

**Lower Mississippi River Port-wide
Strategic Security Council Did Not
Always Properly Manage,
Distribute, or Spend Port Security
Grant Funds**





DHS OIG HIGHLIGHTS

Lower Mississippi River Port-wide Strategic Security Council Did Not Always Properly Manage, Distribute, or Spend Port Security Grant Funds

December 17, 2015

Why We Did This Audit

The Department of Homeland Security's (DHS) Port Security Grant Program (PSGP), which is administered by the Federal Emergency Management Agency (FEMA), provides funding to port authorities, facility operators, and other eligible entities to help protect critical port infrastructure from terrorism. FEMA awarded the Lower Mississippi River Port-wide Strategic Security Council (Council) approximately \$108 million in PSGP grant funds from fiscal years 2008 to 2013. We determined whether the Council managed, distributed, and spent PSGP funds in compliance with Federal laws, regulations, and guidance.

What We Recommend

The Assistant Administrator, Grant Programs Directorate should (1) review and remedy more than \$9.2 million in questioned costs; (2) implement controls to strengthen oversight of the grant recipients in areas such as grantee management, monitoring, and communication; and (3) implement the controls developed as a result of recommendation 2 throughout the PSGP.

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

About 73 percent of the nearly \$108 million awarded to the Council to protect critical port infrastructure remains unspent. In addition, we identified more than \$9.2 million in questioned costs. This occurred because the Council did not always follow Federal laws, regulations, or grant guidance; and FEMA failed to provide proper oversight. As a result, major Lower Mississippi River ports may be less prepared in the event of a terrorist attack.

FEMA Response

FEMA reported that Grant Operations will collaborate with pertinent parties to review more than \$9.2 million in questioned costs that we identified and recover any costs determined to be unallowable. FEMA's fiscal year 2015 monitoring plan provides an overview of the Grants Program Directorate's risk-based approach, which the Directorate continues to use to ensure effective management and oversight of grant funds. FEMA concurred with the three recommendations in this final report.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

DEC 17 2015

MEMORANDUM FOR: Brian E. Kamoie
Assistant Administrator
Grants Program Directorate
Federal Emergency Management Agency

FROM: Mark Bell *Mark Bell*
Assistant Inspector General for Audits

SUBJECT: *Lower Mississippi River Port-wide Strategic Security Council Did Not Always Properly Manage, Distribute, or Spend Port Security Grant Funds*

Attached for your action is our final report, *Lower Mississippi River Port-wide Strategic Security Council Did Not Always Properly Manage, Distribute, or Spend Port Security Grant Funds*. We incorporated the formal comments provided by your office and the Lower Mississippi River Port-wide Strategic Security Council.

The report contains three recommendations aimed at improving oversight of Port Security Grant Program funds. Your office concurred with all three recommendations. Based on information provided in your response to the draft report, we consider recommendation 1 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts. Recommendations 2 and 3 are resolved and closed.

Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Don Bumgardner, Director, at (202) 254-4100.

Attachment



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Department of Homeland Security

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Abbreviations

CFR	Code of Federal Regulations
Council	Lower Mississippi Port-wide Strategic Security Council
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	fiscal year
IJ	Investment Justification
M&A	management and administration
OIG	Office of Inspector General
PSGP	Port Security Grant Program
ROF	Release of Funds



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Background

Most of the Nation’s maritime critical infrastructure is owned or operated by state, local, and private sector maritime industry partners. The Department of Homeland Security’s (DHS) Port Security Grant Program (PSGP), which is administered by the Federal Emergency Management Agency (FEMA), provides funding to port authorities, facility operators, and other eligible entities to help protect critical port infrastructure from terrorism. PSGP reimburses security expenses such as port-wide risk management, training, and exercises, as well as management and administration (M&A) costs.

The Mississippi River from Baton Rouge, LA, to the Gulf of Mexico is the largest shipping corridor in the world. Its five major deep water ports — the Port of Greater Baton Rouge; Port of South Louisiana; Port of New Orleans; St. Bernard Port, Harbor & Terminal District; and Plaquemines Port, Harbor & Terminal District — facilitate commerce by providing water access to 33 states. In 2007, these five ports formed the Lower Mississippi River Port-wide Strategic Security Council (Council) to plan, implement, and coordinate strategic security projects.

Lower Mississippi River Major Deep Water Ports



Source: Derived from lmrports.com.

FEMA awarded about \$108 million in PSGP funds to the Council in fiscal years (FY) 2008–13, as shown in table 1.



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Table 1: PSGP Award Amounts

FY	PSGP Award
2008	30,845,686
2009	30,370,227
2010	22,820,960
2011	17,166,755
2012	4,975,631
2013	1,799,185
Total	\$107,978,444

In FYs 2008–11, the Council applied for and administered PSGP funds on behalf of subgrantees, as well as its five member ports. In FYs 2012–13, the Council applied for PSGP funds solely on behalf of its five member ports; other entities were allowed to apply directly to FEMA.

We conducted this audit to determine whether the Council managed, distributed, and spent FYs 2008–13 PSGP grant funds in compliance with applicable Federal laws, regulations, and guidance.

Results of Audit

About 73 percent of the nearly \$108 million awarded to the Council to protect critical port infrastructure remains unspent. In addition, we identified more than \$9.2 million in questioned costs. This occurred because the Council did not always follow Federal laws, regulations, or grant guidance, and FEMA did not provide proper oversight. As a result, major Lower Mississippi River ports may be less prepared in the event of a terrorist attack.

Unused Funds

As of January 2015, about \$79 million (73 percent) of the PSGP funds awarded to the Council in FYs 2008–13 had not been used. According to FEMA’s PSGP guidance, grant funds must be spent within a specific timeframe, called a “performance period,” which generally varies between 2 and 3 years. Any unexpended funds at the end of the performance period must be returned to FEMA. About \$70.8 million of the unused funds has expired and must be returned to FEMA. Because of extensions granted by FEMA, the Council and its subgrantees had until August 31, 2015, to spend the approximately \$8.3 million remaining from the FYs 2011 and 2013 PSGP grants.



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Table 2: Unused PSGP Funds as of January 2015

FY	PSGP Award Amount	Final Expiration (incl. extensions)	Unspent PSGP Funds	% Unspent
2008	\$30,845,686	6/13/2013	\$22,662,118	73.5%
2009	\$30,370,227	1/31/2014	\$26,537,447	87.4%
2010	\$22,820,960	1/31/2014	\$18,833,087	82.5%
2011	\$17,166,755	8/31/2015	\$7,261,345	42.3%
2012	\$4,975,631	8/31/2014	\$2,769,604	55.7%
2013	\$1,799,185	8/31/2015	\$1,005,297	55.9%
Total	\$107,978,444		\$79,068,899	73.2%

Source: DHS Office of Inspector General (OIG) analysis of FEMA and Council data (numbers may not add due to rounding).

Grant funds expired largely because the Council did not announce the availability of funding to potential subgrantees or notify subgrantees of approved awards in a timely manner. For example, the Council did not announce availability of FY 2009 PSGP funding to potential applicants for 655 working days after FEMA made the award. In another example, the Council waited nearly a year before notifying a subgrantee that FEMA had approved its project. We also found instances where the Council never notified the subgrantee of FEMA’s project approval. Appendix D contains a timeline of PSGP awards and distribution.

The Council also did not promptly communicate with its subgrantees regarding the status of their projects, causing delays or missed deadlines for some projects. Many of the subgrantees we interviewed said they frequently tried to contact the Council about their projects to no avail. For example, one subgrantee reported waiting for more than a year for the Council to respond to a project request, and was only able to get the project approved with the assistance of an external organization.

Questioned Costs

The Council and its subgrantees spent PSGP funds outside of the performance period, did not have documentation to show whether expenditures were eligible, paid for ineligible items, did not follow procurement regulations, and used an improper indirect cost allocation method. As a result, we are questioning more than \$9.2 million (\$8.8 million in direct costs and \$482,740 in indirect administrative costs) for FYs 2008–13.



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Direct Costs

The \$8.8 million in direct questioned costs fall into four major categories:

- Performance Period — subgrantees expended grant funds either before or after the allowable performance period;
- Documentation — we were unable to determine whether an expenditure was proper due to insufficient documentation;
- Ineligible — the expenditure was not allowable either based on Federal rules and regulations or FEMA’s grant guidance; and
- Procurement — we found noncompliance with requirements such as documenting the justification for a noncompetitive procurement.

Table 3 summarizes the questioned direct costs by category and year.

Table 3: Questioned Direct Costs

Grant Year	Performance Period	Documentation	Ineligible	Procurement
2008	\$ 1,924,885	\$ 918,202	\$ 1,443,361	\$ 74,857
2009	\$ 448,771	\$ 71,924	\$ 67,881	\$ -
2010	\$ -	\$ 109,560	\$ 14,686	\$ 139,445
2011	\$ 1,015,405	\$ 1,407,792	\$ 96,488	\$ 89,962
2012	\$ 964,490	\$ 12,471	\$ -	\$ -
2013	\$ -	\$ -	\$ -	\$ -
Sub-Totals	\$ 4,353,551	\$ 2,519,950	\$ 1,622,416	\$ 304,263
			Total	\$ 8,800,180

Source: DHS OIG analysis (numbers may not add due to rounding).

Appendix E details the questioned costs by category, grant recipient, and year.

Improper Indirect Cost Allocation

The Council used an improper indirect cost allocation method to charge its M&A costs to the grants, resulting in \$482,740 in questioned costs as shown in table 4. According to Title 2, Code of Federal Regulations (CFR), Part 225, Appendix E, *State and Local Indirect Cost Rate Proposals*, all departments or agencies that claim indirect costs under Federal awards must prepare an indirect cost rate proposal and documentation to support those costs. However, the Council claimed indirect costs even though it had not prepared an indirect cost rate proposal.



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Table 4: The Council’s Indirect Costs

Grant Year	Amount Paid Using Improper Indirect Cost Method
2008	\$185,333.54
2009	\$115,783.13
2010	\$143,545.34
2011	\$16,994.69
2012	\$10,526.00
2013	\$10,557.29
Total	\$482,739.99

Source: DHS OIG analysis.

Grant Administration

The Council did not perform many fundamental grant administration activities as required, such as issuing agreements and guidance, monitoring subgrantees’ programmatic and financial activities, and maintaining adequate records. CFR Title 44, Part 13, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* discusses many of these requirements.¹

Subgrant Agreements

The Council did not issue proper subgrant agreements to its subgrantees or contractual legal agreements to its member ports as required. Although the Council executed memorandums of understanding with most subgrantees and member ports, the memorandums generally served only to document the intention of the parties to work toward the common goal of port security. The Council did not execute legally binding agreements that included Federal grant requirements, established PSGP funding and program obligations, and specified the grant period of performance. The Council also neglected to provide its subgrantees and member ports with other written grant administration guidance.

Subgrantee Monitoring

The Council performed minimal programmatic monitoring and no financial monitoring of its subgrantees. Federal regulations require grantees to monitor grant-supported activities to ensure compliance with Federal requirements and to ensure that performance goals are being met. Programmatic monitoring includes activities such as verifying that subgrantees maintain required documentation and implement safeguards to prevent loss or damage to grant-

¹ See appendix A, page 12 of this report for additional guidance, rules, and regulations regarding grant management.



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funded property. FEMA's grant guidance also required that grantees monitor subgrantees' financial activities, including the accounting of receipts and expenditures, cash management, and maintaining of adequate financial records.

Council staff said they conducted periodic site visits to verify the existence of equipment purchased with PSGP funds or requested pictures of the equipment in lieu of a site visit. Of the 20 subgrantees we interviewed, 10 reported that the Council conducted a site visit, and 7 of the 10 confirmed that monitoring consisted of equipment checks. Despite grant regulations requiring subgrantee reporting, 17 subgrantees said that the Council did not require any performance or financial reports.

Grant Administration Policies and Procedures

The Council did not have documented policies and procedures for grant administration, which likely contributed to its poor performance of fundamental grant administration activities. For instance, the Council did not have policies and procedures for day-to-day grant administration activities, such as subgrantee monitoring. It also needed written financial management procedures to ensure compliance with Federal financial grant administration requirements, such as maintaining sufficient grant documentation to support expenditures.

FEMA's Oversight of the Council

FEMA's oversight of the Council's grant administration activities was insufficient. For example, FEMA did not fully inform the Council of the results of its monitoring efforts; its budget reviews were not always timely; and it sometimes released grant funds in the incorrect amount.

Monitoring

Although FEMA monitored the Council's programmatic and financial grant administration activities, it did not sufficiently communicate its monitoring results to the Council. For example, FEMA orally conveyed the results of multiple programmatic monitoring visits to the Council but did not provide the Council with a written report or any other type of follow-up documentation. Consequently, the Council had no official record of FEMA's guidance on grant administration activities, needed improvements, or corrective action deadlines.

In another example, FEMA did not fully inform the Council of key deficiencies such as improper allocation of M&A salaries and missing subgrantee agreements. FEMA identified these deficiencies while reviewing documentation



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in preparation for its May 2012 financial monitoring site visit, but did not include them in its follow-up report to the Council after the site visit. As a result, the Council may have missed opportunities to correct some of the deficiencies that contributed to the questioned costs we identified.

Untimely Budget Reviews

FEMA staff members said that they did not conduct ongoing reviews of the Council's grant award budgets until 2012. The same year, FEMA staff began reviews of the Council's 2011 budgets and retroactive reviews of 2008, 2009, and 2010 M&A budgets. Timely budget reviews and feedback on M&A budgets could have served as a learning opportunity for the Council and might have prevented questioned M&A costs.

Inaccurate Release of Grant Funds

FEMA did not always issue accurate project funding notifications to the Council, which resulted in subgrantees potentially overspending PSGP grant funds.

FEMA's approval process for subgrantees' projects included review by a panel to recommend funding amounts for individual projects. Once approved, FEMA issued a "release of funds memorandum" to the Council, which conveyed the approved funding amount. However, we identified several instances in which the funding specified in FEMA's memorandums did not match the amounts recommended by the review panel. For example, the panel approved about \$1.4 million of a subgrantee's \$2.8 million FY 2009 project request because the subgrantee also received funding from another FEMA grant program for the same purpose. Nevertheless, the release of funds memorandum, dated January 7, 2013, authorized more than \$2.8 million. The subgrantee expended the entirety of the \$2.8 million in PSGP funds — twice the amount approved by the review panel.

In another case, the review panel approved \$74,000 of a subgrantee's \$148,000 FY 2010 project request, but FEMA's release of funds memorandum authorized the full \$148,000. The subgrantee expended more than \$112,000 of the \$148,000 released — \$38,000 more than approved by the review panel. Although the scope of this review did not include a review of FEMA's internal controls, we believe the identified errors may be indicative of insufficient internal controls over the release of PSGP funds.



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Recommendations

Recommendation 1: We recommend that FEMA's Assistant Administrator of Grant Programs Directorate complete a review of more than \$9.2 million in questioned costs that we identified and recover or remedy all unallowable costs.

Recommendation 2: We recommend that FEMA's Assistant Administrator of Grant Programs Directorate implement controls to strengthen oversight of the grant recipients in areas such as grantee management, monitoring, and communication.

Recommendation 3: We recommend that FEMA's Assistant Administrator of Grant Programs Directorate, where applicable, implement the controls developed as a result of recommendation 2 throughout the PSGP.

Management Comments and OIG Analysis²

FEMA Comments to the Draft Report

FEMA concurred with all recommendations. FEMA provided comments to the draft report and a copy of those comments are included in their entirety in appendix B. A summary of FEMA responses and our analysis follows. FEMA also provided technical comments, which we reviewed and incorporated as appropriate.

Council Comments to the Draft Report

The Council did not state whether they concurred or non-concurred on the recommendations. The Council provided comments to the draft report and a copy of those comments are included in their entirety in appendix C. A summary of Council comments and our analysis follows.

² Our July 28, 2015 draft report contained two additional recommendations to (1) Require the Council to retroactively execute legal binding agreements with its participant ports for all open projects and (2) Direct the Council to develop and implement policies and procedures for grant administration, including financial accountability and monitoring of grant fund usage, to ensure compliance with applicable Federal requirements. The performance period for the FY2013 PSGP awards ended on August 31, 2015, and all awards through FY2012 with the Council have been closed. Therefore, the legal binding agreements, to include Federal grant requirements, as well as establishing PSGP funding and program obligations, cannot be retroactively executed on closed awards and projects. As such, recommendations 1 and 2 from the draft report were removed.



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FEMA Response to Recommendation #1: FEMA concurred. FEMA Grant Operations will collaborate with pertinent parties to review the identified questioned costs and recover any cost determined to be unallowable.

Expected Completion Date: 1/31/2016

Council Response to Recommendation #1: The Council did not state whether it concurred or not with this recommendation. The Council had concerns with data we received from FEMA regarding questioned costs (appendix E). The Council stated that 1) projects were completed as planned, 2) project transactions were accounted for, and 3) initiatives undertaken contributed to safeguarding of critical national port infrastructure in line with objectives of the PSGP.

OIG Analysis: The action proposed by FEMA meets the intent of recommendation #1. The Council did not directly address questioned costs, but had concerns with release of funds dates. FEMA should collaborate with all pertinent parties to review and remedy the identified questioned costs.

This recommendation is considered resolved and open.

FEMA Response to Recommendations #2 and #3: FEMA concurred on both. Controls to strengthen oversight of all PSGP grant recipients in areas of grant management, monitoring, and communication have been established with the implementation of annual first line reviews and advanced monitoring processes. FEMA's FY 2015 monitoring plan provides an overview of the Grants Program Directorate's risk-based approach, which the directorate continues to use to ensure effective management and oversight of grant funds.

Council Response to Recommendations #2 and #3: The Council did not state whether it concurred or not with these recommendations. The Council's response to these recommendations indicated that the Fiduciary Agent Process with Port Security Grant Program funds has been discontinued.

OIG Analysis: The actions proposed by FEMA meet the intent of recommendations #2 and #3. FEMA's FY 2015 monitoring plan requires monitoring reports to outline specific issues a recipient must address to comply with regulations and policies. It also states that FEMA would thoroughly review the report before sending it to the recipient. Providing grantees with important and correct information will help them comply with programmatic requirements.

Recommendation #2 directed FEMA to implement controls to strengthen oversight of the Council and recommendation #3 is to implement those controls



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developed to all PSGP recipients. Because the Fiduciary Agent process was discontinued and the performance period for PSGP awards to the Council has ended as of August 31, 2015, recommendation #2 no longer applies to the Council.

Recommendations #2 and #3 are considered resolved and closed.



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Appendix A

Objective, Scope, and Methodology

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

We conducted this performance audit between July 2014 and February 2015 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 objectives. Although we encountered limitations in obtaining documents, we believe the evidence we were able to obtain and our audit steps provide a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted this audit to determine whether the Council managed, distributed, and spent FYs 2008–13 PSGP grant funds in compliance with applicable Federal laws, regulations, and guidance.

To achieve our audit objective, we reviewed FEMA guidance and Federal rules and regulations; obtained and reviewed documentation from the Council and FEMA; interviewed officials and staff from the Council and FEMA; and analyzed data.

Our review of guidance, rules, and regulations, included, but was not limited to:

- FEMA’s PSGP Guidance FYs 2008–13
- Government Accountability Office’s *Standards for Internal Control*
- CFR Title 2, Part 225, *Cost Principles for State, Local, and Indian Tribal Governments*
- CFR Title 44, Part 13, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*
- Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

We obtained limited grant administration documentation from the Council because of its poor recordkeeping prior to 2012. To review and track grant funds from award through reimbursement, we obtained and analyzed the subgrantee’s and the Council’s documentation, as well as FEMA’s documentation when necessary.



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We interviewed officials responsible for overseeing and managing the PSGP grants at FEMA Headquarters in Washington, DC, and FEMA Region 6 in Denton, TX. We also interviewed members of the Council's governing board and staff performing day-to-day grant management. We also interviewed the Council's current accounting firm, U.S. Coast Guard officials involved with approving PSGP projects, and an entity that did not receive authorization to spend its approved PSGP funds.

We reviewed all FYs 2008–13 PSGP grant funds spent by the Council and its 27 sub-recipients to determine compliance with Federal grant requirements. We also conducted site visits at the Council and the following 25 sub-recipients:

- Port of Greater Baton Rouge
- Port of South Louisiana
- Port of New Orleans
- St. Bernard Port, Harbor & Terminal District
- Plaquemines Port, Harbor & Terminal District
- Louisiana State Police
- Louisiana Department of Wildlife & Fisheries
- St. James Parish
- St. Charles Parish
- Pointe Coupee Parish Sheriff's Office
- West Baton Rouge Parish Sheriff's Office
- East Baton Rouge Parish Sheriff's Office
- St. John the Baptist Parish Sheriff's Office
- St. Charles Parish Sheriff's Office
- Jefferson Parish Sheriff's Office
- Plaquemines Parish Sheriff's Office
- Baton Rouge Police Department
- New Orleans Fire Department
- Atchafalaya Basin Levee District
- Dow Chemical (Plaquemines location)
- NuStar Energy
- Axiall (Plaquemines location)
- International-Matex Tank Terminals (Geismar location)
- Carline Fleet
- Bayou Fleet

We conducted telephone interviews and obtained documentation by email to verify assets for the Gretna Police Department and St. Bernard Parish Sheriff's Office.



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For each subgrantee and participating port, we interviewed officials responsible for grant management; reviewed supporting documentation for subgrantees' procurement, reimbursement, and other grant procedures; and verified equipment purchased with FYs 2008–13 PSGP funds.



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Department of Homeland Security

Appendix B
FEMA Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20472



FEMA

MEMORANDUM FOR: Mark Bell
Assistant Inspector General
Office of Inspector General for Audits

FROM: David Bibo 
Associate Administrator (Acting)
Office of Policy and Program Analysis

SUBJECT: Management's Response to OIG Draft Report: "Lower Mississippi River Port-wide Strategic Security Council did not Always Properly Manage, Distribute, or Spend Port Security Grant Funds" (Project No. 14-049-AUD-FEMA)

Thank you for the opportunity to review and comment on this Draft Report. The U.S. Department of Homeland Security (DHS) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

The Port Security Grant Program (PSGP) provides funding to port authorities, facility operators, and other eligible entities to help protect critical port infrastructure from terrorism.

The Draft Report contains five recommendations, with which the Department concurs with Recommendations 3-5, and non-concurs with Recommendations 1-2. Specifically:

Recommendation 1: Require the Council to retroactively execute legal binding agreements with its participant ports for all open projects. The agreements should include Federal grant requirements, as well as establish PSGP funding and program obligations.

Response: Non-concur. The Fiduciary Agent (FA) process no longer exists. This process provided risk-based, non-competitive targeted allocations to our nation's highest risk port areas. The FA process was discontinued in FY 2012, when the program shifted to a competitive based application. The FY 2008 through FY 2012 PSGP awards for the Council have all been closed. The performance period for the FY 2013 PSGP awards ended on August 31, 2015. The legal binding agreements, to include Federal grant requirements, as well as establishing PSGP funding and program obligations, cannot be retroactively executed on closed awards and projects. The DHS FY 2015 PSGP Notice of Funding Opportunity (NOFO) is attached as 1a and the PSGP FY13 Lower Mississippi Award is attached as 1b. FEMA feels that this action satisfies the intent of the recommendation and request it be considered resolved and closed.

Estimated Completion Date (ECD): N/A

www.fema.gov



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Attachments: 1a – DHS FY2015 PSGP NOFO
1b – PSGP FY2013 Lower Mississippi Award

Recommendation 2: Direct the Council to develop and implement policies and procedures for grant administration, including financial accountability and monitoring of grant fund usage, to ensure compliance with applicable Federal requirements.

Response: Non-concur. The FA process no longer exists. The FY 2008 through FY 2012 PSGP awards for the Council have all been closed. The performance period for FY 2013 PSGP awards ended August 31, 2015. FEMA's Assistant Administrator for Grant Programs cannot direct the Council to develop and implement compliance policies and procedures for grant administration, including financial accountability and monitoring of grant funds that are no longer open.

ECD: N/A

Attachments: 1a – DHS FY2015 PSGP NOFO
1b – PSGP FY2013 Lower Mississippi Award

Recommendation 3: Complete a review of the \$9.2 million in questioned costs and recover or remedy all unallowable costs.

Response: Concur. Grant Operations will collaborate with the pertinent parties, including the Preparedness Grants Division (PGD) and Regional counterparts to review the identified \$9.2 million in questioned cost and recover any cost determined to be unallowable under applicable statutes, regulations, and program guidance.

ECD: 01/31/2016

Recommendation 4: Implement controls to strengthen oversight of the Council in areas such as grantee management, monitoring, and communication.

Response: Concur. The FA process was discontinued in FY 2012 and all awards are made directly to eligible applicants. The FY 2008 through FY 2012 PSGP awards for the Council have all been closed. The performance period for the FY 2013 PSGP awards ended on August 31, 2015. In addition, controls to strengthen oversight of all PSGP grant recipients in areas of grantee management; monitoring and communication have been established with the implementation of annual first line reviews and advanced monitoring processes. Across the suite of non-disaster preparedness great programs, in FY 2013, 2173 awards monitored via First Line Review, 22 awards monitored via site visit, and 17 awards monitored via desk review. For FY 2014, 1865 awards monitored via First Line Review, 24 awards monitored via site visit, and 10 awards monitored via desk review. The attached FY 2015 monitoring plan (4a) provides an overview of the risk-based approach GPD has and continues to take in its efforts to ensure effective management and oversight of grant funds. FEMA feels that this action satisfies the intent of the recommendation and request it be considered resolved and closed.

ECD: N/A



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Attachments: 1a – DHS FY2015 PSGP NOFO
1b – PSGP FY2013 Lower Mississippi Award
4a – FY2015 FEMA Monitoring Plan

Recommendation 5: Where applicable, implement the controls developed as a result of recommendation 4 throughout the PSGP.

Response: Concur. The FA process was discontinued in FY 2012 and all awards are made directly to eligible applicants. The FY 2008 through 2012 PSGP awards for the Council have all been closed. The performance period for the FY 2013 PSGP awards ended on August 31, 2015. In addition, controls to strengthen oversight of all PSGP grant recipients in areas of grantee management; monitoring and communication have been established with the implementation of annual first line reviews and advanced monitoring processes. Across the suite of non-disaster preparedness grant programs, in FY 2013, 2173 awards monitored via First Line Review, 22 awards monitored via site visit, and 17 awards monitored via desk review. For FY 2014, 1865 awards monitored via First Line Review, 24 awards monitored via site visit, and 10 awards monitored via desk review. The attached FY 2015 monitoring plan (4a) provides an overview of the risk-based approach GPD has and continues to take in its efforts to ensure effective management and oversight of grant funds. FEMA feels that this action satisfies the intent of the recommendation and request it be considered resolved and closed.

ECD: N/A

Attachments: 1a – DHS FY2015 PSGP NOFO
1b – PSGP FY2013 Lower Mississippi Award
4a – FY2015 FEMA Monitoring Plan



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Department of Homeland Security

Appendix C
Council Comments to the Draft Report

*Lower Mississippi River
Port-wide Strategic
Security Council*



*Greater Baton Rouge Port - Port of South Louisiana - Port of New Orleans
St. Bernard Port Harbor & Terminal District - Plaquemines Port Harbor & Terminal District
P.O. Box 380 - Port Allen, LA - 70767-0380*

November 5, 2015

Mr. Donald Bumgardner, Director
Office of Inspector General
Department of Homeland Security
Washington, D.C. 20528

RE: DRAFT Report – *Lower Mississippi River Port-Wide Strategic Security Council Did Not Always Properly Manage, Distribute, or Spend Port Security Grant Funds*
OIG Project No. 14-049-AUD-FEMA

Dear Mr. Bumgardner:

The Lower Mississippi River Port-Wide Strategic Security Council (Council) is in receipt of the FEMA - Office of Inspector General audit report "Lower Mississippi River Port-Wide Strategic Security Council Did Not Always Properly Manage, Distribute, or Spend Port Security Grant Funds." It is certainly the objective of the Council, its port authority members and all sub-grantees that the Port Security Grant Funds be administered in full compliance with FEMA guidelines and instructions, as well as, all applicable laws, rules and regulations. The Council appreciates the information provided in this draft audit report.

At this time, the Council will take the opportunity to provide a direct response to the five (5) recommendations:

Recommendation #1: Require the Council to retroactively execute legal binding agreements with its participant ports for all open projects. The agreements should include Federal grant requirements, as well as establish PSGP funding and program obligations.



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Council's Response: The Fiduciary Agent (FA) process with Port Security Grant Program (PSGP) funds was discontinued beginning with the FY 2013 issuance of funds. Therefore, the Council does not see any benefit of retroactively establishing or executing binding agreements with sub-recipients for FY 2008 through FY 2012 awards which have been closed by FEMA.

Recommendation #2: Direct the Council to develop and implement policies and procedures for grant administration, including financial accountability and monitoring of grant fund usage, to ensure compliance with applicable Federal requirements.

Council's Response: The Fiduciary Agent (FA) process with Port Security Grant Program (PSGP) funds was discontinued beginning with the FY 2013 issuance of funds. Therefore, the Council does not see any benefit of retroactively establishing or executing binding agreements with sub-recipients for FY 2008 through FY 2012 awards which have been closed by FEMA.

Recommendation #3: Complete a review of the \$9.2 million in questioned costs and recover or remedy all unallowable costs.

Council's Response: The fiscal year identified within Appendix D , Question Cost, have multiple " release of fund dates" issued by FEMA, , that do not appear to be included in the appendices, particularly fiscal years 2008 and 2012, depending upon the approved task within that round year.

Projects covered in this draft audit report were completed as planned and the associated financial transactions were accounted for. The initiatives undertaken by the Council member ports and the various sub-grantees all contributed to the safeguarding of our critical national port infrastructure from terrorists activities – the stated objective of the port security grant program.

Recommendation #4: Implement controls to strengthen oversight of the Council in areas such as grantee management, monitoring, and communication.



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Council's Response: The Fiduciary Agent (FA) process with Port Security Grant Program (PSGP) funds was discontinued beginning with the FY 2013 issuance of funds.

Recommendation #5: Where applicable, implement the controls developed as a result of recommendation 4 throughout the PSGP.

Council's Response: The Fiduciary Agent (FA) process with Port Security Grant Program (PSGP) funds was discontinued beginning with the FY 2013 issuance of funds.

Once again the Council would like to extend its appreciation for the information provided in this report and for the opportunity to respond.

The various projects undertaken by the Council, through its various port members and sub-grantees, has contributed significantly to the safety and security of the Lower Mississippi River. The Port Security Grant Program has positioned all involved parties with an enhanced degree of preparedness in the event of a terrorist attack.

Should you have any questions, please do not hesitate to contact either me or Ms. Carol Fitch.

Sincerely,

Paul G. Aucoin
LMRPWSSC President
Executive Director, Port of South Louisiana
paucoin@portsl.com

Carol W. Fitch
LMRPWSSC Grant Administrator
carol@lmrports.com



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- c: Mr. Cortney White, LMRPWSSC Treasurer; Port of Greater Baton Rouge
Mr. Jerry Graves, LMRPWSSC Secretary; St. Bernard Port Harbor & Terminal Dist.
Mr. Paul Zimmermann, Port of New Orleans
Mr. John Pennison, Plaquemines Port Harbor & Terminal District
Mr. Mitch Smith, Port of South Louisiana
Ms. Melissa Folse, LMRP Attorney; Port of South Louisiana
Mr. Bert Faulk, LMRP Financial Manager; Faulk & Winkler, LLC



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Appendix D
Grant Administration Timeline

FY 2008 PSGP Grant	
8/25/2008	FEMA awards \$30.8 million in PSGP funds the Council.
7/31/2011	The Council's original FY 2008 Period of Performance ends; FEMA adjusts it to 6/13/2013.
10/27/2011	FEMA issues its first FY 2008 Release of Funds letter to the Council.
4/3/2012	The Council makes its first drawdown of FY 2008 funds.
6/13/2013	The Council's FY 2008 Period of Performance ends.
9/23/2013	FEMA deobligates \$22.1 million from the Council's FY 2008 PSGP grant.
FY 2009 PSGP Grant	
7/17/2009	FEMA awards \$30.4 million in PSGP funds to the Council.
1/19/2012	The Council announces the FY 2009 PSGP grant to its stakeholders and requests Investment Justifications (IJ) by 2/13/2012.
5/31/2012	The Council's original FY 2009 Period of Performance ends; FEMA extends it three times to 1/31/2014.
12/28/2012	FEMA issues its first FY 2009 Release of Funds letter to the Council.
5/6/2013	The Council makes its first drawdown of FY 2009 funds.
1/31/2014	The Council's FY 2009 Period of Performance ends.
9/18/2014	FEMA deobligates \$26.5 million from the Council's FY 2009 PSGP grant.
FY 2010 PSGP Grant	
8/12/2010	FEMA awards \$22.8 million in PSGP funds to the Council.
7/13/2012	FEMA issues its first FY 2010 Release of Funds letter to the Council.
5/6/2013	The Council makes its first drawdown of FY 2010 funds.
5/31/2013	The Council's original FY 2010 Period of Performance ends; FEMA extends it twice to 1/31/2014.
1/31/2014	The Council's FY 2010 Period of Performance ends.
FY 2011 PSGP Grant	
9/13/2011	FEMA awards \$17.1 million in PSGP funds to the Council.
6/4/2012	FEMA releases FY 2011 PSGP funds to the Council for the first time.
1/7/2014	The Council makes its first drawdown of FY 2011 funds.
8/31/2014	The Council's original FY 2011 Period of Performance ends; FEMA extends #IJ9 to 8/31/15.
8/31/2015	The Council's FY 2011 Period of Performance ends.
FY 2012 PSGP Grant	
9/20/2012	FEMA awards \$4.9 million in PSGP funds to the Council.
4/3/2014	FEMA releases FY 2012 PSGP funds to the Council for the first time.
4/11/2014	The Council makes its first drawdown of FY 2012 funds.
8/31/2014	The Council's FY 2012 Period of Performance ends.
FY 2013 PSGP Grant	
9/15/2013	FEMA awards almost \$1.8 million in PSGP funds to the Council.
1/24/2014	FEMA releases FY 2013 PSGP Funds to the Council for the first time.
2/3/2014	The Council makes its first drawdown of FY 2013 funds.
8/31/2015	The Council's FY 2013 Period of Performance ends.



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Appendix E
Questioned Costs

Release of Funds

FEMA’s FY 2008 PSGP Guidance prohibited the obligation of grant funds prior to FEMA’s release of funds (ROF).

The following payment obligations occurred before the ROF date. The portion of the payment amounts that was reimbursed with PSGP funds is questioned.

Table 5: Atchafalaya Basin Levee District

IJ#	ROF	Vendor	Obligation Date	Payment Amount	Grant Reimbursed
08-01	04/04/12	ARRCO	10/17/11	\$ 47,584.50	\$ 35,688.38
08-01	04/04/12	Motorola	05/11/11	\$ 13,958.49	\$ 10,468.87
08-01	04/04/12	Motorola	05/09/11	\$ 855.00	\$ 641.25
08-01	04/04/12	Service	03/30/12	\$ 29,539.50	\$ 22,154.63
08-01	04/04/12	Service	03/30/12	\$ 29,539.50	\$ 22,154.63
08-01	04/04/12	Service	03/30/12	\$ 29,943.25	\$ 22,457.44

Table 6: St. Charles Parish Sheriff

IJ#	ROF	Vendor	Obligation Date	Payment Amount	Grant Reimbursed
08-26	06/06/12	Port. Sup.	04/13/11	\$ 5,809.00	\$ 4,356.75
08-27	06/06/12	Seal Sp.	01/24/12	\$ 36.00	\$ 27.00
08-27	06/06/12	Seal Sp.	01/24/12	\$ 8,333.75	\$ 6,250.31
08-28	06/06/12	FLETC	05/27/11	\$ 2,624.42	\$ 1,968.32
08-28	06/06/12	FLETC	06/23/11	\$ 3,458.44	\$ 2,593.83
08-28	06/06/12	LeBlanc	04/01/11	\$ 96.00	\$ 72.00
08-28	06/06/12	Bergeron	04/01/11	\$ 96.00	\$ 72.00
08-28	06/06/12	Mileage	04/01/11	\$ 722.67	\$ 542.00
08-28	06/06/12	Crutchfield.	04/28/11	\$ 96.00	\$ 72.00
08-28	06/06/12	Dares	04/28/11	\$ 96.00	\$ 72.00
08-28	06/06/12	Mileage	04/28/11	\$ 709.41	\$ 532.06



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Table 7: Plaquemines Port Harbor & Terminal District

IJ#	ROF	Vendor	Obligation Date	Payment Amount	Grant Reimbursed
08-18	04/13/12	Casco	02/09/12	\$ 38,736.00	\$ 29,052.00
12-01	07/16/14	Mariner	03/11/14	\$ 171,405.00	\$128,553.75
12-02	04/03/14	Mariner	03/11/14	\$ 19,050.00	\$ 14,287.50

Table 8: Port of Greater Baton Rouge

IJ#	ROF	Vendor	Obligation Date	Payment Amount	Grant Reimbursed
12-01	07/16/14	Mariner	07/03/14	\$ 171,405.00	\$128,553.75
12-02	04/03/14	Mariner	02/14/14	\$ 19,050.00	\$ 14,287.50

Table 9: Port of South Louisiana

IJ#	ROF	Vendor	Obligation Date	Payment Amount	Grant Reimbursed
12-01	07/16/14	Mariner	07/03/14	\$ 571,350.00	\$428,250.00
12-02	04/03/14	Mariner	02/14/14	\$ 63,500.00	\$ 47,625.00

Table 10: St. Bernard Port, Harbor & Terminal District

IJ#	ROF	Vendor	Obligation Date	Payment Amount	Grant Reimbursed
08-56	06/13/13	BCC LLC	01/28/13	\$ 10,508.04	\$ 7,881.03
08-56	06/13/13	BCC LLC	04/01/13	\$ 65,337.30	\$ 49,002.98
08-56	06/13/13	BCC LLC	05/06/13	\$ 2,002.41	\$ 1,501.81
08-56	06/13/13	BCC LLC	06/10/13	\$ 9,839.75	\$ 7,379.81
08-56	06/13/13	J. Deere	05/10/13	\$ 15,337.32	\$ 1,502.98
08-56	06/13/13	Tri State	06/10/13	\$ 935.46	\$ 701.60
08-56	06/13/13	123Sec	05/07/13	\$ 893.80	\$ 670.35
08-56	06/13/13	123Sec	04/30/13	\$ 3,291.80	\$ 2,468.85
08-56	06/13/13	AA&C	04/26/13	\$ 1,032.00	\$ 774.00
08-56	06/13/13	Paratech	04/18/13	\$ 18,000.00	\$ 13,500.00
08-56	06/13/13	Paratech	04/18/13	\$ 8,241.00	\$ 6,180.75
08-56	06/13/13	Paratech	04/25/13	\$ 15,684.56	\$ 11,763.20
08-56	06/13/13	Paratech	05/01/13	\$ 1,541.90	\$ 1,156.43
08-56	06/13/13	Vanguard	05/09/13	\$ 6,261.00	\$ 4,695.75
08-56	06/13/13	Gulf C.	06/10/13	\$ 23,372.00	\$ 17,529.00
08-57	06/13/13	Cummins	05/07/13	\$ 16,911.85	\$ 12,683.89
08-57	06/13/13	Ace Fence	05/01/13	\$ 128,052.00	\$ 96,039.01



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08-57	06/13/13	Thermo	05/30/13	\$ 22,048.00	\$ 16,536.00
12-01	07/16/14	Mariner	02/17/14	\$ 171,405.00	\$128,553.75
12-01	07/16/14	Mariner	06/30/14	\$ 16,191.13	\$ 12,143.35
12-02	04/03/14	Mariner	02/17/14	\$ 19,050.00	\$ 14,287.50

Table 11: St. James Parish

IJ#	ROF	Vendor	Obligation Date	Payment Amount	Grant Reimbursed
08-29	01/18/12	Motorola	04/27/11	\$1,052,075.00	\$757,977.00

Table 12: St. John the Baptist Parish Sheriff

IJ#	ROF	Vendor	Obligation Date	Payment Amount	Grant Reimbursed
08-30	07/23/12	Dive&RE	04/13/12	\$ 56,488.02	\$ 30,753.75
08-31	07/23/12	LA Tech	01/12/12	\$ 29,240.00	\$ 21,930.00
08-31	07/23/12	Apple	12/05/11	\$ 6,290.00	\$ 3,601.04
08-31	07/23/12	LA Tech	07/28/11	\$ 993.33	\$ 745.00
08-31	07/23/12	Mineroff	08/19/11	\$ 990.00	\$ 742.50
08-31	07/23/12	Advanced	09/06/11	\$ 45,580.00	\$ 2,367.00
08-31	07/23/12	Benecom	09/16/11	\$ 1,645.00	\$ 1,233.74
08-31	07/23/12	MMR	09/27/11	\$ 17,092.00	\$ 12,819.00
08-31	07/23/12	Advanced	10/06/11	\$ 23,660.00	\$ 17,745.00
08-31	07/23/12	Nav. Elc.	08/30/11	\$ 12,197.00	\$ 9,147.75
08-31	07/23/12	Feeney	08/25/11	\$ 1,619.74	\$ 1,214.81
08-31	07/23/12	Benecom	08/10/11	\$ 1,208.75	\$ 906.56
08-31	07/23/12	LA Tech	09/15/11	\$ 25,633.00	\$ 19,224.75
08-31	07/23/12	Best Buy	08/19/11	\$ 706.82	\$ 530.12
08-31	07/23/12	Best Buy	08/19/11	\$ 706.82	\$ 530.12
08-31	07/23/12	Super C.	08/19/11	\$ 1,459.30	\$ 1,094.48
08-31	07/23/12	Optics P.	08/19/11	\$ 859.95	\$ 644.96
08-31	07/23/12	Optics P.	08/31/11	\$ 859.95	\$ 644.96
08-31	07/23/12	Crutchfld.	08/19/11	\$ 1,590.95	\$ 1,103.21
08-33	07/23/12	Bryan C.	04/18/11	\$ 32,763.00	\$ 24,572.25
08-33	07/23/12	Turan-F	04/14/11	\$ 31,137.08	\$ 23,352.81
08-33	07/23/12	Benecom	04/18/11	\$ 2,177.50	\$ 1,633.13
08-33	07/23/12	VP&E Co.	04/18/11	\$ 1,302.40	\$ 976.80
08-33	07/23/12	VP&E Co.	04/19/11	\$ 219.40	\$ 164.55
08-33	07/23/12	VP&E Co.	04/18/11	\$ 1,290.40	\$ 976.80
08-33	07/23/12	VP&E Co.	04/19/11	\$ 219.40	\$ 164.55



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08-33	07/23/12	VP&E Co.	04/18/11	\$ 139.00	\$ 104.25
08-33	07/23/12	NAPA	04/19/11	\$ 33.00	\$ 24.75

Table 13: West Baton Rouge Parish Sheriff

IJ#	ROF	Vendor	Obligation Date	Payment Amount	Grant Reimbursed
08-43	06/27/12	Motorola	05/14/12	\$ 49,172.29	\$ 36,879.22
08-43	06/27/12	VP&E Co.	04/23/12	\$ 685.50	\$ 514.13
08-43	06/27/12	Brusly	05/04/12	\$ 950.00	\$ 712.50

Period of Performance

44 CFR 13.23(B) requires grantees to liquidate all obligations incurred under a grant award no later than 90 days after the end of the funding period.

- FY 2008 Performance Period End Date: 06/13/2013
- 90 Days after the Period of Performance End Date: 09/11/2013

The following vendor payments occurred after 09/11/2013. The portion of the payment amounts that was reimbursed with PSGP funds is questioned.

Table 14: Port of New Orleans

IJ#	Vendor	Payment Date	Amount Paid/Due	Grant Reimbursed
08-53	Frischhertz	10/14/14	\$ 58,862.42	\$ 44,146.51
08-54	ParaTech	12/04/13	\$ 191,316.99	\$ 143,487.74
08-54	ParaTech	04/09/14	\$ 171,939.02	\$ 128,954.27
08-54	ParaTech	07/07/14	\$ 176,540.51	\$ 132,405.38
08-54	ParaTech	12/09/14	\$ 81,905.56	\$ 53,934.66

- FY 2009 Performance Period End Date: 1/31/14
- 90 Days after the Period of Performance End Date: 5/01/14

The following vendor payments occurred after the 5/01/14 date. The portion of the payment amounts that was reimbursed with PSGP funds is questioned.



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Table 15: Gretna Police

IJ#	Vendor	Payment Date	Amount Paid/Due	Grant Reimbursed
09-07	MES	06/25/14	\$ 31,083.91	\$ 21,312.93

Table 16: Plaquemines Port Harbor & Terminal District

IJ#	Vendor	Payment Date	Amount Paid/Due	Grant Reimbursed
09-23	Farber	05/27/14	\$ 567,277.00	\$ 425,457.75

- FY 2011 Performance Period End Date: 8/31/14
- 90 Days after the Period of Performance End Date: 11/29/14

The following vendor payments occurred after the 11/29/14 date. The portion of the payment amounts that was reimbursed with PSGP funds is questioned.

Table 17: Plaquemines Port Harbor & Terminal District

IJ#	Vendor	Payment Date	Amount Paid/Due	Grant Reimbursed
11-07	Mariner	01/22/15	\$ 68,577.56	\$ 68,577.56
11-10	Metal Shark	01/09/15	\$ 775,941.20	\$ 755,941.20
11-10	Metal Shark	Not Paid	\$ 155,188.24	\$ 155,188.24
11-10	Downey	12/05/14	\$ 1,228.28	\$ 1,228.28
11-10	Downey	01/09/15	\$ 1,413.77	\$ 1,413.77
11-10	Downey	01/16/15	\$ 1,313.24	\$ 1,313.24
11-10	Downey	Not Paid	\$ 11,743.07	\$ 11,743.07

- FY 2012 Performance Period End Date: 8/31/14
- 90 Days after the Period of Performance End Date: 11/29/14

The following vendor payments occurred after the 11/29/14 date. The portion of the payment amounts that was reimbursed with PSGP funds is questioned.

Table 18: Plaquemines Port Harbor & Terminal District

IJ#	Vendor	Payment Date	Amount Paid/Due	Grant Reimbursed
12-01	Mariner	02/06/15	\$ 63,580.40	\$ 47,685.30



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Documentation

The available documentation for the following subgrantee expenditures was insufficient to discern whether reimbursement with PSGP funds was proper. The portion of the payment for the expenditures that was reimbursed with PSGP funds is questioned.

- Atchafalaya Basin Levee District, IJ #08-01, advised that it used a state contract for a \$15,947.23 acquisition. However, the subgrantee provided no documentation to confirm this. The 75 percent portion of the purchase amount that was reimbursed with PSGP funds, \$11,960.42, is questioned.
- Plaquemines Parish Sheriff, IJ #08-22 expended \$378,049 on a procurement. According to 44 CFR 13.36(b)(9), a subgrantee is required to maintain records detailing the history of the procurement, including the rationale for the method of procurement. Section (d)(9) allows for noncompetitive procurement only when competitive procurement is infeasible and if one of four delineated requirements is met. The subgrantee's records provide no documented justification for a noncompetitive procurement or evidence that the procurement was competitive. The portion that was reimbursed with PSGP funds, \$283,537, is questioned.
- St. Bernard Parish Sheriff, IJ #08-35, expended \$375,000 on an acquisition. However, the documentation the subgrantee provided was insufficient to determine whether the procurement complied with applicable law and was proper. The purchase amount, fully reimbursed with PSGP funds, is questioned.
- Port of New Orleans, IJ #08-53, expended \$16,953 for grant M&A services. However, the vendor billing documentation provided included no detail or itemization of the services provided (e.g., timesheets) on which to determine whether the procurement was proper. The 75 percent portion of the amount reimbursed with PSGP funds (reduced by the \$758.81 portion questioned as ineligible on page 33, see Port of New Orleans, IJ #08-53) is questioned: \$11,955.94.
- Port of New Orleans, IJ #08-54, expended \$33,047 for grant M&A services. However, the vendor billing documentation provided included no detail or itemization of the services provided (e.g., timesheets) on which to determine whether the procurement was proper. The 75 percent portion of the amount reimbursed with PSGP funds, \$24,785.25, is questioned.



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- St. Bernard Port, Harbor & Terminal District, IJ #08-56, expended \$35,360 on a procurement. However, the documentation provided did not indicate the procurement method employed or provide a basis to determine whether the acquisition was legally compliant and proper. The 75 percent portion reimbursed with PSGP funds, \$26,520, is questioned.
- St. Bernard Port, Harbor & Terminal District, IJ #08-56, expended \$15,000 for grant M&A services. However, the vendor billing documentation provided included no detail or itemization of the services provided (e.g., timesheets) on which to determine whether the procurement was proper. The 75 percent portion reimbursed with PSGP funds is questioned: \$11,250.
- St. Bernard Port, Harbor & Terminal District, IJ #08-56, advised that it used the General Services Administration schedule for a \$114,235.20 procurement. However, the available documentation was insufficient to discern whether the subgrantee fulfilled all legal requirements for such a procurement. The 75 percent portion reimbursed with PSGP funds is questioned: \$85,676.40.
- St. Bernard Port, Harbor & Terminal District, IJ #08-57, received a \$3,130.50 reimbursement of PSGP funds, purportedly for services a vendor provided. However, the available documentation provided no detail or itemization of the services provided (e.g., timesheets) on which to determine whether the procurement was proper. The reimbursement amount is questioned.
- St. Bernard Port, Harbor & Terminal District, IJ #08-57, advised that it used the General Services Administration schedule for a \$34,697.60 procurement. However, the available documentation was insufficient to discern whether subgrantee fulfilled all legal requirements for such a procurement. The 75 percent portion of the amount reimbursed with PSGP funds is questioned: \$26,023.00.
- St. Bernard Port, Harbor & Terminal District, IJ #08-57, expended \$63,500 on a procurement. However, the available documentation provided no detail or itemization of the work performed on which to determine whether the procurement was proper. The 75 percent portion of that amount that was reimbursed with PSGP funds is questioned: \$47,625.
- East Baton Rouge Parish Sheriff, IJ #09-10, expended \$9,360 on a procurement of services. However, the vendor billing documentation provided included no detail or itemization of the services provided (e.g., timesheets) on which to determine whether the procurement was proper.



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The PSGP reimbursement, reduced by the subgrantee's approved 25 percent in-kind contribution, is questioned: \$7,020.

- St. Charles Parish Sheriff, IJ #09-33, expended \$23,029.99 on a procurement. However, the documentation provided did not indicate the procurement method employed or provide a basis to determine whether acquisition was legally compliant and proper. The 75 percent portion of the purchase amount that was reimbursed with PSGP funds, \$17,272.49, is questioned.
- St. Charles Parish Sheriff, IJ #09-34, expended \$63,516.79 on a procurement that the subgrantee said was sole sourced. However, the available documentation was insufficient to determine whether the acquisition complied with Federal and state sole-source procurement requirements. The 75 percent portion of the purchase amount that was reimbursed with PSGP funds (minus the \$5.59 questioned as ineligible on page 34, see St. Charles Parish Sheriff, IJ #09-34) is questioned: \$47,632.
- Carline Fleet, IJ #10-02, expended \$21,870 on a procurement that the subgrantee said was competitive. However, the subgrantee provided no documentation to confirm this. The purchase amount, fully reimbursed with PSGP funds, is questioned.
- Carline Fleet, IJ #10-02, expended \$87,690 on a procurement that the subgrantee said was competitive. However, the subgrantee provided no documentation to confirm this. The purchase amount, fully reimbursed with PSGP funds, is questioned.
- Axiall, IJ #11-02, expended \$154,937.25 on a procurement from one vendor of both grant M&A services and project management services. The vendor billing documentation provided did not indicate how much of the amount invoiced was for grant M&A. FEMA's FY 2011 PSGP Guidance limited reimbursements for subgrantee M&A to 5 percent of the award amount, which for this award was \$87,733.22. The amount the PSGP reimbursement for this procurement exceeds the 5 percent limit, \$71,204.03, is questioned.
- Louisiana State Police, IJ #11-03, expended \$23,700 on a procurement that the subgrantee said was sole sourced. However, the available documentation was insufficient to determine whether the acquisition complied with Federal and state sole-source procurement requirements. The purchase amount, fully reimbursed with PSGP funds, is questioned.
- Port of New Orleans, IJ #11-04, expended \$22,789.56 on a procurement. However, no vendor billing documentation was provided for \$11,489.56 of



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that amount. That additional amount, fully reimbursed with PSGP funds, is questioned.

- Port of New Orleans, IJ #11-04, expended \$17,591.25 on a procurement. The vendor billing documentation provided, which included no information concerning what was purchased, was insufficient to determine whether the acquisition was proper. The purchase amount, fully reimbursed with PSGP funds, is questioned.
- Port of South Louisiana, IJ #11-06, submitted for reimbursement four vendor invoices totaling \$306,501.92. The available documentation did not include evidence (e.g., copies of subgrantee's checks to the vendor) that the subgrantee paid the invoiced amounts. The amount reimbursed with PSGP funds, \$182,447.13, is questioned.
- St. Bernard Port, Harbor & Terminal District, IJ #11-08, received \$78,045 in PSGP funds. However, the available documentation was insufficient to support a determination on whether the subgrantee's management of its grant award was proper and legally compliant. The amount, fully reimbursed with PSGP funds, is questioned.
- Port of South Louisiana, IJ #11-11, submitted for reimbursement a vendor invoice for \$803,540.43. The available documentation did not include evidence (e.g., a copy of the subgrantee's check to the vendor) that the subgrantee paid the invoiced amount. The amount, fully reimbursed with PSGP funds, is questioned.
- Jefferson Parish Sheriff, IJ #11-12, advised that it used the General Services Administration schedule for a \$219,775.00 procurement. However, the available documentation was insufficient to discern whether subgrantee fulfilled all legal requirements for such a procurement. The amount, fully reimbursed with PSGP funds, is questioned.
- Port of South Louisiana, IJ #12-01, received \$12,471.31 in PSGP funds. However, we found no documentation for the procurement. The amount is questioned.

Ineligible

The following subgrantee expenditures were not eligible for reimbursement with PSGP funds based upon the eligibility criteria. The portion of the payment for the expenditures that was reimbursed with PSGP funds is questioned.



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- Baton Rouge Police, IJ #08-02, expended \$71,375. However, we found no record of FEMA having released funds for this subgrantee's award. The 75 percent portion of the amount expended that was reimbursed with PSGP funds, \$53,531.25, is questioned.
- Louisiana Department of Wildlife & Fisheries, IJ #08-11 expended \$615,952.14. However, we found no record that FEMA released funds for this subgrantee's award. The portion of the amount expended that was reimbursed with PSGP funds, \$389,276.40, is questioned.
- St. John the Baptist Parish Sheriff, IJ #08-31, received \$31,818 more in PSGP funds than its award amount. The overpayment is questioned.
- Port of New Orleans, IJ #08-53, expended \$16,953 for grant M&A services. The FY 2008 PSGP Guidance limited reimbursements for subgrantee M&A to 2.5 percent of the award amount, which for this award was \$15,941.25. The portion of excess M&A cost that was reimbursed with PSGP funds 2.5 percent limit, \$758.81, is questioned.
- Port of New Orleans, IJ #08-53, on 8/15/13 requested reimbursement for a \$275,562.47 purchase it had yet to pay for. The subgrantee's check to the vendor was dated 9/3/13. The 2008 PSGP award package indicated that grant funds were to be used to reimburse subgrantee expenditures. The 75 percent portion that was reimbursed with PSGP funds, \$206,671.85, is questioned.
- Port of New Orleans, IJ #08-53, on 8/15/13 requested reimbursement for a \$203,864.81 purchase it had yet to pay for. The subgrantee's check to the vendor was dated 9/10/13. The 2008 PSGP award package indicated that grant funds were to be used to reimburse subgrantee expenditures. The 75 percent portion that was reimbursed with PSGP funds, \$152,898.61, is questioned.
- Port of New Orleans, IJ #08-54, on 8/15/13 requested reimbursement for a \$307,866.85 purchase it had yet to pay for. The subgrantee's check to the vendor was dated 8/27/13. The 2008 PSGP award package indicated that grant funds were to be used to reimburse subgrantee expenditures. The 75 percent portion that was reimbursed with PSGP funds, \$230,900.14, is questioned.
- Port of New Orleans, IJ #08-54, on 8/15/13 requested reimbursement for a \$149,914 purchase it had yet to pay for. The subgrantee's check to the vendor was dated 9/10/13. The 2008 PSGP award package indicated that grant funds were to be used to reimburse subgrantee expenditures. The 75



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percent portion that was reimbursed with PSGP funds, \$112,435.50, is questioned.

- Port of New Orleans, IJ #08-54, on 8/15/13 requested reimbursement for a \$180,584.23 purchase it had yet to pay for. The subgrantee's check to the vendor was dated 9/10/13. The 2008 PSGP award package indicated that grant funds were to be used to reimburse subgrantee expenditures. The 75 percent portion that was reimbursed with PSGP funds, \$135,438.17, is questioned.
- Port of New Orleans, IJ #08-54, on 8/15/13 requested reimbursement for a \$165,828.36 purchase it had yet to pay for. The subgrantee's check to the vendor was dated 9/10/13. The 2008 PSGP award package indicated that grant funds were to be used to reimburse subgrantee expenditures. The 75 percent portion that was reimbursed with PSGP funds, \$124,371.27, is questioned.
- St Bernard Port, Harbor, and Terminal District, #09-32, on 5/30/13 requested reimbursement for a \$90,500 purchase it had yet to pay for. The subgrantee's check to the vendor was dated 5/31/13. The 2009 PSGP award package indicated that grant funds were to be used to reimburse subgrantee expenditures. The 75 percent portion that was reimbursed with PSGP funds, \$67,875, is questioned.
- St. Charles Parish Sheriff, IJ #09-34, received \$5.59 more in PSGP funds than its award amount. The overpayment is questioned.
- St. Charles Parish Sheriff, IJ #10-30, expended \$237,000 to acquire a robot that included \$9,200 for an item that was not identified in the award's IJ (a trailer) and \$5,486 for an item not allowable by the FY 2010 PSGP Guidance (a warranty that extends beyond the close of the grant's performance period.) The \$14,686 total for the two items, fully reimbursed with PSGP funds, is questioned.
- Axiall, IJ #11-02, expended \$5,000 for training. The FY 2008 PSGP Guidance generally limited training to courses approved through the FEMA National Training and Education Division. We found no evidence that the training was approved and the purchase price, fully reimbursed with PSGP funds, is questioned.
- Port of New Orleans, IJ #11-04, received \$6,823 of grant funds for a procurement that the subgrantee said never occurred. The amount is questioned.



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- Port of New Orleans, IJ #11-04, on 5/27/14 requested reimbursement for several purchases it had yet to pay for. The date of the subgrantee's checks to the vendors and the payment amounts were: 7/1/14, \$1,300.66; 7/31/14, \$24,885; 8/5/14, \$6,714.69; 8/12/14, \$41,050; 9/2/14, \$5,705.89; and 9/4/14, \$600. The 2011 PSGP award package indicated that grant funds were to be used to reimburse subgrantee expenditures. These amounts, fully reimbursed with PSGP funds, are questioned.

Procurement

The following subgrantee expenditures did not comply with applicable procurement requirements. The portion of the payment for the expenditures that was reimbursed with PSGP funds is questioned.

- Bayou Fleet, IJ #08-03, expended \$99,808.69 on a sole-source procurement. According to 44 CFR 13.36(b)(9), a subgrantee is required to maintain records detailing the history of the procurement, including the rationale for the method of procurement. Section (d)(4)(i) allows for noncompetitive procurement only when competitive procurement is infeasible and if one of four delineated requirements is met. The subgrantee's records provide no documented justification for a noncompetitive procurement. The portion that was reimbursed with PSGP funds, \$74,856.52, is questioned.
- NuStar, IJ #10-23, expended \$139,445 on a sole-source procurement. According to 44 CFR 13.36(b)(1), subgrantees are required to use their own procurement procedures. The subgrantee's procedures required advertisement and sealed bids for purchases over \$10,000. The subgrantee did not follow its procurement procedures. The purchase amount, fully reimbursed with PSGP funds, is questioned.
- Port of New Orleans, IJ #11-04, was reimbursed \$95,067.57 in PSGP funds for a procurement. The subgrantee said that it obtained three bids, indicating that is sufficient for purchases under \$25,000. According to 44 CFR 13.36(b)(1), subgrantees are required to use their own procurement procedures which reflect applicable Federal, state, and local law. The applicable state law requires that procurements greater than \$30,000 be advertised and prohibits breaking up a purchase to circumvent the requirement. The reimbursement amount is questioned.

Port of New Orleans – Lauga Procurement

The Port of New Orleans retained Lauga to provide project management services for its IJ# 08-53 and 08-54 projects as well as other projects not PSGP



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funded. Lauga submitted a single one-page invoice for each PSGP project, \$40,200 for IJ# 08-53 and \$20,350 for IJ# 08-54, that provided no detail concerning the services provided. In response to our request for proof-of-payment for the invoices, the subgrantee provided copies of numerous checks to Lauga for work performed on the PSGP projects as well as other projects. Many of the checks related to work performed before the dates FEMA released PSGP funds for the projects or were dated later than 90 days after the grant's period of performance end date. Others were dated after the date of the subgrantee's requests for reimbursement or did not include sufficient support documentation. Excluding these payments, based upon the criteria for Release of Funds, Performance Period, Documentation, and Ineligibility indicated previously, leaves \$2,990 paid by the subgrantee for IJ# 08-53 and \$1,840.00 for IJ# 08-54. The amount the subgrantee was reimbursed for these procurements in excess of the amount it received for the proper and adequately documented payments is questioned: \$27,907.50 for IJ# 08-53 and \$13,882.50 for IJ# 08-54.



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Appendix F
Potential Monetary Benefits

Finding	Rec. No.	Funds Put to Better Use	Questioned or Unsupported Costs	Questioned Costs – Other	Total
PSGP funds spent incorrectly**	1	\$0	\$9.2 million**	\$0	\$9.2 million*
Total		\$0	\$9.2 million*	\$0	\$9.2 million*

Source: DHS OIG.

* Direct questioned costs fall into four major categories; 1) outside the performance period, 2) inadequate documentation, 3) not allowable based on regulation or FEMA guidance, and 4) noncompliance with procurement requirements.

**\$8.8 million in direct costs and \$482,740 in indirect administrative costs for FYs 2008–13.



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Appendix G
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Appendix H
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