

**Louisiana Should Provide
the Ouachita Parish
Police Jury Assistance in
Managing FEMA Grant
Funds**





DHS OIG HIGHLIGHTS

Louisiana Should Provide the Ouachita Parish Police Jury Assistance in Managing FEMA Grant Funds

September 9, 2016

Why We Did This Audit

The Ouachita Parish Police Jury, Louisiana (Ouachita Parish), sustained potential damages of approximately \$3.7 million from severe storms and flooding in March 2016. We conducted this audit early in the grant process to identify areas where the parish may need additional technical assistance or monitoring to ensure compliance with Federal requirements.

What We Recommend

The Federal Emergency Management Agency (FEMA) should direct Louisiana to provide additional technical assistance to Ouachita Parish to ensure compliance with Federal requirements.

For Further Information:

Contact our Office of Public Affairs at (202) 254-4100, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

Ouachita Parish has adequate policies, procedures, and business practices to account for FEMA Public Assistance grant funds. However, it needs to revise its procurement policies to meet Federal requirements. In awarding two debris cleanup contracts worth up to \$3.0 million, Ouachita Parish did not—

1. take specific affirmative steps to assure the use of disadvantaged firms;
2. include required provisions in its debris contracts; or
3. include a ceiling price in a time-and-material contract.

However, we are not questioning these costs as ineligible because the parish—

1. solicited several disadvantaged firms and awarded a large contract to a small firm;
2. moved quickly to add the required provisions to contracts; and
3. added a ceiling price to the time-and-materials contract.

Ouachita Parish officials said they were not aware of these Federal procurement requirements but would revise their procurement policies to include them.

FEMA Response

FEMA officials generally agreed with our findings and recommendation and have taken actions sufficient to resolve and close our recommendation. Therefore, we consider this report closed and require no further action from FEMA.



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Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

September 9, 2016

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

FROM: Thomas M. Salmon
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *Louisiana Should Provide the Ouachita Parish Police
Jury Assistance in Managing FEMA Grant Funds*
Audit Report Number OIG-16-133-D

We audited the capability of Ouachita Parish Police Jury, Louisiana (Ouachita Parish), to manage Federal Emergency Management Agency (FEMA) Public Assistance grant funds. Ouachita Parish sustained an estimated \$3.7 million in potential damages from severe storms and flooding beginning March 8, 2016, and continuing through April 8, 2016. At the time of our fieldwork, FEMA and the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (Louisiana), a FEMA grant recipient, had not completed project formulation, and Ouachita Parish had not completed its disaster-related work. The grant award will provide 75 percent Federal funding for debris removal, emergency protective measures, and permanent work. At the time of our audit, FEMA had not identified any damage to insured facilities; therefore, Ouachita Parish did not anticipate receiving insurance proceeds to cover the cost of disaster work.

We conducted this audit early in the Public Assistance Program process to identify areas where the parish may need additional technical assistance or monitoring to ensure compliance with Federal regulations and FEMA guidelines. In addition, by undergoing an audit early in the grant cycle, grant recipients have the opportunity to correct noncompliance before they spend the majority of their grant funding. It also allows them the opportunity to supplement deficient documentation or locate missing records before too much time elapses.

Background

Ouachita Parish in Northeast Louisiana has a population of about 150,000 and covers 611 square miles. The Ouachita River provides primary drainage, supplemented by connecting bayous, and separates the parish's two major cities — Monroe and West Monroe. The eastern portion of Ouachita Parish, located in the Bayou Lafourche floodplain, is virtually flat and is prone to



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flooding. Beginning in early March 2016, more than 20 inches of rain flooded homes and businesses, shut down roads, and caused two fatalities. Flooding also damaged several parish roads (see figure 1). The President declared the major disaster on March 13, 2016.

Figure 1: Flooding on Moore Road, Ouachita Parish



Source: Ouachita Parish Police Jury, Louisiana

Results of Audit

Ouachita Parish's accounting policies, procedures, and business practices are adequate to account for disaster-related costs according to Federal regulations and FEMA guidelines. However, the parish did not fully comply with Federal procurement standards in awarding two contracts for debris cleanup work estimated at up to \$3.0 million. Specifically, Ouachita Parish officials did not—

1. take specific affirmative steps to assure the use of disadvantaged firms;
2. include required provisions in its debris cleanup contracts; or
3. include a ceiling price in a time-and-materials contract.



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However, we are not questioning these costs as ineligible because Ouachita Parish—

1. solicited several disadvantaged firms and awarded one of its two debris cleanup contracts to a small firm;
2. moved quickly to add the required provisions to its contracts; and
3. added a ceiling price to its time-and-materials contract.

The problems we identified occurred because Ouachita Parish officials were not fully aware of the Federal procurement standards. Therefore, FEMA should direct Louisiana, as FEMA's grantee, to continue providing the parish with technical assistance to ensure it complies with all applicable Federal regulations to avoid improperly spending up to \$3.7 million (\$2.8 million Federal share) in potential Federal assistance.

Finding A: Policies, Procedures, and Business Practices

Ouachita Parish has an effective accounting system to ensure it accounts for disaster-related costs on a project-by-project basis and adequately supports disaster-related costs as the following Federal regulations and FEMA guidelines require:

- Recipients must account for large project expenditures on a project-by-project basis (44 Code of Federal Regulation (CFR) 206.205(b)). FEMA requires subrecipients to keep records for all projects on a project-by-project basis (*Public Assistance Program and Policy Guide*, FP 104-009-2, January 2016, p. 134).
- Subrecipients must maintain accounting records that adequately identify the source and application of Federal funds and maintain source documentation to support those accounting records (2 CFR 200.302(b)(3)).

For example, Ouachita Parish designated a specific accounting code to segregate all disaster-related costs once FEMA and Louisiana finalize the projects. The parish also maintained sufficient documentation to support its disaster-related costs.



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Finding B: Procurement Practices

Ouachita Parish's procurement policies, procedures, and business practices did not fully comply with all Federal procurement standards. Although the parish had procedures to use full and open competition, conduct a cost or price analysis, document its procurement history, and monitor contractors, the parish did not—

1. take specific affirmative steps to assure the use of disadvantaged firms (small and minority firms, women's business enterprises, and labor surplus area firms) when possible (2 CFR 200.321(a));
2. include required provisions in its contracts (2 CFR 200.326); or
3. include a ceiling price in a time-and-material contract (2 CFR 200.318(j)).

To evaluate the parish's procurement practices, we reviewed its policies and procedures in effect at the time of the disaster and the methodology it used to award contracts. We determined the records we reviewed were sufficient to detail the history of the procurement (2 CFR 200.302(b)(3)).

Disadvantaged Firms – Ouachita Parish had procurement procedures to address socioeconomic goals but they did not include all the requirements that Federal procurement standards include. Consequently, the parish did not take the specific affirmative steps that Federal regulations require to provide disadvantaged businesses with opportunities to participate in disaster-related work. Those steps include placing qualified small and minority firms and women's business enterprises on solicitation lists; dividing total requirements, when economically feasible, into smaller tasks or quantities; and using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce to solicit and use these firms. Although the parish did not take all of the required affirmative steps, 9 of the 25 contractors (36 percent) solicited were disadvantaged firms and the parish awarded a debris removal contract worth up to \$2,700,000 to a small business enterprise.

Required Contract Provisions – Ouachita Parish officials were not aware of and did not include any required Federal provisions in their two debris cleanup contracts. Federal regulations require specific contract provisions, including termination clauses, non-discrimination provisions, compliance with labor laws, and prohibitions of "kickbacks" (2 CFR 200.326). These provisions describe the rights and responsibilities of the parties to the contract and minimize the risk of misinterpretations and disputes. When we brought this to the attention of Ouachita Parish officials, they added the contract provisions to these contracts.



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Ceiling Price for Time-and-Materials Contracts – Ouachita Parish awarded a time-and-materials type contract for debris monitoring services. However, parish officials did not include a ceiling price in the contract that the contractor exceeds at its own risk (2 CFR 200.318(j)). Absent a ceiling price, time-and-materials type contracts are open-ended with no incentive for the contractor to control costs; the more time a contractor takes to do the work, the greater its profit. When we brought this to the attention of parish officials, they amended the contract to include a ceiling price of \$300,000.

Conclusion and Parish Comments – We are not questioning these potential contract costs as ineligible because Ouachita Parish quickly corrected the contractual deficiencies. In addition, although the parish did not take all of the required affirmative steps, it solicited several disadvantaged firms and awarded its largest contract to a small debris removal firm. Parish officials said they were not aware of these three Federal procurement standards but would revise their procurement policies to include them. Therefore, assuming Ouachita Parish follows its revised procurement policies, FEMA should have reasonable assurance that the parish will comply with Federal procurement standards.

Finding C: Grant Management

Louisiana officials worked with Ouachita Parish officials to educate them regarding FEMA requirements. However, as shown in this report, Ouachita Parish can benefit from technical assistance and monitoring from Louisiana to ensure that it follows all Federal procurement standards. Federal regulation at 2 CFR 200.331(d) requires grant recipients to monitor the subrecipient's activities to ensure that the subaward complies with Federal statutes and regulations and the terms and conditions of the subaward.

Recommendation

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation 1: Direct Louisiana to continue providing technical assistance to Ouachita Parish to ensure it complies with all applicable Federal regulations and avoids improperly spending approximately \$3.7 million (\$2.8 million Federal share) in potential disaster assistance. We consider recommendation 1 to be resolved and closed because FEMA's corrective action plan directed Louisiana to take specific corrective actions (finding C).



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Discussion with Management and Audit Follow-up

We discussed the results of our audit with FEMA, Louisiana, and Ouachita Parish officials during our audit. We also provided a draft report in advance to these officials and discussed it at exit conferences with FEMA officials on July 19, 2016, and Louisiana and parish officials on July 20, 2016. We considered their comments in developing our final report and incorporated their comments as appropriate.

FEMA, Louisiana, and parish officials agreed with our findings and recommendation. Louisiana officials stated they have an educational outreach program throughout the state but face challenges with personnel changes to reach every applicant.

On August 9, 2016, we received FEMA's written response to this report (see appendix C). FEMA officials agreed with our findings and recommendation. FEMA directed Louisiana to strengthen its oversight and training in the area of Federal procurement standards and offered tailored assistance to Louisiana in grants management. Based on FEMA's actions, we consider recommendation 1 to be resolved and closed and require no further action from FEMA.

The Office of Emergency Management Oversight major contributors to this report are Christopher Dodd, Director; and Kathleen Hughes, Audit Manager.

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



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Appendix A **Objective, Scope, and Methodology**

We audited the capability of Ouachita Parish, Public Assistance Identification Number 073-99073-00, to manage FEMA Public Assistance funds. Our audit objective was to determine whether the parish's policies, procedures, and business practices are adequate to account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4263-DR-LA. As of May 10, 2016, the cutoff date of our audit, FEMA had not obligated any funding or completed its project worksheet reviews for damages resulting from severe storms and flooding beginning on March 8, 2016, and continuing through April 8, 2016. The anticipated award will provide 75 percent FEMA funding for debris removal, emergency work, and permanent work for large and small projects.¹

We interviewed FEMA, Louisiana, and Ouachita Parish officials; assessed the adequacy of the parish's policies, procedures, and business practices the parish uses or plans to use to account for and expend Federal grant funds. In addition, we assessed the adequacy of the parish's policies and procedures to account for the parish's contract and force account labor, equipment, and materials costs, and judgmentally selected (generally based on dollar values) and reviewed a limited sample of disaster related costs. In addition, we reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our objective.

As part of our standard audit procedures, we also notified our Office of Information Technology Audits of all contracts the subgrantee awarded under the grants that we reviewed to determine whether the contractors were debarred or whether there were any indications of other issues related to those contractors that would indicate fraud, waste, or abuse. As of the date of this report, the Office of Information Technology Audits' analysis of contracts was ongoing. When it is complete, we will review the results and determine whether additional action is necessary. We did not perform a detailed assessment of the Parish's internal controls over its grant activities because it was not necessary to accomplish our audit objective.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at greater than \$121,800 [*Notice of Adjustment of Disaster Grant Amounts*, Vol. 80, No. 198, Fed. Reg. 61,836 (Oct. 14, 2015)].



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Appendix A (continued)

We conducted this performance audit between May and July 2016, 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. In conducting this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.



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Appendix B Potential Monetary Benefits

Table 1: Schedule of Estimated Damages and Cost Avoidance

FEMA Category of Work*	Estimated Damages	Cost Avoidance** (Finding B)
A	\$ 3,000,000	\$ 3,000,000
B	207,500	207,500
D	475,000	475,000
E	40,000	40,000
Totals	\$3,722,500	\$3,722,500

Source: FEMA's Preliminary Damage Assessment

* FEMA classifies disaster-related work by type: debris removal, (Category A), emergency protective measures (Category B), and permanent work (Categories C through G).

** At the time of our fieldwork, FEMA had not obligated funding.

Table 2: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefit	Amount	Federal Share
Questioned Costs – Ineligible	\$ 0	\$ 0
Questioned Costs – Unsupported	0	0
Funds Put to Better Use (Cost Avoidance)	3,722,500	2,791,875
Totals	\$3,722,500	\$2,791,875

Source: OIG analysis of report findings



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Appendix C FEMA Region VI Audit Response

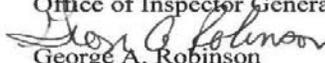
U.S. Department of Homeland Security
FEMA Region 6
Federal Regional Center
800 North Loop 288
Denton, TX 76209-3698



FEMA

August 9, 2016

MEMORANDUM FOR: Christopher Dodd
Director, Central Regional Office - South
Office of Inspector General

FROM: 
George A. Robinson
Regional Administrator

SUBJECT: Management's Response to OIG Draft Report,
*Louisiana Should Provide the Ouachita Parish Police Jury
Assistance in Managing FEMA Grant Funds*
Job Code: OIG-16-033

Thank you for the opportunity to review and comment on this draft report. The Federal Emergency Management Agency (FEMA) Region 6 appreciates the Office of Inspector General's (OIG) work in planning and conducting its review and issuing this report.

FEMA Region 6 is pleased to note the OIG's positive recognition of Ouachita Parish officials solicitation of disadvantaged firms, and of awarding one of its large debris cleanup contracts to a small firm. FEMA Region 6 also appreciates the acknowledgement of the Parish's rapid efforts to amend its contracts to bring them into greater compliance by adding a ceiling price to its time-and-materials contract, and adding required contract provisions to its contracts.

FEMA Region 6 wishes to strengthen the State of Louisiana's assistance to its grant sub-recipients for awareness and compliance with Federal procurement standards. In support of this, we recently transmitted a letter to the State, which directs it to strengthen its oversight and training in these areas. FEMA Region 6 also offered to provide tailored assistance to the State in several aspects of grants management to include: financial management and accountability; grant monitoring; sub-recipient monitoring; and Federal procurement standards.

The draft report contained one recommendation with which FEMA Region 6 concurs. Please see the attached for our detailed response to this recommendation.

Again, we thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. Please feel free to

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Appendix C (continued)

Management's Response to OIG Draft Report, Louisiana Should Provide the Ouachita Parish
Police Jury Assistance in Managing FEMA Grant Funds Job Code: OIG-16-033
August 9, 2016
Page 2

contact Kent Baxter, Audit Coordinator at (940) 898-5399, if you have any questions.
We look forward to working with you again in the future.

Enclosures

cc: Nim Kidd, Texas DEM
Moises Dugan, R6-ORA
John Long, R6-REC
Bill Boone, R6-REC-PA
Michael Crow, R6-REC-PA
Mark Price, R6-GM
Kathy Hill, HQ-OCFO
Gary McKeon, HQ-OPPA-ALO
Kent Baxter, R6-ORA



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Appendix C (continued)

Attachment: FEMA Region 6 Management Response to Recommendations Contained in OIG-16-033

OIG recommended that the FEMA Region 6 Regional Administrator:

Recommendation 1: Direct Louisiana to continue providing technical assistance to Ouachita Parish to ensure it complies with all applicable Federal regulations and avoids improperly spending approximately \$3.7 million (\$2.8 million Federal share) in potential disaster assistance.

Response: Concur. To complete the steps necessary for this recommendation, FEMA Region 6 has transmitted a letter dated August 4, 2016, to the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) directing it to strengthen its oversight and training of its sub-recipients to ensure their awareness of, and compliance with Federal procurement standards.

This supplements the previous Region 6 letter dated November 26, 2013, that directed GOHSEP to develop policies and procedures to ensure that all of its sub-recipients are aware of, and follow, all Federal procurement standards.

Finally, we are providing information that demonstrates that GOHSEP conducted training with Ouachita Parish on July 23, 2016, on FEMA's Public Assistance Program, and federal procurement requirements.¹ This training occurred after the OIG's exit conference.

We are confident that the actions above address this recommendation; therefore, we consider this recommendation closed and request that that your office close this audit.

¹ Email from GOHSEP Public Assistance Resolution Officer, to the FEMA Region 6 Recovery Division's Public Assistance Specialist (July 19, 2016).



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Appendix D **Report Distribution**

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