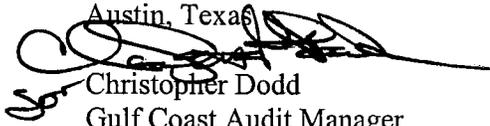




# Homeland Security

April 6, 2006

MEMORANDUM FOR: Sandra Coachman  
Federal Coordinating Officer  
Texas Joint Field Office  
Austin, Texas

FROM:   
Christopher Dodd  
Gulf Coast Audit Manager

SUBJECT: *Review of Hurricane Katrina Activities  
City of Austin, Texas  
FEMA Disaster Number EM-3216-TX  
Report Number GC-TX-06-32*

We performed a review of emergency sheltering costs associated with Hurricane Katrina activities for the City of Austin, Texas. The objective of the review was to determine whether the city was properly accounting for disaster related costs and whether such costs were eligible for funding under FEMA's disaster assistance programs.

The city received awards totaling \$44 million from the Texas Division of Emergency Management, a FEMA grantee, for emergency protective measures necessitated by Hurricane Katrina. The award provided 100 percent FEMA funding, under two projects, to provide Hurricane Katrina evacuees with emergency shelter, food, security, medical services and interim housing (see attached Exhibit). During February 2006, approximately 3,400 evacuees were living in 1,720 apartment units, all funded under this grant award.

As of February 28, 2006, the cut-off date of our review, the city had received \$12.9 million and expended \$11.3 million of FEMA funds.

Our review consisted of an analysis of the city's accounting and administrative controls over the grant funds as well as interviews with city officials. The nature and brevity of this assignment precluded the use of our normal audit protocols. Therefore, this review was not conducted in accordance with generally accepted government auditing standards. Had we followed such standards, other matters may have come to our attention.

This review was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General review of this important subject.

## RESULTS OF REVIEW

The city had an effective system to account for and ensure the appropriate use of disaster grant funds. However, we noted the FEMA award amount exceeded needs by \$21.5 million, the city needs to remit interest earned on the FEMA funds advanced, and appropriate action needs to be taken to dispose of supplies no longer needed under the projects.

1. FEMA based funding estimates for the two projects on a 12-month grant period. However, the grant period has since been limited to seven months. By reducing the eligible period for emergency shelter by five months, FEMA can also reduce the award by \$21.5 million, the anticipated expenditures for that period.

2. In October 2005, the city received \$12.9 million of FEMA funds and placed these funds in an interest bearing account. During the ensuing months, the city spent approximately \$11.3 million, resulting in a remaining balance of \$1.6 million at the end of February 2006.

According to 44 CFR 13.21(i), a sub-grantee shall promptly, but at least quarterly, remit interest earned on advances. City officials acknowledged that interest was earned on the FEMA advance and stated that the interest income, once computed, would be remitted to FEMA.

3. To provide evacuees a way to register on-line with FEMA and provide access to other Internet resources, the city purchased 50 personal computers at a cost of \$56,000. These computers were used primarily at the Austin Convention Center shelter during September 2005, but are no longer needed for program activities.

According to FEMA policy,<sup>1</sup> when remaining supplies exceed \$5,000, and cannot be used for any other federally sponsored program, the subgrantee shall reimburse FEMA the fair market value of the supplies. City officials acknowledged this requirement and stated that they would work with FEMA to arrange for the proper disposition of the computers.

## RECOMMENDATIONS

We recommend that the Federal Coordinating Office, in conjunction with the Texas Division of Emergency Management:

1. De-obligate \$21.5 million of excess funding.
2. Require the city to remit to FEMA the interest earned on the FEMA advance.
3. Either recover the remaining value of the 50 personal computers or ensure that the computers are used for other federally funded programs.

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<sup>1</sup> Response and Recovery Directorate Policy Number 9525.12 and 44 CFR 13.33(b).

## DISCUSSION WITH MANAGEMENT

We discussed the results of our review with city officials on March 3, 2006, and with FEMA and state grantee officials on March 6, and 7, 2006, respectively. City officials agreed with our findings and recommendations. Please inform us by April 21, 2006, of the actions taken or planned to implement the recommendations. Your response should be sent to Gary J. Barard, Gulf Coast Audit Coordinator, at:

U.S. Department of Homeland Security  
Office of Inspector General  
3003 Chamblee-Tucker Road  
Atlanta, GA 30341

Auditors Lori Smith and DeWayne Bailey performed this review. Should you have any questions concerning this report, please contact me at (940) 465-4018.

Attachment

cc: Under Secretary for Management  
Acting Director, FEMA  
DHS Chief Procurement Officer  
DHS Chief Financial Officer  
DHS Audit Liaison  
FEMA Chief Financial Officer  
FEMA Senior Procurement Officer  
FEMA Audit Liaisons  
Deputy Director, Gulf Coast Recovery  
Chief of Staff, Joint Field Office  
JFO Public Assistance Officer  
State Coordinating Officer, Texas Joint Field Office  
FEMA Regional Director, Region VI  
State Auditor, Texas State Auditor's Office

**EXHIBIT**

**City of Austin, Texas  
Disaster Relief Funding  
EM 3216-TX  
Funding as of February 28, 2006**

<b>Project Number</b>	<b>Award Amount</b>	<b>Approved Activity</b>
6	\$38,596,500	Interim Housing – Apartments
10	5,448,000	Emergency Sheltering, Food, Security & Medical Services
<b>Amount Awarded:</b>	<b>\$44,044,500</b>	