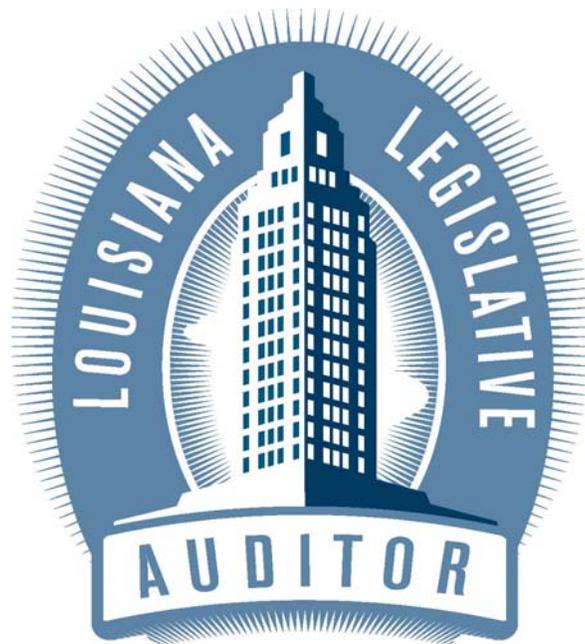


GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM
HURRICANES KATRINA AND RITA
JANUARY 2009 - MARCH 2009



AGREED-UPON PROCEDURES REPORT
ISSUED JUNE 10, 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 \$17.22. 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. 52090004 for additional information.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

May 14, 2009

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

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

We have performed the procedures enumerated below for the first quarter of 2009 (January 1, 2009, through March 31, 2009), which were requested and agreed to by you, as the director of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), primarily to assist in evaluating the operations of the state's Public Assistance (PA) program for hurricanes Katrina and Rita. 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

We compared the technical assistance contractors' - James Lee Witt Associates (JLWA) and Deloitte LLP - invoices to their contracts to determine if:

- (1) invoices were submitted in accordance with the terms of the contracts;
- (2) invoices contained all the required signatures;
- (3) invoices were submitted within the required time period;
- (4) invoices were supported by subcontractor invoices, time records, and receipts; and
- (5) supporting documentation agreed with the invoice.

For the first quarter of 2009, the contractors presented 20 invoices totaling \$9,829,592 to GOHSEP for payment.

Through a pre-payment review, we identified \$1,614 of questionable costs. These costs are 0.016% of the total amount invoiced during the period and are primarily related to the lack of adequate supporting documentation or expenses that are not reimbursable in accordance with the contracts. The contractors resolved the questionable costs by either providing additional documentation that clarified the costs or removing the costs from the invoices. In addition, we identified expenses totaling \$1,955 that had not been included by the contractors but are reimbursable. The table below details the information for each contractor.

| Contractor | Number of Invoices | Total Invoiced Amount | Questioned Costs | Percentage of Questioned Costs to Invoiced Amount |
|--------------|--------------------|-----------------------|------------------|---|
| Deloitte | 12 | \$5,304,383 | \$1,614 | 0.030% |
| JLWA | 8 | \$4,525,209 | 0 | 0.00% |
| Total | 20 | \$9,829,592 | \$1,614 | 0.016% |

Contract terms for JLWA state that invoices should be submitted within 30 days of the billing period end date. JLWA submitted all of its 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 two of its invoices within 30 days of the billing period end date and four more than 30 days after the billing period had ended. We were unable to determine when the other six invoices were received by GOHSEP.

Public Assistance Procedures

We reviewed 1,798 expense reviews totaling \$224,382,158 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 verify that the reimbursement claims are in compliance with federal and state guidelines and properly documented.

We developed findings of review for each of the 1,798 expense reviews analyzed during this period. Each finding was presented to management to keep them informed of our concerns.

Contract Work

Procedures: We applied the following procedures when the work undertaken by the sub-grantee was accomplished through the use of contractors:

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

Findings: We reviewed 1,501 expense reviews where the work was accomplished by a contractor. On these reviews, the disaster recovery specialists indicated total documented expenses of \$195,282,523. Of the 1,501 reviewed, we did not detect deficiencies in 1,223 of them. However, we noted deficiencies on 278 expense reviews totaling \$65,575,496. 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 on 182 of the expense reviews related primarily to scope limitations, lack of documentation, or procurement. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$32,440,939 (14.46% of the total amount reviewed). The deficiencies detected on the remaining 96 expense reviews related primarily to effective writing/communication which would not have resulted in any questioned costs.

Force Account Equipment

Procedures: We applied the following procedures when the work was accomplished through the use of the sub-grantees' equipment:

1. Verified that the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project.
2. Verified that line items and/or project cost over-runs that are within the scope of the project worksheets have been identified.
3. Verified that an operator was listed for each piece of equipment listed on the force account equipment summaries.
4. Verified that equipment hours claimed on the force account equipment summaries agreed with the employee hours claimed on the force account labor summaries.
5. Verified that 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.

Findings: We reviewed 26 expense reviews where the work was accomplished by using the sub-grantees' equipment. On these reviews, the disaster recovery specialists indicated total documented expenses of \$602,997. Of the 26 reviewed, we did not detect deficiencies in 21 of them. However, we noted deficiencies on five expense reviews totaling \$119,088. 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 five expense reviews related primarily to scope limitations, excessive equipment hours, or incorrect equipment rate calculations. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$5,277 (0.0024% of the total amount reviewed).

Force Account Labor

Procedures: We applied the following procedures when the work was accomplished through the use of the sub-grantees' employees:

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

Findings: We reviewed 48 expense reviews where the work was accomplished using the sub-grantees' employees. On these reviews, the disaster recovery specialists indicated total documented expenses of \$13,341,580. Of the 48 reviewed, we did not detect deficiencies in 36 of them. However, we noted deficiencies on 12 expense reviews totaling \$5,364,200. 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 on the nine expense reviews related primarily to scope limitations, excessive labor hours, or incorrect labor rate calculations. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$300,098 (0.13% of the total amount reviewed). The deficiencies detected on the

remaining three expense reviews related primarily to effective writing/communication which would not have resulted in any questioned costs.

Materials

Procedures: We applied the following procedures when the sub-grantees purchased or used materials from inventory to accomplish the work detailed in the scope of the project worksheets:

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

Findings: We reviewed 211 expense reviews where the sub-grantees used materials from inventory or purchased materials to accomplish the work. On these reviews, the disaster recovery specialists indicated total documented expenses of \$14,933,516. Of the 211 reviewed, we did not detect deficiencies in 187 of them. However, we noted deficiencies on 24 of the expense reviews totaling \$1,680,807. 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 on 15 of the expense reviews related primarily to scope limitations, lack of documentation, or procurement. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$500,266 (0.22% of the total amount reviewed). The deficiencies detected on the remaining nine expense reviews related primarily to effective writing/communication which would not have resulted in any questioned costs.

Rental Equipment

Procedures: We applied the following procedures when the sub-grantees rented equipment to accomplish the work detailed in the scope of the project worksheets:

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

4. Verified that the equipment was procured in accordance with federal and/or state laws.

Findings: We reviewed 12 expense reviews that contained total documented expenses of \$221,542 where rented equipment was used to accomplish the work. Of the 12 reviewed, we did not detect deficiencies in eight of them. However, we noted deficiencies on four expense reviews totaling \$148,186. 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 four deficiencies detected related primarily to effective writing/communication which would not have resulted in any questioned costs.

Reimbursement Request Forms

Procedure: Verified 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 1,726 expense forms. We noted that the date was incorrect on 17 of the certifications. The expense review forms 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 primarily for the information and use of GOHSEP. 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

JLS:JLM:dl

PAPHR09

Management's Response



BOBBY JINDAL
GOVERNOR

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

MARK A. COOPER
DIRECTOR

May 29, 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, First Quarter 2009

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 first quarter of 2009 (January 1, 2009 through March 31, 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 to be corrected. 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 communications issues.

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,

A handwritten signature in black ink, appearing to read "MSR", written over a white background.

Mark S. Riley
Acting Deputy Director

MSR:krs
cc: Mark A. Cooper, Director