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FEMA

January 7, 2013

MEMORANDUM FOR: Tonda L. Hadley, Director
Central Regional Office
Office of Inspector General
US Department of Homeland Security

FROM: Melanie Mitchell, Deputy Director of Support Services
Louisiana Recovery Office

SUBJECT: Audit Resolution
St. Charles Parish, Louisiana
FEMA Disaster Nos. 1786-DR-LA and 1792-DR-LA
Audit Report Number DD-12-20

The Federal Emergency Management Agency (FEMA) has reviewed the Office of Inspector General's (OIG) September 12, 2012 Audit Report concerning Hurricanes Gustav (DR-1786) and Ike (DR-1792) Public Assistance (PA) claims for St. Charles Parish, Louisiana¹. This memorandum provides FEMA's response and corrective actions taken or planned to implement the OIG's recommendations.

Background

St Charles Parish (Parish) is located in Southeastern Louisiana and experienced significant wind damage and flooding in September 2008 from Hurricanes Gustav and Ike. The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, awarded the Parish \$3.5 million and \$1.4 million, respectively, for damages resulting from Hurricanes Gustav and Ike.

The OIG audit covered the period September 2, 2008 through January 23, 2012 and included a detailed review of 19 Hurricane Gustav (DR-1786-LA) and Hurricane Ike (DR-1792-LA) projects totaling \$4.5 million. The audit findings focus primarily on the Parish's and the GOHSEP's grants management processes and documentation of the Parish's claim for Direct Administrative Costs (DAC). The audit contained four findings and seven recommendations. Finding A relates to four recommendations and findings B through D relate to one recommendation each.

¹ Exhibit 1 – Department of Homeland Security Office of the Inspector General, *FEMA Public Assistance Grant Funds Awarded to St. Charles Parish, Louisiana*, Audit Report Number DD-12-20, September 12, 2012.

Recommendations 1, 2 and 3 (Finding A)

Recommendation 1: Direct GOHSEP to strengthen its grant accounting procedures to ensure accurate financial reporting.

Recommendation 2: Direct GOHSEP to assist the Parish to strengthen its accounting procedures to ensure compliance with Federal guidelines.

Recommendation 3: Direct GOHSEP to develop and implement oversight procedures to improve monitoring of its sub grantees' activities.

FEMA's Response: FEMA fully concurs with these recommendations.

The OIG asserted, and FEMA concurred, that GOHSEP should strengthen its grants accounting procedures, assist the Parish to strengthen its accounting procedures and develop and implement oversight procedures to improve monitoring of its sub grantees' activities.

In an October 30, 2012 letter to FEMA, GOHSEP stated it had completed the following responses to the OIG recommendations:

- Established and implemented several policies and procedures to ensure accurate financial reporting.
- Instructed grant managers to reconcile all expenses submitted by a sub grantee to the corresponding project and obligated line item.
- Established procedures, which clarified that if the sub grantee submits expenses in excess of the obligated amount, the GOHSEP grant managers will notify both the State Sub grantee Liaison and the sub grantee to inform them of the need for a version to correct the inaccuracy.
- Established internal policies, standard operating procedures, and training in place to continue to improve its monitoring of sub grantee's activities.²

FEMA accepts these actions as GOHSEP's resolution to the recommendations. FEMA considers Finding A Recommendations 1, 2, and 3 now resolved and closed.

Recommendation 4: Adjust project amounts by obligating or de-obligating funds as indicated on exhibit A (Finding A).

FEMA Response: FEMA fully concurs with this recommendation.

FEMA has requested and received documentation from the Parish in support of the actual costs claimed for all project worksheets referenced in the OIG audit. FEMA will complete a reconciliation and review of the projects, take any necessary actions, and notify the OIG of the results of this review by March 1, 2013.

Recommendation 5: Disallow \$50,845 (\$24,867 Federal share from 1786-DR-LA and \$23, 215 Federal share from 1792-DR-LA) in unsupported direct administrative costs (Finding B).

² Exhibit 2 – GOHSEP October 30, 2012 letter to FEMA

FEMA Response: FEMA partially concurs with this recommendation.

FEMA is currently reviewing actual costs associated with the DAC claim. FEMA will notify the OIG of the results of this review by March 1, 2013.

Recommendation 6: Disallow \$1,235 (\$1,112 Federal share) from 1786-DR-LA of ineligible duplicate claimed cost (Finding C).

FEMA Response: FEMA fully concurs with this recommendation.

FEMA reconciled PW 2026v1 and PW 4251v1 for Hurricane Gustav. FEMA inadvertently applied invoice #1929 and #1941 to both PW's. To correct this error, and by agreement with the Applicant, FEMA has de-obligated \$1,234.65 from PW 2026v1.³ FEMA considers Recommendation 6 now resolved and closed.

Recommendation 7: Direct GOHSEP to instruct the Parish to develop and implement procedures sufficient to ensure the following:

- *All necessary affirmative steps are taken to assure that small businesses, minority firms, women's business enterprises, and labor surplus area firms are used when possible;*
- *Cost or price analyses are performed in connection with every procurement action; and*
- *Federally required contract provisions are included in its contracts (Finding D).*

FEMA Response: FEMA fully concurs with this recommendation.

In its April 3, 2012 letter to St. Charles Parish regarding OIG audit report DD-12-06, GOHSEP instructed the sub grantee to develop and implement the recommended procedures. FEMA has accepted this notification as sufficient to satisfy this recommendation⁴. FEMA considers Recommendation 7 now resolved and closed.

I believe the actions taken by FEMA are sufficient to resolve five of seven recommendations included in this audit.

Enclosures

cc: George A. Robinson, Acting Regional Administrator, FEMA Region VI
William Doran, Interim Director, FEMA Louisiana Recovery Office
Kevin Davis, Director, GOHSEP
Mark Riley, Deputy Director of Disaster Recovery Division, GOHSEP
Mark DeBosier, State Coordinating Officer, GOHSEP
Bernard Plaia, Attorney, GOHSEP
Gina Norton, Audit Liaison, FEMA HQ
R. Kent Baxter, Management Analyst, Office of the Regional Administrator
Alice Joffrion, FEMA

³ Exhibit 3 – Project Worksheet 2026 v1 and 4251v1 for Hurricane Gustav.

⁴ Exhibit 4– GOHSEP April 3, 2012 letter to St. Charles Parish OIG audit report, DD-12-06.