEMA for the removal of debris. FEMA will deobligate the remaining amount of the PW (\$944,259) after close out.

## RESULTS OF AUDIT

In the wake of Hurricane Katrina, the Parish removal of debris helped to restore public health and safety and ensure economic recovery throughout the Parish. To clear and remove the hurricane-generated debris, the Parish advertised competitively for a reduction contractor and a hauling contractor, but received only one bid for each of the contracts. The Parish awarded the contracts to the two vendors that submitted bids. The Parish's effort to obtain full and open competition to haul and reduce the hurricane-generated debris generally complied with federal regulations. Although the Parish did not conduct the cost or price analyses required by 44 CFR 13.36(f) for the two contracts, the prices paid for both contracts appear reasonable based on a FEMA "reasonable cost matrix" dated April 17, 2007. Thus, we do not take exception to the Parish's procurement of the contractual services.

The following reportable conditions result in questioned costs of \$756,869. A schedule of the questioned costs is included in Exhibit A.

- A. Unallowable Costs to Reduce and Haul C&D Debris (\$423,632)
- B. Excess Quantities of Debris Claimed (\$166,117)
- C. Excess Force Account Equipment Claimed (\$146,726)
- D. Ineligible and Unsupported Force Account Equipment Costs Claimed (\$10,645)
- E. Unsupported Force Account Labor Costs Claimed (\$9,749)

F. Use of Administrative Allowance Funds Not Recorded

**A. Costs to Reduce and Haul Construction and Demolition (C&D) Debris**

The Parish claimed costs for the reduction and hauling of C&D debris that exceeded the eligible cost authorized by FEMA. PW 338 authorized the Parish: (1) \$8,395,374 to clear and haul vegetative debris to temporary landfills and C&D debris to a permanent landfill, (2) \$2,360,231 to process the vegetative debris hauled to the temporary landfills, and (3) \$463,698 in tipping fees to haul unreduced C&D debris directly to the Parish's permanent landfill (North Landfill).<sup>1</sup>

Instead of hauling unreduced C&D debris directly to the Parish's permanent landfill as planned, the Parish hauled 100,804 CYs of C&D debris to temporary landfills where the C&D debris was reduced and subsequently hauled from the temporary landfills to Ronaldson Field, a permanent landfill. The Parish claimed \$887,330 for this work and was paid by FEMA. However, under PW 338, FEMA limited allowable C&D costs to \$463,698, which was the amount of tipping fees the Parish would have incurred if the unreduced C&D debris had been hauled directly to the Parish's permanent landfill. As a result, the Parish incurred and claimed ineligible costs of \$423,632, which was the amount that exceeded the allowable PW costs (\$887,330-\$463,698). The claimed, allowable, and unallowable C&D costs are summarized as follows.

<b>Description</b>	<b>C&amp;D Costs</b>
Processing (100,804 CYs X \$4.74)	\$477,811
Additional Operating Costs	252,010
Hauling to Ronaldson Field	157,509
<b>Claimed Costs</b>	<b>\$887,330</b>
<b>Allowable Costs per the PW</b>	<b>463,698</b>
<b>Unallowable Costs</b>	<b>\$423,632</b>

The Parish elected to haul C&D debris to its temporary landfills for reduction because of the pending threat from Hurricane Rita and the need to quickly clear Parish right of ways. Parish officials said that additional time would have been required to haul the debris directly to the Parish's permanent landfill. FEMA determined that the Parish's decision to go out of the scope of its contract "was justified because of the perceived immediate threats to public safety and improved property" from Hurricane Rita. However, FEMA determined that the cost for the Parish's reduction and second hauling of the C&D debris from two temporary sites and final disposition at Ronaldson Field should not exceed what it would have cost the Parish to take the debris directly to the permanent landfill, the Parish's North Landfill. FEMA determined that, if the Parish had taken the unreduced C&D debris directly to the North Landfills as planned, the Parish would only have incurred tipping fees of \$463,698. Thus, FEMA limited allowable C&D costs to \$463,698.

<sup>1</sup> Tipping fees were charged by the Parish for the disposal of debris at the Parish's landfill.

In addition, the Parish's rationale for hauling the C&D debris to temporary sites for reduction was not justified. Just over 2% (2,224 CYs) of the 100,804 CYs of debris was hauled to the temporary sites before Hurricane Rita made landfall. Thus, almost 98% of the C&D debris was hauled to the temporary sites for reduction after Hurricane Rita made landfall.

#### *Conclusions/Recommendations*

The FEMA-approved PW limited the cost of hauling unreduced C&D debris directly to the permanent landfill to \$463,698. However, the Parish incurred costs in excess of this amount by hauling the debris to a temporary site, reducing the debris, and then hauling it to a permanent site. Even though the PW limited the reimbursable amount to \$463,698, the Parish was reimbursed the full claimed amount of \$887,330. Therefore, we question \$423,632 (\$887,330 - \$463,698), the difference between the actual costs to reduce and haul the C&D debris to Ronaldson Field and the costs that the Parish would have incurred in tipping fees if the C&D debris was hauled directly to the North Landfill.

We recommend the Director, FEMA Louisiana Transitional Recovery Office:

1. Disallow the ineligible costs of \$423,632 claimed by the Parish and reimbursed in excess of the PW amount for this item.

#### **B. Quantities of Debris Claimed**

The Parish claimed excess costs of \$166,117 for removing 6,853 CYs of debris from the Parish by the hauling contractor. The 6,853 CYs represented debris hauled in vehicles estimated to be in excess of 95% full. According to FEMA guidance, it is virtually impossible for a vehicle to be 100% full of vegetative or C&D debris and estimates of capacity from towers should be measured in 5% increments. As a result, we question the excess costs of \$166,117 claimed by the Parish.

The Parish's payments to the debris removal and reduction contractors were based on determinations of CYs hauled to the dump locations. From an elevated tower, Parish monitors observed the trucks as they passed the towers and estimated the CYs of debris in the trucks. When the FEMA guidelines regarding truck capacity were brought to the Parish's attention, Parish staff said they did not agree with FEMA and that FEMA should re-visit its guidelines. However, because FEMA guidance, in effect, precludes loads of 100%, we question the excess capacity.

*Conclusions/Recommendations*

Because it was not feasible for vehicles to be 100% full of vegetative debris, and according to FEMA guidance capacities should be estimated in 5% increments, the maximum capacity claimed for each vehicle should have been 95%. As shown in Exhibit B, the Parish overestimated the amount of debris by 6,853 CYs. Consequently, we question the \$166,117 of costs claimed for the excess debris.

We recommend the Director, FEMA Louisiana Transitional Recovery Office:

2. Disallow the \$166,117 claimed for vehicles with estimated CYs in excess of 95%.

**C. Costs Claimed for Force Account Equipment**

The Parish claimed excessive costs for force account equipment totaling \$146,726. The Parish used FEMA's Schedule of Equipment Rates in preparing its claim. However, the Parish used incorrect FEMA equipment rates for six excavators. As a result, the Parish's claim was overstated by \$146,726, which we question.

According to 44 CFR 206.228(a)(iii), reimbursement for ownership and operation costs of applicant-owned equipment used to perform eligible work shall be provided according to the FEMA Schedule of Equipment Rates if no local rates have been established and approved.

The Parish used the FEMA Schedule of Equipment Rates in calculating its claim but used incorrect equipment rates for six excavators resulting in overstated claims totaling \$146,726. For example, using FEMA's Schedule of Equipment Rates, the Parish claimed \$163 per hour for an excavator with a stated bucket size of 4.5 CYs. However, the actual bucket size for the excavator was between 0.6 and 1 CYs. FEMA's Schedule of Equipment Rates showed that an excavator of this size should have been billed at a rate of \$37.50 per hour. The following table summarizes the overcharges caused by using incorrect rates from FEMA's Schedule of Equipment Rates.

<b>Schedule of Excess Equipment Costs</b>						
<b>Equipment Number</b>	<b>Basis for Equipment Rate (Bucket Size/Horsepower)</b>	<b>FEMA Equipment Rate</b>	<b>Parish Rate Claimed</b>	<b>Difference In Rate</b>	<b>Hours Claimed</b>	<b>Excess Claim</b>
2664	0.6 to 1 CYs	\$37.50	\$163.00	\$125.50	490.5	\$ 61,558
2715	0.6 CYs	\$37.50	\$104.00	\$66.50	356.5	23,707
2477/2478	0.6 CYs	\$37.50	\$104.00	\$66.50	515.0	34,248
2823	42 Horsepower	\$21.90	\$64.00	\$42.10	390.0	16,419
2562	29 Horsepower	\$21.90	\$163.00	\$141.10	76.5	10,794
<b>Total</b>						<b>\$146,726</b>

Parish officials agreed that they made errors in selecting the correct equipment rates for the six excavators. The officials added that the errors were probably caused by the difficulty in trying to clean up the hurricane-generated debris in a timely manner.

*Conclusions/Recommendations*

The use of incorrect equipment rates resulted in the Parish claiming excess costs totaling \$146,726 for force account equipment. Therefore, we question the excess costs claimed.

We recommend the Director, FEMA Louisiana Transitional Recovery Office:

3. Disallow the \$146,726 claimed for the use of incorrect rates for force account equipment.

**D. Eligibility and Documentation of Force Account Equipment Costs**

The Parish claimed \$10,645 for ineligible and unsupported force account equipment costs:

- The Parish made 38 errors in its claims for force account equipment resulting in ineligible overcharges of \$6,822. The errors ranged from claiming the same piece of equipment twice in the same day to typographical errors. These errors resulted in some equipment items being overcharged and others being undercharged. The net effect was an overcharge of \$6,822. Under 44 CFR 13.22(a)(1) grant funds may be used only for the allowable costs of the subgrantees.
- Parish officials did not provide support for claims totaling \$3,251 for the use of force account equipment. The provisions of 44 CFR 13.20(b)(6) require recipients to maintain source documentations to support claimed costs.
- The Parish erroneously claimed ineligible equipment costs of \$572 to repair Parish equipment. According to FEMA's Schedule of Equipment Rates, costs for repairing equipment should be included as part of the equipment rates.

Parish officials agreed that they made errors in preparing claims for force account equipment costs. The officials said that the errors were caused by the difficulty in trying to clean up the hurricane-generated debris in a timely manner. Parish officials also agreed that incomplete documentation had gone undetected because the various Parish Public Works Departments maintained their own records.

*Conclusions/Recommendations*

As a result of errors and incomplete documentation, the Parish claimed ineligible and unsupported force account equipment costs totaling \$10,645.

Consequently, we recommend the Director, FEMA Louisiana Transitional Recovery Office:

4. Disallow the \$10,645 claimed for the use of force account equipment.
5. Require GOHSEP to inform the Parish that, for future disasters, it should maintain adequate records to support equipment charges.

#### **E. Force Account Labor Costs**

The Parish did not provide support for claimed force account labor costs totaling \$9,749, which we question as unsupported. According to 44 CFR 13.20(b)(6), grant recipients are required to maintain records and source documents for the purpose of identifying how FEMA funds are spent. Also, according to 44 CFR 206.205(b)(1), the grantee is required to make an accounting of eligible costs and certify that reported costs were incurred in the performance of eligible work, in this case, Hurricane Katrina.

Parish officials did not locate some timesheets in support of claimed force account labor costs, or the time sheets that were located did not have a description of the work. Thus, we were unable to determine whether the labor costs were eligible for federal disaster assistance.

The Parish agreed that the documentation to support the claimed costs was incomplete. The officials said the incomplete documentation had gone undetected because the various Parish Public Works Departments maintained their own time records and there was no consistent method for tracking time. However, the Parish officials believe that the questioned costs would have been allowable if the documentation had been complete.

#### *Conclusions/Recommendations*

The Parish did not maintain records and source documents sufficient to support all of the claimed force account labor costs. Therefore, we question unsupported force account labor costs of \$9,749.

Consequently, we recommend the Director, FEMA Louisiana Transitional Recovery Office:

6. Disallow \$9,749 claimed for unsupported force account labor costs.
7. Require GOHSEP to inform the Parish that, for future disasters, it should ensure that all force account labor is supported.

## **F. Use of Administrative Allowance Funds**

As of December 31, 2007, the Parish had not accounted for and provided supporting documentation for the use of the administrative grant allowance funds totaling \$105,509. According to 44 CFR 206.228(a)(2)(ii), the subgrantee's statutory administrative allowance covers the necessary cost of requesting, obtaining, and administering federal disaster assistance. In addition, according to FEMA Guidance on Statutory Administrative Allowance, dated July 2002, the subgrantee must maintain records of how the administrative allowance is spent. FEMA Guidance also provides that records documenting expenditures under the administrative allowance are subject to audit, and that surplus administrative allowance funds must be returned to FEMA at closeout.

Parish officials said they had not recorded and documented the use of the administrative allowance funds because they did not know that the funds could be used to recover costs incurred by the Parish to request and obtain grant funds or to administer the grants. The officials also said they were not aware that any unused funds had to be returned to FEMA at closeout of the PW. Parish officials said they requested guidance from GOHSEP and FEMA officials on what the allowance funds could be used for, but did not receive the requested guidance. Subsequent to our inquiry, the Parish officials said they would retroactively identify administrative expenditures that they believe were allowable administrative costs and add notations to the accounting system to account for the use of the \$105,509. At the conclusion of our audit fieldwork, the Parish had not accounted for the expenditure of the administrative allowance funds.

### *Conclusions/Recommendations*

If the Parish does not use, record, and document the use of administrative funds before grant closeout, the Parish will be required to return the funds to FEMA. The opportunity to recover allowable administrative costs would be lost.

Consequently, we recommend the Director, FEMA Louisiana Transitional Recovery Office:

8. Require GOHSEP to provide the Parish with a list of the eligible uses of administrative funds and guidance on what type of records must be maintained by the Parish to account for the use of administrative allowance funds to support costs at closeout and to ensure that the administrative allowance funds are fully supported at close out.

## **DISCUSSIONS WITH MANAGEMENT**

We discussed the results of the review and recommendations with FEMA and GOHSEP officials on November 12, 2008, and Parish officials on November 13, 2008. FEMA officials concurred with our findings and recommendations. With respect to Finding B, FEMA officials acknowledged the need for a clarification of the agency's policy concerning trucks being more than 95% full when carrying vegetative or C&D debris. The GOHSEP officials elected to reserve their comment on the findings and recommendations until after the report is issued.

The Parish officials disagreed with Finding A related to the questioned costs to reduce and haul construction and demolition debris. The officials said they are currently working with FEMA concerning this finding. The Parish officials also disagreed with Finding B, which questions the cost of debris in trucks in excess of 95% of the trucks capacity. The Parish officials' disagreement was in recognition that FEMA has agreed to clarify its policy on eligibility concerning trucks carrying in excess of 95% of capacity when hauling vegetative or C&D debris.

The Parish officials concurred with the findings and recommendations concerning the unallowable force account labor, unsupported force account equipment, and undocumented administrative costs.

**EXHIBIT A**

**Schedule of Claimed and Questioned Costs under PW 338  
As of December 31, 2007  
Audit of Debris Removal Activities  
East Baton Rouge Parish, Louisiana  
FEMA Disaster Number 1603**

<b>Description</b>	<b>Claimed</b>	<b>Questioned</b>	<b>Reference</b>
Hauling Contractor	\$ 8,395,374	\$133,634	1
Reduction Contractor	2,769,750	456,115	2
Force Account Equipment	1,616,815	157,371	3
Force Account Labor	1,529,059	9,749	4
Force Account Supplies	32,495	0	
Sub Total	\$14,343,493	\$756,869	
Administrative Allowance Received	105,509	0	
Total	\$14,449,002	\$756,869	

1. See reportable condition B and Exhibit B.
2. Includes \$423,632 identified in reportable condition A and \$32,483 in reportable condition B. Also see Exhibit B.
3. Includes \$146,726 identified in reportable condition C and \$10,645 in reportable condition D.
4. See reportable condition E for the questioned force account labor of \$9,749.

**EXHIBIT B**

**Schedule of Excessive Debris Costs Claimed under PW 338  
As of December 31, 2007  
Audit of Debris Removal Activities  
East Baton Rouge Parish, Louisiana  
FEMA Disaster Number 1603**

	Total CYs	Excess CYs					Total
		at 5%	at 4%	at 3%	at 2%	at 1%	
CYs at 100%	74,416	3,721					3,721
CYs at 99%	1,666		67				67
CYs at 98%	60,437			1,813			1,813
CYs at 97%	38,591				772		772
CYs at 96%	48,039					480	480
<b>Total</b>	<b>223,149</b>						<b>6,853</b>
<b>Questioned Hauling Costs at \$19.50 CY</b>							<b>\$133,634</b>
<b>Questioned Reduction Costs at \$4.74 CY</b>							<b>32,483</b>
<b>Total Questioned</b>							<b>\$166,117</b>

**Objective, Scope, and Methodology  
Audit of Debris Removal Activities  
East Baton Rouge Parish, Louisiana  
FEMA Disaster Number 1603**

The objective of Foxx & Company's audit of Hurricane Katrina debris removal activities in East Baton Rouge Parish, Louisiana was to determine whether the awarded contracts and contractor billings, and the claimed force account costs complied with applicable federal criteria.

The scope of the audit included all debris removal and monitoring activities managed by the Parish during the period August 29, 2005, through December 31, 2007. Foxx & Company performed the work at the Joint Field Office in Baton Rouge and the East Baton Rouge Parish government offices.

Foxx & Company's methodology included interviews with FEMA, GOHSEP, and Parish officials to obtain an understanding of internal control systems and to identify issues and concerns relative to the debris removal. Our audit included reviewing all force account labor and equipment, contract types, procurement methods, reasonableness of contract rates, compliance with federal requirements, and cost/price analyses performed by the Parish. We also judgmentally selected and reviewed contractor billings that led to Parish payment requests to GOHSEP through December 31, 2007. This effort allowed us to determine whether the amounts claimed for incurred expenses were appropriately supported, accurate, and according to applicable laws and regulations.

The Department of Homeland Security, Office of Inspector General, is reporting the results of the audit to appropriate FEMA officials. Foxx & Company discussed the review results in draft with cognizant FEMA, GOHSEP, and Parish officials. The comments received were incorporated, as appropriate, within the body of the report.

The Department of Homeland Security, Office of Inspector General is reporting the results of the audit to appropriate FEMA officials. We discussed the audit results in a draft of this report with cognizant FEMA, GOHSEP, and Parish officials. The comments received were incorporated, as appropriate, within the body of the report.

We conducted this performance audit in accordance with 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 on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Although the audit report comments on cost claimed by East Baton Rouge Parish, we did not perform a financial audit, the purpose of which would be to render an opinion on East Baton Rouge Parish's financial statements or the funds claimed to FEMA. Therefore, we do not express such an opinion.