

GOVERNOR'S OFFICE OF HOMELAND SECURITY  
AND EMERGENCY PREPAREDNESS  
PUBLIC ASSISTANCE PROGRAM  
HURRICANES KATRINA AND RITA  
JULY 2009 - SEPTEMBER 2009



AGREED-UPON PROCEDURES REPORT  
ISSUED DECEMBER 23, 2009

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA

November 23, 2009

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

**MARK A. COOPER, DIRECTOR**  
**GOVERNOR'S OFFICE OF HOMELAND**  
**SECURITY AND EMERGENCY PREPAREDNESS**  
Baton Rouge, Louisiana

We have performed the procedures enumerated below for the third quarter of 2009 (July 1, 2009 through September 30, 2009), which were requested and agreed to by management of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), solely to assist you in fulfilling your responsibility for implementing the Public Assistance (PA) program by reviewing documents submitted by sub-grantees in support of reimbursement claims and your technical assistance contractors' invoices. 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.

This report is a summary of the findings that we present to GOHSEP management on a daily basis. The procedures that we performed and our findings are as follows:

**Technical Assistance Contractors Invoice Review**

Procedure

Compare the technical assistance contractors' - James Lee Witt Associates (JLWA) and Deloitte LLP - invoices to the contract guidelines to determine if:

- (1) invoices were submitted in accordance with the contractual guidelines;
- (2) invoices have all the required signatures;
- (3) invoices are within the required time period; and

- (4) invoices are supported by subcontractor invoices, time records, and receipts.

Finding

For the third quarter of 2009, the contractors presented 15 invoices totaling \$12,637,550 to GOHSEP for payment.

Through a post-payment review, we identified \$32 of questionable costs. This amount is due to the lack of supporting documentation. Though inconsequential, the contractor removed the costs from the invoice. The table below details the information for each contractor:

<u>Contractor</u>	<u>Number of Invoices</u>	<u>Total Invoiced Amount</u>	<u>Questioned Costs</u>
Deloitte	4	\$2,584,915	\$0
JLWA	11	10,052,635	32
Total	<u>15</u>	<u>\$12,637,550</u>	<u>\$32</u>

Contract terms for JLWA state that invoices should be submitted within 30 days of the billing period end date. JLWA submitted six of its invoices within 30 days of the billing period end date. JLWA submitted the remaining five invoices more than 30 days after the billing period had ended. Though its contract does not specify when invoices are to be submitted, Deloitte submitted all of its invoices within 30 days of the billing period end date.

**Public Assistance**

We reviewed 2,771 expense reviews totaling \$374,428,851 along with their supporting documentation as prepared by the GOHSEP disaster recovery specialists. Through the use of these reviews, disaster recovery specialists document their findings for reimbursement claims submitted by sub-grantees. For all large projects [as defined in 44 CFR 206.203(c)(1)], we reviewed the expense reviews and the supporting documentation to confirm that the reimbursement claims are in compliance with federal and state guidelines and properly documented.

We developed findings of review for each of the 2,771 expense reviews analyzed during this period. Each finding was presented to management to keep them informed of our concerns.

Procedure

When the work undertaken by the sub-grantee was accomplished through the use of contractors, confirm that:

- (1) the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project;
- (2) the line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) costs listed on the contract summaries are supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) each contract was procured in accordance with federal and/or state laws.

Finding

We identified 2,468 expense reviews where the work was accomplished by a contractor. On those reviews, the disaster recovery specialists indicated total documented expenses of \$362,311,531. We did not detect deficiencies in 2,223 of the 2,468 expense reviews. However, we noted deficiencies in 245 expense reviews containing documented expenses totaling \$31,836,237. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The 240 deficiencies noted related directly to:

- (1) work outside the scope of work listed for projects;
- (2) line items or project cost over-runs within the scope of work that were not identified;
- (3) costs listed on contract summaries that lacked supporting documentation; or
- (4) contracts that were not procured in accordance with federal and/or state laws.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$9,981,550 (2.67% of the total amount reviewed or 2.8% of the documented expenses for this category). The deficiencies detected on the remaining five expense reviews related to effective writing/communication which would not have resulted in any questioned costs.

Procedure

When the work undertaken by the sub-grantees was accomplished through the use of the sub-grantees' equipment, confirm that:

- (1) the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) an operator was listed for each piece of equipment listed on 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) the equipment rate used in calculating the reimbursement amount is in accordance with the FEMA equipment rate schedule or a locally adopted and approved equipment rate schedule.

Finding

We identified eight expense reviews where the work was accomplished by using the sub-grantees' equipment. On those reviews, the disaster recovery specialists indicated total documented expenses of \$290,068. We did not detect deficiencies in six of the eight expense reviews. However, we noted deficiencies in two expense reviews containing documented expenses totaling \$190,465. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The two deficiencies noted related directly to:

- (1) equipment hours listed on equipment summaries that do not agree with employee hours claimed on labor summaries; or
- (2) equipment rates used in calculating the reimbursement amount that are not in accordance with the FEMA rate schedule or locally adopted and approved rate schedules.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$405 (less than 0.0001% of the total amount reviewed or 0.14% of the documented expenses for this category).

Procedure

When the work undertaken by the sub-grantees was accomplished through the use of the sub-grantees' employees, confirm that:

- (1) the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project worksheet;
- (2) line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) there is a disaster related job description for each employee listed on the force account labor summaries;
- (4) employee hours listed on the force account labor summaries 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; and
- (5) the fringe benefit calculations prepared by the sub-grantees include only eligible elements and are mathematically accurate.

Finding

We identified 35 expense reviews where the work was accomplished using the sub-grantees' employees. On those reviews, the disaster recovery specialists indicated total documented expenses of \$107,352. We did not detect deficiencies in 33 of the 35 expense reviews. However, we noted deficiencies in two expense reviews containing documented expenses totaling \$28,598. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The two deficiencies noted related directly to:

- (1) work outside the scope of work listed for projects;
- (2) line items or project cost over-runs within the scope of work that were not identified;

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$26,826 (0.007% of the total amount reviewed or 25.0% of the documented expenses for this category).

Procedure

When the sub-grantees purchased or used materials from inventory to accomplish the work detailed in the scope of the project worksheets, confirm that:

- (1) the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) costs listed on the material summaries are supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) the materials were procured in accordance with federal and/or state laws.

Finding

We identified 239 expense reviews where the sub-grantees used materials from inventory or purchased materials to accomplish the work. On those reviews, the disaster recovery specialists indicated total documented expenses of \$11,522,646. We did not detect deficiencies in 222 of the 239 expense reviews. However, we noted deficiencies in 17 of the expense reviews containing documented expenses totaling \$754,047. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The 17 deficiencies noted related directly to:

- (1) work outside the scope of work listed for projects;
- (2) line items or project cost over-runs within the scope of work that were not identified;
- (3) costs listed on material summaries that were not supported by documentation; or
- (4) the materials were not procured in accordance with federal and/or state laws.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$516,341 (0.14% of the total amount reviewed or 4.5% of the documented expenses for this category).

Procedure

When the work undertaken by the sub-grantees was accomplished through the use of rented equipment, confirm that:

- (1) the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) costs listed on the rented equipment summaries are supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) the equipment was procured in accordance with federal and/or state laws.

Finding

We identified 21 expense reviews that contained total documented expenses of \$197,254 where rented equipment was used to accomplish the work. Through our analysis, we did not detect deficiencies in 19 of the 21 expenses reviews. However, we noted deficiencies in two expense reviews containing documented expenses totaling \$5,348. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The two deficiencies noted related directly to line items or project cost over-runs within the scope of work that were not identified.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$22,151 (0.006% of the total amount reviewed or 11.2% of the documented expenses for this category).

Procedure

Confirm that the reimbursement requests and the parish/local certification documents are dated on or after the creation of the project worksheets.

Finding

We reviewed the reimbursement requests and the parish/local certifications included in 2,719 expense review form packages. We noted that the date was incorrect on three of the certifications. The expense review form packages were returned to the disaster recovery specialists for correction.

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 management. However, by provisions of state law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Daryl G. Purpera, CPA  
Temporary Legislative Auditor

JLS:JLM:sr

## Management's Response





**BOBBY JINDAL**  
GOVERNOR

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

**MARK A. COOPER**  
DIRECTOR

December 7, 2009

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

RE: Draft Public Assistance Division Quarterly Report  
Third Quarter, Hurricanes Katrina and Rita

Dear Mr. Theriot:

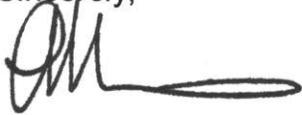
We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division reviewing the State's Public Assistance (PA) program for Hurricanes Katrina and Rita for the third quarter of 2009 (July 1, 2009 through September 30, 2009). We concur in the findings as identified in 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 process to continue the improvements in the process and to identify trends that need correction. Additionally, we have initiated weekly meetings with the LLA team and our team leads to discuss problems and issues on a current basis. Specifically, as related to document review and tracking, we have fine tuned our Expense Review Tool (ERT) and are working on supplemental training for ERT. Writing and communication continues to be an issue. In addition to participating in the LLA writing and communication courses, we are developing some standard language which has been approved by the LLA staff to be used in expense review and anticipate that this will alleviate some of the written-communication issues.

Steve J. Theriot, CPA, Page 1 of 2

Your LLA Team continues to assist us in the improvement of our processes and continues 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 black ink, appearing to be 'MD', with a long horizontal flourish extending to the right.

Mark DeBosier  
Deputy Director - Disaster Recovery

MD:sh

cc: Mark A. Cooper, Director