



Homeland
Security

September 18, 2009

MEMORANDUM FOR: Tony Russell, Acting Director
FEMA Louisiana Transitional Recovery Office

Tonda L. Hadley

FROM: Tonda L. Hadley, Director
Central Regional Office

SUBJECT: *New Orleans City Park Improvement Association and Office of
Facility Planning and Control*
FEMA Disaster Number 1603-DR-LA
Public Assistance Identification Numbers 000-UXL4N-00 and
000-UFRHC-00
Audit Report Number DD-09-15

We audited public assistance funds awarded to the City Park Improvement Association (CPIA) and the Office of Facility Planning and Control (OFPC), State of Louisiana, for repairs to the New Orleans City Park. The objective of the audit was to determine whether CPIA and OFPC 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 CPIA and OFPC a combined \$21.2 million for damages resulting from Hurricane Katrina. The award provided 100% funding for 221 projects that were in various stages of completion during our audit. The audit covered the period August 29, 2005, through March 30, 2009, during which time CPIA and OFPC claimed \$15.4 million. We audited 46 projects totaling \$18.3 million or 86% of the total award (see Exhibit).

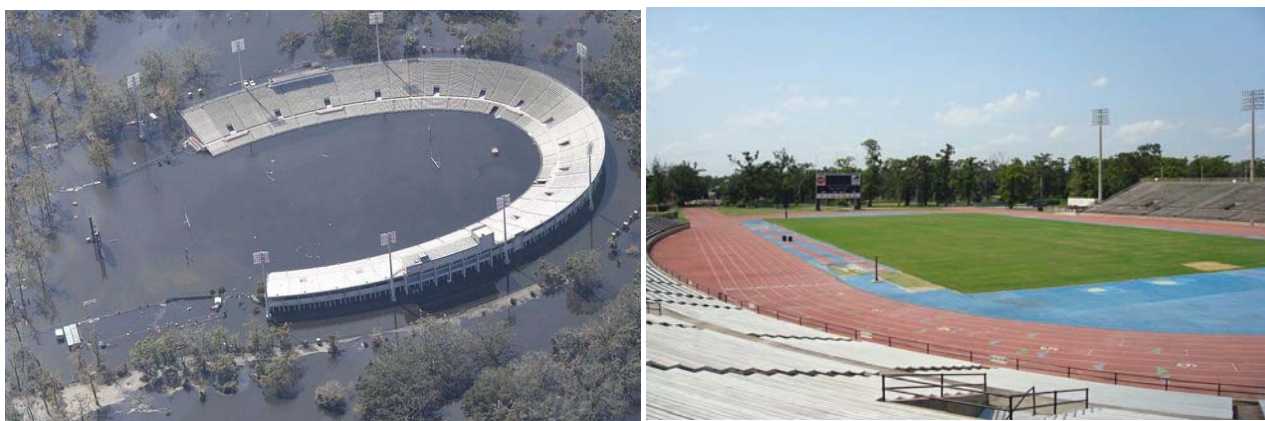
We conducted this performance audit under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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

BACKGROUND

City Park, originally purchased in 1854, was established as an urban public park within the City of New Orleans, Louisiana. City Park contains 1,300 acres of land and is one of the nation's largest urban parks. The City of New Orleans owns the land, but City Park is operated by the non-profit City Park Improvement Association, which is a state entity. The Louisiana Legislature placed City Park under the control of CPIA in 1896 to operate and develop it. The Office of Facility Planning and Control is responsible for the facility management of the state's fixed assets including City Park. OFPC played a critical role after Hurricane Katrina in expediting repairs to state facilities and overseeing architectural and engineering contracts for large construction projects.

City Park suffered extensive damage in August 2005 from Hurricane Katrina when the failure of several floodwalls caused flooding from 1 to 8 feet. The water stood for up to 4 weeks, damaging buildings, amusement rides, electrical systems, equipment, and vehicles. The standing water also caused the death of trees and landscaping, including a substantial portion of City Park's plant collection. At the time of our audit, most of City Park's facilities had reopened, including Storyland, Tad Gormley Stadium, Pan American Stadium, the Botanical Garden, the North Golf Course, and the amusements area; but repairs to shelters, the administration building, and improvement projects involving the East, West, and South golf courses were in progress.



Tad Gormley Stadium: Aerial photos before and after recovery. Source: New Orleans City Park

RESULTS OF AUDIT

CPIA and OFPC accounted for and expended FEMA funds according to federal regulations and FEMA guidelines. OFPC followed state procurement regulations as required in awarding contracts; and both applicants properly accounted for costs on a project-by-project basis and provided adequate documentation to support claimed expenses. However, CPIA's claim included \$226,034 for ineligible mark-ups on a cost-plus-a-percentage of cost contract. Also, OFPC claimed \$68,140 for sod replacement costs that were ineligible. Therefore we questioned \$294,174 as ineligible costs.

Finding A: Contracting

Federal regulations require a state, as a grantee, to follow the same procurement procedures it uses for procurements from its non-federal funds (44 CFR 13.36(a)). For the most part, OFPC and CPIA followed state procurement procedures. However, CPIA used a time-and-materials contract that allowed markups up to 20% (including a 0.75% fuel surcharge) on labor, equipment, materials, and subcontractor costs. CPIA's payments to the contractor included \$226,034 of mark-ups on costs. Louisiana Purchasing Rules and Regulations, Section 1705, and the state's Revised Statutes (RS 39:1611) prohibit the cost-plus-a-percentage-of-cost method of contracting. Therefore, we questioned the \$226,034 as ineligible markups on cost.

Finding B: Eligibility of Costs

OFPC claimed \$68,140 for sod replacement that was ineligible. Under Project 7167, the scope of work included "70,200 SF of sod to be removed along with 1 inch of sub soil and will be replace with new sod...." According to FEMA Publication 321, Public Assistance Policy Digest, page 86, grass and sod are eligible only when necessary to stabilize slopes and minimize sediment runoff. Further, FEMA 9524.5 states that, while FEMA acknowledges the economic and environmental benefits, it has determined that not providing assistance to replace disaster-damaged trees, shrubs, and other plantings, will not impact essential public services. Therefore, we questioned the \$68,140 as ineligible.

RECOMMENDATIONS

We recommend that the Acting Director, Louisiana Transitional Recovery Office:

1. Disallow \$226,034 for prohibited markups on contract costs.
2. Disallow \$68,140 for ineligible sod replacement costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our audit with FEMA officials on September 2, 2009, and with CPIA, OFPC and GOHSEP officials on September 3, 2009. Please advise this office by November 17, 2009, of the actions planned or taken to implement the recommendations, including target completion dates for any planned actions. Significant contributors to this report were Paige Hamrick and James Mitchell. Should you have questions concerning this report, please contact me or Paige Hamrick, Audit Manager, at (214) 436-5200.

cc: Acting Regional Administrator, FEMA Region VI
Audit Liaison, FEMA Region VI
Audit Liaison, FEMA Louisiana Transitional Recovery Office
Audit Liaison, FEMA (Job Code DG09C02)

Schedule of Audited Projects
New Orleans City Park
FEMA Disaster Number 1603-DR-LA

<u>Project Number</u>	<u>Applicant</u>	<u>PW</u>		<u>Questioned</u>	
		<u>Amount</u>	<u>Finding A</u>	<u>Finding B</u>	<u>Costs</u>
1387	OFPC	\$ 138,887	\$ 0	\$ 0	\$ 0
5345	OFPC	3,283,163	0	0	0
5754	CPIA	300,299	0	0	0
6821	CPIA	87,241	14,460	0	14,460
6825	CPIA	80,056	43,172	0	43,172
6827	CPIA	64,733	10,475	0	10,475
6837	CPIA	189,946	31,156	0	31,156
6838	CPIA	98,062	16,228	0	16,228
6840	CPIA	221,932	36,526	0	36,526
6892	CPIA	74,711	12,436	0	12,436
6905	CPIA	92,030	15,108	0	15,108
6924	OFPC	2,524,443	0	0	0
7053	OFPC	444,042	0	0	0
7061	OFPC	880,011	0	0	0
7145	OFPC	1,450,726	0	0	0
7162	OFPC	185,477	0	0	0
7167	OFPC	145,866	0	68,140	68,140
7186	OFPC	100,030	0	0	0
7432	OFPC	101,032	0	0	0
7471	OFPC	282,475	0	0	0
7473	OFPC	103,746	0	0	0
7650	OFPC	183,253	0	0	0
8269	OFPC	95,680	0	0	0
11489	CPIA	58,122	0	0	0
12685	CPIA	129,588	0	0	0
12709	CPIA	268,211	0	0	0
13618	CPIA	72,369	11,815	0	11,815
13621	CPIA	71,753	11,736	0	11,736
15858	CPIA	1,191,736	0	0	0
15991	CPIA	123,000	50	0	0
16120	OFPC	165,322	0	0	0
16130	CPIA	265,000	0	0	0
16213	CPIA	347,370	0	0	0
16307	CPIA	257,128	0	0	0
16431	OFPC	136,280	0	0	0
16594	CPIA	366,690	0	0	0
16943	CPIA	780,308	0	0	0
16948	CPIA	314,515	0	0	0
16968	CPIA	141,824	22,922	0	22,922
17096	CPIA	119,936	0	0	0
17521	CPIA	271,797	0	0	0
17678	OFPC	670,716	0	0	0
17679	OFPC	494,004	0	0	0
17708	OFPC	171,797	0	0	0
17712	OFPC	583,518	0	0	0
18268	CPIA	165,673	0	0	0
Totals		<u>\$18,294,498</u>	<u>\$226,034</u>	<u>\$68,140</u>	<u>\$294,174</u>