

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM



RECOVERY SERVICES AUDIT
ISSUED MAY 7, 2008

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDIT ADVISORY COUNCIL
REPRESENTATIVE NOBLE E. ELLINGTON, CHAIRMAN

SENATOR NICHOLAS “NICK” GAUTREAUX
SENATOR WILLIE L. MOUNT
SENATOR EDWIN R. MURRAY
SENATOR BEN W. NEVERS, SR.
SENATOR JOHN R. SMITH
REPRESENTATIVE NEIL C. ABRAMSON
REPRESENTATIVE CHARLES E. “CHUCK” KLECKLEY
REPRESENTATIVE ANTHONY V. LIGI, JR.
REPRESENTATIVE CEDRIC RICHMOND

LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

DIRECTOR OF RECOVERY SERVICES
JOHN L. MOREHEAD, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$15.48. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor’s Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 7430 or Report ID No. 52070007 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne “Skip” Irwin, Director of Administration, at 225-339-3800.

	Page
Independent Accountant's Report on the Application of Agreed-Upon Procedures.....	3
Management's Response	Appendix A



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

May 7, 2008

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

**MR. MARK COOPER, DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS**

Baton Rouge, Louisiana

We have performed the procedures enumerated below for the fourth quarter of 2007 (October 1 through December 31), which were requested and agreed to by the former director of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), primarily to assist in evaluating the operations of the state's Public Assistance (PA) program. GOHSEP management is responsible for the day-to-day operations of PA. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the applicable attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of management of GOHSEP. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings and comments are as follows:

Technical Assistance Contractors Invoice Review

We compared the technical assistance contractors', James Lee Witt Associates (JLWA) and Deloitte & Touche LLP (Deloitte), invoices to their contracts to determine if the invoices were submitted in accordance with the terms of the contract; had all the required signatures; were within the required time period (invoices are to be submitted monthly); were supported by subcontractor invoices, time records, and/or receipts; and verified that the supporting documentation agrees with the invoice.

For the fourth quarter of 2007, the contractors presented 18 invoices totaling \$6,478,881 to GOHSEP for payment.

Questioned costs were identified during a standard review process before payment. These costs totaled \$4,808 (0.07% of the total invoiced amount) and did not appear to be within the terms of the contracts. The contractors resolved the questionable costs by either providing additional documentation that clarified the costs or removing the costs from the invoices. These questioned costs are primarily related to the lack of adequate supporting documentation or expenses that are not reimbursable in accordance with the contracts. The table below details the information for each contractor.

Contractor	Number of Invoices 4th Quarter	Total Invoiced Amount	Questioned Costs	Percentage of Questioned Costs to Invoiced Amount
Deloitte	6	\$2,338,237	\$457	0.02%
JLWA	12	4,140,644	4,351	0.11%
Total	18	\$6,478,881	\$4,808	0.07%

Contract terms for JLWA state that invoices should be submitted within 30 days of the billing period. JLWA submitted seven of its invoices more than 30 days after the billing period. Though its contract does not specify, Deloitte submitted all invoices within 30 days of the billing period.

GOHSEP management continues to stress the need for accurate billing with its contractors resulting in minimal questioned costs, currently less than one percent of the total invoiced amount. Management reduced JLWA questioned costs from \$140,821 in the second quarter to \$4,351 this quarter.

Public Assistance Procedures

We reviewed 912 Expense Review Forms (ERFs) along with their supporting documentation as prepared by the GOHSEP disaster recovery specialists totaling \$286,587,028. Through the use of these forms, disaster recovery specialists document their reviews of the reimbursement claims submitted by sub-grantees. For all large projects [as defined in 44 CFR 206.203(c)(1)], we conducted the following procedures to verify that expenses reviewed and documented on ERFs by the specialists were in compliance with federal and state guidelines and properly documented:

1. Verified that the reimbursement request and the parish/local certification documents are dated on or after the creation of the project worksheet
2. Reviewed sub-grantee provided policies and procedures to determine the impact on disaster assistance reimbursement
3. Examined contracts, invoices, and/or receipts to determine reasonableness of costs as defined by GOHSEP and/or the Federal Emergency Management Agency (FEMA)

4. Verified that invoices, receipts, lease agreements, and/or contracts supplied by the sub-grantees comply with state and federal guidelines for the PA program
5. Verified that for each employee listed on the force account labor summary (FAL) there is also a disaster-related job description
6. Verified that employee hours listed on the FAL are in accordance with the sub-grantees' overtime policies and that only hours spent conducting work that was a direct result of the disaster are claimed for reimbursement
7. Verified that the fringe benefit calculation prepared by the sub-grantees includes only elements allowed by their employment practices and is mathematically accurate
8. Verified that for each piece of equipment listed on the force account equipment summary (FAE) there is also an operator listed
9. Verified that equipment hours claimed on the FAE agree with the employee hours claimed on the FAL
10. Verified that the equipment rate used on the FAE is in accordance with the FEMA equipment rate schedule or locally adopted and approved equipment rate schedule
11. Verified that costs listed on the material summary are supported with invoices, receipts, lease agreements, and/or contracts
12. Verified that costs listed on the rented equipment summary are supported with invoices, receipts, lease agreements, and/or contracts
13. Verified that costs listed on the contract summary are supported with invoices, receipts, lease agreements, and/or contracts

We developed findings of review for each of the 912 ERFs reviewed during this period. Each finding was presented to management to keep them informed of our concerns. This report is a summary those findings.

Of the 912 ERFs reviewed, we did not detect deficiencies in 681 ERFs totaling \$220,366,301. However, deficiencies were noted in 231 ERFs totaling \$66,220,728 that were returned to the disaster recovery specialists for additional information or further clarification. The deficiencies detected in 146 of the 231 ERFs related primarily to cost reasonableness, contracting, and project scope issues. These deficiencies, had they not been detected, could have led to questioned costs totaling \$16,231,835 (5.7% of the total amount of the ERFs reviewed). Ultimately, some or all of these costs may be reimbursed to the applicants with proper documentation. The deficiencies detected in the remaining 85 ERFs related primarily to effective writing/communication which would not have resulted in any questioned costs.

We were not engaged to and did not conduct an examination, the objective of which would be to express an opinion on GOHSEP's compliance with federal and state regulations, GOHSEP's internal control over compliance with federal and state regulations, or GOHSEP's financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended primarily for the information and use of GOHSEP. However, by provisions of state law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

JLS:JLM:dl

PUBLIC ASSISTANCE PROGRAM 08

Management's Response



State of Louisiana

BOBBY JINDAL
GOVERNOR

**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND
EMERGENCY PREPAREDNESS**

MARK A. COOPER
DIRECTOR

April 14, 2008

Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

RE: Draft Recovery Assistance Division Quarterly Report 4th Quarter 2007

Dear Mr. Theriot:

We have received the draft report completed by the Legislative Auditor's Recovery Assistance Division reviewing the State's Public Assistance (PA) program for the fourth quarter of 2007 (October 1 through December 31). We commend the Legislative Auditor's Office for the quality and professionalism they have provided to assist us in this complex challenge in the Public Assistance arena. The spirit of cooperation demonstrated and the valuable advice provided by your office has greatly enhanced the State's difficult recovery initiative.

We concur with your findings concerning the Disaster Recovery Specialist in obtaining more information to support the claims. We also concur with your findings related to the project scope issues. GOHSEP is continually increasing its Public Assistance Staff's understanding of reasonableness. We concur with the need for more training in the areas of written and verbal communications skills and have addressed this with the team leads and middle management. GOHSEP is in the process of providing more training to its Disaster Recovery Specialist, and upgrading some of the skills required to meet the need to determine reasonableness in project cost. It is good to know the processes that are in place are helping to catch cost which may be questionable in future audits.

We look forward to a continued relationship with your office as we proceed with the Louisiana recovery effort.

Sincerely,

Mark A. Cooper