

**Management of FEMA  
Public Assistance  
Grant Funds Awarded to  
the Sewerage and Water  
Board of New Orleans  
Related to Hurricanes  
Katrina, Isaac, and Gustav**





# DHS OIG HIGHLIGHTS

## *Management of FEMA Public Assistance Grant Funds Awarded to the Sewerage and Water Board of New Orleans Related to Hurricanes Katrina, Isaac, and Gustav*

**March 27, 2020**

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

The DHS Office of Inspector General contracted with Cotton & Company LLP to conduct a performance audit of FEMA Public Assistance grant funds awarded to the Board related to Hurricanes Katrina, Isaac, and Gustav. The objective of this audit was to determine whether the Board accounted for and expended these funds according to Federal regulations and FEMA guidelines.

### **What We Recommend**

We made 12 recommendations, which when implemented, should help strengthen program management, performance, and oversight.

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

Contact our Office of Public Affairs at (202) 981-6000 or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### **What We Found**

Cotton & Company LLP concluded the Sewerage and Water Board of New Orleans (Board), a subgrantee of the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), did not account for and spend grant funds according to applicable Federal regulations and Federal Emergency Management Agency (FEMA) guidelines. Specifically, the Board did not: (1) adequately record, track, and report its disaster expenditures or revenues; (2) track its administrative costs; (3) report correct expenditure amounts in its annual Single Audit report; (4) spend advances expeditiously; or (5) accumulate, report, and support force account (labor and equipment) costs.

FEMA did not ensure its grantee, GOHSEP, ensured the Board had an adequate accounting system and was educated about Federal requirements. FEMA also did not ensure GOHSEP reconciled financial information reported by the Board to its records and monitored the Board's administrative cost accounts and advance expenditures. Finally, FEMA did not ensure GOHSEP ensured the Board had a process for recording force account costs.

As a result, the Board's accounting records reflected actual disaster expenditures of \$133.9 million less than its request for cost reimbursement, which contradicts State records showing Board expenditures exceeded reimbursements by \$103,235,674. The Board could not support the \$2,071,850 administrative allowance it received and the \$11,922,061 in administrative cost funding it requested. Upon disaster closeout, these amounts would be disallowed and the Board would be required to return any funding received. Further, the Board requested and received more than \$5 million in advance funding that it has not expended for more than 4 years. Lastly, we questioned \$30,605,181 in force account costs.



# **DHS OIG HIGHLIGHTS**

## ***Management of FEMA Public Assistance Grant Funds Awarded to the Sewerage and Water Board of New Orleans Related to Hurricanes Katrina, Isaac, and Gustav***

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### **FEMA's Response**

FEMA concurred with all 12 of the recommendations and provided a completion date of August 31, 2020 for Recommendations 1 through 8, and December 31, 2020 for recommendations 9 through 12. We included a copy of FEMA's comments in their entirety in Appendix D.



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

March 27, 2020

MEMORANDUM FOR: Tony Robinson  
Region VI Administrator  
Federal Emergency Management Agency

FROM: Sondra F. McCauley   
Assistant Inspector General for Audits

SUBJECT: *Management of FEMA Public Assistance Grant Funds  
Awarded to the Sewerage and Water Board of New  
Orleans Related to Hurricanes Katrina, Isaac, and  
Gustav*

Attached for your action is our final report, *Management of FEMA Public Assistance Grant Funds Awarded to the Sewerage and Water Board of New Orleans Related to Hurricanes Katrina, Isaac, and Gustav*. We incorporated the formal comments provided by your office.

The report contains 12 recommendations aimed at improving FEMA's oversight of public assistance grant funds. Your office concurred with all 12 recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 through 12 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts. Please send your response or closure request to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

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

Please call me with any questions at (202) 981-6000, or your staff may contact Maureen Duddy, Deputy Assistant Inspector General for Audits, at (617) 565-8723.

Attachment

October 31, 2018

Ms. Sondra F. McCauley  
Assistant Inspector General for Audits  
Office of Inspector General  
U.S. Department of Homeland Security

Dear Ms. McCauley:

Cotton & Company LLP performed an audit of FEMA Public Assistance grants awarded to the Sewerage and Water Board of New Orleans (the Board) for Hurricanes Katrina, Isaac, and Gustav. We performed the audit in accordance with our Task Order No. HSIQAQBPA-17-J-00012A, dated September 27, 2017. Our report presents the results of the audit and includes recommendations to help improve FEMA's management of the audited Public Assistance grants.

We conducted our audit in accordance with applicable *Government Auditing Standards*, 2011 revision. The audit was a performance audit, as defined by Chapter 6 of the *Standards*, and included a review and report on program activities with a compliance element. Although the audit report comments on costs claimed by the Board, we did not perform a financial audit, the purpose of which would be to render an opinion on the Board's financial statements, or on the funds claimed in the Financial Status Reports submitted to the Department of Homeland Security (DHS).

This report is intended solely for the use of the DHS Office of Inspector General and DHS management, and is not intended to be, and should not be, relied upon by anyone other than these specified parties.

We appreciate the opportunity to have conducted this audit. Should you have any questions or need further assistance, please contact us at (703) 836-6701.

Sincerely,



Sam A. Hadley, CPA/CFF, CFE, CGFM  
Partner

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## Abbreviations

CFR .....	Code of Federal Regulations
DAC/COI .....	Direct Administrative Cost/Closeout Incentive
DHS .....	Department of Homeland Security
EPS.....	Express Pay System
FEMA .....	Federal Emergency Management Agency
FMA .....	Flood Mitigation Assistance
FY .....	Fiscal Year
GOHSEP...	Governor’s Office of Homeland Security and Emergency Preparedness
HMGP.....	Hazard Mitigation Grant Program
LAPA .....	Louisiana Public Assistance Disaster Management System
OMB .....	Office of Management and Budget
PA. ....	Office of Management and Budget
PDM .....	Pre-Disaster Mitigation
PW .....	Project Worksheet
SEFA .....	Schedule of Expenditures of Federal Awards
The Board .....	Sewerage and Water Board of New Orleans

**Department of Homeland Security**  
**Office of Inspector General**  
**Management of FEMA Public Assistance Grant Funds**  
**Awarded to the Sewerage and Water Board of New Orleans**  
**Related to Hurricanes Katrina, Isaac, and Gustav**

## **Background**

The *Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988*, as amended, 42 U.S.C.5121-5207 (Stafford Act) authorizes the Public Assistance (PA) Program. Following a major Presidential disaster declaration, the Stafford Act authorizes Federal Emergency Management Agency (FEMA) to provide PA funding for disaster relief to state, local, and tribal governments and to certain non-profit organizations. The Stafford Act can authorize PA grants, among other things, for:

- Assistance for debris removal (Category A).
- Assistance essential to meet immediate threat to life and property resulting from a major disaster (Category B).
- Assistance for the repair, restoration, and replacement of damaged facilities (Categories C-G), which includes certain hazard mitigation measures.

The Stafford Act also authorizes the Hazard Mitigation Assistance programs. Hazard mitigation measures are any sustainable action taken to reduce or eliminate long-term risk to people and property from future disasters.

FEMA administers three Hazard Mitigation Assistance grant programs that provide funding for eligible mitigation planning and projects to reduce disaster losses and protect life and property from future disaster damages. The three programs are the Hazard Mitigation Grant Program (HMGP), the Flood Mitigation Assistance (FMA) Program, and the Pre-Disaster Mitigation (PDM) Program.

- HMGP assists with implementing long-term hazard mitigation planning and projects following a Presidential major disaster declaration.
- PDM provides funds for hazard mitigation planning and projects on an annual basis.
- FMA provides funds for planning and projects to reduce or eliminate risk of flood damage to buildings that are insured under the National Flood Insurance Program on an annual basis.

HMGP funding is generally 15 percent of the total amount of Federal assistance provided to a State, Territory, or federally recognized tribe following a major

disaster declaration. PDM and FMA funding depends on the amount Congress appropriates each year for those programs.

New Orleans, Louisiana is a city located in the Mississippi River Delta. New Orleans lies at or below sea level, making it especially susceptible to damaging floods. On August 29, 2005, Hurricane Katrina made landfall in Southeast Louisiana, causing devastating flooding across the region – including in New Orleans. Subsequently, on September 1, 2008, Hurricane Gustav made landfall in Southeast Louisiana, again causing damaging floods across the area. Hurricane Isaac followed on August 28, 2012. Officials declared states of emergency for each of these disasters on August 29, 2005, September 2, 2008, and August 29, 2012, respectively.

FEMA disburses PA funds to the Louisiana Governor’s Office of Homeland Security and Emergency Preparedness (GOHSEP). GOHSEP in turn passes funds to local subgrantees. Per Federal grant requirements, GOHSEP provides day-to-day oversight of these subgrantees to ensure they steward PA funds in an appropriate manner, in accordance with FEMA program guidance and other Federal grant requirements. At the time of our fieldwork, FEMA’s monitoring responsibilities were largely limited to the review of GOHSEP’s periodic financial and program reporting, and the review of cost documents for project worksheets.

The Sewerage and Water Board of New Orleans (the Board) is responsible for New Orleans’s drainage, sewer, and water treatment systems. The Board received FEMA funding through GOHSEP as a subgrantee. Table 1 shows the funds GOHSEP awarded to the Board for the three disasters.

**Table 1. FEMA Public Assistance Grant Funds Awarded to the Board as of May 19, 2017**

<b>Disaster</b>	<b>Disaster No.</b>	<b>Total Obligated</b>	<b>Project Amount</b>	<b>Federal Share Eligible</b>
Hurricane Katrina	1603	\$811,945,349	\$803,823,708	\$803,823,708
Hurricane Gustav	1786	673,839	748,710	673,839
Hurricane Isaac	4080	<u>1,554,775</u>	<u>2,073,033</u>	<u>1,554,775</u>
<b>Totals</b>		<b><u>\$814,173,963</u></b>	<b><u>\$806,645,451</u></b>	<b><u>\$806,052,322</u></b>

*Source: The Board’s Performance Audit Statement of Work*

Cotton & Company LLP (referred to as “we” in this report) was engaged by the Department of Homeland Security, Office of Inspector General (DHS OIG) to conduct a performance audit of FEMA Public Assistance grant funds awarded to the Board related to Hurricanes Katrina, Isaac, and Gustav. The objective of this audit was to determine whether the Board accounted for and expended these funds in accordance with Federal regulations and FEMA guidelines. Table 2 shows the Board’s reimbursement requests, which totaled

approximately \$594 million as of September 30, 2017, the end of the audit period.

**Table 2. Board Reimbursement Requests as of September 30, 2017**

Disaster	Disaster No.	Total Requested
Hurricane Katrina	1603	\$592,013,589
Hurricane Gustav	1786	937,696
Hurricane Isaac	4080	1,414,056
<b>Total</b>		<b><u>\$594,365,341</u></b>

Source: GOHSEP's Louisiana Public Assistance (LAPA) System

Appendix A provides additional detail regarding the objectives, scope, and methodology of this audit. We designed this performance audit to meet the objectives identified in the Objectives, Scope, and Methodology section of this report. We conducted the audit in accordance with Generally Accepted Government Auditing Standards, issued by the Government Accountability Office. We communicated the results of our audit and the related findings and recommendations to the Board, FEMA, and DHS OIG.

## Audit Results

The Board did not account for and spend grant funds according to applicable Federal regulations and FEMA guidelines. Specifically, the Board did not:

- adequately record, track, and report its disaster expenditures or revenues;
- track its administrative costs;
- report correct expenditure amounts in its annual Single Audit report;
- spend advances expeditiously; or
- accumulate, report, and support force account (labor and equipment) costs.

These issues occurred because FEMA did not ensure its grantee, GOHSEP, ensured the Board had an adequate accounting system and was educated about Federal requirements. FEMA also did not ensure the grantee, GOHSEP, reconciled financial information reported by the Board to its records and monitored the Board's administrative cost accounts and advance expenditures. Finally, FEMA did not ensure its grantee, GOHSEP, ensured the Board had a process for recording force account costs.

As a result, the Board's accounting records reflected actual disaster expenditures of \$133.9 million less than its request for cost reimbursement, which contradicts State records showing Board expenditures exceeded reimbursements by \$103,235,674. Further, the Board could not support the \$2,071,850 administrative allowance it received and the \$11,922,061 in administrative cost funding it requested. Upon disaster closeout, these amounts would be disallowed and the Board would be required to return any funding received. Further, the

Board requested and received more than \$5 million in advance funding that it has not expended for more than 4 years. Finally, as a result of the Board’s inability to provide supporting documentation, we questioned \$30,605,181 in force account costs it received.

### **Inadequate Tracking and Reporting Process for Disaster Expenditures and Revenues**

The Board did not have an adequate accounting system for recording, tracking, or reporting on disaster expenditures or revenues received. The Board incurred expenditures within the cost center that managed the work identified and approved on the project worksheet; i.e., the Water System, the Sewer System, or the Drainage System. The Board established activity account codes for the Hurricanes Katrina, Gustav, and Isaac disasters to record disaster expenditures (Board Activity Code Nos. 2330, 2345, and 2385, respectively). Upon incurring an expenditure, the Board recorded it to the appropriate cost center. The Board also used a “K” designation in its purchase order numbering system to identify expenditures related to the Hurricane Katrina disaster. This designation served as the basis for creating a payment voucher for each expenditure. The Board did not consistently use the activity code for each disaster to record expenditures. It also did not consistently use the additional “K” designation for Hurricane Katrina expenditures. As of September 30, 2017, the Board’s accounting records showed disaster expenditures were \$133.9 million less than cost reimbursements reported by GOHSEP.

**Table 3. Comparison of the Board’s Disaster Expenditures and GOHSEP Reimbursements by “K” Designation as of September 30, 2017**

<b>Disaster</b>	<b>Board PA Expenditures Incurred</b>	<b>GOHSEP PA Expenditures Reimbursed</b>	<b>Difference</b>
Hurricane Katrina	\$277,293,107	\$409,621,888	\$132,328,781
Hurricane Gustav	31,451	668,689	637,238
Hurricane Isaac	--	955,019	955,019
<b>Total</b>	<b>\$277,324,558</b>	<b>\$411,245,596</b>	<b>\$133,921,038</b>

*Source: The Board’s accounting system and GOHSEP’s LAPA System*

In addition, in instances when the Board properly coded Hurricane Katrina expenditures, it did not segregate expenditures between the PA program and the Hazard Mitigation program. We identified \$602,146,211 in PA and Hazard Mitigation expenditures with the “K” designation. This amount far exceeds the \$409,621,888 in eligible expenditures the Board reported to GOHSEP. It also

exceeds the \$500,825,752 in expenditures reported on the Board’s financial statements.

We requested the Board provide us with accounting records showing incurred costs, claimed costs, or amounts reimbursed. The Board generated accounting records as of September 30, 2017 by accumulating all Purchase Order transactions with the “K” designation in the Purchase Order number. However, these amounts only included payments to third-party vendors and did not include any labor, equipment, or administrative costs. Therefore, we could not use the Board’s accounting records to identify incurred costs, claimed costs, or amounts reimbursed. The Board subsequently generated a report by searching for transactions with the activity account codes established for the Hurricanes Katrina, Gustav, and Isaac disasters. Based on these new parameters, as of September 30, 2017, the Board’s accounting records showed disaster expenditures that were \$125 million less than cost reimbursements reported by GOHSEP.

**Table 4. Comparison of the Board’s Disaster Expenditures and GOHSEP Reimbursements by Activity Code as of September 30, 2017**

<b>Disaster</b>	<b>Board PA Expenditures Incurred</b>	<b>GOHSEP PA Expenditures Reimbursed</b>	<b>Difference</b>
Hurricane Katrina	\$284,813,225	\$409,621,888	\$124,808,663
Hurricane Gustav	399,686	668,689	269,003
Hurricane Isaac	960,526	955,019	(5,507)
<b>Total</b>	<b><u>\$286,173,437</u></b>	<b><u>\$411,245,596</u></b>	<b><u>\$125,072,159</u></b>

*Source: The Board’s accounting system and GOHSEP’s LAPA System*

The Board did not correctly use the three activity codes and the “K” designation. As a result, it was unable to use the codes and the designation to accumulate eligible grant expenditures. Further, the Board had no method of tracking expenditures by individual project worksheet. GOHSEP’s disaster management system, Louisiana Public Assistance (LAPA), maintains information by project worksheet. However, it was not possible to reconcile expenditures reported and approved for project worksheets in LAPA to the Board’s accounting records because of disallowances made by GOHSEP, as well as the weaknesses in the system noted above.

The Board did not have a process in place for identifying the eligible and allowable portion of costs incurred for its various project worksheets, tracking reimbursements, or identifying the project worksheet ceilings. Specifically, the Board did not have cost codes in its accounting system to segregate eligible and non-eligible disaster expenditures. It also did not have a system for recording and tracking the total costs allowable under a project worksheet. Instead, the Board submitted a Reimbursement Request Form and supporting

documentation for each expenditure in LAPA. GOHSEP would then review the documentation and identify the eligible portion of the project worksheets, as well as the amount of eligible expenditures that exceeded the project worksheet ceiling. GOHSEP then reimbursed the Board for the allowable portion, unless the Board had received an advance related to the project worksheet. However, the Board did not subsequently adjust its accounting records or offline Excel spreadsheets<sup>1</sup> to record the amount of the project worksheet that GOHSEP determined to be eligible or allowable. Additionally, the Board did not have a process in place for accumulating and reporting on revenues received from GOHSEP.

The Board's departments attempted to maintain manual spreadsheets to accumulate the costs they believed were eligible for PA grant reimbursement. However, the departments were not successful in updating and maintaining these spreadsheets. In 2016 the Chief Accountant began using a new spreadsheet, "2016 FEMA Receivables-Deferred Revenues with PW's-2," to accumulate disaster expenditures going forward. The Chief Accountant used this spreadsheet to report grant expenditures to the Board's auditors. However, the spreadsheet only included third-party vendor payments and, therefore, did not include any costs incurred directly by the Board, such as labor, equipment, or indirect costs.

Appendix B identifies and lists the Board-provided spreadsheets that accumulate certain disaster expenditures. These spreadsheets cover various time-periods and different activities. However, we were unable to combine the spreadsheets to identify total costs incurred, or even total costs incurred at various points in time.

We were unable to use these spreadsheets to determine total expenditures because the spreadsheets did not cover the entire grant period and were created for specific purposes, rather than for tracking total costs. The audit scope included only those costs for which GOHSEP reimbursed the Board. We obtained information regarding these costs through LAPA.

As part of the FY 2014 Office of Management and Budget (OMB) Circular A-133 Single Audit, the auditors issued Finding No. 2014-001 related to the Board's inability to reconcile its expenditures under its FEMA grants. The finding stated the Board devoted significant resources to monitoring and researching the status of expenditure reimbursements. However, the auditors found significant adjustments to grants receivable and capital contributions revenue during the audit. The auditors determined the Board did not sufficiently review and monitor FEMA grant reconciliations to determine whether it had properly recorded the reimbursable amount and whether the amount agreed with the supporting documentation. The auditors recommended the Board implement

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<sup>1</sup> The Board uses offline Excel spreadsheets to accumulate manually disaster transactions.

procedures and controls to ensure (1) it properly reports FEMA grant expenditures on a timely basis at year-end, and (2) amounts reported agree with the underlying accounting records.

The Board agreed with the A-133 finding, stating it would develop and implement procedures and controls to meet the recommendation. The Board also stated it would compile a list of its FEMA-related reimbursable expenditures by individual Catalog for Domestic Federal Assistance (CFDA) number, excluding known ineligible costs. It would then reconcile the total amount of reimbursable expenditures to the reported grant revenue. The Board believed the issue occurred because it had spread the duties for managing FEMA grants across several employees without appointing an individual to ensure accountability for the overall process. The Board stated it would realign staff duties to ensure it implemented these procedures and controls. During the FY 2015 OMB Circular A-133 Single Audit, the auditors concluded this finding had been resolved. However, we were unable to determine what documentation the auditors reviewed in making their conclusion. In addition, the Board was unable to provide any spreadsheets or accounting reports for 2014 through 2016 to demonstrate it had taken any of the planned corrective actions.

As part of our audit, we discussed this issue with the Board. As part of its reconciliation and closeout process, the Board is currently taking a variety of steps to identify eligible expenditures it did not code to the Hurricane Katrina activity code or that lack the “K” designation. These steps include:

- Reviewing the project worksheet to identify the scope of the project and the vendors listed. The Board then identifies payments to those vendors in the accounting system and reviews documentation to support the payment.
- Conducting interviews with applicable Board department staff.
- Reviewing hard-copy historic files to determine whether it is able to identify any additional documentation that it did not previously submit for reimbursement.
- Identifying additional payments made to previously identified vendors or job codes.
- Reviewing the information in LAPA to (1) identify expenditures it has already submitted, (2) identify new expenditures for reimbursement, and (3) determine whether any of the project worksheets require modifications, whether increases or decreases.

According to 44 Code of Federal Regulations (CFR), *Emergency Management Assistance*, Subpart C - Post Award Requirements Financial Administration, § 13.20 *Standards for financial management systems*, (b), the financial

management systems of other grantees and subgrantees must meet the following standards:

(1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially- assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

FEMA did not make sure its grantee, GOHSEP, ensured the Board had adequate accounting systems to identify, accumulate, and report eligible disaster expenses or revenues. As a result, the Board was unable to identify:

- The total amount of eligible disaster expenses it had incurred, either by disaster or by project worksheet.
- The amount of revenue it had received from GOHSEP for reimbursement of eligible disaster expenditures.
- The amount of outstanding advances it had received from GOHSEP (i.e., the gross advance amount less any eligible expenditures incurred).

The Board was also unable to identify the amount of allowable costs that exceeded the project worksheet ceiling. Therefore, it did not request project worksheet modifications for additional funding. LAPA is able to accumulate and identify this information for the Board; however, the information would only be available in LAPA after GOHSEP's review of the Board's cost documentation. In addition, the Board did not accurately report Federal expenditures on its Schedule of Expenditures of Federal Awards (SEFA). This issue prevented its auditors from properly testing and opining on those expenditures.

## Recommendations

We recommend the Regional Administrator, Federal Emergency Management Agency Region VI, ensure the Louisiana Governor's Office of Homeland Security and Emergency Preparedness require the Sewerage and Water Board of New Orleans:

**Recommendation 1:** Implement a process to track and conduct periodic financial reporting about its disaster expenditures and revenues.

**Recommendation 2:** Identify total allowable expenditures and reconcile its actual disaster revenues and expenditures to reimbursements.

**Recommendation 3:** Implement activity codes to identify eligible project worksheet costs that exceed the project worksheet ceiling and use these codes to determine if a modification to the project worksheet is warranted.

### Inadequate Tracking of Administrative and Claimed Costs

The Board received an administrative allowance and direct administrative cost funding for expenses related to Hurricane Katrina. However, the Board did not maintain documentation to support either (1) its actual costs paid for project charges using the FEMA administrative allowance, or (2) the amount of its request for direct administrative cost funding. FEMA awarded the Board a 0.5 percent administrative allowance for general grant management efforts and direct administrative costs up to 3 percent, to cover direct administrative costs for individual projects. These amounts would be disallowed during grant closeout because the Board did not maintain supporting documentation.

GOHSEP provided the Board with an administrative allowance of \$2,071,850 for costs incurred related to Hurricane Katrina from September 12, 2005 through September 30, 2017. GOHSEP based this allowance on a sliding scale that consisted of a 0.5 percent markup on all project worksheet costs related to Hurricane Katrina. However, the Board did not identify or track its actual administrative costs incurred and was unable to accumulate these costs after the fact, as its accounting system did not accumulate and segregate administrative costs for disasters. Instead, the Board organized its accounting system by department, and it charged labor and other internal costs within those departments.<sup>2</sup>

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<sup>2</sup> As noted in the first finding, the Board did attempt to accumulate and segregate its third-party vendor costs for disasters by using a designation to identify these costs in the payment voucher numbering system. However, that system was not effective.

GOHSEP did not require the Board to provide documentation to support its actual costs for the administrative allowance. However, it did require the Board to retain documentation of the actual costs incurred and return any surplus to GOHSEP. Because GOHSEP did not require the Board to provide supporting documentation, it was not aware the Board was not accumulating the actual administrative costs. In addition, GOHSEP was unable to perform testing to verify the Board incurred the costs and that the costs were FEMA-eligible, allowable, and allocable, or to determine if the Board had a funding surplus.

The Board also received an award for direct administrative cost funding. As described in the unobligated version 4 of Project Worksheet No. 20808, the authority to provide funding for direct administrative costs is Title VI, Chapter 2, Section 638(f) of Public Law 109-295, *Post Katrina Emergency Management Reform Act of 2006*. Specifically, FEMA has the authority to provide Direct Administrative Cost/Closeout Incentive (DAC/COI) funding as an incentive to encourage the timely closeout of Public Assistance projects under sections 406 and 407 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (42 U.S.C. 5172 and 5173). Under this authority, FEMA has authorized the payment of DAC/COI up to an aggregate of 3 percent of an applicant's approved eligible project costs, in addition to the sliding scale allowance provided for in 44 CFR 207.9 (b)(2). Direct administrative cost funding is based on three project milestones:

- Up to 1 percent when the initial project worksheet is obligated (i.e., Project Worksheet Version 0).
- Up to 1 percent when the project worksheet is 33 percent or more complete, based on quarterly progress reports.
- Up to 1 percent when the Board submits the project worksheet for closeout (i.e., Step 2 of GOHSEP's Expense Review Process).<sup>3</sup>

GOHSEP awarded, and FEMA approved, direct administrative cost funding of \$1,106,100 for the Board's Hurricane Katrina efforts under Project Worksheet No. 20808 on December 27, 2013.<sup>4</sup> The awarded amount included funding for temporary staff and three contractors to assist with closeout activities, including copying, processing payment requests, performing reconciliations, and providing computer services during the period from September 2012 through January 18, 2017. As of September 30, 2017, GOHSEP had approved

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<sup>3</sup> As described in GOHSEP's "Expense Review Policy and Process" related to large projects and in the LAPA database.

<sup>4</sup> This amount is the current awarded amount in Project Worksheet No. 20808, Version 3 after several modifications to the project worksheet. It includes an additional 0.5 percent administrative markup of \$5,502.98.

and paid \$116,644 in third-party vendor payments for temporary labor services.<sup>5</sup>

On June 19, 2017, the Board submitted a request to GOHSEP for additional direct administrative cost funding of \$15,313,992 for tasks performed between August 29, 2005 and December 31, 2012 (Project Worksheet No. 20808, Version 4). In its request, the Board stated it used an attribution process to estimate its internal labor hours and costs. It also noted it was unaware of either the availability of reimbursement for direct administrative costs or the documentation requirements for the period from 2005 through 2012. Various Board employees performed administrative activities during this timeframe, but the Board did not track their time with the requirements later provided by FEMA. The Board further stated it estimated its eligible direct administrative cost activities by analyzing verifiable data in LAPA and assigning values to direct administrative cost activities. The Board then summed values to arrive at a total count for each activity (activity counts). The data analyzed in LAPA included:

...PWs [project worksheets] created, Reimbursement Requests for Funding (RRF), Advance Requests, Project Version requests (VR), 406 Hazard Mitigation formulations, alternate and improved projects, time extensions (TE), and closeouts. In addition, we looked at activities inherent with the managing of grants such as, site inspection, documentation preparation, project formulation, PW review and approval, and financial compliance.

The Board then created a spreadsheet showing the activities performed on all small and large project worksheets combined, based on the activity counts. On June 26, 2017, FEMA informed the Board its submission was not adequate and that the Board needed to provide detailed information regarding the costs attributable to each project worksheet. The revised draft of Project Worksheet No. 20808, Version 4, dated September 25, 2017, showed the Board reduced the eligible amount of the project worksheet from its original request of \$15,313,992 to \$11,922,061. However, FEMA did not approve Version 4, because the Board did not provide source documentation to support the amount claimed.

The Board was not aware of the Federal requirement that recipients maintain actual cost data to support expenditures paid using the administrative allowance. GOHSEP's LAPA system tracked the amount of administrative allowance for which the Board was eligible and applied the relevant markup to the Board's invoices. However, GOHSEP does not monitor the Board's actual

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<sup>5</sup> GOHSEP made additional payments of \$525,975.61 on September 26, 2018, outside the audit's period of performance.

administrative costs or review the underlying documentation for the administrative costs as part of the closeout process.

The Board further noted it had not been aware of the availability of direct administrative cost funding before incurring costs it believed would be eligible for such funding. Therefore, the Board had applied for the funding many years after the fact. Because it did not have a system in place to request funding or track actual costs, it estimated the amount of the costs incurred when applying for the funding. However, FEMA requires recipients (1) explicitly include direct administrative cost funds in the budget; (2) obtain written approval prior to incurring costs; and (3) track, charge, and account for their costs by project worksheet.

According to FEMA Publication 322, *Public Assistance Guide* (June 1, 2007, Revision), the administrative allowance is a percent of the approved costs and is intended to cover necessary administrative activities regarding establishment, management, and closeout of the project worksheets. The allowance is not meant to cover direct costs of managing projects completed using Public Assistance funds; these costs are eligible to be part of the project grant. An applicant is not required to submit supporting documentation to the grantee. However, the applicant is required to retain cost documentation and return any surplus to the grantee. The applicant is not permitted to retain unspent funds or use them for another purpose.

According to *FEMA Public Assistance Program and Policy Guide* (2018 Revision), V. Cost Eligibility, N. Grant Management and Administration 2. *Direct Administrative Costs*, direct administrative costs cannot be charged to a project if costs for the same purpose have been classified as indirect costs.

The *FEMA Public Assistance Program and Policy Guide* further directs that costs such as site inspections, developing the detailed site-specific damage description, and evaluating Section 406 hazard mitigation measures are eligible for direct administrative costs if the costs are related to only one project and meet the above requirements.

In addition, the *FEMA Public Assistance Program and Policy Guide* affirms that FEMA normally considers the salaries of administrative and clerical staff to be indirect costs. However, organizations may charge the costs directly if (1) the costs are related to administrative or clerical services that are integral to a project or activity, (2) the organization specifically identified the individuals involved as participating on the project or activity, (3) the organization explicitly included the costs in the budget for that project or has FEMA's prior written approval, and (4) the organization does not also recover the costs as indirect costs.

FEMA did not ensure its grantee, GOHSEP, educated the Board about the requirements to recover administrative costs. In addition, FEMA did not ensure its grantee, GOHSEP, specifically noted to the Board that the administrative allowance is a reimbursement of actual costs, despite being disbursed throughout the grant lifecycle. Because the Board did not maintain records in accordance with Federal requirements, it may be unable to calculate or support its actual administrative allowance costs. It may also be unable to determine whether it has received any surplus administrative allowance funds that must be returned to GOHSEP. In addition, because the Board did not maintain records in accordance with Federal requirements, it is likely that any labor costs the Board was ultimately able to identify would still be unallowable.

As of September 30, 2017, the Board had received \$2,071,850 of administrative allowance for which it was unable to provide adequate support. The administrative allowance would be disallowed as unsupported costs upon closeout if additional support is not provided. Based on the lack of approval before incurring costs and the limitations of the Board's accounting system, it is unlikely the Board will be able to adequately support the additional \$11,922,061 in direct administrative cost funding it has requested.

The Board submitted Project Worksheet Nos. 1851 and 1576 to GOHSEP for state management costs<sup>6</sup> related to Hurricane Gustav (Disaster No. 1786) and Hurricane Isaac (Disaster No. 4080), respectively. However, GOHSEP representatives have not awarded any disaster funding for the costs to the Board and do not plan to do so. Therefore, this finding does not affect the Board's funding for these disasters.

## **Recommendations**

We recommend the Regional Administrator, Federal Emergency Management Agency Region VI, ensure the Louisiana Governor's Office of Homeland Security and Emergency Preparedness require the Sewerage and Water Board of New Orleans:

**Recommendation 4:** Accumulate and maintain actual cost data to support expenditures paid using the administrative allowance and provide documentation to support these expenditures.

**Recommendation 5:** Implement an accounting system that both tracks its actual costs that are recoverable through the administrative allowance and ensures it does not claim these costs on other grants, programs, or disasters.

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<sup>6</sup> In addition to reimbursement under the administrative allowance, entities prepare a state management project worksheet to cover the regular time of State employees and other grant administration costs associated with performing grant management activities.

**Recommendation 6:** Provide adequate documentation to support any claims for direct administrative cost funding and ensure any costs paid using awarded funding meet the requirements of the *FEMA Public Assistance Program and Policy Guide*.

**Recommendation 7:** Implement a system to apply for direct administrative cost funds at the time it establishes project worksheets, obtain approval prior to incurring costs, and segregate and track its indirect costs recovered through the administrative allowance from eligible direct administrative costs. Segregating and tracking the indirect costs will ensure the Sewerage and Water Board of New Orleans does not use activities covered by direct administrative cost funding to support funds received under the administrative allowance.

### **Accounting System Provided Incorrect Information, Resulting in Single Audit Report Inaccuracies**

The amounts reported on the Board's Schedule of Expenditures of Federal Awards (SEFA) in its Single Audit report were incorrect. The amounts were based on manual spreadsheets the Board used to accumulate costs it believed were eligible for the disaster grants. These spreadsheets included data from the Board's accounting system. However, the data was incomplete because the Board's accounting system did not:

- Segregate costs as allowable and unallowable (Page 5).
- Track administrative costs, instead only tracking the cost of third-party vendors (Page 10).
- Have a process to accumulate force account labor, materials, and supplies following the disaster emergency period. The Board used these accounts in the immediate aftermath of a disaster, when agency employees complete tasks that are generally performed by outside parties, such as debris cleanup efforts. The Board did not identify these costs as disaster costs in its accounting system and did not accumulate them on its spreadsheets (Page 21).

According to 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, § 200.302, *Financial management*, (b), a non-federal entity's financial system must include the following:

(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in § 200.327 Financial reporting and § 200.328 Monitoring and reporting program performance.

(3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

The Board did not use its official accounting system to prepare its schedule of disaster expenditures for the Single Audit Report. That schedule was subject to internal control weaknesses (e.g., it may not have been representative of claimed costs or may have been duplicative of other programs). The Single Audit tested for whether the Board was eligible to receive FEMA funds. However, the auditor did not test other requirements, such as whether the costs exceeded any project worksheet limits. Further, the Single Audit Report did not identify the OMB requirements for which the auditor performed compliance testing. As shown in the table below, the eligible amounts identified and paid by GOHSEP were less than the allowable amounts identified by the auditor.

**Table 5. Comparison of Auditor Allowable Amount to GOHSEP Eligible Amount**

<b>Disaster</b>	<b>Project Worksheet</b>	<b>Invoice</b>	<b>Board Claimed Amount</b>	<b>Allowable Amount per Auditor and Therefore on SEFA</b>	<b>Eligible Amount Identified and Paid by GOHSEP</b>
1603	3073	22979	\$223,819	\$223,819	\$168,419
1603	3073	03-4918	61,332	61,332	19,715
1603	17785	0173965	41,777	41,777	0
1603	17785	0179663	22,184	22,184	0
1603	17785	0175328	19,909	19,909	0
1603	17785	018509	24,955	24,955	0
1603	17785	0170087	4,023	4,023	0
1603	17785	0178700	43,224	43,224	0
1603	17785	175728	3,657	3,657	0
1603	17785	173733	7,825	7,825	0
1603	18836	175342	265,038	265,038	265,038
1603	18836	175858	72,046	72,046	0
1603	18836	178864	414,160	414,160	3,012

Source: The Board's Single Audit Auditor Work papers and Louisiana Public Assistance (LAPA)

The Board’s annual Single Audit Report did not provide all intended assurances, and the reported SEFA included costs that exceeded the actual allowable expenditures. Specifically, the total amount of Federal expenditures reported on the SEFA for 2005 through 2016 was \$103,235,674 higher than were GOHSEP’s payments for eligible expenditures for the same period.

**Table 6. The Board’s Comparison of SEFA Expenditures to GOHSEP Payments, 2005-2016**

<b>Year</b>	<b>Public Assistance SEFA Expenditures</b>	<b>GOHSEP Payments</b>	<b>Difference</b>
2005	\$40,879,502	\$2,358,975	\$38,520,527
2006	74,200,682	73,247,704	952,978
2007	69,174,787	38,023,747	31,151,040
2008	15,987,344	48,492,935	(32,505,591)
2009	49,834,596	10,884,458	38,950,138
2010	17,297,942	(706,805)	18,004,747
2011	39,436,211	16,816,818	22,619,393
2012	42,490,903	88,663,982	(46,173,079)
2013	60,710,181	81,679,134	(20,968,953)
2014	46,648,426	18,926,857	27,721,569
2015	24,785,349	10,831,565	13,953,784
2016	19,379,829	8,370,708	11,009,121
<b>Total</b>	<b>\$500,825,752</b>	<b>\$397,590,078</b>	<b>\$103,235,674</b>

Source: The Board’s Single Audit Reports and Louisiana Public Assistance (LAPA)

FEMA did not ensure the grantee was properly reconciling the financial information reported on subgrantees’ SEFA schedules to its own accounting records in accordance with Federal requirements.<sup>7</sup>

## Recommendations

We recommend the Regional Administrator, Federal Emergency Management Agency Region VI, ensure the Louisiana Governor’s Office of Homeland Security and Emergency Preparedness:

**Recommendation 8:** Require the Sewerage and Water Board of New Orleans to implement procedures and controls to ensure FEMA SEFA expenditures agree with the underlying accounting records and reconcile to the recorded grant revenue and to its accounting system.

<sup>7</sup> Relevant requirements include OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D, *Federal Agencies and Pass-Through Entities*, § .400(d), *Pass-through entity responsibilities* (now 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart-D, *Post Federal Award Requirements*, Section § 200.331, *Requirements for pass-through entities*).

## Untimely Expenditure of Advances

The Board lacked internal controls over advances to minimize the time between receiving the advances and incurring eligible expenditures. Specifically, GOHSEP made 66 advances to the Board totaling \$65,693,282 for projects related to Hurricane Katrina (Disaster No. 1603). However, as of September 30, 2017, the Board still had outstanding advances of \$5,274,079, with an average ending outstanding balance of \$78,986. Many of these advances have been outstanding for 4 to 5 years.

**Table 7. Summary of Advances Received, Applied, and Outstanding by Year**

Year End Date	No. of Advances Received	Sum of Advances Received	Sum of Expenses Applied to Advances <sup>8</sup>	Advances Outstanding
through 12/31/2011	4	\$8,835,556	\$9,303,145 <sup>9</sup>	\$0
12/31/2012	1	4,819,540	3,499,022	852,929
12/31/2013	53	40,810,298	29,610,214	12,053,014
12/31/2014	7	10,227,888	16,724,478	5,556,423
12/31/2015	1	1,000,000	787,247	5,769,176
12/31/2016	0	0	439,135	5,330,041
9/30/2017	<u>0</u>	<u>0</u>	<u>55,962</u>	<u>5,274,079</u>
9/30/17	<u>66</u>	<u>\$65,693,282</u>	<u>\$60,419,203</u>	<u>\$5,274,079</u>

Source: Louisiana Public Assistance (LAPA)

- The Board fully expended two of the 66 advances within 60 days of receiving the advance.
- On 21 of the 66 advances, the Board did not incur any expenses for more than 180 days after receiving the advances.
- After 180 days, the dollar amount remaining on these 66 advances totaled \$15,906,856.

Further, the Board had seven advances with no expenditures as of September 30, 2017 as shown in table 8.

<sup>8</sup> These expenses may have been incurred on any outstanding advance and are not limited to expenses incurred on advances issued in that year.

<sup>9</sup> The Sum of Expenses Applied to Advances column exceeded the Sum of Advances Received column for the years ending December 31, 2011, because the Board applied future advances to expenses from this period.

**Table 8. Advances Awarded to the Board  
With No Expenditures Reported**

Advance ID	Advance Date	Advance
20300-1	9/6/2013	\$54,707
20303-1	9/6/2013	100,076
20666-1	6/20/2014	80,140
20694-1	10/22/2013	276,704
20730-1	9/26/2013	17,355
20735-1	10/22/2013	50,937
20750-2	6/3/2014	39,406
<b>Total</b>		<b>\$619,325</b>

Source: Louisiana Public Assistance (LAPA)

Appendix C identifies all 66 advances, the expenditures applied, the balance remaining, and the number of days the balance has been outstanding.

The Board used Reimbursement Request Forms to report expenditures incurred against advances. As of September 30, 2017, GOHSEP had approved all of the Reimbursement Request Forms the Board had submitted. However, the number of days between when the work was performed (i.e., the date of the vendor's invoice) and when GOHSEP approved the Reimbursement Request Form varied greatly – from 33 to more than 4,000 days. Further, we were unable to determine when the Board submitted each Reimbursement Request Form for approval. Therefore, it is unclear whether the delay was caused by the submission process, the approval process, or a combination of the two. The chart below provides three examples of the number of days between the date of the advance and the date GOHSEP approved the Reimbursement Request Form. The chart also shows the number of days between the date GOHSEP approved the Reimbursement Request Form and the date the Board incurred the expenses.

**Table 9. Number of Days between  
Advance Payment and Reimbursement Request Form Approval or Invoice**

Advance ID	Average Number of Days Between Advance Payment Date and Reimbursement Request Form Approval	Average Number of Days Between Vendor Invoice Date and Reimbursement Request Form Approval
440	3,545	4,219
20229	414	256
20640	289	188

Source: Louisiana Public Assistance (LAPA)

According to 44 CFR, *Emergency Management Assistance, Subpart C – Post Award Requirements Financial Administration*, § 13.20 Standards for financial management systems, (b), and 2 CFR 200, *Uniform Administrative*

*Requirements, Cost Principles, and Audit Requirements for Federal Awards, § 200.305 Payment*, when requesting advance funding, non-Federal entities must have procedures in place to minimize the time that elapses between the transfer of advance funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity. The non-Federal entities must also limit advance payment requests to the minimum amount needed and must maintain the advance payments in interest-bearing accounts. In addition, the non-Federal entities may retain up to \$500 per year in interest earned on advance funding to support administrative expenses. However, they must remit any additional interest earned to the Department of Health and Human Services Payment Management system on an annual basis.

In addition, according to 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, § 200.302 Financial Management*, the financial management system of each non-federal entity must provide for “(6) Written procedures to implement the requirements of § 200.305 Payment.”

GOHSEP stated the delay in the Board’s expenditure of advances for infrastructure projects was due to delays in completing the projects, which resulted in additional time between the advance and expenditure of funds. The Board also acknowledged that the magnitude of the damage from Hurricane Katrina overwhelmed its system in terms of both infrastructure and recordkeeping, which contributed to the delays. FEMA’s monitoring processes did not uncover these issues and, therefore, did not ensure GOHSEP performed reviews to track expenditures and accounting procedures from the Board.

GOHSEP further noted it was aware the Board had additional expenditures it could have applied to the outstanding advances. GOHSEP stated it has regularly met with the Board to discuss the issue. GOHSEP’s goal is to obtain documentation to support the Board’s advances by the end of 2018. The Board has had difficulty providing this documentation because its accounting system is unable to track advances and expenditures by project worksheet. This issue further exacerbates the delays in reporting expenditures for advances. The Board recently prepared manual spreadsheets to track advances, expenditures, and remaining outstanding advances to compensate for this gap in its accounting system.

The Board agreed it had not submitted all of its vendor invoices and documentation for the portions of the advances it had expended. The Board noted it had competing priorities with disaster-related administrative tasks and had instead prioritized project performance and accumulation of expenditures for reimbursement. The Board further noted that GOHSEP’s review and

approval process for Reimbursement Request Forms causes a significant delay between incurring the expenditures and obtaining approval for reimbursement.

The Board lacked procedures to minimize the time between receiving advances from GOHSEP and expending those advances. It also lacked procedures to minimize the time between incurring the expenditures and reporting on those expenditures. As a result, the Board has found it increasingly difficult to identify information from prior years to support these amounts. In some cases, it must obtain information from more than 10 years ago. As such, employee turnover over the past 10 years may increase the loss of institutional knowledge, making it more difficult to obtain and identify necessary information over time. Further, the Board has carried a balance of more than \$5 million in advances for more than four years. This balance may be greater because of interest earned on advance funding that the Board has yet to expend.

## **Recommendations**

We recommend the Regional Administrator, Federal Emergency Management Agency Region VI, ensure the Louisiana Governor's Office of Homeland Security and Emergency Preparedness:

**Recommendation 9:** Obtain information from the Sewerage and Water Board of New Orleans regarding the outstanding balances of advances and determine if any unused advances should be returned.

**Recommendation 10:** Require the Sewerage and Water Board of New Orleans to develop advance processes for minimizing the amount of time that elapses between the receipt and disbursement of advance funds. The processes should include (1) a method of tracking advances and related expenditures by project worksheet in the accounting system used to accumulate all expenditures; (2) the accumulation and reporting of interest earned on advances; and (3) a plan for disbursing future advances.

### **Lack of Process to Accumulate, Report, and Support Force Account Costs**

The Board does not have a process to accumulate, report, and support force account costs. Force account costs consist of labor and equipment for recovery initiatives. The Board submitted requests for reimbursement of force account costs under three project worksheets related to Hurricane Katrina (Disaster No. 1603):

- On September 11, 2009, the Board claimed \$4,736,009 of force account labor costs for overtime wages paid to Board employees from August

through November 2005. The Board claimed these costs under Project Worksheet No. 3535 and submitted documentation for only \$48,756 in labor costs. This documentation consisted of 11 timesheets and fringe benefit calculations for regular time and overtime labor.

We identified several deficiencies with the supporting documentation, including:

- The Board's Hurricane Katrina activity code (2330) appeared on 4 of the 11 timesheets. The remaining timesheets showed a different activity code (2320) that was not related to Hurricane Katrina.
  - The Board did not provide any calculations or documentation such as payroll or other salary details to show how it arrived at the claimed costs for each employee, or at the total amount of \$48,756.
- The Board provided a force account labor summary to support the remaining \$4,687,253 in force account labor costs reported in LAPA (\$4,736,009 less \$48,756), but did not upload timesheets, payroll registers, and other payroll documents.

GOHSEP reimbursed the Board for the force account costs using its Express Pay System (EPS) process. GOHSEP created this process in March 2008 to minimize the time between the submission of the Reimbursement Request Form and the payment to its subrecipients. Under the EPS process, GOHSEP performed a high-level, cursory review of the Board's costs claim to determine the completeness and validity of the Reimbursement Request Form and its related supporting documentation. GOHSEP then reimbursed the Board the total amount claimed in three payments (August 2006, September 2009, and November 2010). After making the payment, GOHSEP performed a detailed review of the Reimbursement Request Form's accuracy, eligibility, scope, and cost alignments. Because the Board did not provide adequate supporting documentation for the \$4,736,009 of claimed force account costs, we questioned the \$4,736,009 in force account costs paid to the Board.

- On September 14, 2009, the Board claimed \$16,924,679 in force account costs under Project Worksheet No. 18836, for water leak repairs completed from November 28, 2005 through April 13, 2009. GOHSEP approved, and FEMA obligated, the funds on September 14, 2009. FEMA amended this claim on March 25, 2011 to include an additional \$5,805,158 for labor, materials, and equipment costs, for total costs of \$22,729,837. Notes in LAPA document some of the actions taken by

GOHSEP and the Board between 2009 and the date of our fieldwork to provide and review supporting documentation. To date, GOHSEP has not received adequate supporting documentation.

Because the Board did not provide adequate supporting documentation for the \$22,729,837 in force account costs claimed during the period, we questioned the \$15,232,211 and \$5,224,642 of force account costs paid to the Board, for a total of \$20,456,853.

- On February 25, 2010, the Board submitted Project Worksheet 18944, which claimed \$3,065,114 in force account costs for sewer system repairs completed from November 28, 2005 through April 13, 2009. On February 1, 2011, FEMA subsequently amended the project worksheet period to include \$2,948,574 for additional repairs completed from April 14, 2009 through June 1, 2010. This increased total costs under this project worksheet to \$6,013,688. As documented in LAPA, GOHSEP made several attempts to obtain supporting documentation from the Board for these costs during the period from July 2010 to present. As of the date of our fieldwork, GOHSEP has not received adequate documentation.

The accounting records the Board provided did not support its requested reimbursements for force account labor, materials, or equipment costs. Because the Board did not provide adequate supporting documentation for the \$2,758,602 and \$2,653,717 of force account costs claimed during the period, we questioned \$5,412,319 in force account costs paid to the Board.

According to 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, § 200.403, *Factors affecting the allowability of costs*, a cost must be adequately documented to be allowable.

FEMA did not ensure its grantee, GOHSEP, monitored the Board's ability to account for internal direct and administrative grant expenditures. In particular, GOHSEP did not ensure the Board implemented a timekeeping system that could track direct and indirect costs and hours worked by job number, and that required employees to certify they worked on grant activities. Because the Board did not have a process in place to accumulate and adequately report and support force account costs, it was unable to track or support any actual costs incurred. Therefore, we questioned approximately \$30,605,181<sup>10</sup> in force account costs (\$4,736,009 for Project Worksheet 3535,

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<sup>10</sup> The actual amount questioned will depend on the amount of Federal payments FEMA made to GOHSEP for these project worksheets, as well as any reimbursement request reversals and refunds processed by GOHSEP.

\$20,456,853 for Project Worksheet 18836, and \$5,412,319 for Project Worksheet 18944).

## **Recommendations**

We recommend the Regional Administrator, Federal Emergency Management Agency Region VI, ensure the Louisiana Governor's Office of Homeland Security and Emergency Preparedness:

**Recommendation 11:** Require the Sewerage and Water Board of New Orleans to implement a system that will accumulate and report force account labor, equipment, and other costs incurred for disaster recovery initiatives.

**Recommendation 12:** Obtain and review documentation to support actual costs incurred under Project Worksheets 3535, 18836, and 18944 to ensure labor and other costs are adequately supported, represent costs identified on project worksheets, and are not associated with other funding sources or activities. If costs are not adequately supported, ensure the Louisiana Governor's Office of Homeland Security and Emergency Preparedness obtains a temporary or permanent credit for the amounts paid to date, \$4,736,009, \$20,456,853, and \$5,412,319 respectively, or \$30,605,181 in total.

## **FEMA Comments and OIG Analysis**

FEMA provided its written response to this report on January 10, 2020. FEMA concurred with all twelve recommendations and stated it would instruct GOHSEP to notify the Board that it will require the Board to have a financial management system that complies with 44 CFR § 13.20, *Standards for financial management systems*. FEMA provided a completion date of August 31, 2020 for Recommendations 1 through 8, and December 31, 2020 for recommendations 9 through 12. If implemented, FEMA's actions will satisfy the intent of each of the recommendations. We summarized FEMA's comments below and included a copy of the comments in their entirety in Appendix D.

### **Recommendation 1**

**FEMA Comments:** FEMA Region VI will instruct GOHSEP to notify the Board that it will require all expenditures to be made in accordance with 44 CFR § 13.20, *Standards for financial management systems*, and will work with the Board to identify the requirements.

## **Recommendation 2**

**FEMA Comments:** FEMA Region VI will instruct GOHSEP to notify the Board that it will require the implementation of procedures to account by disaster grant the eligible incurred work and costs for expenditures.

## **Recommendation 3**

**FEMA Comments:** FEMA Region VI will instruct GOHSEP to work with the Board to implement procedures to use programming codes to account for the eligible work incurred and costs to identify variables associated with the project for expenditures.

## **Recommendation 4**

**FEMA Comments:** FEMA Region VI will instruct GOHSEP to work with the Board to implement procedures to provide adequate supporting documentation for eligible direct administrative costs incurred for expenditures.

## **Recommendation 5**

**FEMA Comments:** FEMA Region VI will instruct GOHSEP to work with the Board to implement procedures to account for, by disaster grant, the eligible administrative allowance incurred and documented for expenditures.

## **Recommendation 6**

**FEMA Comments:** FEMA Region VI will instruct GOHSEP to work with the Board to implement procedures to provide adequate supporting documentation for eligible direct administrative costs incurred for expenditures.

## **Recommendation 7**

**FEMA Comments:** FEMA Region VI will instruct GOHSEP to work with the Board to implement procedures to account for, by disaster grant, the direct administrative cost funds, and to obtain GOHSEP guidance before incurring costs for eligible work and for the Board. Additionally, FEMA will instruct GOHSEP to work with the Board to ensure indirect costs are tracked separately.

## **Recommendation 8**

**FEMA Comments:** FEMA Region VI will instruct GOHSEP to work with the Board to implement procedures to account for, by disaster grant, the eligible incurred work, and costs for audits to include SEFA expenditures.

### **Recommendation 9**

**FEMA Comments:** FEMA Region VI will instruct GOHSEP to work with the Board to reconcile the disbursement of previously advanced funds and identify any unspent balance. Advance funds that have not been disbursed and applied against incurred costs will be withdrawn from payment through LAPA.

### **Recommendation 10**

**FEMA Comments:** FEMA Region VI will instruct GOHSEP to work with the Board to identify any interest earned on advances and to reconcile the interest earned.

### **Recommendation 11**

**FEMA Comments:** To improve accountability, FEMA Region VI will instruct GOHSEP to work with the Board to implement a system that will accumulate, code, and report force account labor, equipment, and other costs incurred for disaster recovery initiatives.

### **Recommendation 12**

**FEMA Comments:** FEMA Region VI will instruct GOHSEP to work with the Board to organize its documentation with proof of payment to support previously incurred expenditures, by disaster, for eligible work on the specific project worksheets, and to submit the respective projects to closeout for final reconciliation. Upon the reconciliation of PWs 3535, 18836, and 18944, FEMA will request they be submitted for closeout.

## **Appendix A**

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

Cotton & Company completed an audit to determine whether the Board accounted for and expended FEMA Public Assistance grant funds awarded for Disasters No. 1603 (Hurricane Katrina), 1786 (Hurricane Gustav), and 4080 (Hurricane Isaac) in accordance with Federal regulations and FEMA guidelines. Although the Stafford Act authorizes the Public Assistance Program, the Board was also required to comply with various other requirements, including:

- Code of Federal Regulations (CFR) Title 44 – *Emergency Management and Assistance*
- 2 CFR Part 225 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*
- OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*
- 2 CFR 200, *Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards*
- FEMA Publication 322, *Public Assistance Guide* (June 1, 2007, Revision)
- *FEMA Public Assistance Program and Policy Guide* (2018 Revision)

GOHSEP, a FEMA grantee, awarded the Board \$814.2 million in Public Assistance grant funds through May 2017 for damages resulting from the three disasters. The audit included \$594.4 million in reimbursements requests the Board submitted to GOHSEP from the inception of the disasters through September 30, 2017 (the period identified by DHS for the audit). We did not place any significant reliance on the data from FEMA’s computerized information system because we compared FEMA obligated costs to GOHSEP payments and to the Board’s claimed costs. We also verified the payments and claimed costs were supported by source documents.

Our audit methodology included reviewing and testing documentation provided by FEMA, GOHSEP, and the Board to support the eligibility of these project and associated costs. We performed our testing to determine whether the Board expended the funds in accordance with Federal regulations and FEMA guidance. We conducted our audit work at Cotton & Company’s office in Alexandria, Virginia. In addition, we conducted site visits to the Board, GOHSEP, and FEMA’s offices for training, entrance conferences, and exit briefings on findings identified at the end of our audit fieldwork.

We conducted this performance audit between January and October 2018 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 on our audit

objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Appendix B**

### **Discussion of the Board's Accounting Spreadsheets**

- *2016 FEMA Receivables Deferred Revenues with PWS-2* - This spreadsheet consisted of six tabs, as follows:
  - FEMA Receivable tab - showed the calculation of the FY 2016 year-end receivable balance.
  - FEMA Receivables-Per Invoices tab - showed the invoices for 2012 through 2014 that comprise the FY 2015 beginning receivable balance. However, the spreadsheet total of \$19,296,393 did not match the FY 2015 beginning receivable balance used to calculate the FY 2016 FEMA receivable, or \$19,654,795.
  - Deferred Revenues tab - showed the calculation of the FY 2016 year-end deferred revenue balance.
  - FEMA Allocations tab - showed the allocation of 2016 FEMA expenditures by the Drainage, Water, and Sewer Departments for Project Worksheet No. 3073 and multiple other project worksheets. The spreadsheet did not identify the project worksheets that were included in this description.
  - STA Allocations tab - showed the expenditures charged to the Board's State of Louisiana revolving loan and the allocation of those expenditures to the Drainage, Water, and Sewer Departments by Board job number.
  - 2016 LAPA tab - showed the 2016 LAPA Federal expenditures and the administrative allowance received for each project worksheet. The spreadsheet summarized the total expenditures and administrative allowance by disaster and by the amounts for the Drainage, Water, and Sewer Departments.
  
- *2016 FEMA REVOLVER Receivables Schedule-FINAL* - This spreadsheet consisted of three tabs, as follows:
  - FEMA REVOLVER SUMMARY tab - showed the calculation of the FY 2016 year-end receivable balance.
  - FEMA REVOLVER 2016 tab - showed the expenditures charged to the Board's State of Louisiana revolving loan and the allocation of those expenditures to the Drainage, Water, and Sewer Departments by Board job number.
  - 2016 LAPA tab - showed the 2016 LAPA Federal expenditures and the administrative allowance received for each project worksheet. The spreadsheet summarized the total expenditures

and administrative allowance by disaster and by the amounts for the Drainage, Water, and Sewer Departments.

- *2016 HMGP Schedule* - the Hazard Mitigation Grant Program (HMGP) is a separate FEMA grant. Expenditures under this grant should be segregated from expenditures under the Public Assistance grant program.
- *YEAR-END \$100M LOAN SUMMARY SPREADSHEET* - this spreadsheet included seven tabs for expenditures charged to the State of Louisiana revolving loan fund for 2010, 2011, 2012, 2013, 2014, 2015, and 2016, respectively. The tabs showed the expenditures charged to the revolving loan fund and the amount of each transaction that was ineligible or de-obligated by FEMA.
- *BERM – PW 19067* - this spreadsheet included summaries of the total amount of advances and receipts for Project Worksheet No. 19067, which related to a levee. The levee is referred to as a berm.
- *WLRP-All PWs 2-22-16 (new) 2* - this spreadsheet included 55 tabs including a summary tab and 54 tabs for project worksheets that received advances. Each tab showed the total amount advanced by GOHSEP, the amount invoiced, and the remaining balance of the advance. Each project worksheet tab also showed details related to the invoiced amounts, including the vendor name, Board project number, payment voucher number, payment voucher date, invoice number, invoice date, total amount, retainage amount, and invoice total. A note on the spreadsheet stated that some of the invoices had been erroneously sent through the state revolving loan account. Another note stated the invoice for one vendor included expenditures for multiple project worksheets.

## Appendix C: Expenditures Applied to Advances Awarded to the Board

Advance ID	Advance Date	Total Advance Awarded	Expended in 60 or Fewer Days	Expended in 61 180 Days	Expended after 180 Days	Unexpended Balance on 9/30/17	Days Unexpended Balance Outstanding
20228-1	9/6/2013	\$380,356	\$225,790	-	-	\$154,566	1,485
20229-1	9/6/2013	381,572	163,071	\$32,014	\$123,868	62,620	1,485
20230-1	9/6/2013	150,936	-	-	92,631	58,305	1,485
20233-1	9/6/2013	91,670	47,648	-	366	43,656	1,485
20300-1	9/6/2013	54,707	-	-	-	54,707	1,485
20303-1	9/6/2013	100,076	-	-	-	100,076	1,485
20313-1	9/6/2013	153,028	40,501	46,182	29,712	36,633	1,485
20347-1	9/6/2013	59,553	-	-	18,664	40,889	1,485
20484-1	9/6/2013	86,187	3,570	71,213	-	11,405	1,485
20531-1	9/6/2013	98,091	-	20,621	28,799	48,671	1,485
20640-1	9/6/2013	426,906	70,438	42,263	141,402	172,804	1,485
20647-1	9/6/2013	40,563	29,285	6,061	-	5,218	1,485
20649-1	9/6/2013	229,701	-	76,856	144,067	8,778	1,485
20669-1	9/6/2013	225,843	99,685	-	14,942	111,216	1,485
20701-1	9/6/2013	356,227	-	-	51,421	304,806	1,485
20690-1	9/26/2013	43,988	-	-	16,955	27,033	1,465
20730-1	9/26/2013	17,355	-	-	-	17,355	1,465
20736-1	9/26/2013	221,329	-	-	166,906	54,424	1,465
20737-1	9/26/2013	298,520	-	-	158,979	139,542	1,465
20738-1	9/26/2013	368,383	-	-	58,052	310,331	1,465
20740-1	9/26/2013	160,899	-	-	37,540	123,359	1,465
19846-2	10/10/2013	5,622,333	2,307,608	760,525	798,717	1,755,483	1,451
20759-2	10/17/2013	25,882	-	-	11,543	14,339	1,444
20769-2	10/17/2013	196,289	-	-	52,771	143,519	1,444
20658-1	10/22/2013	64,001	-	-	14,168	49,833	1,439
20659-1	10/22/2013	148,124	-	-	125,992	22,131	1,439
20679-1	10/22/2013	152,941	-	-	30,960	121,981	1,439
20683-1	10/22/2013	77,283	-	-	21,176	56,107	1,439
20692-1	10/22/2013	85,400	-	-	63,637	21,763	1,439
20693-1	10/22/2013	24,671	-	-	15,248	9,423	1,439
20694-1	10/22/2013	276,704	-	-	-	276,704	1,439
20735-1	10/22/2013	50,937	-	-	-	50,937	1,439
20752-1	10/22/2013	233,575	-	-	95,629	137,946	1,439
20756-1	10/22/2013	142,203	-	-	111,889	30,315	1,439
20232-1	1/29/2014	421,563	64,999	-	44,516	312,047	1,340
20750-2	6/3/2014	39,406	-	-	-	39,406	1,215
20751-3	6/3/2014	414,969	-	169,160	85,931	159,878	1,215
20753-3	6/3/2014	177,988	-	-	84,570	93,418	1,215
20666-1	6/20/2014	80,140	-	-	-	80,140	1,198
19067-8	5/12/2015	1,000,000	987,682	-	-	12,318	872
19067-1	7/11/2012	4,819,540	2,022,924	1,462,053	1,334,563	-	0
19067-3	3/19/2013	4,819,540	4,306,778	-	512,763	-	0
19067-4	5/15/2013	4,819,540	4,819,540	-	-	-	0
19067-5	8/23/2013	9,639,080	5,705,191	2,172,045	1,761,845	-	0
19846-1	5/15/2013	1,056,799	294,324	762,475	-	-	0
20234-1	9/6/2013	159,763	117,475	42,288	-	-	0
20234-3	3/15/2014	1,253,336	1,158,608	94,728	-	-	0
20348-1	9/6/2013	35,676	25,008	-	10,668	-	0
20350-1	9/6/2013	15,835	10,413	5,422	-	-	0
20486-1	10/19/2013	325,655	130,834	158,968	35,853	-	0
20515-1	9/6/2013	22,565	11,575	10,990	-	-	0
20527-1	9/6/2013	24,115	-	14,071	10,044	-	0
20530-1	9/6/2013	126,509	47,924	78,584	-	-	0

Advance ID	Advance Date	Total Advance Awarded	Expended in 60 or Fewer Days	Expended in 61 180 Days	Expended after 180 Days	Unexpended Balance on 9/30/17	Days Unexpended Balance Outstanding
20536-1	9/6/2013	72,640	-	27,463	45,176	-	0
20646-1	9/6/2013	273,395	99,169	-	174,226	-	0
20648-1	9/6/2013	269,511	113,882	54,000	101,629	-	0
20650-1	9/10/2013	88,995	-	54,771	34,225	-	0
20663-1	9/6/2013	77,286	9,045	68,241	-	-	0
20667-1	9/6/2013	12,992	-	-	12,992	-	0
20696-1	9/6/2013	83,685	64,902	-	18,783	-	0
3073-1	6/9/2006	3,427,753	-	-	3,427,753	-	0
3073-2	11/6/2013	7,840,485	5,573,703	1,887,041	379,741	-	0
3073-3	7/16/2014	7,840,485	7,130,098	710,387	-	-	0
440-1	8/3/2007	95,110	95,110	-	-	-	0
649-1	6/9/2006	5,165,412	4,492,324	673,089	-	-	0
688-1	1/5/2006	147,281	-	15,819	131,462	-	0
<b>TOTALS</b>		<b>\$65,693,282</b>	<b>\$40,269,104</b>	<b>\$9,517,330</b>	<b>\$10,632,774</b>	<b>\$5,274,082</b>	

Source: Louisiana Public Assistance (LAPA)

\*Amounts rounded to the nearest dollar

# Appendix D

## FEMA Comments to the Draft Report

U.S. Department of Homeland Security  
Washington, DC 20472



January 10, 2020

MEMORANDUM FOR: Sondra F. McCauley  
Assistant Inspector General for Audits  
Office of Inspector General

FROM: Mr. Joel Doolin  
Associate Administrator  
Office of Policy and Program Analysis

JOEL A  
DOOLIN

Digitally signed by  
JOEL A DOOLIN  
Date: 2020.01.10  
15:57:53 -0500'

SUBJECT: Management's Response to Draft Report: "Management of  
FEMA Public Assistance Grant Funds Awarded to the  
Sewerage and Water Board of New Orleans Related to  
Hurricanes Katrina, Isaac, and Gustav"  
(Project No. 18-022-AUD-FEMA)

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

FEMA is committed to ensuring Disaster Relief Fund grants are managed effectively and in compliance with federal law. Per federal grant requirements, the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) provides day-to-day oversight of its subrecipients to ensure that they steward Public Assistance (PA) funds in an appropriate manner, and in accordance with FEMA program guidance and other relevant requirements.<sup>[1]</sup> For example, GOHSEP is required to administer all expenditures in accordance with 44 Code of Federal Regulations (CFR), Emergency Management Assistance, Subpart C – Post-Award Requirements, Financial Administration, § 13.20 - Standards for financial management systems (44 CFR § 13.20). FEMA is also working with GOHSEP to ensure the Sewerage and Water Board of New Orleans (SWBNO) organizes documentation with proofs of payment, and to document incurred expenditures by disaster.

The draft report contained 12 recommendations with which FEMA concurs. Attached find our detailed response to each recommendation. FEMA previously submitted technical comments under a separate cover.

<sup>[1]</sup> 44 CFR § 13.40 Monitoring and reporting program performance

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Attachment

**Attachment: Management Response to Recommendations  
Contained in 18-022-AUD-FEMA**

OIG recommended that the Regional Administrator, Federal Emergency Management Agency Region VI, ensure that the Louisiana GOHSEP require that the SWBNO:

**Recommendation 1:** Implement a process to track and conduct periodic financial reporting on its disaster expenditures and revenues.

**Response:** Concur. FEMA Region VI will instruct GOHSEP to provide SWBNO written notification that it will require all expenditures to be made in accordance with 44 CFR § 13.20. FEMA will work with GOHSEP and SWBNO to identify requirements and outcomes. Estimated Completion Date (ECD): August 31, 2020.

**Recommendation 2:** Identify total allowable expenditures and reconcile actual disaster revenues and expenditures to reimbursements.

**Response:** Concur. FEMA Region VI will instruct GOHSEP provide SWBNO written notification requiring the implementation of procedures to account by disaster grant the eligible incurred work and costs for expenditures in accordance with 44 CFR § 13.20, "Standards for Financial Management Systems." ECD: August 31, 2020.

**Recommendation 3:** Implement activity codes to identify eligible project worksheet costs that exceed the project worksheet ceiling and use these codes to determine if a modification to the project worksheet is warranted.

**Response:** Concur. FEMA Region VI will instruct GOHSEP to work with SWBNO to implement procedures to including the use of programming codes to account for (by disaster grant) the eligible incurred work and costs to identify variables associated with the project for expenditures in accordance with 44 CFR § 13.20, "Standards for Financial Management Systems." ECD: August 31, 2020.

**Recommendation 4:** Accumulate and maintain actual cost data to support expenditures paid using the administrative allowance and provide documentation to support these expenditures.

**Response:** Concur. FEMA Region VI will instruct GOHSEP to work with SWBNO to implement improved procedures and codes within the fiscal system to account by disaster grant the eligible administrative costs with proper documentation for expenditures in accordance with 44 CFR § 13.20, "Standards for Financial Management Systems." ECD: August 31, 2020.

**Recommendation 5:** Implement an accounting system that both tracks its actual costs that are recoverable through the administrative allowance and ensures that it does not claim these costs on other grants, programs, or disasters.

**Response:** Concur. FEMA Region VI will instruct GOHSEP to work with SWBNO to implement procedures and codes to account by disaster grant the eligible administrative allowance incurred and documented for expenditures in accordance with 44 CFR § 13.20, “Standards for Financial Management Systems.” ECD: August 31, 2020.

**Recommendation 6:** Provide adequate documentation to support any claims for direct administrative cost funding and ensure that any costs paid using awarded funding meet the requirements of the FEMA Public Assistance Program and Policy Guide.

**Response:** Concur. FEMA Region VI will instruct GOHSEP to work with SWBNO to implement procedures to provide adequate supporting documentation for eligible direct administrative cost incurred for expenditures in accordance with 44 CFR § 13.20, “Standards for Financial Management Systems.” ECD: August 31, 2020.

**Recommendation 7:** Implement a system to apply for direct administrative cost funds at the time it establishes project worksheets, obtain approval prior to incurring costs, and segregate and track its indirect costs recovered through the administrative allowance from eligible direct administrative costs. Segregating and tracking the indirect costs will ensure that the Sewerage and Water Board of New Orleans does not use activities covered by direct administrative cost funding to support funds received under the administrative allowance.

**Response:** Concur. FEMA Region VI will instruct GOHSEP to work with SWBNO to implement procedures to (1) account for (by disaster grant) the direct administrative cost funds in accordance with FEMA program requirements; (2) to obtain GOHSEP guidance prior to incurring costs for eligible incurred work and costs for SWBNO; and (3) ensure indirect costs are tracked separately for expenditures in accordance with 44 CFR § 13.20, “Standards for Financial Management Systems.” ECD: August 31, 2020.

**Recommendation 8:** Require the Sewerage and Water Board of New Orleans to implement procedures and controls to ensure that FEMA Schedule of Expenditure of Federal Awards (SEFA) expenditures agree with the underlying accounting records and reconcile to the recorded grant revenue and to its accounting system.

**Response:** Concur. FEMA Region VI will instruct GOHSEP to work with SWBNO to implement procedures to account for (by disaster grant) the eligible incurred work and costs for audits to include the SEFA expenditures in accordance with 44 CFR § 13.20, “Standards for Financial Management Systems.” ECD: August 31, 2020.

**Recommendation 9:** Obtain information from the Sewerage and Water Board of New Orleans regarding the outstanding balances of advances and determine if any unused advances should be returned.

**Response:** Concur. FEMA Region VI will instruct GOHSEP to work with SWBNO to reconcile the disbursement of previously advanced funds and identify any unspent balance. Funds which have not been disbursed and applied against incurred costs will be withdrawn back from payment through GOHSEP's Louisiana Public Assistance fiscal management system. ECD: December 31, 2020.

**Recommendation 10:** Require the Sewerage and Water Board of New Orleans to develop advance processes for minimizing the amount of time that elapses between the receipt and disbursement of advance funds. The processes should include (1) a method of tracking advances and related expenditures by project worksheet in the accounting system used to accumulate all expenditures; (2) the accumulation and reporting of interest earned on advances, and (3) a plan for disbursing future advances.

**Response:** Concur. FEMA Region VI will instruct GOHSEP work with SWBNO to identify any interest earned on advances and to reconcile the interest earned in accordance with 44 CFR § 13.20, "Standards for Financial Management Systems." ECD: December 31, 2020.

**Recommendation 11:** Require the Sewerage and Water Board of New Orleans to implement a system that will accumulate, and report force account labor, equipment, and other cost incurred for disaster recovery initiatives.

**Response:** Concur. To improve accountability, FEMA Region VI will instruct GOHSEP to work with SWBNO to implement a system that will accumulate, code and report force account labor, equipment, and other cost incurred for disaster recovery initiatives. ECD: December 31, 2020.

**Recommendation 12:** Obtain and review documentation to support actual costs incurred under Project Worksheets 3535, 18836 and 18944 to ensure that labor and other costs are adequately supported, represent costs identified on project worksheets, and are not associated with other funding sources or activities. If costs are not adequately supported, ensure that the Louisiana Governor's Office of Homeland Security and Emergency Preparedness obtains a temporary or permanent credit for the amounts paid to date, or \$4,736,09, \$20,456,853, and \$5,412,319 respectively, or \$30,605,181 in total.

**Response:** Concur. FEMA Region VI will instruct GOHSEP to work with SWBNO to organize its documentation with proof of payment to support previously incurred expenditures by disaster for eligible work within the specific project worksheets (PWs)

and to submit the respective projects to closeout for final reconciliation. Upon the reconciliation of PWs 3535, 18836, and 18944 FEMA will request these PWs be submitted for closeout. ECD: December 31, 2020.

## **Appendix E**

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