

Governor's Office of Homeland Security and Emergency Preparedness Public Assistance Program Close Out July 2010 through December 2010



Louisiana Legislative Auditor

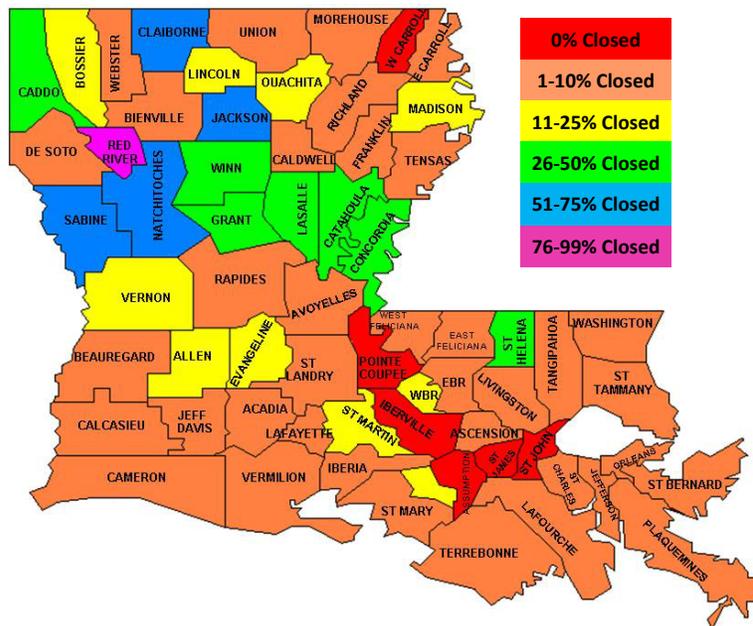
Executive Summary

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, 2010, through December 31, 2010, we conducted final inspection report reviews for 179 close-out packages¹ that GOHSEP close-out specialists prepared. Of the 179 close-out packages, 112 were large projects that contained obligated funds of \$16,409,532. The remaining 67 packages represented 238 small projects with obligated funds of \$2,414,933. Out of the total \$18,824,465 in obligated funds, we noted questioned costs of \$515,014. After our review, GOHSEP close-out specialists gathered additional documentation to support \$68,323 of the questioned amount.

We also re-analyzed four close-out packages that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. For these four subsequent reviews, we noted that the close-out specialists gathered sufficient documentation to support the questioned costs.

In addition, in preparation of programmatic closure, GOHSEP assigned 33 sub-grantees² to the Legislative Auditor's close-out team. We conducted detailed documentation reviews for 117 close-out packages (104 large project packages and 37 small projects grouped into 13 packages) that contained obligated funds of \$37,603,445. For these detailed reviews, we noted questioned costs totaling \$2,184,689.

**Percentage of Obligated Funds Closed by Parish
(as of May 25, 2011)**



*Just over 1%
of the total funds
FEMA obligated for
hurricanes Katrina,
Rita, Gustav, and
Ike have been
closed, as of
May 25, 2011.*

Note: No parish is 100% closed. State projects are less than 10% closed.

¹ A package is either a single large project or all of a sub-grantee's small projects grouped together.

² Nine sub-grantees were assigned in previous reporting periods and 24 sub-grantees were assigned this reporting period.

**Daryl G. Purpera,
CPA, CFE
Legislative Auditor**

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

May 5, 2011

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

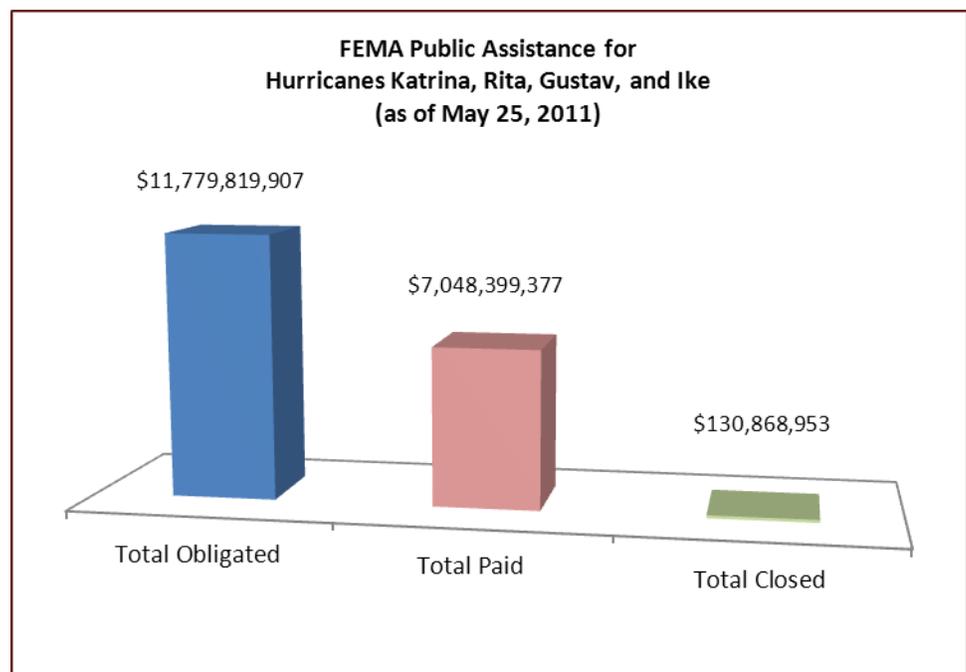
Baton Rouge, Louisiana

We performed the procedures described on the following pages for the period July 1, 2010, through December 31, 2010, 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 programmatic closure. GOHSEP management is responsible for the day-to-day operations of the Public Assistance 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.

FEMA has obligated almost \$12 billion in public assistance for hurricanes Katrina, Rita, Gustav, and Ike.

The state has paid over \$7 billion, and projects costing over \$130 million have been closed.



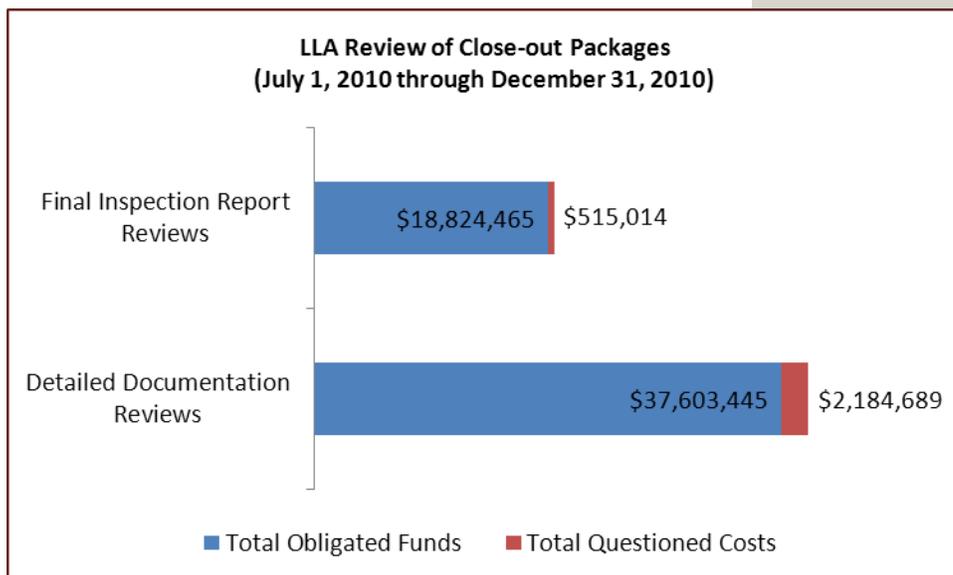


Programmatic Closure

The Public Assistance (PA) program is considered programmatically closed when FEMA assures that all of the 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.

Normally, the state conducts its close-out procedures after a sub-grantee has completed all of its FEMA-funded recovery activities for all of that sub-grantee’s projects. However, GOHSEP has implemented a process to close projects on an individual basis. See page 9 for additional information on the PA program and the close-out review process.

***Our review of
296 close-out packages
with obligated funds
totaling over \$56 million
noted questioned costs of
\$2.7 million, or 5%.***



**Governor’s Office of Homeland Security
and Emergency Preparedness
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Final Inspection Report Review - Small Projects³

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 67 small project close-out packages that contained 238 small projects with obligated funds totaling \$2,414,933. We did not note any questioned costs.

*Reviews of GOHSEP’s
Final Inspection Reports
for small and large projects
noted questioned costs
of less than 3%
of the obligated funds
we analyzed.*

Final Inspection Report Review - Large Projects⁴

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 112 large project close-out packages with obligations totaling \$16,409,532. We noted that in 20 of these packages ineligible expenses were not identified or supporting documentation was missing resulting in questioned costs totaling \$515,014. The GOHSEP close-out specialists gathered additional documentation to support \$68,323 of the questioned costs from four of the packages.

During our review, we also noted that FEMA’s estimated obligations were \$21,897 greater than the actual costs to perform the scope of work for three packages. There are no questioned costs associated with these over estimates. FEMA generally writes versions to the project worksheets to reduce the estimates to actual project costs.

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



Detailed Documentation Review - Small Projects

PROCEDURE: For each sub-grantee whose small projects are assigned to the Louisiana Legislative Auditor (LLA), 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: GOHSEP assigned eight sub-grantees with 37 small projects containing obligated funds of \$361,771. From those small projects, we analyzed a sample of 13 projects and noted questioned costs totaling \$338. The questioned costs resulted from missing documentation that supports a completed scope of work.

Detailed documentation reviews of small and large projects noted questioned costs of less than 6% of the obligated funds we analyzed.

Detailed Documentation Review - Large Projects

Overall Results

We completed detailed reviews of 104 large projects with obligated funds totaling \$37,241,674 and noted questioned costs of \$2,184,351. Our overall results are as follows:

Expense Types	Number of Reviews	Questioned Costs
Force Account Labor	7	\$17,098
Force Account Equipment	3	236
Materials	21	8,839
Rented Equipment	1	0
Contract Work	92	2,158,178
Total	*124	\$2,184,351

*Since a package may contain multiple expense types, there are more detailed reviews than projects.

Governor's Office of Homeland Security and Emergency Preparedness Public Assistance Program Close Out July 2010 through December 2010

Detailed Results

For each package, we selected a sample of completed work from each work type 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 noted that, in four of the seven large projects that contained force account labor, ineligible labor hours were claimed and incorrect overtime rates were used resulting in questioned costs of \$17,098.

In addition, two packages contained \$2,194 of eligible, supported costs that were not originally obligated by FEMA when the project worksheets were written. We recommended that FEMA prepare a version of the project worksheets to account for these costs and reflect actual project costs.

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 noted that, in one of the three large projects that contained force account equipment, the equipment hours claimed exceeded the operator's hours resulting in questioned costs of \$236.

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 the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

FINDING: As a result of our procedure, we noted that 21 of the large projects contained the use of materials from inventory or purchased materials to accomplish the work and appropriate procurement standards were followed for all 21 packages. We also noted that three of the 21 packages lacked supporting documentation or contained items that were covered by other sources of funding (duplication of benefit) resulting in questioned costs of \$8,839.

In addition, three packages contained \$3,543 of eligible, supported costs that were not obligated by FEMA when the project worksheets were written. We recommended that FEMA prepare a version of the project worksheets to account for these costs and reflect actual project costs.

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.

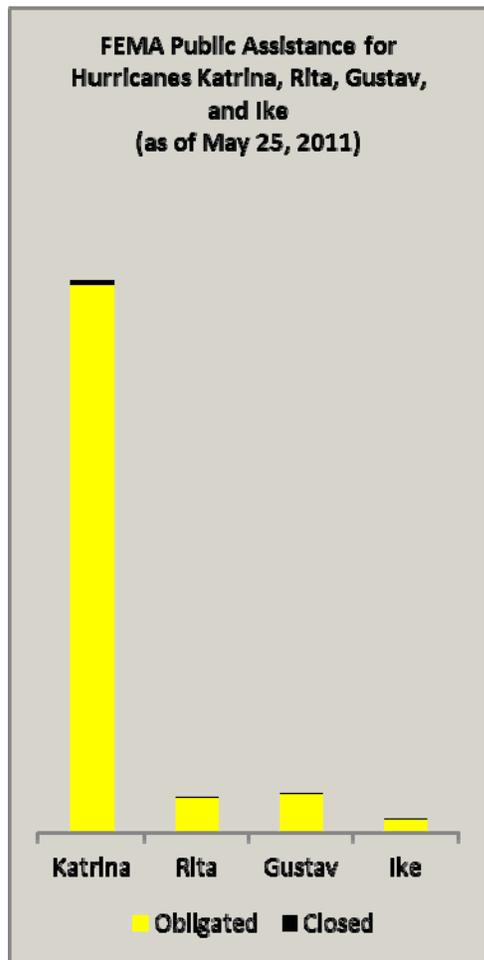
FINDING: As a result of our procedure, we noted that one large project contained rented equipment, all costs were supported, and appropriate procurement standards had been followed.

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 noted that 92 large projects contained obligated funds for work that was to be accomplished through the use of contractors and appropriate procurement standards had been followed for all 92 packages. We also noted missing supporting documentation, award calculation errors, or duplication of benefit issues in 20 of those packages resulting in questioned costs of \$2,158,178.

In addition, 14 packages contained \$112,905 of eligible, supported expenses that were not obligated by FEMA when the project worksheets were written. We recommended that FEMA prepare versions of the project worksheets to account for these costs and reflect actual project costs.

During our review, we also noted that FEMA's estimated, obligated funds were \$1,011,547 greater than the actual costs to perform the scope of work contained in the project worksheets for 17 projects. There are no questioned costs associated with these over estimates. FEMA generally writes versions to the project worksheets to reduce the estimates to actual project costs.



FEMA obligated more than \$10 billion for Hurricane Katrina, which is 87% of the nearly \$12 billion FEMA obligated for hurricanes Katrina, Rita, Gustav, and Ike.

Of the \$12 billion obligated for these four disasters, just over 1% has been closed, as of May 25, 2011.

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

JS:JM:dl

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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 75%.

FEMA manages the PA program, approves grants, and provides technical assistance to 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.

Close-out Review Process. Sub-grantees request closure of their projects. Large projects are closed out individually; small projects are closed out 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 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 have the funds de-obligated.

In some situations, GOHSEP assigns detailed documentation reviews to 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 correct deficiencies or gather additional supporting documentation. Any final inspection report created as a result of this work is not reviewed by the LLA document review team.

Eligible Facilities

- ◇ Any building, works, system, equipment or any improved and maintained natural feature owned by the sub-grantee
- ◇ Responsibility of the sub-grantee
- ◇ Located in a designated disaster area
- ◇ Not under the specific authority of another federal agency
- ◇ In active use at the time of the disaster

Eligible Work

- ◇ Debris removal and emergency protective measures (emergency work)
- ◇ Roads and bridges; water control facilities; buildings and equipment; utilities; and parks, recreational facilities, and other facilities (permanent work)
- ◇ Performed on an eligible facility
- ◇ Required as the result of a major disaster event
- ◇ Located within a designated disaster area
- ◇ Legal responsibility of the sub-grantee

Eligible Costs

- ◇ Force account labor, force account equipment, materials, rented equipment, and contracts awarded for the performance of eligible work
- ◇ Reasonable and necessary
- ◇ Compliant with federal, state, and local procurement requirements
- ◇ Reduced by all applicable credits, such as insurance proceeds and salvage values

Appendix A

Management's Response



BOBBY JINDAL
GOVERNOR

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

MARK A. COOPER
DIRECTOR

May 19, 2011

Daryl Purpera, CPA
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 2010 through December 2010

Dear Mr. Purpera:

We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division Closeout Engagement reviewing the State's Public Assistance Closeout (PA) program for Hurricanes Katrina and Rita for the second half of 2010 (July 1, 2010 through December 31, 2010). 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 continue the improvements in the process and to identify trends that need correction. Additionally, we have initiated monthly meetings with the LLA Closeout Team and the State's Public Assistance Closeout Team to discuss problems and issues on a current basis. Specifically, as related to documentation that is missing GOHSEP is continuing outreach efforts to inform applicants with what is needed for closeout. GOHSEP is also training the State Applicant Liaisons to perform Pre-Closeout on every future closeout request.

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 is currently developing an applicant outreach program to specifically deal with proper procurement.

Daryl Purpera, CPA, Page 1 of 2

7667 Independence Boulevard • Baton Rouge, Louisiana 70806 • (225) 925-7500 • Fax (225) 925-7501

Your reports continue to assist us in the improvement of our processes and provide outstanding advice and counsel. The 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 read 'Mark DeBosier', with a long horizontal flourish extending to the right.

Mark DeBosier
Deputy Director - Disaster Recovery

MD:ne

cc: Mark A. Cooper, Director

Louisiana Legislative Auditor

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Baton Rouge, LA 70804-9397

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Legislative Auditor

Daryl G. Purpera, CPA, CFE

Director of Recovery Assistance

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 (R.S.) 24:513. Five copies of this public document were produced at an approximate cost of \$25.10. 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.gov. When contacting the office, you may refer to Agency ID No. 7430 or Report ID No. 52100015 for additional information.

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