

Department of Homeland Security **Office of Inspector General**

**FEMA Public Assistance Grant
Funds Awarded to Cameron Parish
School Board, Cameron, Louisiana**

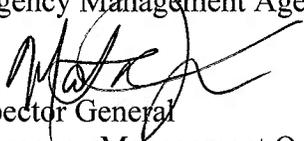




Homeland Security

NOV 29 2011

MEMORANDUM FOR: Tony Russell
Regional Administrator, Region VI
Federal Emergency Management Agency

FROM: Matt Jadacki 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
Cameron Parish School Board, Cameron, Louisiana*
FEMA Disaster Number 1607-DR-LA
Audit Report Number DD-12-04

We audited public assistance grant funds awarded to Cameron Parish School Board (Cameron) in Cameron, Louisiana (Public Assistance Identification Number 023-00E84-00). Our audit objective was to determine whether Cameron accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, awarded Cameron \$65.1 million for damages resulting from Hurricane Rita, which occurred on September 24, 2005. The award provided 100% funding for 50 large and 39 small projects.¹ The audit covered the period September 24, 2005, through March 22, 2011, the cutoff date of our audit, and included a review of 20 large and 6 small projects totaling \$62.2 million, or 95% of the total award (see Exhibit, Schedule of Projects Audited).² As of our cutoff date, Cameron had claimed \$46.1 million, but had not completed all projects.

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

² We audited the gross amount of \$75.5 million awarded before reductions for insurance and donations from a local company for temporary classrooms and gym floors.

Table 1 shows the gross and net award amounts before and after reductions for insurance and donations from a local company (temporary classrooms and gym floors) for all projects and for those in our audit scope.

Table 1. Gross and Net Award Amounts

| | Gross Award Amount | Insurance and Donation Reductions | Net Award Amount |
|--------------|--------------------|-----------------------------------|------------------|
| All Projects | \$79,729,938 | (\$14,603,579) | \$65,126,359 |
| Audit Scope | \$75,541,881 | (\$13,376,194) | \$62,165,687 |

We conducted this performance audit 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 according to the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We interviewed FEMA, GOHSEP, and Cameron officials; reviewed judgmentally selected samples of project costs (generally based on dollar value); and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of Cameron’s internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of Cameron’s method of accounting for disaster-related costs and its procurement policies and procedures.

BACKGROUND

Cameron Parish School Board, in southwestern Louisiana, is a local government entity authorized by the State of Louisiana to provide public education to the citizens of Cameron Parish. Before Hurricane Rita, Cameron consisted of six schools with grades prekindergarten through high school. Heavy rains, high winds, and a 15- to 20-foot high storm surge destroyed or severely damaged four schools, a central office administration complex, and a central warehousing facility, and caused major damage to the remaining two schools. Cameron consolidated its six schools into four and relocated the school campuses.

RESULTS OF AUDIT

Generally, Cameron accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. However, although Cameron used full and open competition in awarding \$49.6 million in contracts, it did not include required provisions in its contracts and did not take sufficient steps to ensure the use of small businesses, minority-

owned firms, women's business enterprises, and labor surplus area firms for its contract work. In addition, FEMA should complete its insurance review and allocate approximately \$1 million of insurance proceeds to Cameron's projects.

Finding A: Contracting

Although Cameron used full and open competition in awarding \$49.6 million in contracts, it did not comply with two other procurement standards required by federal regulations. First, Cameron did not include in its contracts the provisions required by 44 CFR 13.36(i). These provisions document the rights and responsibilities of the parties and minimize the risk of misinterpretations and disputes.

Second, Cameron did not take sufficient steps to ensure the use of small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms. Federal regulations require subgrantees to take all necessary affirmative steps to ensure that they use these businesses when possible (44 CFR 13.36(e)). Although Cameron did not take the specific affirmative steps listed in the regulations, it did award half of its contracts to small or disadvantaged businesses (17 contracts totaling \$14.3 million out of 31 contracts totaling \$49.6 million). Therefore, we did not question any costs related to contracting because Cameron otherwise properly procured its disaster-related contracts. However, for future federally funded disaster contracts, Cameron should ensure that it complies with all federal procurement standards.

Finding B: Insurance Allocation

Cameron received \$10.3 million in insurance proceeds for wind and flood damage. However, FEMA had not allocated approximately \$1 million that Cameron received in flood insurance proceeds (buildings and contents) for South Cameron High School. Federal regulations at 44 CFR 206.250(c) require FEMA to deduct actual and anticipated insurance recoveries from otherwise eligible costs. Therefore, FEMA should complete its insurance review and allocate approximately \$1 million in applicable insurance proceeds to Cameron's projects. FEMA officials agreed with this finding and stated that they will follow up with Cameron and adjust the projects to reflect the correct insurance allocations.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation #1: Require GOHSEP to direct Cameron to include all federally required contract provisions in its contracts and to establish the necessary affirmative steps to ensure the use of small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms (finding A).

Recommendation #2: Complete the insurance review and allocate approximately \$1,000,000 (\$1,000,000 federal share) of insurance proceeds to the total cost of Cameron's projects. Because some of the costs are funded from another source, they are ineligible (finding B).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with Cameron officials during our audit and included their comments in this report, as appropriate. We also provided a draft report in advance to FEMA, GOHSEP, and Cameron officials and discussed it at exit conferences held with FEMA officials on September 22, 2011, and with GOHSEP and Cameron officials on September 21, 2011. FEMA, GOHSEP, and Cameron officials generally agreed with our findings and recommendations.

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 responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. To promote transparency, this report will be posted to our website. Significant contributors to this report were Tonda Hadley, Paige Hamrick, James Mitchell, and Tai Cheung.

Should you have questions concerning this report, please contact me at (202) 254-4100 or Tonda Hadley at (214) 436-5200.

cc: Administrator, FEMA
Executive Director (Acting), FEMA Louisiana Recovery Office
Audit Liaison, FEMA Louisiana Recovery Office
Audit Liaison, FEMA Region VI
Audit Liaison, FEMA (Job Code G-11-031)
Audit Liaison, DHS

Schedule of Projects Audited
September 24, 2005, to March 22, 2011
Cameron Parish School Board, Cameron, Louisiana
FEMA Disaster Number 1607-DR-LA

| Project Number | Gross Award Amount | Insurance and Donation Reductions | Net Award Amount |
|-----------------------|---------------------------|--|-------------------------|
| 2397 | \$24,860,243 | (2,735,917) | \$22,124,326 |
| 4730 | 11,599,959 | (3,702,105) | 7,897,854 |
| 2393 | 6,206,959 | (842,858) | 5,364,101 |
| 533 | 5,741,003 | (1,842,758) | 3,898,245 |
| 2206 | 3,512,582 | (134,008) | 3,378,574 |
| 4001 | 3,612,881 | (780,154) | 2,832,727 |
| 4653 | 2,440,993 | 0 | 2,440,993 |
| 4654 | 1,738,093 | (14,261) | 1,723,832 |
| 2511 | 2,823,780 | (1,216,856) | 1,606,924 |
| 2406 | 1,411,454 | (5,427) | 1,406,027 |
| 2962 | 2,285,863 | (1,012,856) | 1,273,007 |
| 2478 | 2,197,544 | (938,968) | 1,258,576 |
| 4630 | 1,244,984 | 0 | 1,244,984 |
| 2725 | 1,168,699 | 0 | 1,168,699 |
| 2691 | 1,268,214 | (143,031) | 1,125,183 |
| 4629 | 1,031,270 | 0 | 1,031,270 |
| 3467 | 862,618 | (3,233) | 859,385 |
| 4631 | 760,153 | 0 | 760,153 |
| 2382 | 306,198 | (3,762) | 302,436 |
| 4628 | 267,918 | 0 | 267,918 |
| 4604 | 53,694 | 0 | 53,694 |
| 4410 | 45,782 | 0 | 45,782 |
| 620 | 45,265 | 0 | 45,265 |
| 1041 | 24,383 | 0 | 24,383 |
| 4668 | 23,202 | 0 | 23,202 |
| 4647 | 8,147 | 0 | 8,147 |
| Totals | \$75,541,881 | \$(13,376,194) | \$62,165,687 |

ADDITIONAL INFORMATION AND COPIES

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