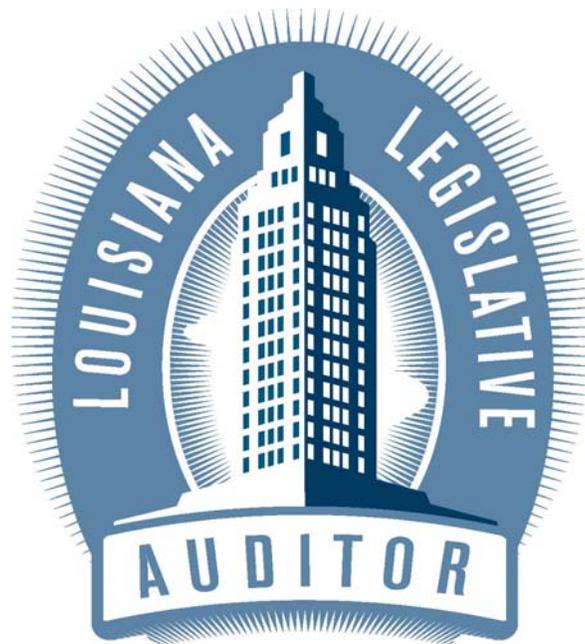


GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM
JULY 2008 - SEPTEMBER 2008



AGREED-UPON PROCEDURES REPORT
ISSUED JANUARY 21, 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 \$17.16. 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. 52080009 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225-339-3800.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

January 21, 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 2008 (July 1, 2008 through September 30, 2008), 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. 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 invoices.

PUBLIC ASSISTANCE PROGRAM

For the third quarter of 2008, the contractors presented 16 invoices totaling \$5,273,014 to GOHSEP for payment.

Questioned costs were identified during a standard review process before payment. These costs totaled \$211 (0.01% of the total invoiced amount) and did not appear to be within the terms of the contracts. The contractors resolved the questionable costs by either providing additional documentation that clarified the costs or removing the costs from the invoices. These questioned costs are primarily related to the lack of adequate supporting documentation or expenses that are not reimbursable in accordance with the contracts. 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	10	\$2,513,333	\$0	0.00%
JLWA	6	\$2,759,681	\$211	0.01%
Total	16	\$5,273,014	\$211	0.01%

Contract terms for JLWA state that invoices should be submitted within 30 days of the billing period. JLWA submitted three of its invoices more than 30 days after the billing period. Though its contract does not specify, Deloitte submitted all its invoices within 30 days of the billing period.

GOHSEP management continues to stress the need for accurate billing with its contractors resulting in minimal questioned costs.

Public Assistance Procedures

We reviewed 1,341 expense review forms along with their supporting documentation as prepared by the GOHSEP disaster recovery specialists totaling \$284,206,440. Through the use of these forms, disaster recovery specialists document their reviews of the reimbursement claims submitted by sub-grantees. For all large projects [as defined in 44 CFR 206.203(c)(1)], we reviewed the expense review forms 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 1,341 expense review forms reviewed 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 1,162 expense review forms where the work was accomplished by a contractor. On those forms, the disaster recovery specialists indicated total documented expenses of \$264,575,160. Of the 1,162 reviewed, we did not detect deficiencies in 981 of them. However, we noted deficiencies on 181 expense review forms totaling \$69,329,103. When deficiencies were noted, the expense review forms and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on 157 of the expense review forms related primarily to scope limitations, lack of documentation, or procurement. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$21,591,956 (7.6% of the total amount reviewed). The deficiencies detected on the remaining 24 expense review forms 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 29 expense review forms where the work was accomplished by using the sub-grantees' equipment. On those forms, the disaster recovery specialists indicated total documented expenses of \$2,232,759. Of the 29 reviewed, we did not detect deficiencies in 22 of them. However, we noted deficiencies on seven expense review forms totaling \$393,071. When deficiencies were noted, the expense review forms and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected in seven of the expense review forms related primarily to the scope limitations, excessive equipment hours, or incorrect equipment rate calculations. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$203,988 (0.07% 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 calculation prepared by the sub-grantees include only eligible elements and are mathematically accurate

Findings

We reviewed 39 expense review forms where the work was accomplished using the sub-grantees' employees. On those forms, the disaster recovery specialists indicated total documented expenses of \$5,384,332. Of the 39 reviewed, we did not detect deficiencies in 29 of them. However, we noted deficiencies on 10 expense review forms totaling \$1,606,676. When deficiencies were noted, the expense review forms and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on nine expense review forms related primarily to scope limitations, excessive employee hours, or incorrect/unsupported benefit calculations. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$1,540,686 (0.54% of the total reviewed). The deficiencies detected on the remaining expense review form related primarily to effective writing/communication which would not have resulted in any questioned cost.

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 104 expense review forms where the sub-grantees used materials from inventory or purchased materials to accomplish the work. On those forms, the disaster recovery specialists indicated total documented expenses of \$11,768,559. Of the 104 reviewed, we did not detect deficiencies in 87 of them. However, we noted deficiencies on 17 of the expense review forms totaling \$1,721,887. When deficiencies were noted, the expense review forms and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on 13 of the expense review forms related primarily to scope limitations, lack of documentation, or procurement. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$467,088 (0.16% of the total amount reviewed). The deficiencies detected on the remaining four expense review forms 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 seven expense review forms that contained total documented expenses of \$245,630 where rented equipment was used to accomplish the work. Of the seven reviewed, we did not detect deficiencies in six of them. However, we noted deficiencies on one expense review form totaling \$10,105. When deficiencies were noted, the expense review forms and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected related primarily to the scope limitations, lack of documentation, or procurement. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$6,455 (0.002% of the total amount reviewed).

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 1,341 expense review forms and did not note any exceptions.

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

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Management's Response



BOBBY JINDAL
GOVERNOR

State of Louisiana
Governor's Office of Homeland Security
and
Emergency Preparedness
January 11, 2009

MARK A. COOPER
DIRECTOR

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 2008

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 the third quarter of 2008 (July 1, 2008 through September 30, 2008). We continue to benefit from the excellent assistance Steve Stephens and his team provides in the execution of a high regulatory, high complex federal program. Over the past calendar year, with the Legislative Auditor's support, we have disbursed over \$1 billion for the recovery of the State of Louisiana from Hurricanes Katrina and Rita.

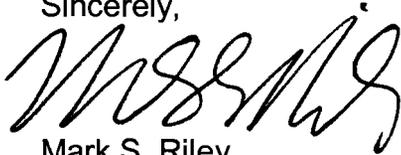
The report provided an analysis of technical assistance contractor billing and reflects that we have continued to be effective in reducing the percentage of questioned costs. The report noted \$211 of questionable costs out of \$5.3 million of cost submitted. These costs were resolved with the assistance of the LLA Team. I note that the report indicates that the questionable costs were "0.01%" of the total costs invoices, however, as a percentage of total invoice, questionable costs were only 0.004%. This is an important number to us because it was as high as 1.7% at the end of 2007 and we have work diligently with the contractors to eliminate discrepancies in billing.

The Agreed-Upon Procedures Report provided analysis of current activities applying our public assistance grant procedures. During the quarter reviewed, we processed approximately \$196 million in public assistance grant funding and experienced two major hurricanes. We strive for 100% accuracy in processing granting funding and have continued to emphasize an aggressive training program. This quarter management will begin utilizing newly developed management report tools to track the performance of individual grants managers ("Disaster Recovery Specialists) for the purpose of identifying specific

Steve J. Theriot, CPA
Legislative Auditor
January 11, 2009
Page 2 of 2

deficiencies and targeting training. The LLA Team continues to help us identify trends and we also use this information for training purposes. Your 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 the word 'Sincerely,'.

Mark S. Riley
Assistant Deputy Director, Disaster Recovery

Cc: Mark A. Cooper, Director