



Homeland Security

December 9, 2010

MEMORANDUM FOR: Tony Russell, Regional Administrator
FEMA Region VI

FROM:

Judy Martez
for Tonda L. Hadley, Director
Central Regional Office

SUBJECT: *Town of Franklinton, Louisiana*
FEMA Disaster Number 1603-DR-LA
Public Assistance Identification Number 117-27190-00
Audit Report DD-11-03

We audited public assistance funds awarded to the Town of Franklinton, Louisiana (Town). Our audit objective was to determine whether the Town accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

The Town received an award of \$9.4 million from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred on August 29, 2005. The award provided 100% FEMA funding for four large and two small projects.¹ We audited all projects. The audit covered the period August 29, 2005, through September 23, 2010, during which the Town claimed \$8.9 million of direct program costs (see Exhibit).

We conducted this performance audit under the authority of 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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We interviewed FEMA, GOHSEP, and Town officials; reviewed judgmentally selected transactions (generally based on dollar value) of claimed costs; and performed other procedures

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

considered necessary to accomplish our objective. We did not assess the adequacy of the Town's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of the Town's methods of accounting for disaster-related costs and its procurement policies and procedures.

RESULTS OF AUDIT

Generally, the Town accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. The Town's claim included \$73,100 of contract costs that were ineligible, which comprised less than 1% of the \$8.9 million claimed for reimbursement. Additionally, because the Town has completed all work under the six projects and we audited costs claimed for all projects, FEMA should require GOHSEP to use the results of this audit to submit its final accounting for the six projects awarded. After GOHSEP submits its final accounting, FEMA should close the projects and deobligate \$655,189 of costs that exceeded eligible amounts claimed and put those funds to better use.

Finding A: Contracted Rates

The Town's claim under Project 3672 included \$73,100 of contract costs that were ineligible because the contractor charged more than agreed-upon rates. The contractor billed the Town \$292,400 for cutting storm damaged trees. If the contractor had charged the rates agreed upon in the contract, the cost would have been \$219,300. Therefore, we question the \$73,100 difference as ineligible (\$292,400 - \$219,300). Town officials said they would discuss this matter with the contractor before stating whether they agreed.

Finding B: Project Close-outs

Grantees are required to make final payment on small projects when they are approved and are required to submit an accounting of eligible costs for each large project "as soon as practicable after the subgrantee has completed the approved work and requested payment."² By August 2006, the Town had completed all work under the six projects; and by December 2008, all FEMA appeals were settled and the Town had submitted all costs incurred to GOHSEP for reimbursement. However, as of September 23, 2010, the cut-off date for our audit, GOHSEP had not provided FEMA an accounting of eligible costs for the four large projects awarded.

We reviewed costs claimed for all projects and determined that the Town followed federal procurement regulations in its contracting and, except for the \$73,100 we question in Finding A, all costs claimed were eligible and adequately supported. The amounts approved for Projects 183, 271, and 3672 exceeded the amounts claimed by \$51,664, \$350,682 and \$184,869, respectively. Conversely, the amount approved for Project 563 was \$5,126 less than the eligible amount claimed. As a result, FEMA should make the following adjustments (obligations and deobligations) to the final project amounts:

² 44 CFR 206.205(a) and (b)(1).

Project Number	Approved Project Amount	Eligible Amount Claimed³	Amount to be (Obligated)/ Deobligated
183	\$ 327,495	\$ 275,831	\$ 51,664
271	7,155,688	6,805,006	350,682
496	4,824	4,824	0
563	199,834	204,960	(5,126)
3241	5,465	5,465	0
3672	<u>1,740,839</u>	<u>1,482,870</u>	<u>257,969</u>
Totals	<u>\$9,434,145</u>	<u>\$8,778,956</u>	<u>\$655,189</u>

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation #1: Disallow \$73,100 of ineligible contract costs claimed under Project 3672.

Recommendation #2: Require GOHSEP to use the results of this audit to submit its final accounting for the six projects awarded to the Town.

Recommendation #3: Deobligate \$655,189 of funds that exceed the total eligible amounts claimed and put those funds to better use.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our audit with FEMA, GOHSEP, and Town officials during our audit and included their comments in this report as appropriate. We also provided written summaries of our findings and recommendations in advance to these officials and discussed them at exit conferences held with FEMA, GOHSEP, and the Town on November 9, 2010. These officials, while agreeing with our findings and recommendations, reserved further comment on the findings and recommendations until after we issued our final report.

Please advise this office by February 9, 2011, of the actions planned or taken to implement the recommendations, including target completion dates for any planned actions. Significant contributors to this report were Judy Martinez, Jeffrey Campora, and Rodney Johnson. Should you have questions concerning this report, please contact me at (214) 436-5200, or your staff may contact Judy Martinez, Audit Manager, at (504) 739-7730.

³ The eligible amount claimed for Project 3672 is the amount claimed less the ineligible cost questioned (\$1,555,970 - \$73,100).

cc: Acting Executive Director, FEMA Louisiana Recovery Office
Audit Liaison, FEMA Louisiana Recovery Office
Audit Liaison, FEMA Region VI
Audit Liaison, FEMA (Job Code G-10-041)

EXHIBIT

Schedule of Audited Projects
Town of Franklinton, Louisiana
FEMA Disaster Number 1603-DR-LA

<u>Project Number</u>	<u>Project Amount</u>	<u>Claimed Amount</u>
183	\$ 327,495	\$ 275,831
271	7,155,688	6,805,006
496	4,824	4,824
563	199,834	204,960
3241	5,465	5,465
3672	<u>1,740,839</u>	<u>1,555,970</u>
Totals	<u>\$9,434,145</u>	<u>\$8,852,056</u>