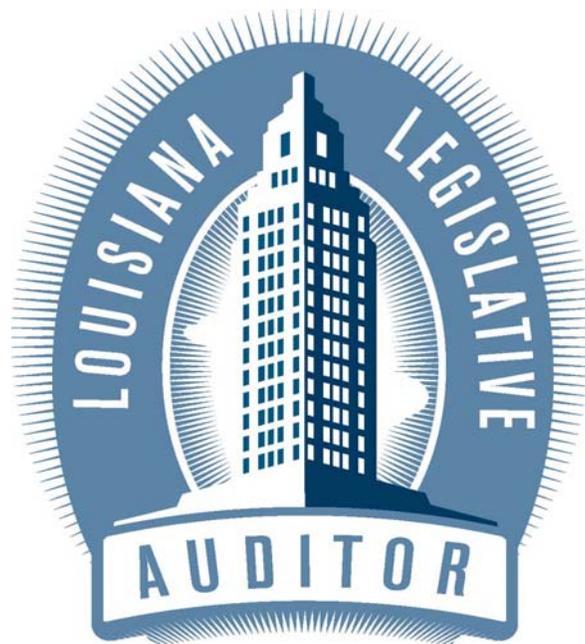


GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM
HURRICANES GUSTAV AND IKE
APRIL 2009 - JUNE 2009



AGREED-UPON PROCEDURES REPORT
ISSUED NOVEMBER 12, 2009

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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 \$17.52. 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.la.gov. When contacting the office, you may refer to Agency ID No. 7430 or Report ID No. 52090008 for additional information.

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	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

October 14, 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 performed the procedures enumerated below for the second quarter of 2009 (April 1, 2009 through June 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 administering the Public Assistance (PA) program including gathering and maintaining documents submitted by sub-grantees in support of reimbursement claims. 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 we performed and our findings are as follows:

We reviewed 274 expense reviews totaling \$117,237,290 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 of the reimbursement claims submitted by sub-grantees. For all large projects [as defined in 44 CFR 206.203(c)(1)], we analyzed 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 274 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) 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 91 expense reviews where the work was accomplished by a contractor. On those reviews, the disaster recovery specialists indicated total documented expenses of \$88,427,762. Through our analysis, we did not detect deficiencies in 60 of the 91 expense reviews. However, we noted deficiencies in 31 expense reviews containing documented expenses totaling \$32,099,980. 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 deficiencies detected in 28 of the expense reviews 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 the contract summaries that lacked 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 \$13,042,256 (11.12% of the total amount reviewed). The deficiencies detected in the remaining three expense reviews related to effective writing/communication which would not have resulted in any questioned costs.

Procedure

When the work undertaken by the sub-grantee 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) the line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) an operator is listed for each piece of equipment listed on the force account equipment summaries;
- (4) equipment hours claimed on the force account equipment summaries agree 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 57 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 \$3,273,351. Through our analysis, we did not detect deficiencies in 38 of the 57 expense reviews. However, we noted deficiencies in 19 expense reviews containing documented expenses totaling \$398,292. 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 deficiencies detected in 17 of the expense reviews 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) operators not being listed for equipment listed on the equipment summaries;
- (4) equipment hours listed on equipment summaries that do not agree with the employee hours claimed on labor summaries; or
- (5) 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 \$168,706 (0.14% of the total amount reviewed). The deficiencies detected in the remaining two 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' 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) the 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) the 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 82 expense reviews where the work was accomplished using the sub-grantees' employees. On those reviews, the disaster recovery specialists indicated total documented expenses of \$20,910,380. Through our analysis, we did not detect deficiencies in 62 of the 82 expense reviews. However, we noted deficiencies in 20 expense reviews containing documented expenses totaling \$3,640,978. 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 deficiencies detected in 17 expense reviews 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) disaster related job descriptions for each employee that were not listed on the labor summaries;
- (4) employee hours listed on labor summaries that do not agree with sub-grantees' overtime policies or were not for disaster related work; or
- (5) the fringe benefit calculation containing ineligible items or mathematical inaccuracies.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$237,885 (0.20% of the total amount reviewed). The deficiencies detected in the remaining three expense reviews related to effective writing/communication which would not have resulted in any questioned costs.

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) the line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) the 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 33 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 \$4,357,875. Through our analysis, we did not detect deficiencies in 26 of the 33 expense reviews. However, we noted deficiencies in seven of the expense reviews containing documented expenses totaling \$1,154,765. 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 deficiencies detected in the seven expense reviews 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 \$519,934 (.44% of the total amount reviewed).

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) the line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) the 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 11 expense reviews that contained total documented expenses of \$267,922 where rented equipment was used to accomplish the work. Through our analysis, we did not detect deficiencies in 10 of the expense reviews. The deficiency detected in the remaining expense review related to effective writing and/or communication which would not have resulted in any questioned costs.

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 included in 194 expense review form packages. For 193 packages, the date on the reimbursement request was on or after the creation of the project worksheets. For the remaining reimbursement request, we noted that the date was incorrect and returned it to the disaster recovery specialist for correction.

We did not confirm that the parish/local certification was dated after the creation of the project worksheets, because GOHSEP no longer requires it to be submitted with each expense review form package. GOHSEP has incorporated the certification into a memorandum of understanding that is completed by the sub-grantees as part of their request for public assistance.

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,



Steve J. Theriot, CPA
Legislative Auditor

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Management's Response



BOBBY JINDAL
GOVERNOR

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

MARK A. COOPER
DIRECTOR

October 28, 2009

Mr. 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
Second Quarter, Hurricanes Gustav and Ike

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 Gustav and Ike for the second quarter of 2009 (April 1, 2009 through June 30, 2009). We concur in the findings as identified in the report and note the continued improvement in the process.

Please refer to management comments made in the response to the attendant review by the LLA of the Public Assistance program as applied to Hurricanes Katrina and Rita. During the exit conference for the subject quarterly review, LLA staff identified that the processing of Gustav/Ike reimbursements were not using the same Expense Review Tool (ERT) process being used to support Katrina/Rita reimbursements. FEMA has implemented a different accounting system (EMMIE) for Gustav/Ike and there are synchronization issues between the ERT and EMMIE. Our staff is working on resolving those issues, and once resolved, the reimbursement processing for the 2005 storms and the 2008 storms will be the same.

Your LLA Team continues to assist us in the improvement of our process 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,


Mark DeBosier
Deputy Director – Disaster Recovery

MD:sh
Cc: Mark A. Cooper, Director