

An Agreed-Upon Procedures Report on the
**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM CLOSE-OUT
JANUARY 2012 - JUNE 2012**
Issued September 5, 2012



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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 January 1, 2012, through June 30, 2012, we analyzed obligated funds totaling \$32,195,234. The results of our analysis are as follows:

Final Inspection Report Review. During the period, we reviewed 55 final inspection reports prepared by GOHSEP close-out specialists on 22 large¹ project packages² with obligated funds of \$5,923,842 and 33 small³ project packages containing 341 small projects with obligated funds of \$3,539,437. Of the \$9,463,279 in total obligated funds we reviewed, we noted that the packages contained insufficient documentation resulting in questioned costs of \$1,311,495 (14%).

We also re-reviewed final inspection reports prepared by GOHSEP close-out specialists on 22 large and three small project packages that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. Our subsequent reviews noted that GOHSEP provided sufficient documentation to support \$10,074,323 of the \$12,907,816 (78%) in previously noted questioned costs that we re-reviewed.

Detailed Documentation Review. During the period, we conducted detailed documentation reviews in preparation of programmatic closure on 61 large project packages with obligated funds of \$21,997,086 and nine small project packages containing 74 small projects with obligated funds of \$734,869. Of the \$22,731,955 in total obligated funds we reviewed, we noted that the sub-grantees did not provide sufficient documentation resulting in questioned costs of \$1,354,621 (6%) as well as cost underruns⁴ totaling \$219,440 and overruns⁵ totaling \$26,431. Cost underruns and overruns are differences between estimated and actual costs. There are no questioned costs associated with cost underruns and overruns. FEMA generally writes versions to the project worksheets to adjust the estimates to actual project costs.

GOHSEP management returned 36 large projects. We analyzed each of those files in greater detail and noted additional questioned costs of \$71,063, cost underruns of \$2,856, and cost overruns of \$451,398. In addition, our subsequent analyses noted that the sub-grantees

¹ A large project is valued greater than \$55,500 for hurricanes Katrina and Rita or \$60,900 for hurricanes Gustav and Ike.

² A package is an individual large project or all of a sub-grantee's small projects grouped together by disaster.

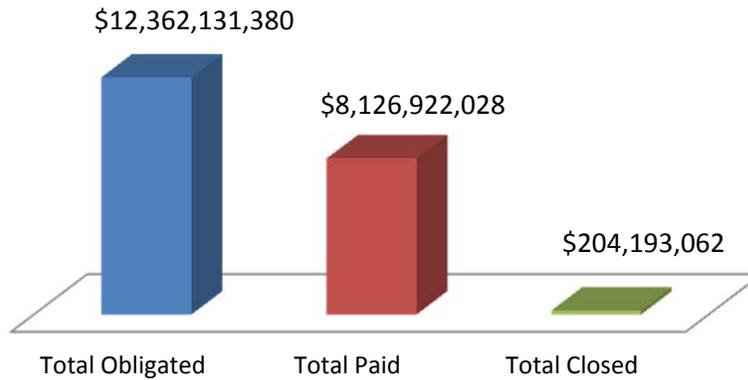
³ A small project is valued less than \$55,500 for hurricanes Katrina and Rita or \$60,900 for hurricanes Gustav and Ike.

⁴ A cost underrun occurs when FEMA's estimated obligations are greater than the actual cost to perform the scope of work.

⁵ A cost overrun occurs when FEMA's estimated obligations are less than the actual cost to perform the scope of work.

provided sufficient documentation to support \$5,938,014 of \$6,098,064 (97%) in previously noted questioned costs that we re-analyzed:

**FEMA Public Assistance for Hurricanes Katrina, Rita, Gustav, and Ike
(as of June 30, 2012)**



Close-out Progress. As of June 30, 2012, FEMA obligated more than \$12 billion for hurricanes Katrina, Rita, Gustav, and Ike. Of that \$12 billion, GOHSEP reimbursed sub-grantees more than \$8 billion. Approximately 1.7% of the obligated amount has been closed.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 2, 2012

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, 2012, through June 30, 2012, which were requested and agreed to by Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management, 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 (PA) program including programmatic closure.

This agreed-upon procedures engagement was conducted in accordance with the applicable 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 of America. The sufficiency of these procedures is solely the responsibility of GOHSEP management. 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.

Final Inspection Report Review - Small Projects

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 33 small project packages prepared by GOHSEP close-out specialists. These packages consisted of 341 small projects with obligated funds totaling \$3,539,437. We noted questioned costs totaling \$52,264 for seven projects as follows:

- Four projects did not contain sufficient evidence to support completion of the scope of work resulting in questioned costs of \$51,578.
- Two projects contained errors in the documentation totaling \$253.
- One project contained insufficient documentation to support expenses totaling \$433.

We also conducted subsequent analyses on three small project packages that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. Our subsequent analyses noted that GOHSEP provided sufficient documentation to support \$13,178 in previously noted questioned costs.

Final Inspection Report Review - Large Projects

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 22 large project packages prepared by GOHSEP close-out specialists with obligated funds totaling \$5,923,842 and noted questioned costs totaling \$1,259,231 as follows:

Initial Analysis		
Finding Type	No. of Large Projects	Questioned Costs
Lack of Support	10	\$1,075,512
Errors*	2	960
Procurement Not Documented	6	181,049
Ineligible Expenses	1	1,710
Total		\$1,259,231
* The amount requested by the sub-grantee and/or processed by GOHSEP was greater than the amount supported by documentation.		

GOHSEP is continuing to seek documentation to support these questioned costs.

In addition, we conducted subsequent analyses on 22 large projects that had been returned to the GOHSEP close-out specialists because of

documentation deficiencies. Our subsequent analyses noted that GOHSEP provided sufficient documentation to support \$10,061,145 of \$12,907,816 (78%) in previously noted questioned costs.

Detailed Documentation Review - Small Projects

Procedure: For each sub-grantee whose small projects were assigned to the Louisiana Legislative Auditor, 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: As a result of our procedure, we analyzed nine small project packages containing 74 small projects with obligated funds totaling \$734,869. Our analyses noted that three projects did not contain sufficient evidence to support completion of the scope of work resulting in questioned costs totaling \$13,554.

Detailed Documentation Review - Large Projects

Overall Results. We analyzed 61 large projects with obligated funds totaling \$21,997,086. For 33 of those projects, we noted that the sub-grantees did not fully support all expenses claimed resulting in questioned costs totaling \$1,341,067 as follows:

Initial Analysis		
Expense Type	No. of Reviews*	Questioned Costs
Force Account Labor	18	\$293,616
Force Account Equipment	10	526,755
Materials	7	74,514
Rented Equipment	4	62,036
Contract Work	13	384,146
Total		\$1,341,067
* A large project may contain multiple expense types; therefore, there are more reviews than projects.		

Our analyses also noted that for some projects FEMA's estimated obligations were greater than the actual cost to perform the scope of work (cost underrun) and that for others FEMA's estimated obligations were less than the actual cost to perform the scope of work (cost overrun). The underruns totaled \$219,440 and the overruns totaled \$26,431. There are no questioned costs associated with these differences in estimates. FEMA generally writes versions to the project worksheets to adjust the estimates to actual project costs.

In addition, GOHSEP management returned 36 large project packages for additional analysis. We analyzed each of those files in greater detail and noted that the sub-grantees

provided sufficient documentation to support \$5,938,014 of \$6,098,064 (97%) in previously noted questioned costs. Our subsequent analyses also noted additional questioned costs totaling \$71,063; cost underruns totaling \$2,856; and cost overruns totaling \$451,398.

Detailed Results. For each large project, we selected a sample of completed work from each expense category and conducted the following procedures:

Procedure: When the work undertaken was accomplished through the use of the subgrantees’ 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 analyzed force account labor costs totaling \$850,539 for 37 large projects and noted \$293,616 in questioned costs as indicated in the Figure 1.

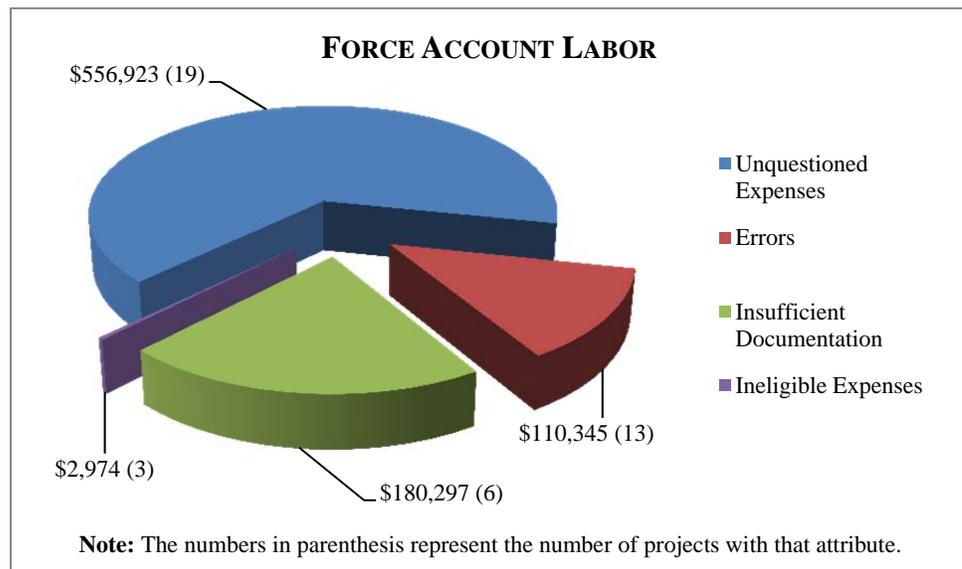


Figure 1

Our analyses also noted cost underruns totaling \$29,955 in 14 projects and cost overruns totaling \$10,822 in seven projects.

Procedure: When the work undertaken was accomplished through the use of the subgrantees’ 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 analyzed force account equipment costs totaling \$752,056 for 32 large projects and noted questioned costs totaling \$526,755 as indicated in Figure 2.

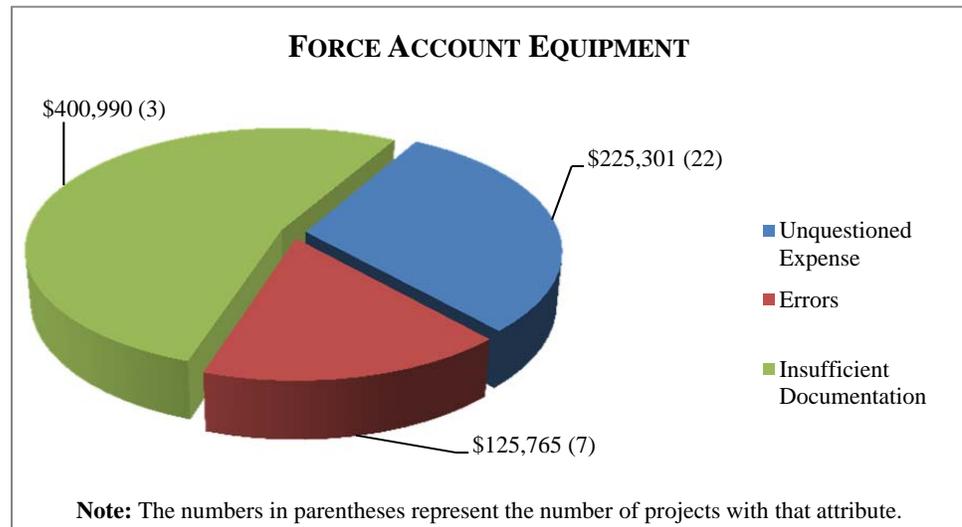


Figure 2

Our analyses also noted cost underruns totaling \$5,928 in six projects and cost overruns totaling \$5,033 in five projects.

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

Finding: As a result of our procedure, we analyzed material costs totaling \$1,165,227 for 36 large projects and noted questioned costs totaling \$74,514 as indicated in Figure 3.

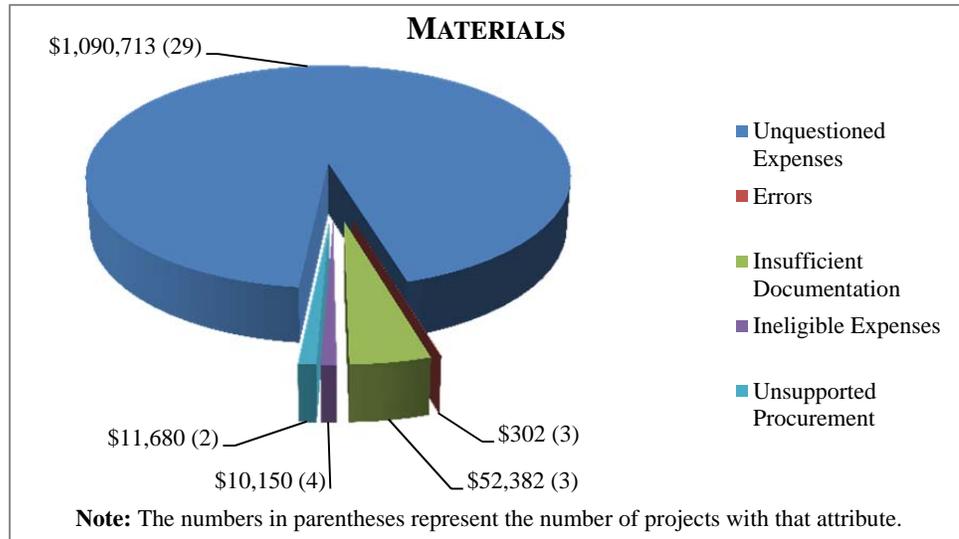


Figure 3

Our analysis also noted cost underruns totaling \$25,801 in nine projects.

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 analyzed rented equipment costs totaling \$233,605 for 20 large projects and noted questioned costs totaling \$62,036 as indicated in Figure 4.

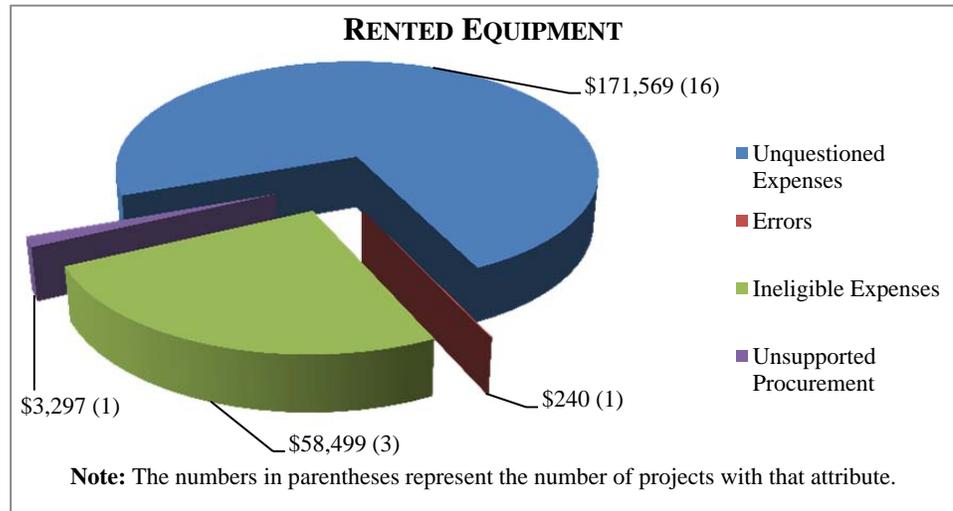


Figure 4

Our analyses also noted cost underruns totaling \$9,414 in one project and cost overruns totaling \$10,216 in two projects.

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 analyzed contract work totaling \$4,546,663 for 44 large projects and noted questioned costs totaling \$384,146 as indicated in Figure 5.

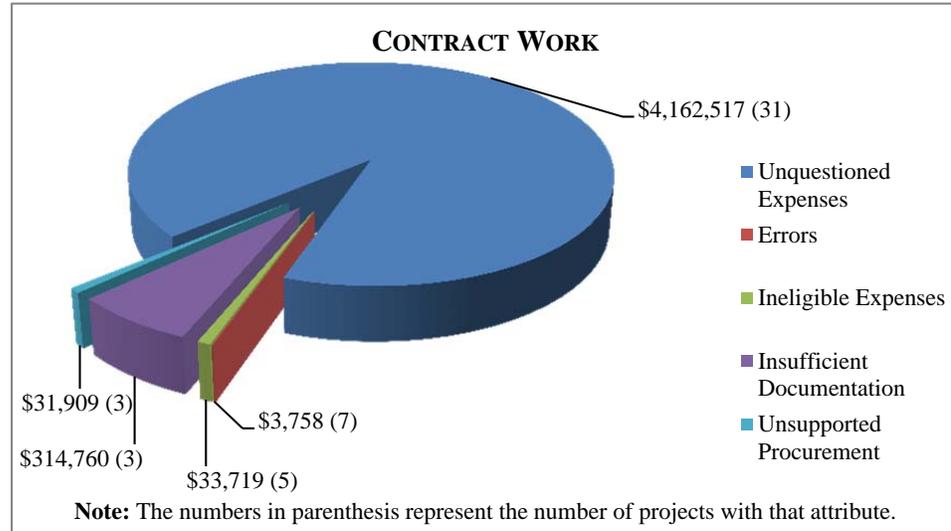


Figure 5

Our analyses also noted cost underruns totaling \$148,342 in 13 projects and cost overruns totaling \$360 in two projects.

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. GOHSEP’s response to this report is included in Appendix A.

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. By provisions 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

SF:SD:JM:ch

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 90%.

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

The PA program is considered programmatically closed when FEMA ensures that all 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.

Close-out Review Process. Currently, sub-grantees request closure of their projects before the process begins. Large projects are closed individually; small projects are closed 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 Louisiana Legislative Auditor's (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 consider having 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 address deficiencies or request additional supporting documentation. Any final inspection report created as a result of this work is not reviewed by the LLA document review team.

Appendix A

Management's Response



BOBBY JINDAL
GOVERNOR

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

KEVIN DAVIS
DIRECTOR

August 15th, 2012

Daryl Purpera, CPA, CFE
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 – January 1st, 2012 – June 30th, 2012

Dear Mr. Purpera:

We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division reviewing the State's Public Assistance (PA) Closeout program for Hurricanes Katrina, Rita, Gustav and Ike for the first half of 2012 (January 1st, 2012 through June 30th, 2012). 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 and closeout personnel to identify areas for improvement in the process and to note trends that need correction. We have also have initiated meetings with the LLA Closeout Management Team and the State's Public Assistance Closeout Team Management to discuss problems and issues on an ongoing and current basis.

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 has also provided an applicant outreach program to specifically deal with educating applicants on proper procurement. This outreach training was also held for internal GOHSEP staff in order to further their understanding of procurement and to assist them to identify issues proactively.

In addition based on this most recent report, we will be analyzing the current documentation requirements for reimbursing costs associated with Force Account Labor

Daryl G. Purpera, CPA, CFE

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August 15, 2012

and Force Account Equipment expenses. We intend to look at trending on questioned costs and make determinations regarding whether we need to consider changing our current reimbursement request documentation requirements to alleviate the documentation requirements at closeout.

As another initiative, GOHSEP is also redesigning the closeout process in order to better prepare applicants for closeout. We are initiating a Pre-Closeout pilot program which will provide outreach, technical assistance and training to the applicants on preparing their project files for closeout. We have also initiated a closeout training for applicants to provide guidance and understanding of documentation requirements and retention. We believe that these initiatives will alleviate the recurring issues with insufficient or missing documentation concerns and streamline the closeout focus to projects that are ready.

Your reports continue to assist us in the improvement of our processes and provide important feedback which will assist us in achieving our 100% accuracy goal.

Sincerely,



Mark S. Riley

Deputy Director Disaster Recovery Division

MR:ibb

cc: Kevin Davis, Director-GOHSEP