

DEPARTMENT OF ENVIRONMENTAL QUALITY
PROGRESS OF REMOVAL AND DISPOSAL
OF VEHICLES AND VESSELS



PERFORMANCE AUDIT

ISSUED NOVEMBER 28, 2007

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November 28, 2007

The Honorable Donald E. Hines,
President of the Senate
The Honorable Joe R. Salter,
Speaker of the House of Representatives

Dear Senator Hines and Representative Salter:

This report provides the results of our performance audit of the Department of Environmental Quality's (DEQ) removal and disposal of vehicles and vessels that were damaged by hurricanes Katrina or Rita. The audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended.

The report contains our findings, conclusions, and recommendations. Appendix F contains DEQ's response. I hope this report will benefit you in your legislative decision-making process.

Sincerely,

Steve J. Theriot, CPA
Legislative Auditor

SJT/dl

DEQ07

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EXECUTIVE SUMMARY

Hurricanes Katrina and Rita destroyed vehicles including automobiles, trailers, and recreational boats and deposited them on public roads and rights-of-way. The hurricanes also caused large vessels (i.e., watercraft longer than 50 feet) to become sunken or grounded. The Department of Environmental Quality (DEQ) was designated as the state agency with jurisdiction and authority for the removal and disposal of all unclaimed, storm-damaged vehicles and vessels. We assessed the progress that DEQ has made with removing and disposing of the vehicles and vessels, as of August 2007. We also assessed whether DEQ effectively managed the removal and disposal projects. Our results are summarized below.

Performance Audit Findings

What progress has DEQ made with removing and disposing of storm-damaged vehicles and vessels?

DEQ has made significant progress on the removal and disposal projects. However, as of August 2007, DEQ's work on three of the four projects continued, as follows. (See Appendix F for DEQ's update on the status of projects.)

- DEQ's contractor, DRC, did not complete the removal and disposal of abandoned vehicles as scheduled. However, DRC removed almost all the vehicles and disposed of about half of the vehicles. (See pages 9-10.)
- DRC did not complete its work on the Coast Guard-collected vessels by the contract deadline. DRC sold 33 of the 49 vessels but had not disposed of the remaining 16 vessels. (See page 10.)
- DRC completed its work on the grounded vessels project by the contract deadline. However, Resolve Marine, DEQ's other contractor, did not complete its work as scheduled. Resolve Marine removed and disposed of all but one grounded vessel. (See page 11.)
- Resolve Marine completed the yacht harbor project as scheduled. (See page 11.)

Did DEQ effectively manage the removal and disposal projects?

It was difficult to determine whether DEQ effectively managed the removal and disposal projects because this task was new to DEQ and to the state of Louisiana. DEQ took on the responsibility of the projects even though it was not statutorily required to do so. However, the lack of clear legal authority resulted in the untimely disposal of storm-damaged vehicles and vessels, and DEQ incurred costs that it could have avoided. (See pages 13-15.) Also, DEQ could have established a stronger internal control system to ensure accurate billings. (See pages 15-16.)

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INTRODUCTION

Audit Initiation and Objectives

On August 29, 2005, and on September 24, 2005, hurricanes Katrina and Rita devastated south Louisiana. Tidal surges, levee failures, high winds, and heavy rain resulting from the hurricanes caused widespread flooding along the entire coast of Louisiana. These disasters destroyed vehicles including automobiles, trailers, and recreational boats and deposited them on public roads and rights-of-way. The hurricanes also caused vessels to become sunken or grounded. According to the Federal Emergency Management Agency (FEMA), these vehicles and vessels blocked access, hindered the cleanup and reconstruction processes, and were considered a public health and safety hazard.

According to the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), the Department of Environmental Quality (DEQ) was designated as the state agency with jurisdiction and authority for the removal and disposal of all unclaimed, storm-damaged vehicles and vessels.

The focus of this performance audit is to answer the following audit objectives:

What progress has DEQ made with removing and disposing of storm-damaged vehicles and vessels?

Did DEQ effectively manage the removal and disposal projects?

Appendix A contains our audit scope and methodology. Appendixes B through E summarize DEQ's various removal and disposal contracts. Appendix F contains the response we received from DEQ regarding our findings, conclusions, and recommendations.

Overview of Removal and Disposal Projects

Abandoned Vehicles. During an emergency meeting of the Louisiana Recovery Authority (LRA) in November 2005, DEQ volunteered to manage the removal and disposal (i.e., scrap, salvage, or sell at public auction) of storm-damaged vehicles that were abandoned on public rights-of-way. GOHSEP later confirmed that DEQ was designated as the state agency with jurisdiction and authority for removal and disposal as part of DEQ's hurricane debris mission. This designation was made in consultation with other agencies and offices of affected state and federal governments, according to GOHSEP.

DEQ initially estimated that more than 100,000 vehicles were abandoned as a result of the hurricanes. DEQ later lowered its estimate to approximately 12,000 because some vehicles had been removed by their owners or insurance companies and some had been stolen.



Picture of storm-damaged automobiles taken by DEQ prior to their removal.



Picture of storm-damaged recreational boats taken by DEQ prior to their removal.

DEQ contracted with DRC, Inc., (DRC) to remove the abandoned vehicles and store them in Orleans, Cameron, and Jefferson parishes. DEQ also contracted with Post, Buckley, Schuh, and Jernigan, Inc. (PBS&J) to oversee and monitor DRC's activities. In addition, DEQ contracted with DRC to remediate¹ and dispose of a minimum of 9,540 vehicles based on the number of vehicles that were in storage at the time. See Appendix B for a summary of DEQ's contracts with DRC and PBS&J.

Coast Guard-collected Vessels. According to DEQ officials, FEMA and the U.S. Coast Guard asked DEQ to dispose of approximately 800 sunken vessels. DEQ contracted with DRC to transfer 115 of the vessels but later decided to take possession of only 49 vessels. See Appendix C for a summary of DEQ's contract with DRC.

Grounded Vessels. FEMA, the Coast Guard, and the Department of Transportation and Development (DOTD) asked DEQ to remove and dispose of large vessels (i.e., longer than 50 feet) that were grounded on public rights-of-way, according to DEQ officials. DEQ contracted with DRC to remove and dispose of one vessel, the *Chris and Shane*, which had floated into a residential neighborhood in Orleans Parish.

DEQ also contracted with Resolve Marine Group, LLC to remove and dispose of approximately 19 vessels grounded on public rights-of-way in Orleans and Plaquemines parishes. See Appendix D for a summary of DEQ's contracts with DRC and Resolve Marine.



Picture of *Chris and Shane* taken by DEQ prior to its removal.

¹ Remediation means the action(s) taken at a site to reduce, destroy, or otherwise mitigate the contaminants present at the site, according to DEQ.

New Orleans Municipal Yacht Harbor. The New Orleans Mayor’s Office asked DEQ to remove and dispose of many sunken, grounded, or stranded vessels from the New Orleans Municipal Yacht Harbor. DEQ contracted with Resolve Marine to remove and dispose of approximately 120 vessels and an estimated 300 cubic yards of debris. See Appendix E for a summary of DEQ’s contract with Resolve Marine.

Contract Costs. DEQ’s contracts for the removal and disposal projects totaled nearly \$46 million, as shown in Exhibit 1. DEQ requested funding from the FEMA Public Assistance Program to cover the costs of the contracts. FEMA obligated² more than \$75 million to DEQ for the removal and disposal projects, as of July 31, 2007. FEMA allocates these funds to DEQ as expenses are incurred. DEQ then uses the FEMA funds to pay its contractors.

In addition, DOTD agreed to provide funding to DEQ from the Federal Highway Administration (FHWA) Hurricane Katrina Relief Program to cover a portion of the costs of the grounded vessels project. The FHWA allocated \$462,869 to DOTD for this project. DOTD will submit these funds to DEQ once the project is completed.

As of July 31, 2007, the contractors billed DEQ nearly \$16 million for the removal and disposal projects, as shown in Exhibit 1.

Exhibit 1 Removal and Disposal Contract Amounts and Amounts Billed by Contractors As of July 31, 2007		
Contract Description	Contract Amount	Amount Billed
Abandoned Vehicles Project		
Removal contract with DRC	\$42,037,180.03	\$13,361,508.49
Oversight contract with PBS&J	\$596,746.72	\$357,339.12
Disposal contract with DRC	\$546,865.20	\$359,373.82
Subtotal	\$43,180,791.95	\$14,078,221.43
Coast Guard-collected Vessels Project		
Removal and disposal contract with DRC	\$885,950.00	\$259,800.00
Grounded Vessels Project		
Removal and disposal contract with DRC	\$114,762.00	\$114,762.00
Removal and disposal contract with Resolve Marine	\$1,079,150.00	\$715,325.00
Subtotal	\$1,193,912.00	\$830,087.00
New Orleans Municipal Yacht Harbor Project		
Removal and disposal contract with Resolve Marine	\$486,000.00	\$748,550.00
Total	\$45,746,653.95	\$15,916,658.43
Source: Prepared by the legislative auditor’s staff using information obtained from DEQ.		

² *Obligated* funds are those that FEMA has approved and placed into a federal account for the applicant’s use.

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WHAT PROGRESS HAS DEQ MADE WITH REMOVING AND DISPOSING OF STORM-DAMAGED VEHICLES AND VESSELS?

DEQ has made significant progress on the removal and disposal projects. However, as of August 2007, DEQ's work on three of the four projects continued, as follows. (See Appendix F for DEQ's update on the status of projects.)

- DRC did not complete its work on the abandoned vehicles project as scheduled. However, DRC removed almost all the vehicles and disposed of about half of the vehicles.
- DRC did not complete its work on the Coast Guard-collected vessels by the contract deadline. DRC sold 33 of the 49 vessels but had not disposed of the remaining 16 vessels.
- DRC completed its work on the grounded vessels project by the contract deadline. However, Resolve Marine did not complete its work as scheduled. The contractor removed and disposed of all but one grounded vessel.
- Resolve Marine completed the yacht harbor project as scheduled.

Removal of Abandoned Vehicles Almost Finished and Disposal About Half Complete

According to the removal contract, DRC should have completed the removal of abandoned vehicles by June 30, 2007. From June 2006 through July 2007, DRC removed 11,563 abandoned vehicles (96% of an estimated 12,000 vehicles), as shown in Exhibit 2 on the following page. The exhibit also shows that there were an estimated 437 abandoned vehicles remaining, as of July 31, 2007. As of August 2007, DRC continued to remove abandoned vehicles from public rights-of-way and private properties.

Also, DRC should have disposed of all the abandoned vehicles it removed by May 2007, according to the disposal contract. From June 2007 through July 2007, DRC remediated and destroyed 6,289 of the vehicles it removed (52% of an estimated 12,000 vehicles), while the others remained in storage awaiting disposal. As of August 2007, disposal was still underway. DEQ estimated that the entire project would be completed in October 2007.

Exhibit 2 Number of Vehicles Removed and Disposed of As of July 31, 2007			
Estimated Number of Abandoned Vehicles Needing Removal and Disposal			12,000
Removal			
Number of Vehicles Removed	Orleans	10,805	11,563
	Cameron	150	
	Jefferson	608	
Estimated Number of Vehicles Awaiting Removal			437
Disposal			
Number of Vehicles Remediated and Destroyed			6,289
Estimated Number of Vehicles Awaiting Disposal			5,711
Source: Prepared by the legislative auditor's staff using information provided by DRC.			

Disposal of Coast Guard-collected Vessels Neared Completion

DRC should have disposed of the Coast Guard-collected vessels by August 31, 2006, according to the contract. However, because of DEQ's uncertainty regarding its legal authority, DRC did not finish the disposal work as scheduled. As of August 2007, DRC had not disposed of 16 of the 49 vessels in its possession.

In August 2006, DRC took possession of 49 vessels from the Coast Guard. DRC's subcontractor, Ocean Marine Brokerage Services, auctioned the vessels from November 26, 2006, through December 2, 2006. Ocean Marine sold 45 of the 49 vessels for a total of \$183,507. DEQ did not allow the successful bidders to take delivery of the vessels once the auction ended because it was uncertain about whether it had the legal authority to sell the vessels. Subsequently, Ocean Marine issued refunds totaling \$142,284 for 21 vessels at the bidders' request.

Ocean Marine later resold nine of the refunded vessels, bringing the total auction proceeds to \$53,709 for 33 vessels. As of August 2007, DRC released the 33 vessels to the buyers and planned to sell for scrap or destroy the remaining 16 vessels at no additional cost to DEQ.

Removal and Disposal of Grounded Vessels Nearing Completion

DRC completed its work on one of the grounded vessels, the *Chris and Shane*, by the contract deadline. DRC removed the vessel in December 2006 and brought it to a scrap yard in Belle Chasse, Louisiana, for disposal. In January 2007, DRC submitted its final report to DEQ.

Resolve Marine was to remove and dispose of an additional 19 grounded vessels by March 2007. As of August 2007, Resolve Marine removed all 19 vessels, destroying 15 and storing four. Resolve Marine stored the four vessels from February 9, 2007, through July 2, 2007, for 144 days at a cost of \$1,050 per day (or \$151,200). Resolve Marine subsequently returned one of the vessels to its owner and destroyed the other three at no additional cost to DEQ. In August 2007, DEQ added another vessel to Resolve Marine's scope of work. DEQ expected that the entire project would be completed by the end of August 2007.

Removal and Disposal of Yacht Harbor Vessels and Debris Completed as Scheduled

DEQ contracted with Resolve Marine to remove and dispose of approximately 120 vessels and an estimated 300 cubic yards of debris from the New Orleans Yacht Harbor by July 2007. Resolve Marine completed its work on this project as scheduled, removing and destroying 153 vessels and 2,190 cubic yards of debris.

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DID DEQ EFFECTIVELY MANAGE THE REMOVAL AND DISPOSAL PROJECTS?

As part of our state's hurricane recovery efforts, DEQ took on the responsibility of the removal and disposal projects even though it was not statutorily required to do so. We recognize that DEQ has made significant progress in completing the removal and disposal projects. However, the lack of clear legal authority resulted in the untimely disposal of storm-damaged vehicles and vessels, and DEQ incurred costs that it could have avoided. Also, DEQ could have established a stronger internal control system to ensure accurate billings.

Lack of Legal Authority Resulted in Project Delays

State law does not authorize DEQ to remove and dispose of storm-damaged vehicles and vessels, and it does not specifically address removal and disposal of abandoned vehicles during a gubernatorially declared emergency. While DEQ made efforts to ensure it was legally authorized to carry out the necessary tasks, the delay in obtaining this authority resulted in the untimely disposal of vehicles and vessels (see the next section for more information).

State law authorizes the Department of Public Safety (DPS) or any municipality to remove abandoned vehicles from public or private property. State law also authorizes any federal, state, or local governing authority having jurisdiction to remove and dispose of abandoned objects from waterways. However, neither of these statutes expresses that DEQ is authorized to conduct such work or specifies the procedures for removal and disposal during a gubernatorially declared emergency.

During the 2006 2nd Extraordinary Session, DEQ supported legislation that would have allowed any state agency to dispose of abandoned vehicles it seizes during a gubernatorially declared emergency. The legislation failed to pass.

In January 2007, DEQ requested an opinion from the Attorney General's Office to determine whether DEQ is legally authorized to dispose of the storm-damaged vessels. DEQ requested another opinion in March 2007 regarding the abandoned vehicles. DEQ received the opinions in April 2007 and May 2007, respectively. The opinions stated that DEQ is authorized to dispose of the storm-damaged vehicles and vessels.

Matter for Legislative Consideration 1: The legislature should amend state law to authorize specific state agencies to remove and dispose of vehicles and vessels that were abandoned on public rights-of-way and private properties during a gubernatorially declared emergency. This authorization should include the following:

- Procedures for removing and storing the vehicles and vessels
- Procedures and time frames for notifying the vehicles' and vessels' owners and mortgage holders
- Procedures for destroying, selling, or scrapping any unclaimed vehicles and vessels

Timely Disposal of Vehicles and Vessels Could Have Reduced DEQ's Costs

DEQ delayed the start of the disposal process because it was uncertain about whether it had the legal authority to dispose of the storm-damaged vehicles and vessels. If DEQ had clear legal authority when it took on the removal and disposal projects, the department may have been able to avoid some of the projects' costs.

Abandoned Vehicles. DRC stored 758 vehicles at the Jefferson and Cameron sites (see Exhibit 2 on page 10) for approximately eight months before starting the disposal process because DEQ was unsure that it was legally authorized to dispose of the vehicles. The Jefferson site reached its capacity in November 2006, and DRC stopped towing vehicles to this site. However, DEQ continued to pay DRC for operating the site until July 2007, when the vehicles were crushed and the site was demobilized.³

Also, DRC completed the removal of abandoned vehicles in Cameron Parish in December 2006, according to DEQ, and DRC stopped towing vehicles to the Cameron site. However, DEQ continued to pay DRC for operating the site until April 2007, when the vehicles were transferred to the Orleans site and the Cameron site was demobilized. According to DEQ, DRC transferred the vehicles to limit DEQ's costs. In total, DEQ paid DRC more than \$2.8 million for operating the Jefferson and Cameron sites from November 2006 through July 2007.

DRC began the disposal process on June 14, 2007, after DEQ received an Attorney General opinion authorizing the department to dispose of the vehicles. By July 31, 2007, DRC disposed of 6,289 vehicles, for an average of about 130 vehicles per day. Based on these figures, we estimate that DRC could have disposed of the 758 vehicles stored at the Jefferson and Cameron sites in about six days. If DEQ had clear legal authority when it began removing abandoned vehicles, DRC could have begun the disposal process sooner and demobilized the storage sites sooner, and DEQ could have avoided most of the \$2.8 million it paid DRC.

Coast Guard-collected Vessels. DEQ did not allow the buyers of the Coast Guard-collected vessels to pick up the vessels after the auction ended (see page 10 for the auction details) because DEQ was not certain that it was legally authorized to sell the vessels. In the meantime, some of the bidders requested and received refunds, reducing the total auction proceeds from \$183,507 to \$53,709. DRC planned to sell for scrap or destroy the remaining vessels at no additional cost to DEQ. As of August 2007, DRC had not begun this work. If DEQ had clear legal authority prior to the auction, it could have generated an additional \$129,798 from the sale of the vessels.

³ According to the removal contract, *demobilization* means removing all equipment, supplies or materials, and non-hazardous contractor-generated trash from the work area, disposing of the trash in a permitted landfill, and repairing any damage to the site caused by the contractor's operations and equipment.

Grounded Vessels. Resolve Marine stored four of the 19 vessels it removed for 144 days at a total cost of \$151,200 because DEQ was not sure about its legal authority to dispose of the vessels. Subsequently, one owner claimed his vessel, and Resolve Marine destroyed the other three at no additional cost to DEQ. If DEQ had clear legal authority when it took on the grounded vessels project, Resolve Marine could have disposed of all of the vessels upon removal, and DEQ could have avoided the additional \$151,200 storage cost.

Stronger Internal Controls Could Have Ensured Accurate Billings

DEQ's internal control system did not ensure that DRC accurately billed the department for work performed. Specifically, DEQ did not clearly define its roles and responsibilities and those of its oversight contractor, PBS&J. Also, DEQ did not implement formal policies and procedures to ensure the accuracy of DRC's invoices. As a result, DEQ could not tell whether DRC billed the department for an accurate number of vehicles towed.

Internal Control Weaknesses. We learned through interviews of appropriate DEQ personnel that there is some confusion among DEQ officials and staff regarding DEQ's and PBS&J's roles and responsibilities regarding the billing process. One DEQ official told us that DEQ's internal auditors were responsible for overseeing all billing documentation. However, the internal auditors informed us that they had little involvement with the project. Also, DEQ did not implement formal policies and procedures to ensure the accuracy of DRC's invoices. DEQ should have clearly defined its roles and responsibilities regarding the billing process and implemented formal policies and procedures to ensure accurate billings.

In addition, DEQ staff told us that they thought PBS&J was reviewing DRC's invoices for accuracy and comparing the invoices to PBS&J's status reports. However, PBS&J's project manager told us that reviewing DRC's invoices is not within the scope of the oversight contract. We reviewed the contract and found that it does not specifically require PBS&J to review DRC's invoices for accuracy. It does, however, require PBS&J to provide "invoice preparation support," but this language is vague. DEQ should have clarified the language in the contract regarding PBS&J's roles and responsibilities in the billing process. Also, DEQ should have required the contractor to review DRC's invoices for accuracy prior to payment.

Discrepancy. As part of the abandoned vehicles billing process, DRC submitted monthly invoices to DEQ, along with supporting documentation listing the vehicles that DRC towed during the month, as shown in Exhibit 3 on the following page. Also, PBS&J submitted monthly status reports to DEQ showing the number of vehicles DRC towed, as observed by PBS&J's site supervisors.

We compared DRC's invoices and PBS&J's status reports from June 2006 through April 2007⁴ and found a discrepancy in the number of vehicles towed. According to DRC's invoices, DRC towed 11,302 vehicles through April 2007. However, according to PBS&J's status reports, DRC towed 11,071 vehicles through April 2007. DRC could not explain the discrepancy because it does not receive the status reports or any other information from PBS&J. Also, DEQ did not know the reason for the discrepancy. DEQ's accounting staff told us that their review of DRC's invoices also identified some billing discrepancies, and they will reconcile the discrepancies prior to DRC's final payment.

Exhibit 3 on the following page shows that PBS&J's project manager compares DRC's documentation to weekly summaries submitted by PBS&J's site supervisors, according to PBS&J. We contacted the project manager to determine whether his comparison showed any discrepancies. However, the project manager did not respond to our requests.

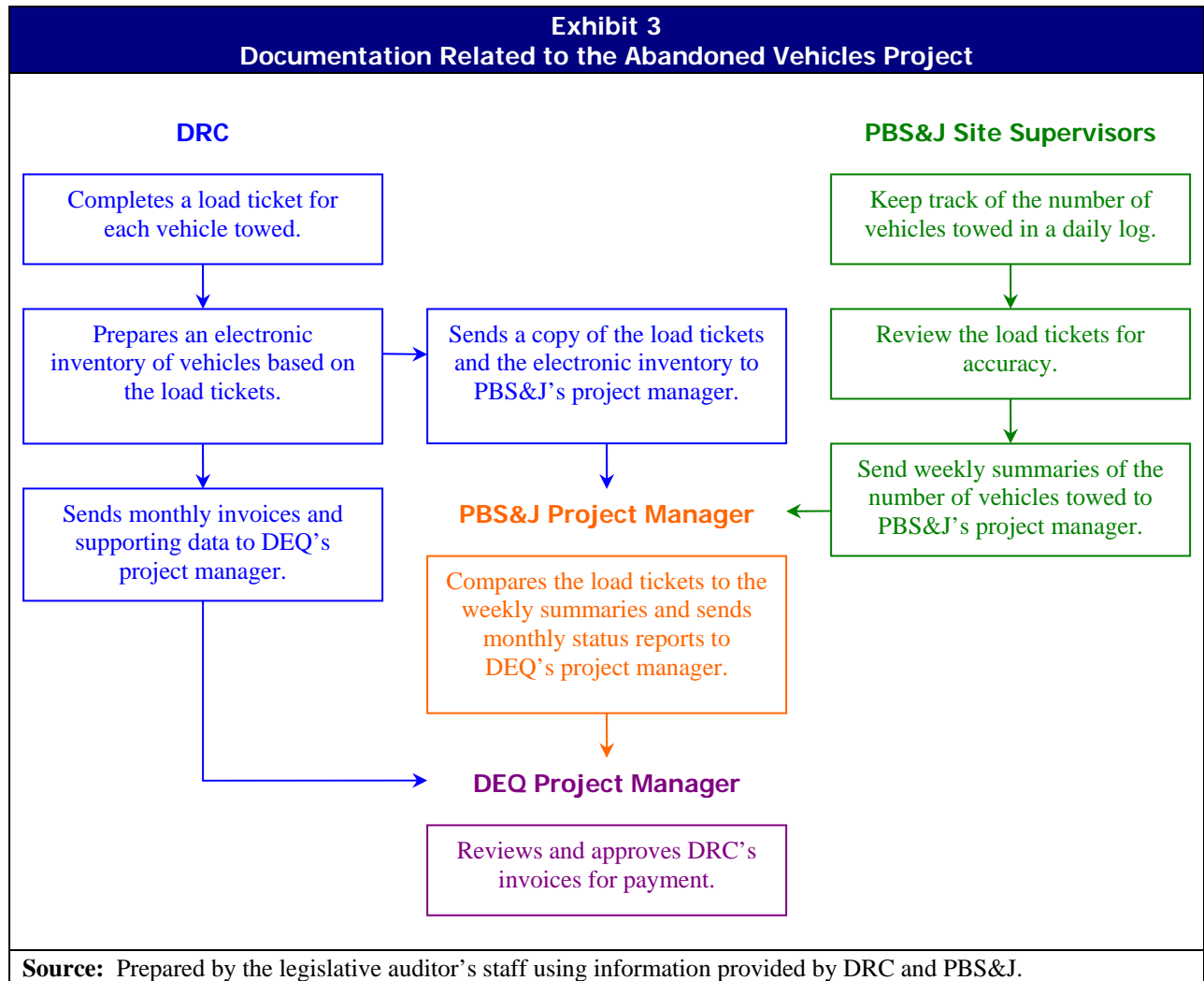
Recommendation 1: DEQ should clearly define its roles and responsibilities, and those of any oversight contractors, regarding the billing process.

Summary of Management's Response: LDEQ agrees with this recommendation and will clearly define the roles and responsibilities of oversight contractors that are needed for projects of this magnitude.

Recommendation 2: DEQ should implement formal policies and procedures for reviewing invoices for accuracy prior to payment.

Summary of Management's Response: LDEQ agrees with this recommendation and will develop additional internal controls that will be integrated with existing controls for projects of this magnitude.

⁴ We requested status reports from PBS&J through August 2007. However, PBS&J provided us with status reports through April 2007 only. Therefore, the number of vehicles towed as shown here is different from the number of vehicles towed as shown on page 10.



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APPENDIX A: AUDIT SCOPE AND METHODOLOGY

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We followed the applicable generally accepted government auditing standards as promulgated by the Comptroller General of the United States.

Audit Scope

This performance audit focused on DEQ's management of the removal and disposal of storm-damaged vehicles and vessels following hurricanes Katrina and Rita. The audit covered the period from November 2005 through July 31, 2007. We updated certain information as of August 2007.

We sought to answer the following audit objectives:

What progress has DEQ made with removing and disposing of storm-damaged vehicles and vessels?

Did DEQ effectively manage the removal and disposal projects?

Methodology

To accomplish our objectives, we performed the following:

- Interviewed appropriate officials of the following entities concerning the status of the removal and disposal process:
 - Department of Environmental Quality
 - DEQ contractors and subcontractors
 - Department of Transportation and Development
 - Department of Public Safety, including Louisiana State Police
 - Department of Wildlife and Fisheries
 - Louisiana Recovery Authority
 - Governor's Office of Homeland Security and Emergency Preparedness
- Reviewed relevant documentation (e.g., contracts, billing statements, and status reports) provided by DEQ and its contractors and subcontractors
- Researched relevant state laws
- Conducted site visits of the Venice marina, the Empire marina, and the Orleans Parish storage site

- Conducted analysis to determine whether DRC is accurately billing DEQ for a sample of stored vehicles
- Identified DEQ's internal controls over the billing process and assessed their effectiveness

APPENDIX B: ABANDONED VEHICLES PROJECT INFORMATION

Contract Summary. Table 1 below shows that the total contracted amount of the abandoned vehicles project was approximately \$43 million, as of July 31, 2007. The total cost of the project will be significantly less than the contracted amount because the actual number of abandoned vehicles removed was significantly less than the estimated number. Table 2 on the following page provides a schedule of the line-item costs associated with these contracts. Table 2 also shows that the total amount billed to DEQ for the abandoned vehicles project, as of July 31, 2007, was more than \$14 million.

Table 1			
Summary of Contracts for Abandoned Vehicles Project			
As of July 31, 2007			
Purpose	Start Date	End Date	Amount
Removal Contract With DRC			
Pick up, haul, store, and secure 108,326 vehicles	05/22/2006	Within 150 days	\$33,875,047.85
Contract extension	N/A ¹	12/31/2006	\$3,849,999.45
Contract extension	N/A ¹	06/30/2007 ²	\$4,223,332.73
Transfer vehicles from Cameron site to Orleans site	N/A ¹	N/A ¹	\$88,800.00
Subtotal: Removal			\$42,037,180.03
Oversight Contract With PBS&J			
Oversee and monitor DRC's activities	5/22/2006	12/08/2006	\$211,994.00
Contract extension	N/A ¹	12/31/2006	\$384,752.72
Contract extension	N/A ¹	06/30/2007 ³	\$0.00
Subtotal: Oversight			\$596,746.72
Disposal Contract With DRC			
Remediate and dispose of a minimum of 9,540 vehicles	02/27/2007	Within 90 days ²	\$546,865.20
Total			\$43,180,791.95
¹ The amendment did not affect the contract's start and/or end dates.			
² Although the contract expired, DRC continued to remove and dispose of vehicles as of August 2007.			
³ DEQ terminated this contract in April 2007, according to a DEQ official.			
Source: Prepared by the legislative auditor's staff using information provided by DEQ, DRC, and PBS&J.			

Table 2 Schedule of Line-Item Costs and Amounts Billed As of July 31, 2007		
Line Item	Estimated Cost	Amount Billed
Removal Contract With DRC		
Mobilization of three aggregation sites at \$350,000 per site, including (1) obtaining clearance from property owners and underground and overhead utilities and (2) providing utilities, security, personnel, equipment, materials, and supplies	\$1,050,000.00	\$1,050,000.00
Operation of three aggregation sites at \$7,778 per day for 391 days, including providing fencing, lighting, and security	\$9,123,332.03	\$8,065,547.49
Towing of 108,326 vehicles at \$120 to \$1,600 per vehicle	\$26,391,400.00	\$3,148,264.00
Storage of 115,332 vehicles at \$28 to \$95 per vehicle	\$5,383,648.00	\$998,937.00
Transfer of vehicles from Cameron to Orleans	\$88,800.00	\$88,800.00
Unloading, Placement, and Processing of Vehicles towed by the EPA ¹	N/A	\$9,960.00
Subtotal: Removal	\$42,037,180.03	\$13,361,508.49
Oversight Contract With PBS&J		
Commencement conference	\$4,215.38	\$4,215.38
Mobilization of aggregation site, including direct costs (e.g., labor, supplies, and equipment), indirect costs (e.g., fringes and overhead), travel, and profit	\$78,071.19	\$78,071.19
Project Manager hourly wage at \$92.61 per hour	\$160,215.30	\$275,052.55
On-site Supervisor daily wage at \$610.50 per day	\$293,040.00	
Administrative/Clerical hourly wage at \$37.87 per hour	\$16,094.75	
Demobilization	\$45,110.10	\$0.00
Subtotal: Oversight	\$596,746.72	\$357,339.12
Disposal Contract With DRC		
Operation of disposal/auction site at \$100 per day for 90 days	\$9,000.00	\$4,800.00
Disposal of a minimum of 9,540 vehicles at \$28.19 per vehicle	\$268,932.60	\$177,286.91
Remediation of a minimum of 9,540 vehicles at \$28.19 per vehicle	\$268,932.60	\$177,286.91
Subtotal: Disposal	\$546,865.20	\$359,373.82
Total	\$43,180,791.95	\$14,078,221.43
¹ The removal contract did not contain a line item for this cost.		
Source: Prepared by the legislative auditor's staff using information provided by DEQ, DRC, and PBS&J.		

APPENDIX C: COAST GUARD-COLLECTED VESSELS PROJECT INFORMATION

Contract Summary. Table 3 shows that the total contracted amount of the Coast Guard-collected vessels was approximately \$886,000, as of July 31, 2007. The total cost of the project will be less than the contracted amount because the actual number of vessels transferred to DRC was less than the estimated number. Table 4 provides a schedule of the line-item costs associated with this contract. Table 4 also shows that the total amount billed to DEQ for the Coast Guard-collected vessels project, as of July 31, 2007, was \$259,800.

Table 3 Summary of Contract for Coast Guard-collected Vessels Project As of July 31, 2007			
Purpose	Start Date	End Date	Amount
Removal and Disposal Contract With DRC			
Transfer, store, remediate, and dispose of 115 sunken vessels	07/27/2006	08/31/2006 ¹	\$885,950.00
Total			\$885,950.00
¹ Although the contract expired, DRC continued to dispose of the vessels through August 2007.			
Source: Prepared by the legislative auditor's staff using information provided by DEQ and DRC.			

Table 4 Schedule of Line-Item Costs and Amounts Billed As of July 31, 2007		
Line Item	Estimated Cost	Amount Billed
Disposal Contract With DRC		
Mobilization of aggregation site, including (1) obtaining clearance from property owners and underground and overhead utilities and (2) providing utilities and security	\$250,000.00	\$250,000.00
Transfer of 115 vessels at \$200 per vessel	\$23,000.00	\$9,800.00
Handling of 115 vessels, including (1) staging and indexing the vessels for easy retrieval and (2) disposing of the vessels at \$5,130 per vessel	\$589,950.00	\$0.00
Remediation of 115 vessels, including (1) removing all fluids, batteries, mercury switches, refrigerants, and other components and (2) recycling or shredding all tires at \$200 per vessel	\$23,000.00	\$0.00
Total	\$885,950.00	\$259,800.00
Source: Prepared by the legislative auditor's staff using information provided by DEQ and DRC.		

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APPENDIX D: GROUNDED VESSELS PROJECT INFORMATION

Contract Summary. Table 5 shows that the total contracted amount of the grounded vessels project was approximately \$1.2 million, as of July 31, 2007. Table 6 on the following page provides a schedule of the line-item costs associated with these contracts. Table 6 also shows that the total amount billed to DEQ for the grounded vessels project, as of July 31, 2007, was \$830,087.

Table 5			
Summary of Contracts for Grounded Vessels Project			
As of July 31, 2007			
Purpose	Start Date	End Date	Amount
Removal and Disposal Contract With DRC			
Remediate, remove, and dispose of the <i>Chris and Shane</i>	11/01/2006	Within 90 days	\$114,762.00
Removal and Disposal Contract With Resolve Marine			
Remediate, remove, and dispose of six grounded vessels and a cluster of fishing vessels	12/06/2006	Within 90 days ¹	\$905,900.00
Addition of three vessels	N/A ²	N/A ²	\$173,250.00
Subtotal: Resolve Marine			\$1,079,150.00
Total³			\$1,193,912.00
¹ Although the contract expired, Resolve Marine continued to remove and dispose of vessels as of August 2007.			
² The amendment did not affect the contract's start and end dates.			
³ In August 2007, DEQ added another vessel to Resolve Marine's scope of work. Therefore, the total contracted amount of this project will be more than the total shown here.			
Source: Prepared by the legislative auditor's staff using information provided by DEQ, DRC, and Resolve Marine.			

Table 6 Schedule of Line-Item Costs and Amounts Billed As of July 31, 2007		
Item	Estimated Cost	Amount Billed
Removal and Disposal Contract With DRC		
<i>Chris and Shane</i> , remediation [including (1) removing all fluids, batteries, mercury switches, refrigerants, and other components and (2) recycling or shredding all tires], removal, and remediation of soil contamination at site	\$114,762.00	\$114,762.00
Removal and Disposal Contract With Resolve Marine		
Attendance at post award conference	\$2,100.00	\$2,100.00
Work plan preparation	\$5,250.00	\$5,250.00
Mobilization of aggregation site, including (1) obtaining clearance from underground and overhead utilities and (2) providing utilities, security, personnel, equipment, materials, and supplies	\$78,500.00	\$78,500.00
Operation of aggregation site, including providing fencing, lighting, and security at \$1,050 per day for 60 days	\$63,000.00	\$150,150.00
<i>Lucky Boat</i> , remediation, removal, and remediation of soil contamination at site	\$85,575.00	\$85,575.00
<i>Mrs. Tina</i> , remediation, removal, and remediation of soil contamination at site	\$139,125.00	\$139,125.00
<i>Capt. T. J.</i> , remediation, removal, and remediation of soil contamination at site	\$139,125.00	\$139,125.00
<i>Tommy B</i> , remediation, removal, and remediation of soil contamination at site	\$78,750.00	\$0.00
<i>Cecilia and My Lynn</i> , remediation, removal, and remediation of soil contamination at site	\$110,250.00	\$99,750.00
Cluster of fishing vessels, remediation, removal, and remediation of soil contamination at site ¹	\$191,100.00	\$0.00
<i>Alexander</i> , remediation, removal, and remediation of soil contamination at site	\$57,750.00	\$5,250.00
<i>St. Joseph</i> , remediation, removal, and remediation of soil contamination at site	\$57,750.00	\$5,250.00
<i>Joanna</i> , remediation, removal, and remediation of soil contamination at site	\$57,750.00	\$5,250.00
Demobilization	\$10,500.00	\$0.00
Preparation and submittal of final report	\$2,625.00	\$0.00
Subtotal: Resolve Marine	\$1,079,150.00	\$715,325.00
Total	\$1,193,912.00	\$830,087.00
¹ After beginning its work in January 2007, Resolve Marine identified approximately 10 vessels in the cluster.		
Source: Prepared by the legislative auditor's staff using information provided by DEQ, DRC, and Resolve Marine.		

APPENDIX E: NEW ORLEANS MUNICIPAL YACHT HARBOR PROJECT INFORMATION

Contract Summary. Table 7 shows that the total contracted amount of the yacht harbor project was \$486,000, as of July 31, 2007. Table 8 on the following page provides a schedule of the line-item costs associated with this contract. Table 8 also shows that the total amount billed to DEQ for the yacht harbor project, as of July 31, 2007, was \$748,550.

Table 7			
Summary of Contract for New Orleans Municipal Yacht Harbor Project			
As of July 31, 2007			
Purpose	Start Date	End Date	Amount
Removal and Disposal Contract With Resolve Marine			
Remove and dispose of approximately 120 vessels and an estimated 300 cubic yards of debris	04/17/2007	Within 90 days ¹	\$486,000.00
Total			\$486,000.00
¹ Resolve Marine completed the removal and disposal of vessels and debris within the time frame of the contract. As of July 31, 2007, DEQ was awaiting Resolve Marine's final report to close out the project.			
Source: Prepared by the legislative auditor's staff using information provided by DEQ and Resolve Marine.			

Table 8 Schedule of Line-Item Costs and Amounts Billed As of July 31, 2007		
Item	Estimated Cost	Amount Billed
Removal and Disposal Contract With Resolve Marine		
Attendance at post award conference	\$1,000.00	\$1,000.00
Work plan preparation	\$3,000.00	\$3,000.00
Mobilization of aggregation/auction site, including (1) obtaining clearance from property owners and underground and overhead utilities and (2) providing utilities, personnel, equipment, materials, and supplies	\$25,000.00	\$25,000.00
Completion of underwater survey	\$12,000.00	\$12,000.00
Operation of aggregation/auction site, including providing fencing, lighting, and security at \$1,250 per day for 90 days	\$112,500.00	\$64,050.00
Salvage of 120 vessels, including remediation and disposal at \$500 to \$7,500 per vessel ¹	\$235,000.00	\$473,500.00
Removal of 300 cubic yards of debris at \$250 per cubic yard ²	\$75,000.00	\$170,000.00
Demobilization of aggregation/auction site, including removing all equipment, supplies or materials, and non-hazardous, contractor-generated trash and (2) disposing of all trash and debris generated from the work site in a permitted landfill	\$20,000.00	\$0.00
Preparation and submittal of final report	\$2,500.00	\$0.00
Total	\$486,000.00	\$748,550.00
¹ Resolve Marine billed DEQ for salvaging 93 vessels.		
² Resolve Marine billed DEQ for removing 680 cubic yards of debris.		
Source: Prepared by the legislative auditor's staff using information provided by DEQ and Resolve Marine.		

APPENDIX F: MANAGEMENT'S RESPONSE

See the following pages for the response from DEQ regarding our findings, conclusions, and recommendations.



DEPARTMENT OF ENVIRONMENTAL QUALITY

KATHLEEN BABINEAUX BLANCO

GOVERNOR

MIKE D. McDANIEL, Ph.D.

SECRETARY

November 19, 2007

Steven J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

This letter is the response of the Louisiana Department of Environmental Quality (LDEQ) to the performance audit of LDEQ's oversight of the removal and disposal of vehicles and vessels that were damaged during hurricanes Katrina and Rita. Furthermore, LDEQ's response to each of the recommendations can be found in Attachment 1 of this response.

LDEQ agrees with your assessment that the department has made significant progress on the removal and disposal projects. In fact, LDEQ is pleased to report that all field work under all five contracts associated with the projects has been completed. All vehicles and vessels subject to these contracts have been removed and disposed of properly. All oils, fuels, batteries, and mercury switches were recycled in an environmentally sound manner. Also, all scrap metal from the vehicle and vessel contract was sold at a public auction. Although outside the time frame of this audit, the disposal contracts were extended until October 31, 2007. And, all work under these contracts as outlined above, except for the completion of demobilization activities at one of the Almonaster satellite sites, was completed within the approved deadlines.

In general LDEQ agrees with the findings and recommendations contained in the report. However, there are some areas that do need additional information and/or clarification. Those areas are addressed below

"Lack of Legal Authority Resulted in Project Delays"

It should be noted that the department's initial voluntary commitment to this project was to manage the removal contracts with the full support and participation of other agencies involved. It was not until after the project was well underway that the department discovered it would be required to handle more than just contract oversight and that a significant hurdle to mission completion was to determine what agencies had statutory authority to effectively conduct this project

The department fully acknowledges that it was not statutorily authorized to remove and dispose of hurricane damaged vehicles and vessels. Neither, in the opinion

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of its partner agencies on the debris mission, was any other agency in state government clearly authorized in these unique circumstances. Delays in the project were caused by the logistics of coordinating with debris mission partners, these legal uncertainties, and necessary efforts to ensure proper authority. As such, the department wholeheartedly concurs with the audit recommendation to amend existing state law to authorize specific agencies to remove and dispose of vehicles and vessels that are abandoned on public right-of-way and private properties during a gubernatorially declared emergency. This action will aid greatly in avoiding needless time delays to respond to future emergencies.

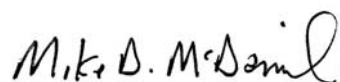
“Stronger Internal Controls Could Have Ensured Accurate Billing”

Based on previous audits conducted by the Office of the Legislative Auditor's Financial Audits group, the documented procedures in Exhibit 3 of this audit, and follow-up conversations with the Performance Audits group, the department and your auditors agree that the department does have adequate existing internal controls in place to ensure accuracy of invoices. However, the point of this audit's recommendation is that LDEQ should add *additional* controls for projects of this magnitude. It should be noted that additional controls were developed but were not formally documented. The additional controls included the development of spreadsheets to compare the number of vehicles and vessels invoiced by DRC, Inc. to the number on PBS&J's weekly status reports. The department noted minor discrepancies during this process and attributed some of the differences to the time frame each company used for their calculations. Since the difference were minor compared to the total amount of work being done, it was decided to resolve any differences at the end of the contract when the counts were final. As a result of this audit recommendation, LDEQ will formalize the strengthening of existing controls for future similar projects. Examples of controls to be added include heightened and documented participation of our internal auditors, and the use of a third party oversight presence with a clearly defined role.

In conclusion, I am proud of the results achieved by the Louisiana Department of Environmental Quality during this project to remove hurricane damaged vehicles and vessels. Through the efforts of every employee involved, we were successful in effectively managing this project for the betterment of this State.

Thank you for this opportunity to respond.

Sincerely yours,



Mike D. McDaniel, Ph. D.
Secretary

Appendix 1: LDEQ's Response to Recommendations

Recommendation 1: DEQ should clearly define its roles and responsibilities, and those of any oversight contractors, regarding the billing process.

Management's Response: LDEQ agrees with this recommendation and will clearly define the roles and responsibilities of oversight contractors that are needed for projects of this magnitude

Recommendation 2: DEQ should implement formal policies and procedures for reviewing invoices for accuracy prior to payment.

Management's Response: LDEQ agrees with this recommendation and will develop additional internal controls that will be integrated with existing controls for projects of this magnitude