

**FEMA Should Recover  
\$25.4 Million in Grant  
Funds Awarded to  
Louisville, Mississippi, for  
an April 2014 Disaster**





# DHS OIG HIGHLIGHTS

## ***FEMA Should Recover \$25.4 Million in Grant Funds Awarded to Louisville, Mississippi, for an April 2014 Disaster***

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**September 29, 2016**

### **Why We Did This Audit**

The City of Louisville (City), Mississippi, received a Federal Emergency Management Agency (FEMA) grant award of \$61.7 million for damages resulting from an April 2014 disaster. We had concerns about how effectively the City complied with the Public Assistance Alternative Procedures Pilot Program (PAAP program) authorized by the *Sandy Recovery Improvement Act of 2013*.

### **What We Recommend**

FEMA should disallow \$25.4 million of ineligible costs (\$23.9 million for improper contract costs and \$1.5 million of duplicate benefits). FEMA should also direct Mississippi, as its grantee, to provide additional technical assistance and monitoring to the City.

#### **For Further Information:**

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

### **What We Found**

The City generally followed Federal regulations and FEMA guidelines when accounting for FEMA funds; however, the City did not follow Federal procurement standards in awarding 12 contracts totaling \$23.9 million. Specifically, for 11 contracts totaling \$23.3 million, the City did not take the required affirmative steps to ensure the use of disadvantaged firms when possible; and, for a \$600,000 project management contract, the City did not provide full and open competition, use cost as a basis for selection, or perform an adequate cost or price analysis. As a result, FEMA has no assurance that disadvantaged firms had sufficient opportunities to bid on federally funded work or that the City always paid reasonable prices for services.

Finally, although the City advised FEMA that it had received funding from other Federal sources, FEMA did not reduce eligible costs by \$1.5 million, which resulted in a duplication of benefits.

These issues generally occurred because the grantee (Mississippi) did not ensure that the City understood and complied with Federal procurement requirements. In addition, FEMA did not follow established procedures for obligating Federal funds.

### **FEMA Response**

FEMA officials agreed with our findings and recommendations. Appendix C includes FEMA's written response in its entirety.



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

September 29, 2016

MEMORANDUM FOR: Gracia Szczech  
Regional Administrator, Region IV  
Federal Emergency Management Agency  
*Thomas M. Salmon*

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

SUBJECT: *FEMA Should Recover \$25.4 Million in Grant Funds  
Awarded to Louisville, Mississippi, for an April 2014  
Disaster*  
Audit Report Number OIG-16-143-D

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to the City of Louisville (City), Mississippi. As of October 13, 2015, the City had received a Public Assistance award of \$61.7 million from the Mississippi Emergency Management Agency (Mississippi), a FEMA grantee, for damages resulting from severe storms, tornadoes, and flooding that occurred in April 2014. The award provided 75 percent funding for debris removal, emergency protective measures, and permanent work. We audited Project 104, Destroyed Plywood Facility, totaling \$57.3 million (\$47.3 million net of insurance), or about 93 percent of the \$61.7 million award. As of October 13, 2015, the cutoff date of our audit, the City had submitted a cost claim of \$19.6 million to Mississippi for reimbursement. Therefore, the City had not completed work on all projects and had not submitted a final claim to Mississippi for all project expenditures. Table 1 shows the gross and net awards before and after insurance and other reductions for the total award and for the project we audited.

**Table 1: Gross and Net Award Amounts**

	<b>Gross Award Amount</b>	<b>Insurance Reduction</b>	<b>Other Reduction</b>	<b>Net Award Amount</b>
All Projects	\$61,711,649	\$10,010,000	\$200 <sup>1</sup>	\$51,701,449
Audit Scope	\$57,309,126	\$10,010,000	\$0	\$47,299,126

Source: FEMA project worksheets

<sup>1</sup> In Project #09 "Vehicle Replacement," the City of Louisville received \$200 salvage value from the disposal of one of its vehicles.





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This report is the second and final report on our audit of Public Assistance grant funds awarded to the City. In August 2016, we issued a management advisory report (Audit Report OIG-16-119-D) recommending that FEMA disallow \$47.3 million from Project 104 as ineligible and unauthorized or conduct an environmental and historic preservation review and approve the City's new scope of work to redesign a new plywood facility and acquire/replace/repair 11 additional facilities. FEMA officials agreed with our finding and recommendation and stated they would conduct an environmental and historic preservation review and approve the City's new scope of work.

### **Background**

On April 28, 2014, a treacherous EF-4 tornado tore a path through the City of Louisville, Mississippi, killing 10 people.<sup>2</sup> The powerful storm was measured at 34 miles long, up to  $\frac{3}{4}$  miles wide with wind speeds up to 185 mph. The City suffered catastrophic damages to residential neighborhoods, infrastructure, businesses, and other public facilities.

From the 1960s until 2009, Georgia Pacific operated a plywood facility in the City. Upon closure of the Georgia Pacific facility, the City purchased the property, including the main plywood factory building and all of the supporting exterior facilities. On April 29, 2013, the City leased the facility to a for-profit entity. The lease places the responsibility for facility repairs on the City.

The tornado destroyed the City-owned plywood facility, which was weeks away from opening. The City expected the plywood facility to provide over 400 new jobs to the community; therefore, the economic impact of losing it could have been devastating. On April 30, 2014, the President issued a major disaster declaration for certain areas in Mississippi for damages resulting from severe storms, tornadoes, and flooding during the period of April 28, 2014, and continuing.

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<sup>2</sup> The Enhanced Fujita (EF) Scale is a measurement system for rating the intensity of tornadoes by type and severity after their impact. The EF Scale ranges from F0 (light) to F5 (incredible); an F4 has devastating winds ranging from 166 to 200 miles per hour.



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**Figure 1: City of Louisville, Mississippi, Plywood Facility**



*Source: City of Louisville, Mississippi*

### Results of Audit

The City generally followed Federal regulations and FEMA guidelines when accounting for FEMA funds; however, the City did not follow Federal procurement standards in awarding 12 contracts totaling \$23.9 million related to the new plywood facility. Specifically, for 11 contracts totaling \$23.3 million, the City did not take the required affirmative steps to ensure the use of disadvantaged firms, such as small and minority firms, when possible; and, for a \$600,000 project management contract, the City did not provide full and open competition, use cost as a basis for selection, or perform an adequate cost or price analysis. As a result, FEMA has no assurance that disadvantaged firms had sufficient opportunities to bid on federally funded work or that the City always paid reasonable prices for services.

Finally, even though the City advised FEMA that it had received funding from other Federal sources, FEMA did not reduce otherwise eligible costs by \$1.5 million, which resulted in a potential duplication of benefits.

These issues occurred primarily because the grantee (Mississippi) did not ensure that the City understood and complied with Federal procurement requirements, and FEMA did not follow established procedures for obligating



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Federal funds. Mississippi is responsible for ensuring that its subgrantee (the City) is aware of and complies with Federal procurement requirements, as well as for providing technical assistance and monitoring grant activities.

Therefore, FEMA should —

- disallow \$23.9 million of ineligible contract costs that the City did not procure in accordance with Federal requirements,
- disallow \$1.5 million of ineligible duplicate benefits for which the City received funding from another source to cover eligible costs, and
- direct Mississippi to provide additional technical assistance and monitoring to the City to correct the deficiencies we identified in this report and to ensure compliance with grant requirements.

### **Finding A: Contracting Procedures**

The City did not follow Federal procurement standards in awarding 12 contracts totaling \$23,943,436 related to the new plywood facility. Specifically, for 11 contracts totaling \$23,343,436, the City did not take the required affirmative steps to ensure the use of disadvantaged firms, such as small and minority firms, when possible; and, for a \$600,000 project management contract, the City did not provide full and open competition, use cost as a basis for selection, or perform an adequate cost or price analysis.

Federal procurement standards at 44 Code of Federal Regulations (CFR) 13.36 required the City, among other things, to —

1. take all necessary affirmative steps to assure the use of small and minority firms, women's business enterprises, and labor surplus area firms when possible (44 CFR 13.36(e)(1));
2. conduct all procurement transactions in a manner providing full and open competition. Subgrantees may use noncompetitive procurement under certain circumstances, one of which is when the public exigency or emergency will not permit a delay resulting from competitive solicitation (44 CFR 13.36(c)(1) and 44 CFR 13.36(d)(4)(i)(B));
3. procure architectural and engineering (A/E) professional services using a method where price is not used as a selection factor but competitors' qualifications, subject to negotiation of fair and reasonable compensation. However, a subgrantee cannot use this method to



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purchase other types of services from A/E firms (44 CFR 13.36(d)(3)(v)); and

4. perform a cost or price analysis in connection with every procurement action, including contract modifications, to determine the reasonableness of the proposed contract price (44 CFR 13.36(f)(1)).

FEMA may grant exceptions to Federal administrative grant requirements — which include Federal procurement standards — on a case-by-case basis (44 CFR 13.6(c)). Table 1 summarizes the 12 contracts the City awarded and the associated \$23,943,436 that we question as ineligible.

**Table 2. Contracts Noncompliant with Procurement Standards**

Scope of Work		Award Amount
1	Architect & Engineering Services	\$ 3,192,973
2	Construction Manager	2,514,863
3	Construction - Foundation	2,048,000
4	Construction – Demolition	866,117
5	Construction - Hog & Glue Room, Lathe	1,489,000
6	Construction - Metal Building	7,474,000
7	Construction - Site and Utilities	2,742,594
8	Construction - Regenerative Thermal Oxidizer Relocation	332,895
9	Construction - Electrical Ducts & Equipment Pad	752,000
10	Construction - Augured Pressured Grouted Piles	655,994
11	Construction - Fire Suppression	1,275,000
12	Professional Project Management Services	600,000
<b>Total Amounts Awarded and Questioned</b>		<b>\$23,943,436</b>

*Source:* Office of Inspector General (OIG) analysis of City data

*Disadvantaged Firms*

The City did not take all the required affirmative steps in awarding 11 contracts for disaster work valued at \$23,343,436. Therefore, FEMA has no assurance that disadvantaged firms received sufficient opportunities to bid on federally funded work, as Congress intended. The required steps listed at 44 CFR 13.36(e)(2)(v) include using the services and assistance, as appropriate, of organizations such as the Small Business Administration and the Department of Commerce’s Minority Business Development Agency in the solicitation and use of these firms. The City awarded only one of the contracts



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we reviewed to a disadvantaged firm. City officials said that they were not aware of this requirement and had relied on their A/E firm to award contracts properly. However, after we informed City officials of this Federal requirement, they registered with the Mississippi Development Authority to ensure the City solicited disadvantaged firms for future contracts.

#### Full and Open Competition

The City did not provide full and open competition when awarding a contract for professional project management services valued at \$600,000. Full and open competition increases the probability of reasonable pricing from the most qualified contractors and helps discourage and prevent favoritism, collusion, fraud, waste, and mismanagement of Federal funds.

City officials were not aware of their noncompliance with Federal procurement regulations. The City considered proposals that multiple project management firms delivered to City Hall and believed these efforts were adequate. The City officials thought they procured these services properly because the State of Mississippi purchasing laws do not require public solicitations for professional services contracts. However, the City is not a State entity and, therefore, must at minimum comply with Federal procurement standards at 44 CFR 13.36(b) through (i). As previously stated, 44 CFR 13.36(c)(1) and (d)(4)(i)(B) require full and open competition unless a public exigency or emergency will not permit a delay. However, we found no evidence that a public exigency or emergency existed to justify the lack of full and open competition for the professional project management services contract.

#### Basis for Contract Award

Although the work was not A/E type work, the City improperly used a qualifications-based contracting method that did not consider price to select a firm to perform project management services. City officials said they selected the contractor based on its experience, qualifications, and recommendations from previous work. City officials said that they did not obtain bids based on price because State guidelines do not require price to be a factor in awarding contracts for professional services. However, Federal procurement standards prohibit using qualifications-based procurements, where price is not an evaluation factor, for non-A/E professional services.





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### Cost or Price Analysis

The City also did not perform an adequate cost or price analysis in awarding a project management services contract. The absence of a cost or price analysis increases the likelihood of unreasonable contract costs and misinterpretations or errors in pricing. City officials believed they performed an adequate cost or price analysis because one of the factors they considered in the proposals was the hourly rates of each firm. Although the City considered the hourly rates, it did not take into account other elements, such as the number of hours to perform the work, which can also affect overall contract cost. The City may not have chosen the most economical approach or received the best price because the selected firm could have charged more hours than a firm with higher hourly rates. Therefore, the cost comparison is inadequate and does not meet Federal procurement requirements. We were not able to evaluate the number of hours each firm proposed to complete the work because that data was not in the proposal packages.

### Summary

Because of the City's procurement actions, FEMA has no assurance that disadvantaged firms had sufficient opportunities to bid on \$23,343,436 of federally funded work. Additionally, the lack of full and open competition, improper use of cost as a basis for selecting a contractor, and lack of an adequate cost or price analysis for the \$600,000 contract increased the risk of unreasonable costs, favoritism, collusion, fraud, waste, and mismanagement of Federal resources. Therefore, we question \$23,943,436 as ineligible procurement costs.

### **Finding B: Duplicate Benefits (Other Federal Grants)**

For Project 104, FEMA did not deduct \$1,470,285 for funding received from other sources granted for the same purpose. Section 312 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended*, states that no entity will receive assistance for any loss for which it has received financial assistance from any other program, insurance, or any other source. Before the April 2014 disaster, the City received Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD) and an Appalachian Regional Commission Grant (ARC). The two grants were for (1) installation of electrical wiring, (2) a motor control center, (3) log conditioning kilns, and (4) restoration of a regenerative thermal oxidizer on the City's main plywood factory building and supporting exterior facilities. At the time of the disaster, the City had not completed this work and had \$1,070,285



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remaining of the CDBG funds and \$400,000 of the ARC funds to complete this work. Although FEMA was aware of these funds, it did not reduce otherwise eligible funding by the \$1,470,285. Therefore, FEMA did not follow established procedures for obligating Federal funds. When it became aware of the other funding sources for the same purpose, FEMA should have reduced the obligated amount for Project 104. Federal appropriations law requires Federal agencies to deobligate funds when they are no longer needed or exceed amounts obligated for a project.<sup>3</sup>

Neither the City nor FEMA knows the estimated costs for the work associated with the HUD/ARC grants — it may be more or less than \$1,470,285. FEMA agreed on the possible duplication of benefits; however, FEMA contends that the subgrantee may apply its CDBG and ARC grant funds toward the non-Federal cost share of the Public Assistance grant. FEMA will apply the CDBG and ARC grants toward the non-Federal share only up to the cost of the electrical work. It will consider any remaining CDBG and ARC funds to be a duplication of benefits and reduce the grant accordingly.

We agree in part with FEMA's position. Grantees and subgrantees cannot use Federal grant funds toward the non-Federal cost share of another Federal grant program unless the authorizing legislation specifically allows doing so.<sup>4</sup> In this case, both the CDBG and ARC legislation allows those funds to be used for a non-Federal cost share of another Federal grant program **as long as the non-Federal share of the Public Assistance grant falls within the scope of the CDBG and ARC grants.**<sup>5</sup> However, FEMA should not reimburse the City for the estimated cost of any work on Project 104 until the City exhausts the entire \$1,470,285 in HUD/ARC funds for the work specified under those grants. Therefore, because neither the City nor FEMA knows the estimated costs, we maintain that FEMA should have deducted the entire \$1,470,285 from the approved estimate for Project 104 before setting the cap for the approved project. Because the \$1,470,285 represented potential duplicate benefits, FEMA should have applied this amount to reduce the amount of obligated

<sup>3</sup> E.g., B-286929 (2001); B-207433 (1983) (“[W]hen an agency obligates more funds than are needed for a project, it must, upon learning the correct amount, deobligate the excess amount.”). See also B-321297 (2011).

<sup>4</sup> U.S. Government Accountability Office (GAO), *Principles of Federal Appropriations Law*, Third Edition, Volume II, February 2006, chapter 10, section E: Grant Funding

<sup>5</sup> ARC's grant-making authority at 40 U.S.C. Section 14321(a)(4) states, “Notwithstanding any law limiting the federal share in any other federal or federal grant program, amounts appropriated to carry out this section may be used to increase that federal share, as the Commission decides is appropriate.” In a similar fashion, HUD's statute at 42 U.S.C. Section 5305(a)(9) also authorizes payment of the non-Federal share required in connection with another Federal grant program.



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funds it considered eligible to restore the pre-disaster function of the damaged facility. Therefore, we question \$1,470,285 as ineligible duplicate benefits.

### **Finding C: Grant Management**

Mississippi did not fulfill its grantee responsibility to ensure the City followed applicable Federal procurement regulations. The nature and extent of ineligible costs we identified demonstrate that Mississippi should have been more thorough in reviewing the City's contracting methods. Federal regulations require grantees to (1) ensure that subgrantees are aware of Federal regulations, (2) manage the operations of subgrant activity, and (3) monitor subgrant activity to ensure compliance. Therefore, FEMA should direct Mississippi to provide additional technical assistance and monitoring to the City to ensure compliance with all Federal grant requirements for future disasters.

### **Recommendations**

We recommend that the Regional Administrator, FEMA Region IV:

**Recommendation 1:** Disallow \$23,943,436 (Federal share \$17,957,577) of ineligible contract costs that the City did not procure in accordance with Federal requirements, unless FEMA decides to grant an exception for all or part of the costs as 44 CFR 13.6(c) allows and determines that the costs are reasonable (finding A).

**Recommendation 2:** Disallow \$1,470,285 of ineligible duplicate benefits from eligible project costs unless the City can provide sufficient evidence that funding from the other sources did not cover the eligible costs (finding B).

**Recommendation 3:** Direct Mississippi to provide additional technical assistance and monitoring to the City to correct the deficiencies we identified in this report and to ensure compliance with grant requirements (finding C).



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### **Discussion with Management and Audit Follow-up**

We discussed the results of our audit with City, Mississippi, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at the exit conference on August 17, 2016.

Your office provided a written response on September 15, 2016, and agreed with our findings and recommendations. The response indicated that FEMA has taken corrective action to resolve recommendations 1 and 3; therefore, we consider these recommendations resolved and closed with no further action required from FEMA. FEMA expects to complete its proposed corrective actions to close recommendation 2 by January 31, 2017. Therefore, we consider report recommendation 2 resolved and open. We will post the final report on our website, including your formal comments as an appendix to the report. We will close recommendation 2 when we receive and review documentation that FEMA has completed its proposed corrective actions. Please provide our office documentation necessary to inform us about the status of the open recommendations by January 31, 2017, the estimated completion date of proposed action.

The Office of Emergency Management Oversight major contributors to this report are Larry Arnold, Director; Melissa Powe Williams, Audit Manager; Katrina Griffin, Auditor-in-charge; and Rickey Smith, Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact Larry Arnold, Director, Gulf Coast Regional Office, at (228) 822-0387.





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### **Appendix A**

### **Objective, Scope, and Methodology**

We audited Public Assistance grant funds awarded to the City (Public Assistance Identification Number 159-42280-00). Our audit objective was to determine whether the City accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines.

As of October 13, 2015, the City had received a Public Assistance award of \$51.7 million (net) for damages resulting from FEMA Disaster Number 4175-DR-MS that occurred in April 2014. The audit covered the period April 28, 2014, through October 13, 2015, the cutoff date of our audit and provided 75 percent funding for five large projects and three small projects.<sup>6</sup> We reviewed Project 104, Destroyed Plywood Facility, totaling \$47.3 million (net), or 92 percent of the net Federal funds awarded to the City. See additional discussion about the audit scope and gross and net awards (p. 1 and table 1).

We interviewed FEMA, Mississippi, and City officials; gained an understanding of the City's method of accounting for disaster-related costs; reviewed the City's procurement policies and procedures and contracting documents; judgmentally selected and reviewed (generally based on dollar values) project costs and procurement transactions for Project 104. We also performed other procedures considered necessary to accomplish our objective. We did not perform a detailed assessment of the City's internal controls over its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between October 2015 and August 2016, 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 upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit by applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

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<sup>6</sup> Federal regulations in effect at the time of the 2014 storms set the large project threshold at \$120,000 [Federal Register Volume 79, Number 38, Page 10685, Amendment to the Public Assistance Program's Simplified Procedures Project Thresholds (February 26, 2014)].



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**Appendix B**  
**Potential Monetary Benefits**

**Table 3: Projects Audited and Questioned Costs**

Project Number	Category of Work <sup>7</sup>	Net Amount Awarded	Questioned Costs Finding A	Questioned Costs Finding B	Total Questioned Costs
104	E	\$ 47,299,126	\$ 23,943,436	\$ 1,470,285	\$ 25,413,721
<b>Totals</b>		<b>\$47,299,126</b>	<b>\$23,943,436</b>	<b>\$1,470,285</b>	<b>\$25,413,721</b>

Source: FEMA project worksheet, City records, and OIG analysis

**Table 4: Summary of Potential Monetary Benefits**

Type of Potential Monetary Benefit	Amount	Federal Share
Questioned Costs - Ineligible	\$ 25,413,721	\$ 19,427,862
Questioned Costs - Unsupported	0	0
Funds Put to Better Use	0	0
<b>Totals</b>	<b>\$25,413,721</b>	<b>\$19,427,862</b>

Source: OIG analysis of report findings

<sup>7</sup> FEMA classifies disaster-related work by type: debris removal (Category A), emergency protective measures (Category B), and permanent work (Categories C through G).



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**Appendix C**  
**FEMA's Response to Report**


U. S. Department of Homeland Security  
Region IV  
3003 Chamblee Tucker Road  
Atlanta, GA 30341



**FEMA**

SEP 15 2016

MEMORANDUM FOR: Thomas M. Salmon  
Acting Assistant Inspector General  
Office of Emergency Management Oversight

FROM: Gracia B. Szczech   
*Gracia B. Szczech* Regional Administrator

SUBJECT: Management Response to Draft Report  
"FEMA Should Recover \$25.4 Million in Grant Funds  
Awarded to Louisville, Mississippi, for an April 2014  
Disaster"  
FEMA Disaster: 4175-DR-MS  
Draft Audit Report Number: OIG-16-XXX-D

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

The DHS-FEMA is strengthening its processes for implementing the Public Assistance program in order to promote consistency and transparency in its management and efficient disbursement of federal funds. DHS-FEMA is committed to assisting communities in recovering from the devastating effects of disasters by providing assistance in an efficient, effective, consistent and customer-friendly manner while ensuring the appropriate stewardship of taxpayer dollars.

The draft report contained three recommendations with which DHS-FEMA concurs. Please see the attached for our detailed response to each 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 contact me if you have any questions. We look forward to working with you again in the future.



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### DHS Management Response to Recommendations Contained in OIG-16-XXX-D

**Recommendation 1:** “Disallow \$23,943,436 (Federal share \$17,957,577) of ineligible contract costs that the City did not procure in accordance with Federal requirements, unless FEMA decides to grant an exception for all or part of the costs as 44 CFR 13.6(c) allows and determines that the costs are reasonable (finding A).”

**Response:** Concur. FEMA concurs that the contracts were not procured in accordance with 44 CFR 13.36. FEMA’s estimate for Project Worksheet 104 was done by FEMA utilizing the Cost Estimating Format for returning the facility back to pre-disaster condition using reasonable costs standards. Therefore, FEMA has already limited its funding to an amount that it has determined to be reasonable, effectively disallowing any greater amounts to be awarded. In addition, this project is capped under the Public Assistance Alternative Procedures Program for Permanent work and the City will be responsible for any cost overruns associated with the projects.

**Recommendation 2:** “Disallow \$1,470,285 of ineligible duplicate benefits from eligible project costs unless the City can provide sufficient evidence that funding from the other sources did not cover the eligible costs (finding B).”

**Response:** Concur. FEMA will review these projects to determine if there is a duplication of benefits with available Community Development Block Grant (CDBG) and/or Appalachian Regional Commission (ARC) grant funding, and complete any de-obligations required to resolve the duplication. As discussed with the OIG, FEMA notes that the City may use at least some of the CDBG and ARC grant funds for the non-federal cost share of the PA grant, to the extent that such use is allowable under the respective Scope of Works of those federal grant awards. FEMA will ensure, however, that any remaining CDBG and/or ARC grant funds do not duplicate PA grant funding. Estimated Completion Date (ECD) is January 31, 2017.

**Recommendation 3:** “Direct Mississippi to provide additional technical assistance and monitoring to the City to correct the deficiencies we identified in this report and to ensure compliance with grant requirements (finding C).”

**Response:** Concur. FEMA will request Mississippi to provide additional technical assistance and monitoring to the City to ensure compliance with grant requirements, including the non-cost procurement requirements violations identified in the audit. We consider this recommendation resolved and closed.





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### **Appendix D**

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