

Department of Homeland Security **Office of Inspector General**

**State of Louisiana Needs a Strategy To Manage
Hurricanes Katrina and Rita
Public Assistance Grants More Effectively**





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Department of Homeland Security

September 26, 2013

MEMORANDUM FOR: George A. Robinson
Regional Administrator, Region VI
Federal Emergency Management Agency

FROM: John V. Kelly 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *State of Louisiana Needs a Strategy To Manage Hurricanes Katrina and Rita Public Assistance Grants More Effectively*
FEMA Disaster Numbers 1603- and 1607-DR-LA
Audit Report Number DD-13-15

We audited the Governor's Office of Homeland Security and Emergency Preparedness' (GOHSEP) management of Federal Emergency Management Agency (FEMA) Public Assistance grants to the State of Louisiana for Hurricanes Katrina and Rita. Our objectives were to determine whether GOHSEP (1) established and implemented a strategic plan to manage and complete all Public Assistance projects in a reasonable time and (2) implemented the two recommendations in our January 2008 audit report and corrected or improved the effectiveness of GOHSEP's Public Assistance grant management as related to the findings that report identified.¹

We conducted this performance audit between December 2012 and June 2013 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives. We conducted this audit by applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disasters.

We interviewed FEMA, GOHSEP, and Mississippi Emergency Management Agency officials and reviewed disaster grant files at FEMA's Louisiana Recovery Office, GOHSEP, and the FEMA Mississippi Recovery Office. We reviewed FEMA-State Agreements, Louisiana Public Assistance Administrative Plans, quarterly project reports applicants

¹ Report Number DD-08-01, *Audit of Louisiana State Grant Management Award, Public Assistance Program*, January 17, 2008.

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prepared, grant management contracts, manpower studies, and project tracking tools that FEMA and GOHSEP used to manage Public Assistance projects. We also reviewed FEMA and GOHSEP administrative costs; GOHSEP staffing levels from January 2008 to January 2013; GOHSEP program budget estimates for the periods 2005 to 2020; and Federal and State audit reports applicable to post-award monitoring and disaster closeout. We also performed other procedures considered necessary to accomplish our objectives. We did not assess the adequacy of FEMA's or GOHSEP's internal controls applicable to grant activities because it was not necessary to accomplish our audit objectives.

BACKGROUND

On August 29, 2005, the President declared Hurricane Katrina a major disaster for the State of Louisiana. At the time, Hurricane Katrina was the costliest and one of the deadliest hurricanes in U.S. history. Hurricane Katrina's high winds, flooding, and massive storm surge breached the New Orleans levee system leaving 80 percent of the city flooded. Three weeks later, Hurricane Rita, a major hurricane in its own right, struck southwestern Louisiana heightening the recovery challenges that disaster survivors, GOHSEP, and FEMA faced.

To assist the citizens of Louisiana with disaster recovery, the President approved 100 percent reimbursement of recovery costs for both disasters under the authority of the *Robert. T. Stafford Disaster Relief and Emergency Assistance Act*, Public Law 93-288, as amended. Typically, FEMA shares recovery costs with States at a minimum of 75 percent Federal and 25 percent State cost share.

As of April 2013, FEMA had—

- obligated \$11.4 billion in Public Assistance grants to support Louisiana's recovery from Hurricanes Katrina and Rita,² and
- approved 24,143 projects for 2,363 grant applicants.

Public Assistance Grant Partners

The FEMA Public Assistance program is a highly cooperative partnership among FEMA, grantees, and grant applicants (subgrantees), each playing a critical role in the recovery process. FEMA, as the grantor, funds Public Assistance projects, provides technical

² An obligation is the government's legal commitment to fund expenditures.

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assistance to grantees, and assists grantees and their applicants in identifying eligible disaster damages.

Federal regulations place responsibility for overall grant management on the grantee and require grantees to submit to FEMA annual Public Assistance Administrative Plans to describe how they will carry out their responsibilities. Federal regulations require grantees to—

- Ensure that applicants are aware of Federal requirements [44 CFR 13.37(a)(2)],
- Manage the day-to-day operations of subgrant activity and monitor subgrant activity to ensure compliance with applicable Federal requirements [44 CFR 13.40(a)], and
- Submit an accounting to FEMA for each approved large project as soon as practicable after the subgrantee has completed the approved work and requested payment [44 CFR 206.205(b)(1)].³

Grant applicants ultimately spend the vast majority of the Public Assistance grant funds. Applicants, which are usually local governments and certain private nonprofit organizations, are responsible for—

- identifying damages,
- completing the approved scope of work,
- accounting for costs on a project-by-project basis, and
- providing supporting documents to the grantee for reimbursement and project closeout.

Public Assistance Grant Phases

According to FEMA policy 9570.14, FEMA’s Public Assistance grant program consists of grant development, program management, and grant closeout.⁴ Grant development includes collecting and approving Requests for Public Assistance, informing stakeholders about Federal grant requirements, determining project eligibility, and developing scopes of work and cost estimates for funding eligible projects. The time frame for this first phase varies by disaster, but can last a year or longer for larger disasters. Program management and grant closeout begins where grant development ends. This phase involves monitoring work, reconciling final costs, and closing out applicants and grants. Program management and grant closeout may last 6 years or longer for larger disasters.

³ Federal regulations in effect at the time of the disaster set the large project threshold at \$55,500.

⁴ FEMA 9570.14, *Program Management and Grant Closeout Standard Operating Procedure*, August 27, 2009.

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During this time, FEMA provides financial and technical assistance to grantees and applicants for managing and administering FEMA grants.

Grantee Compensation for Managing the Public Assistance Grants

For disasters declared before November 13, 2007, FEMA provides financial assistance to grantees in three ways.⁵ First, a State Management Grant covers the ordinary or regular costs directly associated with program administration. Second, a sliding-scale statutory administrative allowance covers specific direct costs to formulate small and large projects; validate small projects; prepare final inspection reports, project applications, and final audits; and for State employees to make related field inspections.⁶ Eligible costs under the administrative allowance include overtime, per diem, and travel expenses for State employees. Finally, States may also claim the indirect costs of administering disaster programs according to applicable Federal regulations.

Earlier OIG Report on GOHSEP

Two years after Hurricanes Katrina and Rita made landfall, we reviewed GOHSEP's grant management contract with James Lee Witt and Associates to determine the effectiveness of the grant management contract and whether the contract awarded to James Lee Witt and Associates and costs billed under the contract were eligible under applicable laws, regulations, and guidelines. The resulting report identified four problems with the contract including

- noncompetitive award,
- vague terms and conditions,
- insufficient contractor monitoring, and
- inadequate quality of service to applicants.

The report concluded that GOHSEP needed to improve the effectiveness of its grant management and take additional steps to improve the quality of services provided to applicants devastated by the hurricanes. The report also stated that our previous audit reports on subgrant activities in Louisiana identified areas where the applicant did not follow Federal regulations and FEMA guidelines on critical issues that could result in the applicant losing Federal funding. The audit findings included noncompliance with

⁵ 44 CFR 206.228(a)(2) and (3) and (b) apply to Hurricanes Katrina and Rita, both declared in 2005. 44 CFR 207.9 applies to disasters declared on or after November 13, 2007.

⁶ The State's statutory administrative allowance is based on the Federal share of total assistance provided to its subgrantees [applicants] as follows: 3 percent for the first \$100,000 of net eligible costs, 2 percent for the next \$900,000, 1 percent for the next \$4,000,000, and ½ percent of costs over \$5,000,000 [44 CFR 206.228(a)(2)(2005)].

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Federal procurement standards, poor recordkeeping, ineligible costs, unremitted interest earned on advance funds, unsupported costs, and inadequate debris removal monitoring.

Our 2008 report recommended that FEMA (1) help GOHSEP determine the number of qualified personnel needed to manage the Public Assistance program and formulate a plan for acquiring or contracting for personnel and (2) require GOHSEP to develop and document a plan to monitor the grant management contractors' activities and costs.

We made no recommendations regarding the procurement issues because, before we issued the report, FEMA instructed GOHSEP to re-compete the grant management contract, and GOHSEP competitively awarded a new contract, effective September 1, 2007, to Global Options Group, Inc., which acquired James Lee Witt and Associates in March 2006.

As part of the audit follow-up process, FEMA and GOHSEP determined that GOHSEP should increase its staff by 47 to manage the Public Assistance program effectively. GOHSEP also amended the language of the James Lee Witt and Associates contract to include a management monitoring plan and included closeout performance metrics in the 2008 Louisiana State Administrative Plan. Based, in part, on FEMA's response and GOHSEP's Administrative Plan performance metrics, we closed the two audit recommendations on August 21, 2008.

RESULTS OF AUDIT

GOHSEP has not fulfilled its grantee responsibilities to manage and complete Public Assistance projects effectively as Federal regulations require. GOHSEP officials did not consider project closeout a priority and did not establish a strategic plan to manage and complete approximately 20,000 open Public Assistance projects in a reasonable time. As a result, the Hurricane Katrina and Rita Public Assistance programs risk remaining open indefinitely while management costs mount and institutional knowledge, supporting documentation, and access to contractor records are lost to the passage of time.

Now, 8 years after the hurricanes, GOHSEP has closed projects totaling only \$279 million, or 2 percent of the \$11.4 billion FEMA has obligated for the two disasters. Therefore, FEMA needs to take a greater oversight role to ensure that Federal, State, and local stakeholders remain focused on tracking progress toward completing recovery projects quickly. FEMA also needs to increase its oversight role significantly to assist GOHSEP and grant applicants to close the thousands of completed projects, finish

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project formulations in the near term, complete work on approved projects over the next few years, and close all projects expeditiously.

While GOHSEP's actions to implement the two recommendations from our January 2008 audit report improved some aspects of the problems that led to our report recommendations, we continue to find the same problems in recent audits of Hurricane Katrina and Rita applicants. Thus, GOHSEP needs to improve its oversight of applicants to ensure compliance with Federal regulations and FEMA policies. Further, GOHSEP needs to reestablish performance metrics in its Public Assistance State Administrative Plan. GOHSEP eliminated those metrics because it could not meet, or even come close to meeting, those performance measures.

GOHSEP Needs a Strategic Plan To Manage and Complete Its Disaster Recovery Projects Effectively

GOHSEP does not have a strategic plan to manage, complete, and close Katrina/Rita projects effectively. As a result, more than 20,000 of the 24,000 recovery projects remain open 8 years after the two hurricanes made landfall.⁷ Over the years, GOHSEP performed staffing and workload analyses to manage elements of its Public Assistance programs. GOHSEP also established some basic performance targets from 2008 to 2011. However, these efforts were limited in scope and have not included the planning elements and supporting management information system necessary to create and implement an effective overall strategic plan. GOHSEP's management information system does not track key data elements such as percentage of completion, which prevents GOHSEP from tracking progress for comparison to strategic goals. Table 1 shows obligated funds and the number of projects GOHSEP has closed for both disasters.

⁷ As of April 2013, 83 percent, or 20,133 projects, were open (24,143 open projects minus 4,010 closed projects) for Hurricanes Katrina and Rita combined.

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**Table 1: Hurricanes Katrina and Rita
Public Assistance Funds Obligated and Projects Closed**

Disaster	Eligible Applicants	Total Projects	Funds Obligated	Number of Large Projects	Number of Large Projects Closed	Number of Small Projects	Number of Small Projects Closed
Katrina	1,574	19,634	\$10,770,446,378	7,173	1,084	12,461	1,516
Rita	789	4,509	619,152,887	991	213	3,516	1,197
Totals	2,363	24,143	\$11,389,599,265	8,164	1,297	15,977	2,713

Source: National Emergency Management Information System (NEMIS) as of April 4, 2013.

An effective strategic plan describes in detail how an organization will use its current and planned resources to achieve its strategic goals; in this case, how GOHSEP will complete more than 20,000 recovery projects and close these projects on time and at a reasonable cost. More specifically, an effective strategic plan for GOHSEP should:

- identify all key tasks needed to complete and close open large projects;
- estimate the amount of work (hours) needed to complete these tasks;
- quantify the available human resources (existing and planned GOHSEP staff and management contractors) available to complete the work; and
- use this information to develop a strategic plan, including key metrics, target completion dates, and other performance information needed to monitor progress toward achieving its strategic goals effectively.⁸

This strategic plan should also describe how GOHSEP would use a management information system to compare its strategic goals to actual results. Doing so would allow GOHSEP to recognize achievements, identify problems, and take corrective actions. GOHSEP officials agreed that strategic plans are an important management tool for evaluating progress, but said that their past strategic planning initiatives to streamline staff and work were adequate to evaluate their progress. GOHSEP officials also recognized that their past planning efforts did not include the planning and performance elements we believe essential to effective management. Additionally, they said that strategic planning like we describe in this report would not be useful or valuable to them because it would require GOHSEP to estimate performance in areas outside its control. However, GOHSEP officials said that they are starting to develop more formal strategic plans and can provide these plans to FEMA upon request.

⁸ We recognize that, due to the massive number of Katrina/Rita recovery projects, GOHSEP may need to modify this approach to concentrate on its larger projects and applicants.

GOHSEP Needs To Enhance its Management Information System

To manage its strategic plan effectively GOHSEP needs a fact-based management information system to objectively monitor progress in meeting strategic goals. GOHSEP's current management information system does not capture enough meaningful information to track its progress adequately. An effective management information system should capture and aggregate key information for each project including phase of recovery, percentage of completion, and any information on critical problems or issues standing in the way of progress. Also, for each project, the system should identify significant problems identified in GOHSEP's expense reimbursement review process. GOHSEP's existing management information system does not capture this level of detail, and the applicants' quarterly reports that supply important information are incomplete.⁹

Both FEMA and GOHSEP officials said that they recognize the importance of developing an effective strategic plan and improving the existing management information system. Without a strategic plan and a way to recognize success and identify problems, an organization risks losing focus, wasting money, and not achieving its objectives timely. GOHSEP officials said that they can remedy this issue by using current project formulation tools and applicant quarterly reports to provide the level of detail needed to aggregate key project information. GOHSEP officials said they will consider any recommendations from FEMA to enhance the functionality of the current management information system.

We recognize GOHSEP's continued efforts; however, GOHSEP needs to monitor its grant applicants more effectively. As stated earlier, the current management information system does not adequately aggregate available project data so that GOHSEP can monitor its progress in meeting strategic goals. We disagree with GOHSEP's statement that it can remedy the need for an improved management information system by obtaining the level of detail needed from applicant quarterly reports because, in the past, GOHSEP has never used quarterly reports to measure its progress toward strategic goals. Moreover, important quarterly report information is often inaccurate or incomplete.

Delays in Project and Applicant Closeout

Disbursing money to communities affected by the disaster is understandably GOHSEP's priority. However, as mentioned in our 2012 OIG report, GOHSEP is behind in closing

⁹ Quarterly progress reports, which are required by 44 CFR 206.204(f), are critical to ensuring that FEMA and the State have up-to-date information on Public Assistance grants. These reports should describe the status of all large, open projects (that is, those projects that have not received a final payment).

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projects because it has emphasized project development and applicant reimbursements over closing the thousands of completed projects.¹⁰ According to 44 CFR 206.205(b)(1), grantees must submit an accounting to FEMA of eligible costs for each approved large project “as soon as practicable after the subgrantee has completed the approved work and requested payment.” Additionally, FEMA Policy 9570.14 states that the grantee should reconcile costs within 90 days of the date that the applicant completes the project. GOHSEP has not met these requirements.

GOHSEP has disbursed \$8.1 billion of the \$11.4 billion FEMA has obligated under the Katrina/Rita Public Assistance programs to applicants. This represents about 71 percent of the obligated amount. Table 2 shows that GOHSEP has closed about 4,000 projects worth \$279 million, or only 2 percent of the \$11.4 billion. Further, more than 1,600 of those 4,000 closed projects (41 percent) were zero-dollar projects that required little work on GOHSEP’s part to close.¹¹ Meanwhile, nearly 6,500 completed projects worth \$5.2 billion remain open.

Table 2: Hurricanes Katrina and Rita Closed and Complete Project and Applicant Totals

Disaster	PROJECTS						APPLICANTS	
	Total Public Assistance Projects	Total Closed Projects	Zero-Dollar Projects Closed	Obligated Dollars for Closed Projects	Number of Large Projects Reported Complete and Not Closed	Obligated Dollars for Projects Reported Complete and Not Closed	Total Eligible Applicants	Total Closed Applicants
Katrina	19,634	2,600	1,446	\$223,974,799	5,626	\$4,729,411,352	1,574	157
Rita	<u>4,509</u>	<u>1,410</u>	<u>203</u>	<u>55,326,261</u>	<u>873</u>	<u>507,323,147</u>	789	<u>161</u>
Totals	24,143	4,010	1,649	\$279,301,060	6,499	\$5,236,734,499	2,363	318

Source: National Emergency Management Information System (NEMIS) and quarterly progress report data as of April 4, 2013.

Projects pending FEMA’s approval further complicate Louisiana’s disaster recovery. GOHSEP and applicants contend that approximately 1,300 additional projects and project amendments (versions) worth \$1.6 billion to \$2.0 billion are eligible, but FEMA has not yet approved them. If FEMA approves these projects, total obligated funds could increase from \$11.4 billion to as much as \$13.4 billion.¹²

¹⁰ *Efforts to Expedite Disaster Recovery in Louisiana* (OIG-12-30), January 31, 2012.

¹¹ FEMA typically zeroes-out projects when (1) anticipated or actual insurance proceeds equal or exceed estimated damages; (2) FEMA deems as ineligible projects written per an applicant’s request; or (3) FEMA deobligates funds from one project and reobligates them to another (such as alternate or improved projects).

¹² To address these 1,300 projects expeditiously, FEMA initiated the Final Recovery Meeting Initiative to validate these projects.

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Delays in Project Closeout

Eight years after the disaster applicants reported to GOHSEP that they have completed only about 2,300 of 2,700 emergency work projects (85 percent) that should be ready for closure. This is despite the fact that emergency work has shorter completion deadlines (6 months) than permanent work as table 3 shows.

Table 3: Regulatory Time Limits for Completing Eligible Work after Disaster Declarations¹³

Category of Work	Type of Work	Months After Declaration
Emergency - A	Debris Clearance	6 months
Emergency - B	Emergency Protective Measures	
Permanent - C	Roads and Bridges	18 months
Permanent - D	Water Control Facilities	
Permanent - E	Buildings/Equipment	
Permanent - F	Utilities	
Permanent - G	Parks/Recreational	

Additionally, almost 16,000 small projects (Katrina/Rita projects funded for less than \$55,500) should all be complete and ready to close because grantees pay applicants for small projects when FEMA obligates the funds, and small projects require a less extensive review at closeout. Yet GOHSEP has closed only 2,700 of the roughly 16,000 small projects (17 percent). What is particularly disturbing about this relatively large percentage of small projects being open for 8 years is that GOHSEP has already paid applicants for these projects. **As the years pass, confirming whether applicants ever completed these small projects will grow difficult.** If a small project remains incomplete after 8 years, GOHSEP should determine whether FEMA should deobligate the funds and, if so, recover the money from the applicants.

Delays in Applicant Closeout

To close an applicant, GOHSEP must first close all of that applicant's projects. From 2008 to 2011, GOHSEP included performance goals in its State Administrative Plan to close 100–200 grant applicants per year for Hurricane Katrina and another 100–150 for Hurricane Rita, or about 1,000 applicants for both disasters over the 4 years. However, by early 2013, GOHSEP had closed only about 300 of the 2,400 Katrina/Rita applicants since those 2005 disasters occurred. In 2012, GOHSEP dropped the performance goals from its State Administrative Plan because it was not meeting these goals. It should be noted that, for Hurricane Katrina, the largest 20 applicants (1.3 percent of the 1,574

¹³ 44 CFR 206.204(c)(1) *Deadlines*.

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Katrina applicants), whose total grants ranged from \$114 million to \$1.5 billion, received more than 80 percent of the Public Assistance funding for Katrina. Reversing this statistic means that the other 1,554 Katrina applicants received less than \$2.15 billion in total (20 percent of the \$10.8 billion). Thus, GOHSEP awarded an average of about \$1.4 million to 98.7 percent of the Katrina applicants. If GOHSEP had closed about 200 of these smaller Katrina applicants per year since the hurricane occurred in 2005, GOHSEP could now focus more of its resources on the remaining 20 largest applicants.

GOHSEP officials acknowledged the need to expedite closeouts, stating that they had recently committed 48 staff positions to closeout activities. However, this acknowledgement is inconsistent with other representations GOHSEP made to us. Specifically, GOHSEP officials told us that their primary goal for Katrina/Rita disaster recovery is to help disaster applicants obtain the maximum allowable project funding and ensure applicants keep that funding. These officials also said that they consider final project closeout to be important to FEMA, but it is not a priority to GOHSEP or the applicants. According to these officials, GOHSEP performs a “progressive closeout” in which it obtains supporting documentation when disbursements occur. GOHSEP officials said that they consider final project closeout more of an administrative function that grant applicants typically do not make a high priority. Moreover, GOHSEP officials said that delays in project closeouts are caused by uncertain funding and insufficient staffing to handle large volumes of closeout requests.

We disagree with GOHSEP’s position on the importance of final project closeouts. We recognize the importance of helping applicants recover from disasters; however, GOHSEP seems to be ignoring its federally-mandated duties as a grantee. As we stated previously, Federal regulations require grantees to submit an accounting to FEMA of eligible costs for each approved large project “as soon as practicable after the subgrantee has completed the approved work and requested payment.” Additionally, FEMA policy requires grantees to reconcile costs within 90 days of the date that the applicant completes the project. We also disagree with GOHSEP’s statement about “progressive closeout.” Our Katrina/Rita audit reports have consistently shown that GOHSEP often does not obtain sufficient documentation to support disbursements (see exhibit A). In fact, some applicants cannot even account for costs on a project-by-project basis as FEMA requires. Regarding GOHSEP’s statement about the “large volumes of closeout requests,” the volume would not be so large if GOHSEP had been closing out projects as applicants complete them instead of waiting 8 years to do so.

FEMA Should Increase its Oversight Role in Managing Public Assistance Projects

Federal regulation and FEMA policy place the responsibility for grant management on GOHSEP as the grantee. However, after 8 years, FEMA should increase its oversight role by assisting and encouraging GOHSEP and its applicants to finalize funding, complete all recovery work, and properly close all 20,000 open projects in an expeditious and cost-effective manner. FEMA officials need to work more closely with GOHSEP to align its priorities and build consensus on performance goals among FEMA, GOHSEP, and applicants. FEMA management has increased its oversight role but needs to do more. For example, FEMA is granting time extensions in phases congruent to a project's construction schedule and eliminating additional project version requests prior to closeout.

The FEMA Public Assistance program involves many steps and close coordination between FEMA, GOHSEP, and applicants. GOHSEP has successfully disbursed \$8.1 billion in Public Assistance funds. However, 8 years after these two hurricanes devastated Louisiana, approximately \$3 billion in planned disbursements remain, and applicants report that many projects have not started or are incomplete. Although applicants have completed 85 percent of debris and emergency work, Federal guidelines require those projects to have been completed in 6 months. GOHSEP has closed only a small number of these projects, and, based on information in quarterly reports, almost two thirds of all large projects are complete but remain open.

Further, the Public Assistance program is expensive to administer, and FEMA reimburses 100 percent of the costs of both disasters. As of the first quarter of 2013, GOHSEP reports that it expended over \$200 million, or 7 percent of total Katrina/Rita obligated funds, in State management costs to administer its Public Assistance programs. Additionally, FEMA has provided an estimated \$57 million, or one-half percent of total obligated dollars, to GOHSEP under the "sliding scale" administrative allowance. Recently, GOHSEP projected that it will need an additional \$195 million in State management costs through 2020 to manage the Hurricanes Katrina and Rita Public Assistance programs.

GOHSEP emphasized that the amount it has spent so far is reasonable compared to the management and administrative costs of other declared disasters. The scope of our audit did not include determining the reasonableness of management and administrative costs FEMA has paid GOHSEP for Katrina/Rita. However, since November 2007, FEMA Public Assistance grantees receive a set management cost rate of 3.34 percent of the Federal share of projected program costs (not including direct

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Federal assistance) for major disasters. FEMA limits this funding to 8 years and caps it at \$20 million for a single declaration.¹⁴

Although GOHSEP is responsible for grant management activities, FEMA needs to leverage its experience and existing authorities to build consensus among stakeholders on performance goals and target completion dates. In other words, FEMA should stress to GOHSEP and its subgrantees the importance of completing and closing projects within a reasonable time and at a reasonable cost. To demonstrate the importance of these tasks, FEMA should:

- require GOHSEP to deny or limit reimbursement requests for the costs of projects that take too long to complete—taxpayers should not be responsible for increased costs due to unjustified delays;
- deny requests from GOHSEP and its subgrantees for period of performance (time) extensions without compelling evidence of extenuating circumstances;
- eliminate additional project versions until project closeout; and
- work with GOHSEP to include performance goals in GOHSEP’s State Administrative Plan.

For example, regarding time extension requests, FEMA should consistently deny project extensions that do not include a detailed justification for the delay, a projected completion date, and any other requirements necessary to ensure that the applicant will meet the new completion date.¹⁵ FEMA should extend projects only when it can establish that specific extenuating circumstances or unusual project requirements beyond the applicant’s control caused the delays. After 8 years, FEMA should deny time extension requests that do not meet these requirements.

FEMA is addressing some of these items. For example, FEMA officials said they recently began limiting project funding amendments before closeout and denying some time extensions. FEMA should also use its authority to assess whether State management and project costs are reasonable. We recognize that taking these steps will not always be easy. However, FEMA should assess each situation and take these steps when appropriate. For example, FEMA officials told us that eliminating all forms of project

¹⁴ The *Disaster Mitigation Act of 2000* (P.L. 106-390) amended the *Stafford Act* by adding section 324 *Management Costs*. In that section, Congress directed FEMA to promulgate regulations that establish management cost rates. FEMA published the *Management Costs* interim final rule that established the management costs rates for emergencies and major disasters, effective November 13, 2007. *Management Costs* are any indirect costs, administrative expenses, and any other expenses that a grantee or subgrantee reasonably incurs in administering and managing the Public Assistance grant that are not directly chargeable to a specific project (see 44 CFR 207.2).

¹⁵ 44 CFR 206.204(d)(2) requires a “detailed justification for the delay” in completing projects.

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amendments until closeout could harm some applicants because they may not have money available to wait until project closeout for reimbursement of cost overruns.

It is important to emphasize that these steps, along with close coordination with GOHSEP and applicants, should assist in developing consensus on performance goals among stakeholders, rather than imposing undue or unfair hardships on the applicants. We understand that FEMA will need to make exceptions. However, it is also unfair to impose hardships on FEMA and the American taxpayer by allowing these projects to go on indefinitely.

GOHSEP Implemented Report Recommendations

GOHSEP implemented the two report recommendations in our 2008 audit report, and their actions generally improved some aspects of the conditions that resulted in those recommendations. Since our prior audit, GOHSEP competitively awarded its grant management contracts, and the final contracts included specific tasks and scopes of work. Additionally, contractor staff generally possessed the required experience when compared to contract job descriptions, and according to a customer survey, the quality of customer service has improved. However, GOHSEP needs to strengthen its monitoring of grant management contractor activities to ensure the services are worth the costs.

Although GOHSEP confirmed that its contractor employees worked the hours billed, GOHSEP did not systematically assess whether contractor personnel or its own staff performed grant management jobs effectively; GOHSEP measures the hours worked, but not the quality or effectiveness of work performed. Because GOHSEP has no performance metrics, it cannot objectively assess whether its management contractor or its employees provided good value for the millions of Federal dollars it received. GOHSEP managers said that they did review contractor activity reports and informally monitored contractor activities, but did not record the results of these efforts or compare them to objective performance standards. GOHSEP officials said that developing objective standards is not practical because contractors typically respond to ad hoc problems that have no standard time to complete. GOHSEP officials said this makes tracking and objectively assessing performance too difficult.

The grant management contract expired August 2013.¹⁶ During our fieldwork, GOHSEP officials provided us a draft copy of the Request for Proposal for a new contract that included a requirement for the contractor “to provide quarterly Progress Reports summarizing its activities measured against the goals and objectives of the contract.”

¹⁶ GOHSEP awarded a new grant management contract effective August 24, 2013.

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While this is an improvement, GOHSEP needs to use this information to assess whether the contractor is providing a reasonable amount and quality of work for the time and money expended.

Establishing objective standards and periodically assessing contractor performance need not be overly complicated to be effective. For example, daily activity reports could associate hours worked with tasks performed to provide useful information on contractor employee productivity. Comparing these results to performance expectations could provide opportunities to examine problems in greater detail. Over time, GOHSEP could use this information to develop more refined performance standards. Further, the strategic plan and supporting management information system discussed earlier could provide valuable information on employee and contractor productivity—if GOHSEP sets and meets good strategic goals, productivity should increase.

Grant Management Issues Reported since 2008

In the years since we issued the 2008 report, we have consistently reported problems with GOHSEP's grant management (see exhibit A). During those years, our Louisiana disaster grant reports questioned \$540 million as ineligible or unsupported and identified \$77 million in funds that FEMA should put to better use. In large part these problems related to incorrect insurance allocations; ineligible, duplicate, and unsupported costs; non-compliance with Federal procurement standards; and unused funds. The reports also cited problems with project development and completion. For example, in a recent OIG audit report on the Audubon Commission of New Orleans, we identified 20 projects totaling \$6.9 million where the applicant had not started work on the projects 7 years after Hurricane Katrina made landfall.¹⁷ Over the years, both FEMA and GOHSEP have consistently extended required performance periods without adequate justification.

Based on our review of applicant quarterly reports, for more than 2,500 large projects, or 25 percent of all large project data reported, applicants have initiated little to no work in the 8 years since the disasters. However, GOHSEP could not explain the causes of many of the project delays because quarterly reports are often inaccurate or incomplete. According to these reports, applicants reported more than 1,700 projects were 0 percent complete, and more than 800 projects were 1 to 25 percent complete. As stated earlier, 44 CFR 13.40(a) requires GOHSEP to manage and monitor the day-to-day activities of grant and subgrant supported activities to assure compliance with applicable Federal requirements.

¹⁷ *FEMA Should Disallow \$7.6 Million in Public Assistance Grant Funds Awarded to the Audubon Commission, New Orleans, Louisiana*, Audit Report Number DD-13-05, January 25, 2013.

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The largest 20 Katrina applicants, whose total grants ranged between \$114 million and \$1.5 billion, received more than 80 percent of Hurricane Katrina Public Assistance funding. Because so much funding is concentrated in these 20 applicants, GOHSEP should consider embedding its employees at each of these larger applicants with the goals of ensuring that applicants have properly supported project costs and helping applicants prepare project files for closeout. As of January 2013, GOHSEP had 498 total employees of which, more than 40 percent were supporting the Public Assistance program.

CONCLUSION

Hurricanes Katrina and Rita destroyed large sections of Louisiana and the recovery challenges have been immense. Without an effective strategic plan and an adequate supporting management information system, the Hurricane Katrina and Rita Public Assistance programs risk continuing indefinitely. At the same time, management costs will mount; and institutional knowledge, supporting documentation, and access to contractor records will dwindle as time passes. Now, 8 years later, FEMA needs to take a greater oversight role in building consensus on performance goals among Federal, State, and local stakeholders and tracking progress toward completing recovery projects quickly.

Although GOHSEP's implementation of the two recommendations from our January 2008 audit report generally improved some of the reported findings, GOHSEP should strengthen its monitoring of its employees' and contractors' performance so that it can objectively assess whether it is receiving good value for the money spent. Also, our grant audits continue to identify areas where GOHSEP should improve oversight of the applicants' day-to-day activities.

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RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation #1: Direct GOHSEP to develop and implement an effective strategic plan, including target completion dates, to close all disaster applicants and projects in a reasonable time based on objective performance metrics and staffing levels.

Recommendation #2: Direct GOHSEP to enhance its management information system to capture and aggregate key information that can track project milestones, project status, and management challenges for large projects.

Recommendation #3: Direct GOHSEP and applicants to establish goals, objectives and timelines for the completion of work in a timely and cost effective manner.

Recommendation #4: Direct GOHSEP to establish goals and tools for measuring the performance of GOHSEP's employees and contractors. These performance measurements should be reported to FEMA periodically to determine staffing and performance levels and to establish the reasonableness of costs.

Recommendation #5: Increase FEMA's oversight role in the Public Assistance programs by working with GOHSEP and applicants to build a consensus on performance goals.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with FEMA and GOHSEP officials during our audit and included their comments in this report, as appropriate. We also provided a draft report in advance to FEMA and GOHSEP officials and discussed it at exit conferences held with FEMA officials on June 18, 2013, and with GOHSEP officials on August 6, 2013. FEMA officials generally agreed with our findings and recommendations, while GOHSEP officials generally disagreed. GOHSEP officials agreed that strategic plans are an important management tool, but believed their past strategic initiatives were sufficient to allow efficient management of their Public Assistance program. They also said that a more rigorous effort to manage priorities and staff will become more important as the program nears completion.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include the names of responsible parties and any other supporting documentation

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necessary to inform us about the current status of the recommendation. Until we receive your response, we will consider the recommendations to be open and unresolved.

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

Major contributors to this report are Christopher Dodd, Acting Director; Chiquita Washington, Auditor-in-Charge; and Mary Monachello, Auditor.

Please call me with any questions at (202) 254-4100 or your staff may contact Christopher Dodd, Acting Director, Central Regional Office, at (214) 436-5200.



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Exhibit A

**LOUISIANA PUBLIC ASSISTANCE GRANT AUDIT REPORTS ISSUED
For the Periods of September 11, 2008 to February 27, 2013
FEMA Disaster Numbers 1603- and-1607-DR-LA**

Report #	Audited Entity	Questioned Costs	Unneeded Funds	Major Report Findings
DD-08-02	Lafayette Parish Sheltering and Emergency-CLOSED	\$ 0	\$ 3,448,987	Unneeded funds
DD-09-01	Louisiana Department of Agriculture and Forestry-CLOSED	10,321,101	0	Ineligible and unsupported costs
DD-09-02	Debris Removal Activities for East Baton Rouge-CLOSED	756,869	0	Ineligible and unsupported costs for debris and force account labor
DD-09-03	Plaquemines Parish-CLOSED	133,253	0	Unallowable contracts and unsupported costs
DD-09-04	City of Kenner, LA –Debris-CLOSED	5,466,587	0	Improper contracting and ineligible costs
DD-09-08	Jefferson Davis and Beauregard Electric Co-ops-CLOSED	26,979,514	0	Improper contracting, ineligible and unsupported costs
DD-09-09	Downtown Development District-CLOSED	261,016	0	Ineligible costs
DD-09-11	City of New Orleans Residential Solid Waste-CLOSED	663,382	0	Ineligible costs
DD-09-15	New Orleans City Parks-CLOSED	294,174	0	Prohibited contract costs and ineligible costs
DD-09-17	New Orleans Community Correctional Center-OPEN	872,463	0	Ineligible costs and legal responsibility
DD-10-02	Ernest N. Morial Exhibition Hall Authority-CLOSED	900,062	0	Ineligible costs
DD-10-06	Town of Vinton, LA-CLOSED	123,854	184,409	Ineligible costs, unneeded funds, and insurance review
DD-10-08	Orleans Parish Criminal Sheriff's Office-CLOSED	2,472,053	0	Ineligible costs
DD-10-12	Orleans Levee District-CLOSED	295,062	0	Ineligible costs
DD-10-14	Recovery School District- Abramson-CLOSED	16,892,149	19,602,818	Ineligible costs and unneeded funds
DD-10-15	LSU Health Sciences Center-OPEN	0	3,044,234	Unneeded funds
DD-10-17	LA Dept. of Health and Hospitals-CLOSED	0	22,569,311	Unneeded funds
DD-10-18	Archdiocese of New Orleans-Contracting-CLOSED	520,952	0	Ineligible costs
DD-11-02	Lafon Nursing Facility of the Holy Family-CLOSED	10,750,000	0	Ineligible costs and insurance review
DD-11-03	Town of Franklinton, LA-CLOSED	73,100	655,189	Ineligible costs and unneeded funds
DD-11-04	Town of Abita Springs, LA-CLOSED	3,560,541	429,503	Improper contracting, ineligible costs, and unneeded funds
DD-11-07	Chennault International Airport Authority-CLOSED	419,043	3,022	Ineligible and unsupported costs, insurance review, and unneeded funds



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Exhibit A (continued)

**LOUISIANA PUBLIC ASSISTANCE GRANT AUDIT REPORTS ISSUED
For the Periods of September 11, 2008 to February 27, 2013
FEMA Disaster Numbers 1603- and-1607-DR-LA**

Report #	Audited Entity	Questioned Costs	Unneeded Funds	Major Report Findings
DD-11-08	City of Slidell, LA-OPEN	\$ 470,819	\$ 3,108,644	Improper contracting, ineligible and unsupported costs, and unneeded funds
DD-11-09	Tangipahoa Parish-CLOSED	49,242	41,897	Ineligible and unsupported costs, and unneeded funds
DD-11-11	Archdiocese of New Orleans-Permanent Work-CLOSED	362,864	0	Ineligible costs
DD-11-12	Xavier University of LA-CLOSED	75,352,011	0	Ineligible and unsupported costs; insurance review
DD-11-15	Saint Mary's Academy-CLOSED	51,138,010	0	Ineligible costs; insurance review
DD-11-16	New Orleans Regional Transit Authority-CLOSED	31,740,000	0	Unsupported costs
DD-11-19	Port of New Orleans, LA-CLOSED	2,600,378	670,974	Ineligible and unneeded funds
DD-11-20	Calcasieu Parish School Board-CLOSED	3,668,790	747,106	Improper contracting, ineligible and unsupported costs; unneeded funds
DD-11-21	Jesuit High School-CLOSED	11,585,610	27,518	Improper contracting, ineligible and unsupported costs; unneeded funds
DD-11-24	Orleans Parish Criminal Sheriff's Office-OPEN	3,532,607	285,771	Ineligible and unsupported costs; unneeded funds
DD-12-04	Cameron Parish School Board-CLOSED	1,000,000	0	Insurance review
DD-12-05	Middle School Advocates-OPEN	0	12,968,768	Unneeded funds due to eligibility of another applicant
DD-12-06	St Charles Parish-OPEN	8,917,221	0	Ineligible and unsupported costs; insurance review
DD-12-10	Tulane Educational Fund-OPEN	24,500,000	0	Insurance review
DD-12-11	City of Bogalusa, LA-CLOSED	583,312	182,889	Ineligible costs and insurance review
DD-12-12	Orleans Parish Criminal Sheriff's Office-OPEN	97,868,553	0	Ineligible funds due to disputed legal responsibility and ownership
DD-12-15	Ochsner Clinic Foundation, New Orleans LA-OPEN	18,266,765	170,409	Improper contracting, ineligible and unsupported costs; insurance review
DD-12-18	St Tammany Parish-OPEN	1,839,470	47,641	Ineligible and unsupported costs
DD-12-19	Direct Administrative Costs-OPEN	45,549,564	0	Ineligible costs
DD-13-01	New Orleans Regional Transit Authority-OPEN	64,105,894	7,353,744	Insurance review and unneeded funds
DD-13-05	Audubon Commission-OPEN	7,552,785	0	Legal responsibility
DD-13-06	Cameron Parish-OPEN	6,392,126	317,245	Ineligible costs, insurance review and unneeded funds
DD-13-07	St Charles Parish School Board-OPEN	751,048	853,100	Improper contracting, ineligible and unsupported costs
	TOTALS	\$539,582,244	\$76,713,179	



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Exhibit B

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Deputy Director of Disaster Recovery, Louisiana Governor's Office of Homeland Security and
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