

An Agreed-Upon Procedures Report on the
**GOVERNOR’S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM CLOSE-OUT
JULY 2011 - DECEMBER 2011**
Issued May 16, 2012



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EXECUTIVE SUMMARY

We performed agreed-upon procedures to assist the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management in fulfilling its responsibility for programmatic closure under the Public Assistance (PA) program. For the period July 1, 2011, through December 31, 2011, we analyzed obligated funds totaling \$81,026,094. The results of our analysis are as follows:

Final Inspection Report Review. During the period, we reviewed 36 final inspection reports prepared by GOHSEP close-out specialists on 27 large¹ project packages² with obligated funds of \$9,399,612 and nine small³ project packages containing 17 small projects with obligated funds of \$213,164. Of the \$9,612,776 in total obligated funds we reviewed, we noted that the packages contained insufficient documentation resulting in questioned costs of \$952,788.

We also re-reviewed final inspection reports prepared by GOHSEP close-out specialists on 51 large and 21 small project packages that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. Our subsequent reviews noted that GOHSEP provided sufficient documentation to support \$1,282,603 in previously noted questioned costs. The subsequent reviews also noted additional questioned costs totaling \$72,965 and cost overruns⁴ of \$21. Cost overruns are differences between estimated and actual costs.

Detailed Documentation Review. During the period, we conducted detailed documentation reviews in preparation of programmatic closure on 102 large project packages with obligated funds of \$70,156,909 and 24 small project packages containing 155 small projects with obligated funds of \$1,256,408. Of the \$71,413,317 in total obligated funds we reviewed, we noted that the sub-grantees did not provide sufficient documentation resulting in questioned costs of \$6,016,887 as well as cost underruns⁵ totaling \$633,661 and overruns totaling \$134,661. Cost underruns and overruns are differences between estimated and actual costs. There are no questioned costs associated with cost underruns and overruns. FEMA generally writes versions to the project worksheets to adjust the estimates to actual project costs.

GOHSEP management returned 11 large project packages and six small project packages for additional analysis. We analyzed each of those files in greater detail and noted additional questioned costs of \$101,824. In addition, our subsequent analyses noted that the sub-grantees provided sufficient documentation to support \$159,840 in previously noted questioned costs.

Closeout Progress. As of December 31, 2011, FEMA has obligated more than \$12 billion for hurricanes Katrina, Rita, Gustav, and Ike. GOHSEP has reimbursed sub-grantees nearly \$8 billion. Approximately 1.5% of the obligated amount has been closed.

¹ A large project is valued greater than \$55,500 for hurricanes Katrina and Rita or \$60,900 for hurricanes Gustav and Ike.

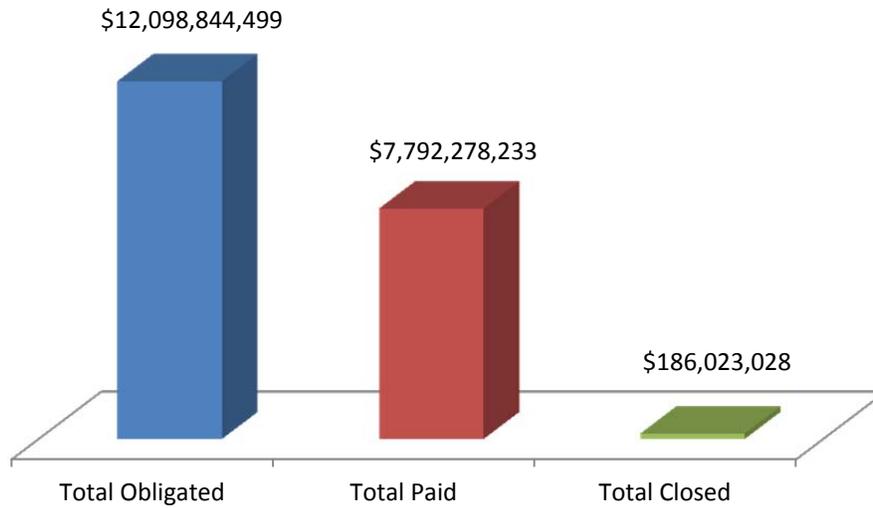
² A package is an individual large project or all of a sub-grantee's small projects grouped together by disaster.

³ A small project is valued less than \$55,500 for hurricanes Katrina and Rita or \$60,900 for hurricanes Gustav and Ike.

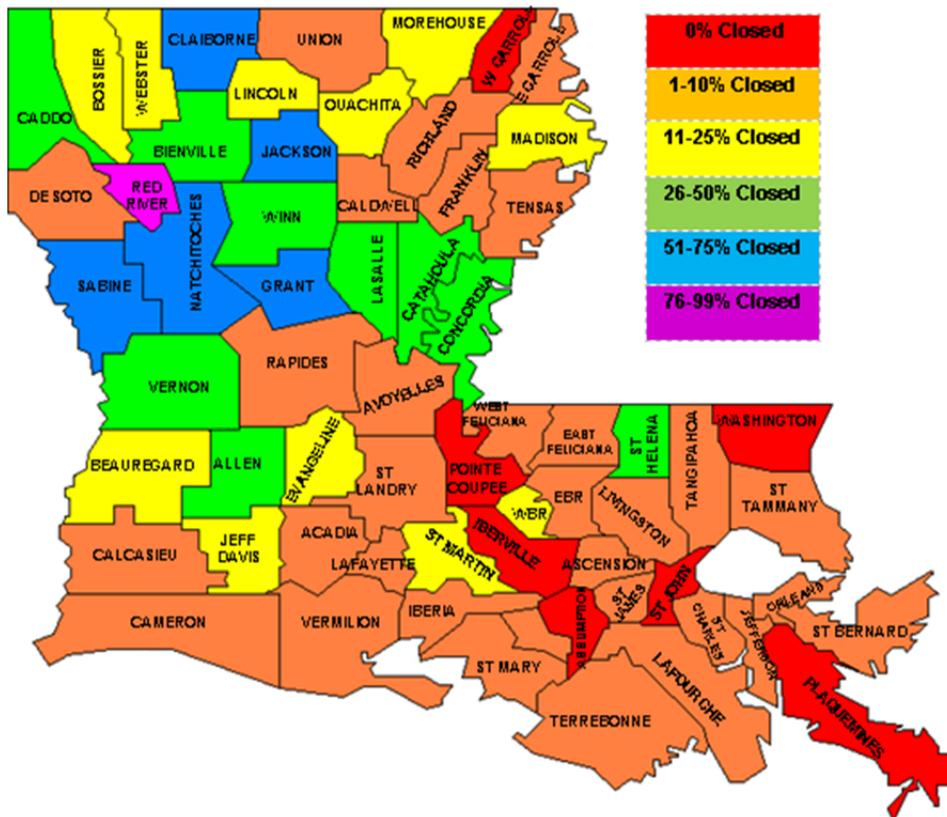
⁴ A cost overrun occurs when FEMA's estimated obligations are less than the actual costs to perform the scope of work.

⁵ A cost underrun occurs when FEMA's estimated obligations are greater than the actual costs to perform the scope of work.

FEMA Public Assistance for Hurricanes Katrina, Rita, Gustav, and Ike (as of December 31, 2011)



Percentage of Obligated Funds Closed by Parish (as of December 31, 2011)





LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 29, 2012

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

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

We performed the procedures described on the following pages for the period July 1, 2011, through December 31, 2011, which were requested and agreed to by Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management, solely to assist you in fulfilling your responsibility for programmatic closure. GOHSEP management is responsible for the day-to-day operations of the Public Assistance (PA) program including programmatic closure.

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 GOHSEP management. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Final Inspection Report Review - Small Projects

Procedure: For each small project close-out package provided by GOHSEP, we confirmed that the close-out package contained a certification that the eligible scope of work was completed and that any exceptions that were identified were documented and supported by photographs, invoices, receipts, or other documentation as may be appropriate as evidence the work performed was not part of the eligible scope.

Finding: As a result of our procedure, we analyzed nine small project packages prepared by GOHSEP close-out specialists. These packages consisted of 17 small projects with obligated funds totaling \$213,164. We did not note any questioned costs.

We also conducted subsequent analyses on 21 small project packages that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. Our subsequent analyses noted that GOHSEP provided sufficient documentation to support \$91,940 in previously noted questioned costs. Our subsequent analyses also noted two projects that did not contain sufficient evidence to support completion of the scope of work resulting in additional questioned costs of \$1,587.

Final Inspection Report Review - Large Projects

Procedure: For each large project close-out package provided by GOHSEP, we confirmed that the close-out package contained a certification that the eligible scope of work was completed and that any exceptions that were identified were documented and supported by photographs, invoices, receipts, or other documentation as may be appropriate as evidence the work performed was not part of the eligible scope.

Finding: As a result of our procedure, we analyzed 27 large project packages prepared by GOHSEP close-out specialists with obligated funds totaling \$9,399,612 and noted questioned costs totaling \$952,788 as follows:

Initial Analysis		
Finding Type	No. of Large Projects	Questioned Costs
Lack of Support	6	\$125,692
Errors*	4	3,902
Procurement Not Documented	5	562,321
Ineligible Expenses	2	260,873
Total		\$952,788
*The amount requested by the sub-grantee and/or processed by GOHSEP was greater than the amount supported by documentation.		

GOHSEP is continuing to seek documentation to support these questioned costs.

In addition, we conducted subsequent analyses on 51 large projects that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. Our subsequent analyses noted that GOHSEP provided sufficient documentation to support \$1,190,663 in previously noted questioned costs. Our subsequent analyses also noted additional questioned costs totaling \$71,378 as follows:

Subsequent Analysis		
Finding Type	No. of Large Projects	Questioned Costs
Lack of Support	4	\$40,939
Procurement Not Documented	4	26,021
Ineligible Expenses	1	4,418
Total		\$71,378

In addition, our subsequent analyses noted that FEMA's estimated obligations were \$21 less than the actual costs to perform the scope of work (cost overrun) for one large project. There are no questioned costs associated with this difference in estimate. FEMA generally writes versions to the project worksheets to adjust the estimates to actual project costs.

Detailed Documentation Review - Small Projects

Procedure: For each sub-grantee whose small projects were assigned to the Louisiana Legislative Auditor, we selected a sample of the projects based on GOHSEP's risk model and confirmed through visual inspection and review of invoices, receipts, contracts, or other documentation as may be necessary that the eligible scope of work was completed.

Finding: As a result of our procedure, we analyzed 24 small project packages containing 155 small projects with obligated funds totaling \$1,256,408. Four projects contained errors totaling \$150,662 in the supporting documentation. Also, nine projects did not contain sufficient evidence that the scope of work was completed, resulting in questioned costs totaling \$36,215.

In addition, GOHSEP management returned six small project packages for additional analysis. We analyzed each of those files in greater detail and noted that the sub-grantees provided sufficient documentation to support \$30,698 in previously noted questioned costs.

Detailed Documentation Review - Large Projects

Overall Results. We analyzed 102 large projects with obligated funds totaling \$70,156,909 and noted that the sub-grantees did not fully support all expenses claimed, resulting in questioned costs totaling \$5,830,010 as follows:

Initial Analysis		
Expense Type	No. of Reviews*	Questioned Costs
Force Account Labor	11	\$13,224
Force Account Equipment	7	11,462
Materials	3	8,210
Rented Equipment	2	132,613
Contract Work	38	5,115,154
No Type	10	549,347
Total		\$5,830,010
* A large project may contain multiple expense types; therefore, there are more reviews than projects.		

Our analyses also noted that for some projects FEMA's estimated obligations were greater than the actual costs to perform the scope of work (cost underrun) and that for others FEMA's estimated obligations were less than the actual costs to perform the scope of work (cost overrun). The underruns totaled \$633,661 and the overruns totaled \$134,661.

In addition, GOHSEP management returned 11 large project packages for additional analysis. We analyzed each of those files in greater detail and noted that the sub-grantees provided sufficient documentation to support \$129,142 in previously noted questioned costs. Our subsequent analyses also noted additional questioned costs totaling \$101,824.

Detailed Results. For each large project, we selected a sample of completed work from each expense category and conducted the following procedures:

Procedure: When the work undertaken was accomplished through the use of the sub-grantees' employees (force account labor), we confirmed through visual inspection and reviewing payroll documents, overtime policies, fringe benefit rate calculations, and other documentation that the costs incurred were supported.

Finding: As a result of our procedure, we analyzed force account labor costs totaling \$556,755 for 21 large projects and noted \$13,224 in questioned costs. Eleven projects contained errors totaling \$7,498 in the supporting documentation and three projects contained ineligible expenses totaling \$5,726. Our analyses also noted cost underruns totaling \$5,468 in four projects and cost overruns totaling \$47,691 in eight projects.

Procedure: When the work undertaken was accomplished through the use of the sub-grantees' equipment (force account equipment), we confirmed through visual inspection and reviewing payroll documents, equipment usage logs, equipment inventories, and other documentation that the costs incurred were supported.

Finding: As a result of our procedure, we analyzed force account equipment costs totaling \$310,811 for 18 large projects and noted questioned costs totaling \$11,462. Seven projects contained errors totaling \$11,404 in the supporting documentation and one project contained ineligible expenses totaling \$58. Our analyses also noted cost overruns totaling \$63,472 in three projects.

Procedure: When the sub-grantees purchased or used materials from inventory to accomplish the work, we confirmed through visual inspection and reviewing invoices, receipts, contracts, and other documentation that the costs incurred were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding: As a result of our procedure, we analyzed material costs totaling \$356,653 for 20 large projects and noted questioned costs totaling \$8,210. Two projects contained errors totaling \$107 in the supporting documentation; two projects contained ineligible expenses totaling \$5,087; and two projects contained insufficient evidence that proper procurement procedures were followed to support expenses totaling \$3,016. Our analysis also noted cost underruns totaling \$22,454 in three projects and cost overruns totaling \$9,043 in three projects.

Procedure: When the work undertaken was accomplished through the use of rented equipment, we confirmed through visual inspection and reviewing invoices, receipts, contracts, and other documentation that the costs incurred were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding: As a result of our procedure, we analyzed rented equipment costs totaling \$30,146 for nine large projects. One project contained ineligible expenses of \$82. For another project, we sampled \$15,904 of the expenses. That project did not contain sufficient evidence that proper procurement procedures were followed. Because the sub-grantee could not provide evidence of proper procurement for the sampled expenses, we included the sampled amount (\$15,904) and all other expenses from that vendor (\$116,627) in questioned costs. The total questioned costs for rented equipment is \$132,613.

Procedure: When the work undertaken was accomplished through the use of contractors, we confirmed through visual inspection and reviewing invoices, receipts, contracts, lease agreements, and other documentation

that the costs incurred to complete the eligible scope of work were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding:

As a result of our procedure, we analyzed contract work totaling \$21,374,337 for 64 large projects and noted questioned costs totaling \$5,115,154. Eighteen projects contained errors totaling \$66,341 in the supporting documentation; seven projects contained ineligible expenses totaling \$140,798; two projects contained insufficient documentation to support expenses totaling \$900; and 29 projects contained insufficient evidence that proper procurement procedures were followed to support expenses totaling \$4,907,115. Our analyses also noted cost underruns totaling \$605,740 in 18 projects and cost overruns totaling \$14,455 in seven projects.

In addition, we noted questioned costs totaling \$549,347 that are not associated with an expense category. Fourteen projects contained errors totaling \$490,932 in the supporting documentation and one project contained ineligible expenses totaling \$58,415.

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, internal control over compliance with federal and state regulations, or 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 management and the Louisiana Legislature and is not intended to be and should not be used by anyone other than those parties. However, by provision 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

SD:JM:dl

PACO 4QTR

BACKGROUND

Public Assistance (PA) Overview. Under the PA program, FEMA provides supplemental aid to states, communities, and certain private non-profit (PNP) entities for debris removal, emergency protective measures, permanent restoration of infrastructure, and hazard mitigation measures. For hurricanes Katrina and Rita, the federal share of these expenses is 100% of eligible costs; for hurricanes Gustav and Ike, the federal share is 90%.

FEMA manages the PA program, approves grants, and provides technical assistance to the state and local officials. The state, in most cases, acts as the grantee for the program. The state educates potential sub-grantees, works with FEMA to manage the program, implements the program, and monitors the grants awarded under the program. Local officials, as sub-grantees, are responsible for identifying damages, providing sufficient data for FEMA to develop an accurate scope and cost estimate for doing the work and approving grants, and managing the projects funded under the PA program.

The PA program is considered programmatically closed when FEMA ensures that all grants awarded under the PA program for a given disaster meet the statutory and regulatory requirements governing the program. To achieve programmatic closure, FEMA ensures that all funds have been obligated and all work complies with the eligibility requirements of the program.

Close-out Review Process. Large projects are closed individually; small projects are closed as a group. GOHSEP's close-out specialists review the expenses the sub-grantee has submitted over the life of the project(s) to determine if all expenses are supported or additional expenses need to be submitted and gather any additional documentation deemed necessary.

The close-out specialists document their review results on final inspection reports and submit the reports and all supporting documentation to the Louisiana Legislative Auditor's (LLA) close-out team. LLA's close-out team analyzes the final inspection reports and supporting documentation to identify any questioned costs or other costs the sub-grantees did not claim. Questioned costs and unclaimed costs which may be reimbursed are reported to GOHSEP management. The final inspection reports and supporting documentation are returned to the close-out specialists to allow GOHSEP the opportunity to identify additional funding available to the sub-grantees or to correct deficiencies. For deficiencies that cannot be corrected, we recommend that GOHSEP consider having the funds de-obligated.

In some situations, GOHSEP requests detailed documentation reviews from LLA's close-out team. The results of these reviews and the supporting documentation are regularly presented to GOHSEP management through findings of review. GOHSEP management reviews the information and either completes a final inspection report or returns the finding of review to LLA's close-out team to address deficiencies or request additional supporting documentation.

Appendix A

Management's Response



BOBBY JINDAL
GOVERNOR

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

KEVIN DAVIS
DIRECTOR

April 12, 2012

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

RE: Draft Public Assistance Division Biannual Report
Public Assistance Program Closeout – July 1st, 2011 through December 31st,
2011

Dear Mr. Purpera:

We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division reviewing the State's Public Assistance Closeout (PA) program for Hurricanes Katrina, Rita, Gustav and Ike for the second half of 2011 (July 1st, 2011 through December 31st, 2011). We concur with the findings as identified in the report and note the continued improvement in the process.

As a matter of practice, we use the reports as a training tool for our grants management closeout process to identify areas for improvement in the process and to note trends that need correction. We have also initiated meetings with the LLA Closeout Management Team and the State's Public Assistance Closeout Team Management to discuss problems and issues on an ongoing and current basis.

Closeout packages that contain procurement deficiencies have been an issue. To keep this from occurring in the future GOHSEP has created a more stringent review process for its closeout packets in order to identify issues before submittal to the Legislative Auditor's Recovery Assistance Division. GOHSEP has also provided an applicant outreach program to specifically deal with educating applicants on proper procurement. This outreach training was also held for internal GOHSEP staff in order to further their understanding of procurement and to assist them to identify issues proactively.

As another initiative, GOHSEP is also redesigning the closeout process in order to better prepare applicants for closeout. We are initiating a Pre-Closeout pilot program which will provide outreach, technical assistance and training to the applicants on

Mr. Daryl Purpera
April 12, 2012
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preparing their project files for closeout. We believe that this initiative will alleviate the recurring issues with insufficient or missing documentation concerns and streamline the closeout focus to projects that are ready.

Your reports continue 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,

A handwritten signature in blue ink, appearing to read 'Mark DeBosier', with a long horizontal flourish extending to the right.

Mark DeBosier
State Coordinating Officer

MD:lbb

cc: Kevin Davis, Director