

An Agreed-Upon Procedures Report on the
**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
HAZARD MITIGATION PROGRAM**
Issued November 20, 2013



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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

October 14, 2013

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

MR. 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 January 1, 2013, through June 30, 2013, 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 Hazard Mitigation (HM) program. GOHSEP management is responsible for the day-to-day operations of HM.

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.

OVERALL RESULTS

For the period January 1, 2013, through June 30, 2013, we analyzed 1,412 reimbursement requests along with supporting documentation to confirm that the reimbursement requests complied with federal and state guidelines and were sufficiently documented. Of the 1,412 requests, 947 were analyzed for the first time during the current period; 280 were subsequent analyses¹ of the 947 requests; and 185 were subsequent analyses of requests that were analyzed for the first time in a prior period. The following table presents the overall results of our analyses.

¹ Re-reviews of reimbursement requests that were returned to GOHSEP disaster recovery specialists because of some deficiency in documentation identified by our review.

Potential Questioned Costs				
Review Period	Number of Reviews	Amount Reviewed	Amount Questioned	Amount Resolved
Current	1,227	\$75,002,913	\$14,534,911	(\$5,765,554)
Prior	185	18,174,206	311,006	(2,364,954)
Total	1,412	\$93,177,119	\$14,845,917	(\$8,130,508)

PROCEDURES AND FINDINGS

Procedure: We confirmed that the sub-grantee submitted a SF 270 (Request for Advance or Reimbursement) that has been signed by an authorized person.

Finding: As a result of this procedure, we identified one request that did not have a SF 270 form signed by an authorized person. The file was returned to GOHSEP personnel to obtain adequate documentation.

Procedure: We reviewed the mathematical calculations performed by GOHSEP personnel to confirm the calculations are in accordance with funding parameters.

Finding: As a result of this procedure, we identified two requests where the SF 270 did not match the previously requested federal payments. The requests were returned to GOHSEP personnel to obtain adequate documentation.

Procedure: We confirmed that the invoices, billings, photographs of work, and related items provided by the sub-grantee supported the request for reimbursement.

Finding: As a result of this procedure, we identified 254 reimbursement requests that lacked sufficient documentation and noted potential questioned costs totaling \$13,682,460.

Our subsequent analyses of 153 of the 254 requests noted that the sub-grantees provided sufficient documentation to support \$5,714,901 of the \$13,682,460 (42%) potential questioned costs. Our subsequent analyses also noted additional potential questioned costs of \$80,102.

In addition, our subsequent analyses of 77 requests totaling \$18,174,206 initially analyzed in a prior period found that the sub-grantees provided sufficient documentation to support \$2,281,874 of the previously noted potential questioned costs. Our subsequent analyses also noted additional potential questioned costs of \$311,006.

Procedure: We confirmed that the work reflected by the documentation was within the scope approved for the grant.

Finding: As a result of this procedure, we identified four requests that lacked sufficient documentation to verify that the work was within the scope approved for the grant, and we noted potential questioned costs totaling \$772,349.

Our subsequent analyses of one of the four requests noted that the sub-grantee provided sufficient documentation to support \$50,653 of the \$772,349 (7%) of potential questioned costs. Also, our subsequent analysis of one request initially reviewed in a prior period noted that the sub-grantee provided sufficient documentation to support \$83,080 of the previously noted potential questioned costs.

Procedure: We confirmed that the quarterly reporting was up-to-date.

Finding: As a result of this procedure, we identified nine requests that did not have an up-to-date quarterly report. The requests were returned to GOHSEP personnel to obtain adequate documentation.

Procedure: We confirmed that the documented expenses and project progression correspond with the performance period.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that an end of performance period letter had been prepared and processed for projects ending in less than 90 days.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that at least one site inspection had been conducted for each project that was more than 50% complete or that a final site inspection has been conducted for each project that is 100% complete.

Finding: We did not note any exceptions as a result of this procedure.

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 the fair presentation of 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 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,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, prominent initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

GOHSEP-HMGP 2013

BACKGROUND

GOHSEP's documentation review process begins when sub-grantees submit reimbursement requests and supporting documentation. GOHSEP disaster recovery specialists review the requests and gather any additional documentation deemed necessary to fully support the requests. The disaster recovery specialists document the results of the reviews on requests for advance or reimbursement and then submit the forms and all supporting documentation to their team leads. The team leads conduct a review and then submit the requests for advance or reimbursement and all supporting documentation to the Louisiana Legislative Auditor's (LLA) document review team to be reviewed under our agreed-upon procedures engagement.

The LLA document review team inspects the requests and supporting documentation to identify any potential questioned costs. Unsupported costs are considered potential questioned costs and are reported.

The LLA document review team also documents exceptions in findings of review that are presented to GOHSEP management. When exceptions are noted, the requests and supporting documentation are returned to the GOHSEP disaster recovery specialists. GOHSEP management decides whether to correct the exceptions or fund the requests. If GOHSEP management decides to correct the exceptions, the disaster recovery specialists gather additional documentation to correct them. Then, LLA's document review team inspects the additional documentation following the same agreed-upon procedures as the initial reviews. This process allows GOHSEP the opportunity to correct exceptions prior to final payment, thus eliminating questioned costs.

Schedule A

Additional Information

Prior Period Potential Questioned Costs

Sometimes potential questioned costs are not resolved until a subsequent reporting period. The following table presents the status of potential questioned costs noted in prior periods as of December 31, 2012.

Prior Period Potential Questioned Costs			
Period	Amount Questioned	Amount Resolved	Amount Unresolved
Calendar year 2008	\$16,892,705	(\$16,892,705)	\$0
Calendar year 2009	7,900,309	(7,603,385)	296,924
Calendar year 2010	6,583,449	(5,659,340)	924,109
Calendar year 2011	20,308,689	(8,615,965)	11,692,724
Calendar year 2012	16,696,905	(10,191,392)	6,505,513
Total	\$68,382,057	(\$48,962,787)	\$19,419,270

Appendix A

Management's Response



BOBBY JINDAL
GOVERNOR

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

KEVIN DAVIS
DIRECTOR

November 15, 2013

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

RE: Management Responses to Hazard Mitigation Grants – First and Second Quarter 2013 Report

Dear Mr. Purpera:

I have reviewed the findings in the first and second quarter 2013 report, from your office, which covers activities of the Hazard Mitigation Section, Governor's Office of Homeland Security and Emergency Preparedness for January 1 to June 30, 2013.

GOHSEP's current policies and procedures require that all sub-grantees provide complete and accurate, detailed documentation to support the reimbursement requests as they are submitted. In addition, GOHSEP has contracted with the State Legislative Auditor's Office to assist in the review process to ensure complete and accurate documentation, prior to any reimbursement request being processed for funding.

In accordance with your guidance, we are providing management's response to the findings that were not resolved by the end of the review period.

Procedure: We confirmed that the sub-grantee submitted a SF 270 (Request for Advance or Reimbursement) that has been signed by an authorized person.

Finding: As a result of this procedure, we identified one request that did not have a SF 270 form signed by an authorized person. The file was returned to GOHSEP personnel to obtain adequate documentation.

Response: HM management concurs that at the time of this report, there was a request for reimbursement submitted that did not have a SF 270 form signed by an authorized person. Since that time, the SF 270 was obtained from the applicant with a signature from the authorized representative.

Corrective Action: The Mitigation leadership will continue to enforce rigorous reviews of all requests for payment prior to any request being processed for reimbursement. Disaster Recovery Specialists (DRSs) and Team Leads are responsible for ensuring all proper documentation is available to support payment requests. Focus has been and will continue to be placed in these areas and management will continue frequent meetings with LLA assigned to the section to discuss findings as they occur.

Procedure: We reviewed the mathematical calculations performed by GOHSEP personnel to confirm the calculations are in accordance with funding parameters.

Finding: As a result of this procedure, we identified two requests where the SF 270 did not match the previously requested federal payments. The requests were returned to GOHSEP personnel to obtain adequate documentation.

Response: HM management concurs that at the time of this report, there were two requests for reimbursement submitted with SF270s that did not match the previously requested federal payments. Since that time, the SF270 for both requests were corrected to reflect the correct calculations.

Corrective Action: The Mitigation leadership will ensure proper checks and balances are in place to verify reimbursement reviews are complete and accurate. This quality control review will include a thorough check of mathematical calculations on previous and current requests ensuring these amounts total federal share requested.

Procedure: We confirmed that the invoices, billings, photographs of work, and related items provided by the sub-grantee supported the request for reimbursement.

Finding: As a result of this procedure, we analyzed 254 reimbursement requests that lacked sufficient documentation and noted potential questioned costs totaling \$13,682,460.

Our subsequent analyses of 156 of the 254 requests noted that the sub-grantees provided sufficient documentation to support \$5,714,901 of the \$13,682,460 (42%) of potential questioned costs. Our subsequent analyses also noted additional potential questioned costs of \$80,102. In addition, our subsequent analyses of 80 requests initially analyzed in a prior period noted that the sub-grantees provided sufficient documentation to support \$2,281,874 of \$19,419,270 (12%) in previously noted potential questioned costs. Our subsequent analyses also noted additional potential questioned cost of \$311,006.

Response: HM management concurs that at the time of this report, potential questioned costs have been returned to the sub-grantee for additional supporting documentation. Of the total questioned costs, \$5,714,901 has been resolved due to the sub-grantee withdrawing the requests for reimbursement or providing

the necessary documentation to resolve the questioned costs. It is noted that "questioned costs" does not mean the costs are not eligible under the program, only that to meet strict standards of documentation, additional documentation from the applicant is required. GOHSEP employees will continue working with sub-grantees to provide the necessary documentation to support the remaining questioned costs.

Corrective Action: The Mitigation Section leadership continues to stress the importance of valid cost analysis and cost reasonableness determinations for uncompetitive procurement matters. Disaster Recovery Specialists (DRSs) and Team Leads will provide support to the sub-grantee to ensure that proper documentation of procurement or a cost analysis is performed. The emphasis is placed on providing the required documentation to demonstrate competitive procurement or a valid cost analysis that supports the sub-grantees decision regarding cost reasonableness. HM management will continue meeting regularly with the LLA assigned to the section to discuss findings, as they may occur.

Procedure: We confirmed that the work reflected by the documentation was within the scope approved for the grant.

Finding: As a result of this procedure, we identified four requests that lacked sufficient documentation to verify that the work was within the scope approved for the grant and noted potential questioned costs totaling 772,350.

Our subsequent analyses of one of the four requests noted that the sub-grantee provided sufficient documentation to support \$50,653 of the \$772,350 (7%) of the potential questioned costs. Also, our subsequent analysis of one request initially reviewed in a prior period noted that the sub-grantee provided sufficient documentation to support \$83,080 of \$12,646,318 (1%) in previously noted potential questioned costs.

Response: HM management concurs that at the time of this report, potential questioned costs have been returned to the sub-grantee for additional supporting documentation that verifies work was within the approved scope for the grant. Staff members have, since then, addressed discrepancies with applicants and either adjusted the scope of work or informed the applicant they could not be reimbursed for items not in the approved scope of work. This resulted in \$50,653 of the total questioned costs being resolved by sub-grantees.

Corrective Action: The Mitigation leadership team continues working with staff on the evaluation of files and requirements for reimbursement. GOHSEP has also drafted Standard Operating Procedures to be used as tools to aid in the review of files.

Procedure: We confirmed that the quarterly reporting was up-to-date.

Mr. Daryl Purpera, CPA, CFE
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November 15, 2013

Finding: As a result of this procedure, we identified nine requests that did not have an up-to-date quarterly report. The files were returned to GOHSEP personnel to obtain adequate documentation.

Response: HM management concurs that at the time of this report, nine requests did not have up-to-date quarterly reports. Since the time of the review, GOHSEP has updated all payment requests with current quarterly reports.

Corrective Action: The Mitigation Section leadership has instructed all staff members to ensure quarterly reports are accurate and updated in every project file (electronically and in hard copy). Additionally, GOHSEP will not proceed with payment requests from applicants that do not include an up-to-date quarterly report.

Procedure: We confirmed that the documented expenses and project progression correspond with the performance period.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that an end of performance period letter had been prepared and processed for projects ending in less than 90 days.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that at least one site inspection had been conducted for each project that was more than 50% complete; or that a final site inspection has been conducted for each project that is 100% complete.

Finding: We did not note any exceptions as a result of this procedure.

GOHSEP appreciates the continued assistance provided by the State Legislative Auditor. The feedback provided by the State Legislative Auditor is an important aspect in improving the quality of work performed by GOHSEP staff and to reduce financial risks to the state and entities served by the Hazard Mitigation Grant Program.

Sincerely,



Casey Tingle
Assistant Deputy Director, Hazard Mitigation

CT:tw

cc: Kevin Davis, Director
Mark Riley, Deputy Director of Disaster Recovery