

An Agreed-Upon Procedures Report on the
**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM
JANUARY 2013 - JUNE 2013**
Issued November 6, 2013



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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 25, 2013

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

**MR. KEVIN DAVIS, DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS**
Baton Rouge, Louisiana

We performed the procedures enumerated below, which were agreed to by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management, solely to assist GOHSEP management in fulfilling its responsibility for implementing the Public Assistance (PA) program, during the period January 1, 2013, through June 30, 2013. GOHSEP management is responsible for the day-to-day operations of the PA program.

This agreed-upon procedures engagement was conducted in accordance with the applicable 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 of America. The sufficiency of these procedures is solely the responsibility of GOHSEP management. 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.

This report is a summary of the findings that we present to GOHSEP management on a daily basis.

Technical Assistance Contractor Invoice Review

Currently, GOHSEP has technical assistance contracts with Witt O'Brien's and Deloitte to assist with the administration of the PA program.

Witt O'Brien's primary tasks are assisting the State in delivering the PA program and assisting sub-grantees in maximizing grant opportunities. Specific contract responsibilities include providing program guidance, assisting sub-grantees in preparing and reviewing project worksheets, and analyzing information and documentation to assist in resolving problems.

Deloitte is tasked with assisting in developing business processes. Specific contract responsibilities include integration of grant management programs into the State accounting system, streamlining the PA reimbursement process, performing risk analyses, and developing management tools.

PROCEDURE: We compared the Witt O'Brien's invoices to the contract guidelines to determine if the:

- (1) invoices were submitted in accordance with the contractual guidelines;
- (2) invoices had all the required signatures;
- (3) invoices were submitted within the required time period; and
- (4) invoices were supported by subcontractor invoices, time records, and receipts.

FINDING: For the period January 1, 2013, through June 30, 2013, Witt O'Brien's presented 12 invoices totaling \$7,801,990 to GOHSEP for payment. We identified potential questioned costs totaling \$39,568. After communicating that information to GOHSEP management and Witt O'Brien's, Witt O'Brien's submitted additional documentation that resolved all potential questioned costs.

Contract terms for Witt O'Brien's state that invoices should be submitted within 30 days of the billing period end date. Witt O'Brien's submitted all 12 invoices more than 30 days after the billing period had ended.

PROCEDURE: We compared the Deloitte invoices to the contract guidelines to determine if the:

- (1) invoices were submitted in accordance with the contractual guidelines;
- (2) invoices had all the required signatures;
- (3) invoices were submitted within the required time period; and
- (4) invoices were supported by subcontractor invoices, time records, and receipts.

FINDING: For the period January 1, 2013, through June 30, 2013, Deloitte presented 12 invoices totaling \$3,342,194 to GOHSEP for payment. We identified potential questioned costs totaling \$1,731. After communicating that information to GOHSEP management and Deloitte, Deloitte submitted additional documentation that resolved all potential questioned costs.

Public Assistance

GOHSEP's documentation review process begins when sub-grantees submit reimbursement requests and supporting documentation. GOHSEP disaster recovery specialists review the requests and gather any additional documentation deemed necessary to fully support them. The disaster recovery specialists document the results of the reviews on expense review forms and then submit the forms and all supporting documentation (expense reimbursements) to their team lead. The team leads conduct a review then submit the expense reimbursements to the Louisiana Legislative Auditor's (LLA) document review team to be reviewed under our agreed-upon procedures engagement.

The LLA document review team inspects the expense reimbursements to identify any potential questioned costs. Unsupported costs are considered potential questioned costs and are reported. The expense reimbursements are returned to GOHSEP's disaster recovery specialists for resolution when deficiencies are noted. This procedure allows GOHSEP the opportunity to correct deficiencies before final payment thus eliminating questioned costs.

We inspected 3,707 expense reimbursements, submitted by GOHSEP's disaster recovery specialists, totaling \$638,258,386 along with supporting documentation. As a result of our inspection, we noted potential questioned costs totaling \$76,307,848 as follows:

Potential Questioned Costs by Work Type			
Work Type	Amount Inspected	Amount Questioned	Percentage Questioned
Contract	\$600,053,795	\$69,524,891	10.9%
Force Account Equipment	5,458,633	1,618,223	.3%
Force Account Labor	12,065,172	1,546,921	.2%
Materials	13,736,559	3,229,281	.5%
Rented Equipment	6,944,227	388,532	.1%
Total	\$638,258,386	\$76,307,848	

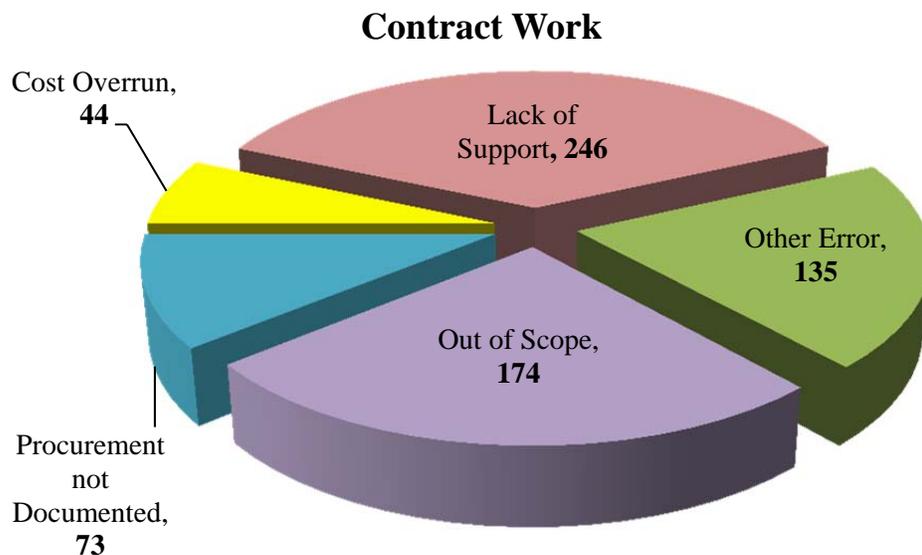
For all large projects [as defined in 44 CFR 206.203(c)(1)], we inspected the expense reviews performed by the disaster recovery specialists and the supporting documentation to confirm that the reimbursement claims were in compliance with federal and state guidelines and were properly documented. We developed findings as needed for the 3,707 expense reimbursements we inspected during the period and presented each finding to GOHSEP management. A summary by work type follows:

PROCEDURE: When the work undertaken by the sub-grantee was accomplished through the use of contractors, we inspected and confirmed whether:

- (1) documentation provided was for work contained in the scope of work for that project;
- (2) line items and/or project cost overruns that were within the scope of the project worksheets were identified;
- (3) costs listed on the contract summaries were supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) each contract totaling \$10,000 or more was procured in accordance with federal and/or state laws.

FINDING: As a result of our procedures, we inspected 2,875 expense reimbursements totaling \$600,053,795 where the work was accomplished by a contractor.

We did not detect deficiencies in 2,319 of the 2,875 expense reimbursements. However, we noted deficiencies totaling \$69,524,891 (11.6%) in 556 expense reimbursements. We grouped the deficiencies from the 556 expense reimbursements as indicated in the following chart:



Since an expense reimbursement may have contained multiple deficiencies, there are more deficiencies than expense reimbursements.

PROCEDURE: When the work undertaken by the sub-grantees was accomplished through the use of the sub-grantees' employees, we inspected the expense reimbursements and supporting documentation to determine whether:

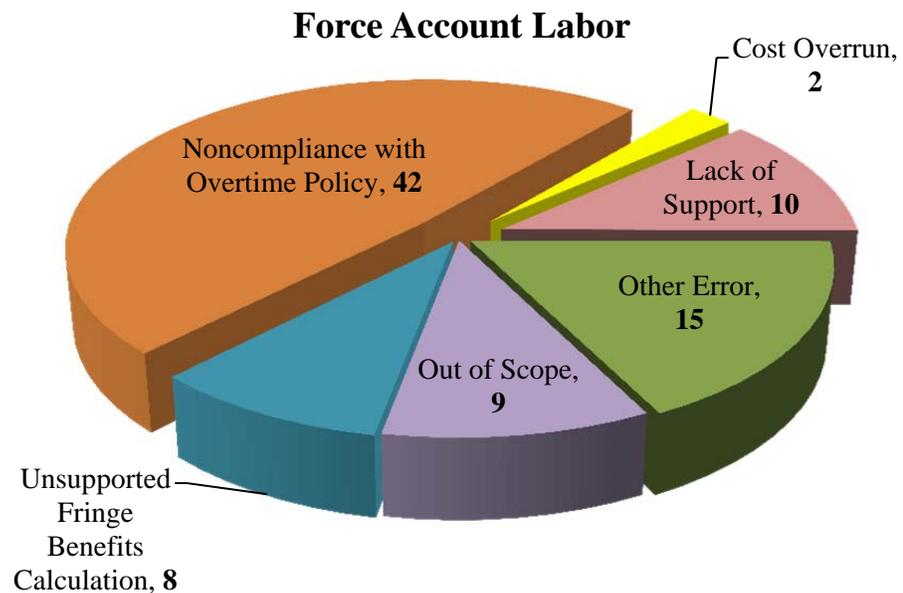
- (1) documentation provided was for work contained in the scope of work for that project;
- (2) line items and/or project cost overruns that were within the scope of the project worksheets were identified;

- (3) a disaster-related job description for each employee was listed on the force account labor summaries;
- (4) employee hours listed on the force account labor summaries were in accordance with the sub-grantees' overtime policies and that only hours spent conducting work that was a direct result of the disaster were claimed for reimbursement; and
- (5) fringe benefit calculations included only eligible elements and were mathematically accurate.

FINDING:

As a result of our procedures, we inspected 256 expense reimbursements totaling \$12,065,172 where the work was accomplished using the sub-grantee's employees.

We did not detect deficiencies in 187 of the 256 expense reimbursements. However, we noted deficiencies totaling \$1,546,921 (12.8%) in 69 expense reimbursements. We grouped the deficiencies from the 69 expense reimbursements as indicated in the following chart:



Since an expense reimbursement may have contained multiple deficiencies, there are more deficiencies than expense reimbursements.

PROCEDURE:

When the work undertaken by the sub-grantees was accomplished through the use of the sub-grantees' equipment, we inspected supporting documentation included in the expense reimbursements to determine whether:

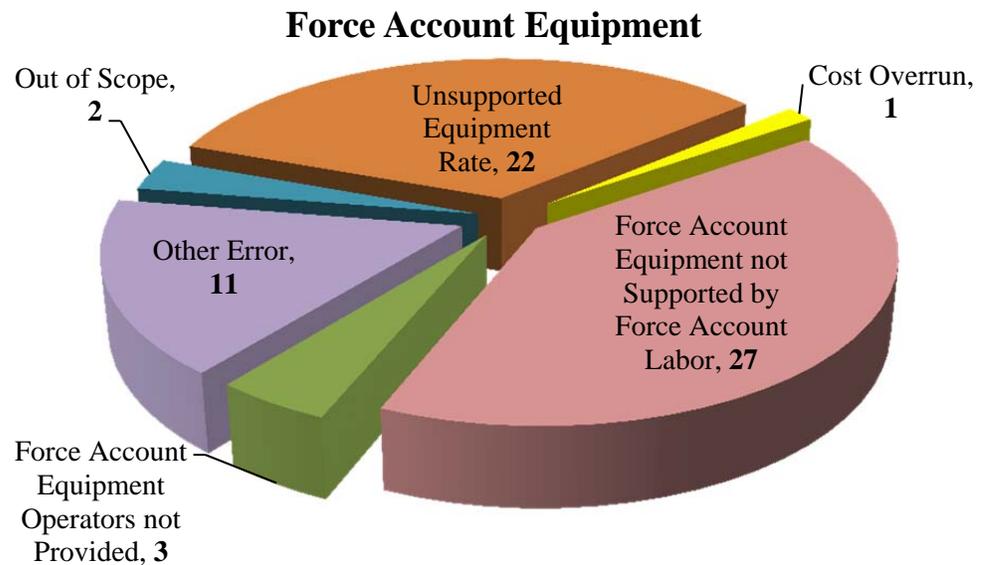
- (1) documentation provided was for work contained in the scope of work for that project;

- (2) line items and/or project cost overruns that were within the scope of the project worksheets were identified;
- (3) an operator was listed for each piece of equipment contained in the force account equipment summaries;
- (4) equipment hours claimed on the force account equipment summaries agreed with the employee hours claimed on the force account labor summaries; and
- (5) equipment rates used in calculating the reimbursement amount were in accordance with the FEMA equipment rate schedule or a locally adopted and approved equipment rate schedule.

FINDING:

As a result of our procedures, we inspected 169 expense reimbursements totaling \$5,458,633 where the work was accomplished by using the subgrantee's equipment.

We did not detect deficiencies in 125 of the 169 expense reimbursements. However, we noted deficiencies totaling \$1,618,223 (29.7%) in 44 expense reimbursements. We grouped the deficiencies from the 44 expense reimbursements as indicated in the following chart:



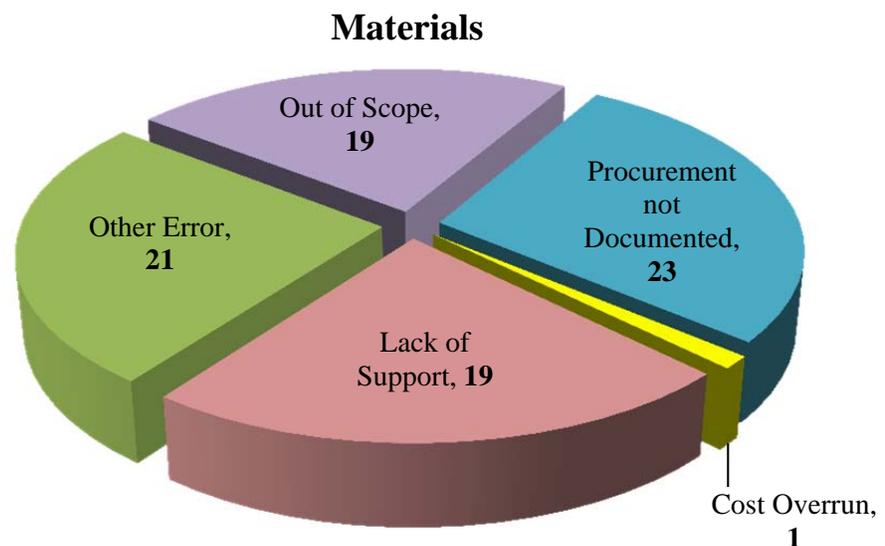
Since an expense reimbursement may have contained multiple deficiencies, there are more deficiencies than expense reimbursements.

PROCEDURE: When the sub-grantees purchased or used materials from inventory to accomplish the work detailed in the scope of the project worksheets, we inspected the expense reimbursements and related documentation to determine whether:

- (1) documentation provided was for work contained in the scope of work for that project;
- (2) line items and/or project cost overruns that were within the scope of the project worksheets were identified;
- (3) costs listed on the material summaries were supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) material purchases totaling \$10,000 or more were procured in accordance with federal and/or state laws.

FINDING: As a result of our procedures, we inspected 360 expense reimbursements totaling \$13,736,559 where the sub-grantee used materials from inventory or purchased materials to accomplish the work.

We did not detect deficiencies in 294 of the 360 expense reimbursements. However, we noted deficiencies totaling \$3,229,281 (23.5%) in 66 expense reimbursements. We grouped the deficiencies from the 66 expense reimbursements as indicated in the following chart:



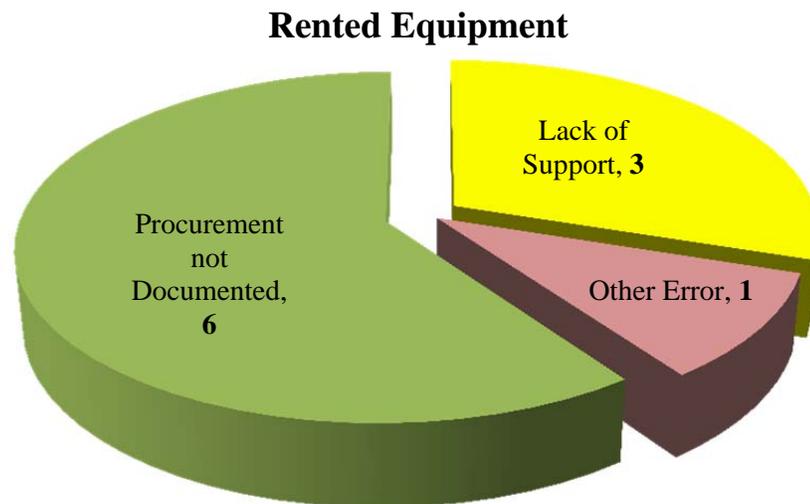
Since an expense reimbursement may have contained multiple deficiencies, there are more deficiencies than expense reimbursements.

PROCEDURE: When the work undertaken by the sub-grantees was accomplished through the use of rented equipment, we inspected the expense reimbursements and related documentation to determine whether:

- (1) documentation provided was for work contained in the scope of work for that project;
- (2) line items and/or project cost overruns that were within the scope of the project worksheets were identified;
- (3) costs listed on the rented equipment summaries were supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) equipment purchases totaling \$10,000 or more was procured in accordance with federal and/or state laws.

FINDING: As a result of our procedures, we inspected 47 expense reimbursements totaling \$6,944,227 where the sub-grantees used rented equipment to accomplish the work.

We did not detect deficiencies in 38 of the 47 expense reimbursements. However, we noted deficiencies totaling \$388,532 (5.6%) in nine expense reimbursements. We grouped the deficiencies from the nine expense reimbursements as indicated in the following chart:



Since an expense reimbursement may have contained multiple deficiencies, there are more deficiencies than expense reimbursements.

PROCEDURE: We confirmed that the reimbursement requests and the parish/local certification documents were dated on or after the creation of the project worksheets.

FINDING: We inspected the parish/local certifications and Memorandum of Understanding (MOUs) for 3,391 project worksheets submitted. We noted that the date was incorrect on 21 of the certifications or MOUs.

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 solely for the information and use of GOHSEP's management and the Louisiana Legislature and is not intended to be and should not be used by anyone other than those parties. By provisions of state law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

Schedule A

Additional Information

Sometimes potential questioned costs are not resolved until a subsequent reporting period. The following table presents the status of potential questioned costs noted in prior periods.

Prior Period Potential Questioned Costs					
Period	Amount Reviewed	Amount Questioned	Amount Resolved	Amount Unresolved	Unresolved as a % of Reviewed
Calendar Year 2008	\$1,031,467,203	\$56,607,507	(\$54,637,208)	\$1,970,299	0.19%
Calendar Year 2009	1,513,151,853	120,753,585	(120,232,039)	521,546	0.03%
Calendar Year 2010	1,466,849,727	104,757,988	(98,725,124)	6,032,864	0.41%
Calendar Year 2011	1,624,103,649	109,483,207	(96,026,840)	13,456,367	0.83%
Calendar Year 2012	1,464,801,873	136,120,531	(102,623,442)	33,497,089	2.29%
Total	\$7,100,374,305	\$527,722,818	(\$472,244,653)	\$55,478,165	

Appendix A

Management's Response



BOBBY JINDAL
GOVERNOR

State of Louisiana
Governor's Office of Homeland Security
and
Emergency Preparedness

KEVIN DAVIS
DIRECTOR

October 9, 2013

Daryl Purpera, CPA, CFE
Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

RE: Draft Public Assistance Division Report
January 1, 2013 – June 30, 2013
Hurricanes Katrina, Rita, Gustav, and Ike

Dear Mr.Purpera:

We have received and reviewed the draft report compiled by the Legislative Auditor's Recovery Assistance Division reviewing the State's Public Assistance (PA) program for Hurricanes Katrina, Rita, Gustav, and Ike for the period January 1, 2013 through June 30, 2013 and concur with the finding noted in the report. As a matter of practice, we use the reports as a training tool for our Grants Management Team. These reports assist us in identifying opportunities to improve our process and by highlighting trends which may require corrective action.

We meet periodically with the LLA team and our management group to discuss problems and issues so that we may proactively address them and give consistent direction to staff. In addition we feel that aligning the LLA staff with our internal team structure has allowed for higher levels of communication and feedback with the LLA which has proved to be beneficial for our management and staff.

We continue to track findings internally to better identify training opportunities. In fact GOHSEP is currently working to enhance internal reporting and tracking of questioned costs to individual staff, teams, and subgrantees. In addition we are enhancing our ability to track questioned cost reasons in order to enable us to better identify areas of

Mr. Daryl Pupera, CPA, CFE

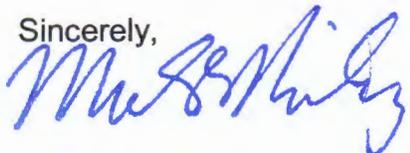
October 9, 2013

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concern on a more frequent basis. This information will be used to develop our staff in programmatic and technical issues and as such is a key component in our skills development program. We will continue to monitor findings and react to any trends noted.

Your LLA Team continues to assist us in the improvement of our processes and continue to provide outstanding advice and counsel. Their continued analysis of our Public Assistance procedures will assist us in achieving our 100%-accuracy goal.

Sincerely,



Mark S. Riley
Deputy Director
Disaster Recovery

MSR:ibb

cc: Kevin Davis, Director