



**OFFICE OF INSPECTOR GENERAL**  
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**Inspector General Recommends FEMA Disallow \$82.4 Million in Hurricane Katrina Grant Funds Due to Improper Contracting**

Louisiana failed to adequately oversee FEMA grant funds awarded to a New Orleans' school destroyed by Hurricane Katrina, resulting in \$82.4 million in questioned costs, according to a recent report by the Department of Homeland Security Inspector General.

Holy Cross School is a private nonprofit boy's school previously located in New Orleans' lower Ninth Ward. The school's buildings were devastated by Hurricane Katrina in August 2005. After operating for a time in Baton Rouge and then in temporary classrooms in the Ninth Ward, the school was relocated in 2007 to New Orleans' Gentilly neighborhood and subsequently rebuilt.

Holy Cross did not follow Federal procurement standards in awarding 21 contracts totaling \$82.4 million; 19 of these contracts totaling \$82.3 million were awarded in 2007 and 2008, well after the danger from Katrina had passed. As a result, FEMA has no assurance the costs were reasonable. Moreover, the lack of open and free competition increased the risk of fraud, waste, and abuse and decreased opportunities for small businesses, minority-owned firms, and women's business enterprises to compete for federally funded work.

FEMA has paid Louisiana, as its grantee, more than \$260 million to manage Hurricane Katrina since 2005, however, the OIG continues to identify subgrantees like Holy Cross that could have benefited from better grant management.

"FEMA has repeatedly advised Louisiana of its grant management responsibilities. While Louisiana has made significant progress in educating subgrantees, audits like this one demonstrate that FEMA and its grantees must remain watchful to ensure that disaster survivors are following the proper procurement rules," said Inspector General John Roth.

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