



Homeland
Security

September 15, 2010

MEMORANDUM FOR: Tony Russell, Regional Administrator
FEMA Region VI
Tonda L. Hadley

FROM: Tonda L. Hadley, Director
Central Regional Office

SUBJECT: *Louisiana Department of Health and Hospitals*
FEMA Disaster Number 1603-DR-LA
Public Assistance Identification Number 000-UHHO4-00
Audit Report Number DD-10-17

We audited public assistance funds awarded to the Louisiana Department of Health and Hospitals (LDHH). Our audit objective was to determine whether LDHH accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

LDHH received awards totaling \$68.78 million under 191 projects from the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, for Category B work (emergency protective measures resulting from Hurricane Katrina (see Exhibit). The audit covered the period August 27, 2005, to February 4, 2010, the cut-off date for our audit.

We conducted this performance 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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that evidence obtained provides a reasonable basis for our findings and conclusions. However, as discussed under Results of Audit, we could not achieve our audit objective because the scope of our audit was significantly limited.

We interviewed FEMA, GOHSEP, and LDHH officials; reviewed disaster cost documentation; and performed other procedures necessary under the circumstances. We did not assess the adequacy of LDHH's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of

LDHH's method of accounting for disaster-related costs and its procurement policies and procedures.

BACKGROUND

LDHH implemented its Emergency Response Plan in preparation of Hurricane Katrina on August 27, 2005. LDHH provided Special Needs Sheltering and other emergency protective measures to people in Louisiana. The Special Needs Sheltering program required expenditures for labor, equipment, supplies, and other items necessary to shelter those persons identified as having special health needs. Other emergency protective measures included operations for mass immunization, behavioral and disabilities assessment, sanitation, and provisioning field hospital units.

FEMA is authorized to provide Immediate Needs Funding (INF) to an applicant for emergency work it must perform immediately and pay for within the first 60 days after the disaster declaration. If an applicant receives INF, the amount is later deducted from the grants it receives for emergency work. For Hurricane Katrina, FEMA used *expedited* Project Worksheets (PW), rather than INF, to accomplish the same objective. Under an expedited PW, FEMA writes a broad scope of work during the preliminary damage assessment and quickly approves and obligates the funds, so the grantee (GOHSEP, in this case) can disburse federal funds to the subgrantee.

FEMA and the grantee share responsibility for making public assistance funds available to the subgrantee. FEMA uses a PW for each project to record the scope of eligible work, estimated or actual costs necessary to complete the work, and special considerations associated with the project. The PW serves as the basis for federal funding. Once FEMA approves a PW, it makes the federal share of the approved amount available to the grantee through a process known as obligation. Obligated funds are available to the grantee via electronic transfer, but reside in a federal account until the grantee is ready to award grants to the appropriate subgrantees.

RESULTS OF AUDIT

As of February 2010, FEMA had written and approved two sets of Project Worksheets (PW) totaling \$44.91 million for substantially the same work, but had not reconciled the two sets of PWs. As a result, our audit scope was limited because we could not allocate LDHH's claimed costs to approved work and, therefore, could not determine whether LDHH accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. In approving the second set of PWs, FEMA obligated funds twice for the same work. Consequently, FEMA should deobligate \$22.57 million and put those funds to better use. Further, GOHSEP should improve its procedures for assisting subgrantees to account for eligible costs.

Finding A: Approved Federal Funding

In September 2005, FEMA approved expedited PWs 71 and 121 for emergency protective measures. Subsequently, from April 2007 to February 2009, FEMA approved 53 additional PWs for substantially the same work approved under PWs 71 and 121. As of February 2010, obligations approved under PWs 71 and 121 totaled \$22.34 million; and obligations approved under the subsequent 53 PWs totaled \$22.57 million (see Exhibit). Therefore, FEMA should deobligate \$22.57 million because the work approved under the 53 PWs duplicated work already approved.

FEMA initially approved PW 71 on September 15, 2005, for \$38,335,500, and on March 8, 2007, deobligated \$28,804,441, leaving the current balance of \$9,531,059. FEMA initially approved PW 121 on September 15, 2005, for \$312,000,000, and on May 29, 2007, deobligated \$299,192,133, leaving the current balance of \$12,807,867. FEMA determined the amounts to be deobligated by subtracting the amount of costs LDHH had claimed at the time from the initial PW amounts.

We discussed these issues with FEMA officials on March 4, 2010. These officials stated that they wrote the additional 53 PWs in an effort to provide a more defined scope of work for costs claimed and reimbursed under PWs 71 and 121. They also stated that their action plan is to assemble a team to reconcile all costs under the PWs.

The benefit of preparing the 53 additional PWs after LDHH submitted its claim for expenses under the original two PWs and expecting LDHH to account for those expenses using the new structure nearly 5 years after they were incurred is not readily apparent.

Finding B: Grant Management

GOHSEP did not fulfill its responsibilities as grantee to LDHH or to FEMA. The grantee is responsible for the use of FEMA public assistance funds, for notifying the subgrantee that funds are available, and for disbursing those funds to the subgrantee. The grantee is also responsible for providing technical advice and assistance to eligible subgrantees, ensuring that all potential subgrantees are aware of the available assistance programs, providing support for damage assessment operations, and submitting the necessary paperwork for grant awards. Federal regulations state that grantees are responsible for the following:

- Ensuring that subgrantees are aware of requirements imposed upon them by federal regulations (44 CFR 13.37(a)(2)).
- Managing the day-to-day operations of subgrant activity and monitoring subgrant activity to ensure compliance with applicable federal requirements (44 CFR 13.40(a)).
- Submitting to FEMA an accounting for each large project as soon as practicable after the subgrantee has completed the approved work and requested payment (44 CFR 206.205 (b)(1)).

GOHSEP did not ensure that LDHH understood the scope of the new PWs and did not adequately assist them in preparing its claim for costs. Therefore, GOHSEP did not fulfill its

responsibilities to LDHH. LDHH officials stated that they could have accounted for costs claimed under PWs 71 and 121, but they could not account for the costs under the 53 new PWs. They also stated that neither FEMA nor GOHSEP communicated with them in writing regarding the new PWs.

GOHSEP also did not fulfill its responsibilities to FEMA because it did not provide FEMA an accounting of costs by project in a timely manner. LDHH completed all of its Category B emergency protective measures by the end of January 2006 and had submitted claims to GOHSEP for all of its costs incurred by May 2007 when FEMA deobligated the large amounts from PWs 71 and 121. However, almost 5 years after the disaster, GOHSEP still had not provided FEMA an accounting for these PWs.

We discussed our findings with GOHSEP officials on February 26, 2010. At that time, they provided documentation that they had communicated with LDHH when FEMA wrote the new PWs, and that LDHH agreed with the new PWs. However the documentation did not explain how the PW amounts were determined and did not indicate that LDHH was made aware of the recordkeeping requirements for the new PWs.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation #1: Deobligate \$22,569,311 in federal funds and put them to better use.

Recommendation #2: Work with GOHSEP and LDHH to develop a plan to reconcile costs claimed for all Category B work (emergency protective measures) and close out the applicable projects. The plan should analyze the costs and benefits of requiring LDHH to account for the funds using an additional 53 projects.

Recommendation #3: Ensure that GOHSEP improves its procedures for assisting subgrantees to account for eligible costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our audit with FEMA, GOHSEP, and LDHH officials during our audit and included their comments in this report as appropriate. We also provided written summaries of our findings and recommendations in advance to these officials and discussed them at exit conferences held with GOHSEP on August 26, 2010, with LDHH on August 26, 2010 and with FEMA on September 9, 2010. GOHSEP officials stated they would withhold further comments until after we issued our final report. LDHH officials agreed with our findings and recommendations. FEMA officials agreed with our findings and recommendations except that they potentially disagree with the findings and recommendations about GOHSEP. Please advise this office by November 14, 2010, of the actions planned or taken to implement the recommendations, including target completion dates for any planned actions. Significant

contributors to this report were Judy Martinez, Susan Stipe, and Chiquita Washington. Should you have any questions, please contact me at (214) 436-5200, or your staff may contact Judy Martinez, Audit Manager, at (504) 739-7730.

cc: Interim Director, FEMA Louisiana Recovery Office
Audit Liaison, FEMA Louisiana Recovery Office
Audit Liaison, FEMA (Job Code G-10-009)
Audit Liaison, FEMA Region VI

**Schedule of Category B Project Worksheets
Louisiana Department of Health and Hospitals
FEMA Disaster Number 1603-DR-LA**

PW 71	\$ 9,531,059
<u>PW 121</u>	<u>12,807,867</u>
Total Awarded for PWs 71 and 121	<u><u>\$22,338,926</u></u>

<u>PWs That Duplicate PW 71</u>		<u>PWs That Duplicate PW 121</u>	
<u>Number</u>	<u>Award Amount</u>	<u>Number</u>	<u>Award Amount</u>
18309	\$ 3,680	15903	\$ 208,718
18311	26,695	15910	79,782
18312	2,872	16070	2,991,286
18313	1,280	16474	36,737
18315	4,920	17474	67,354
18316	10,720	17476	2,342
18317	34,480	17477	9,866
18318	34,000	17478	108,020
18322	19,525	17645	2,015
18323	4,185	17660	81,518
18324	13,200	17669	5,098
18325	15,280	17702	93,323
18330	7,680	17703	74,775
18331	19,692	17728	2,477
18336	2,430	17730	32,654
18337	64,655	18059	10,369
18343	96,000	18076	233,538
18344	24,408	18176	5,244
18350	40,045	18260	8,658,757
18351	774,864	18266	2,815,492
18353	103,795	18332	163,166
18355	124,030	18334	140,845
18356	150,177	<u>18357</u>	<u>69,231</u>
18361	33,600		
18372	98,560		
18375	75,923		
18376	188,475		
18395	2,191,866		
18396	2,286,298		
<u>18402</u>	<u>223,370</u>		
Totals <u>30</u>	<u>\$6,676,705</u>	<u>23</u>	<u>\$15,892,606</u>

Total Awarded for 53 PWs that Duplicate PWs 71 and 121	<u><u>\$22,569,311</u></u>
Total Awarded for 136 Additional Cat B PWs	<u><u>\$23,870,893</u></u>
Total Awarded for Cat. B Emergency Protective Measures	<u><u>\$68,779,130</u></u>