

An Agreed-Upon Procedures Report on the
**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM CLOSE-OUT
JANUARY 2013 - JUNE 2013**
Issued November 6, 2013



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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 25, 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 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

During the period, we did not review any close-out packages¹ that GOHSEP close-out specialists prepared.

Detailed Documentation Review

For the period January 1, 2013, through June 30, 2013, we analyzed a sample of cost components totaling \$15,628,498 for 55 large projects with total project costs of \$37,654,798. We did not review any small project packages. Our analyses noted that the sub-grantees did not fully support all expenses claimed, resulting in questioned costs totaling \$5,717,475. In addition, our analyses noted that for some projects FEMA's estimated project costs were

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

greater than the actual cost to perform the scope of work (cost underrun) and that for others FEMA's estimated project costs were less than the actual cost to perform the scope of work (cost overrun). The underruns totaled \$26,620 and the overruns totaled \$21,178. 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.

We also analyzed project costs totaling \$1,156,177 for four large projects that GOHSEP management returned for additional analyses. Our subsequent analyses noted that the subgrantees provided sufficient documentation to support \$1,028,808 in previously noted questioned costs. Also, our subsequent analyses noted additional questioned costs totaling \$1,894.

The following table presents the overall results of our analyses:

Detailed Documentation Reviews Current Period Questioned Costs				
Review Type	Number of Reviews	Amount Reviewed	Amount Questioned	Amount Resolved
Initial (current period)	55	\$15,628,498	\$5,717,475	\$0
Subsequent (prior period)	4	1,156,177	1,894	(1,028,808)
Total	59	\$16,784,675	\$5,719,369	(\$1,028,808)

For each of the 55 large projects, 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 \$494,344 for 22 large projects and noted \$388,554 in questioned costs as indicated in Figure 1.

Force Account Labor

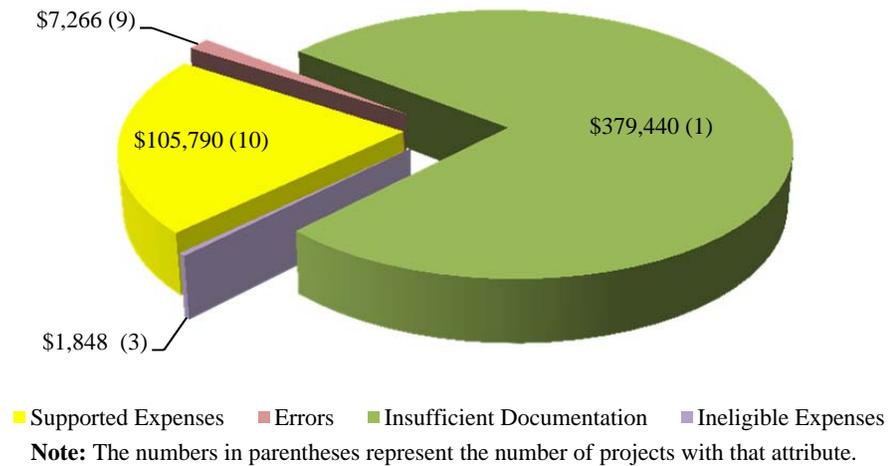


Figure 1

Our analyses also noted labor cost underruns totaling \$5,463 in six projects and labor cost overruns totaling \$8,474 in three projects.

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 analyzed force account equipment costs totaling \$748,568 for 16 large projects and noted questioned costs totaling \$138,419 as indicated in Figure 2.

Force Account Equipment

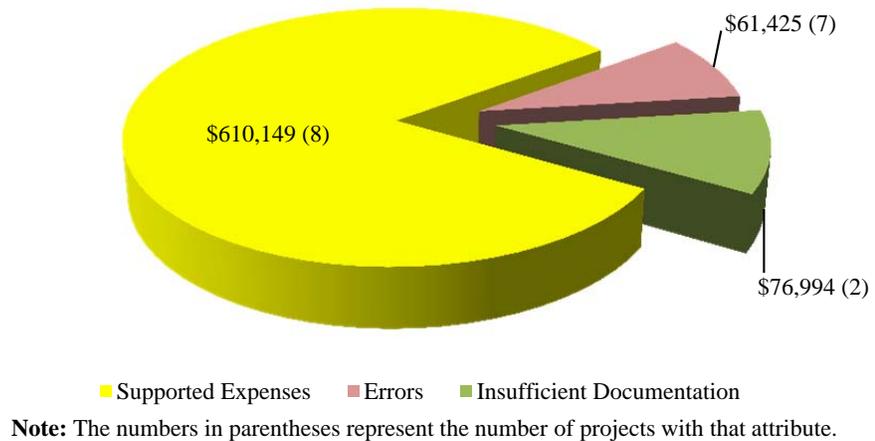
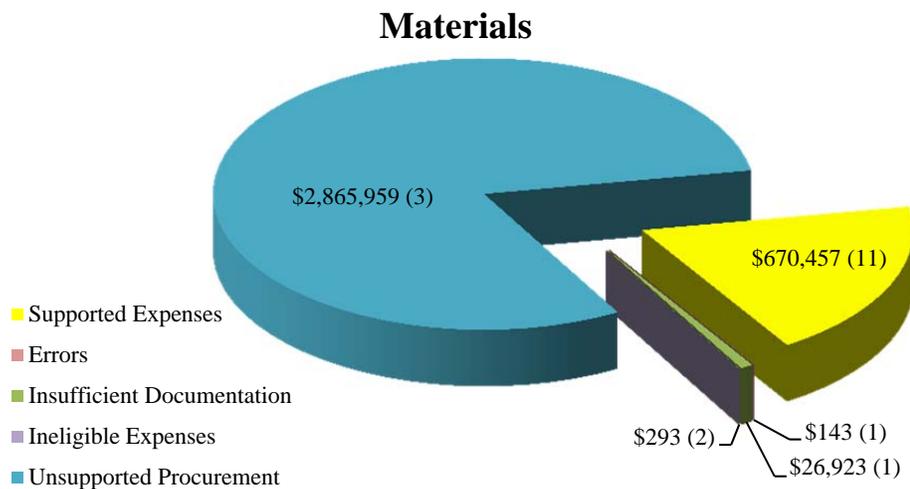


Figure 2

Our analyses also noted equipment cost underruns totaling \$2,486 in three projects and equipment cost overruns totaling \$7,430 in one project.

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 \$3,563,775 for 17 large projects and noted questioned costs totaling \$2,893,318 as indicated in Figure 3.



Note: The numbers in parentheses represent the number of projects with that attribute.

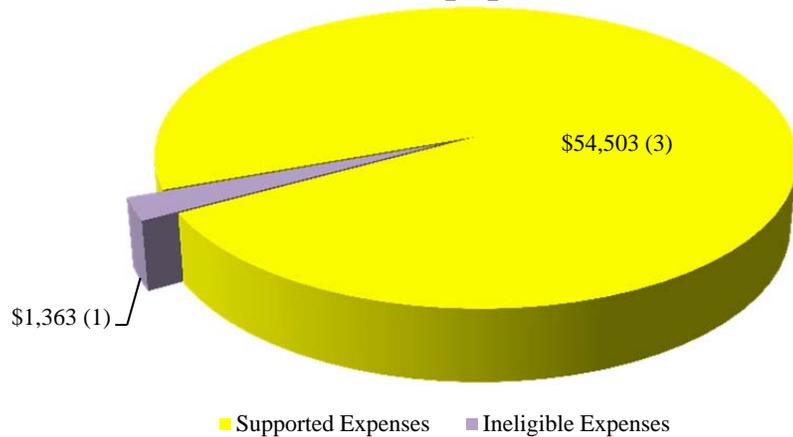
Figure 3

Our analyses noted material cost underruns totaling \$895 in three 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 \$55,866 for four large projects and noted questioned costs totaling \$1,363 as indicated in Figure 4.

Rented Equipment



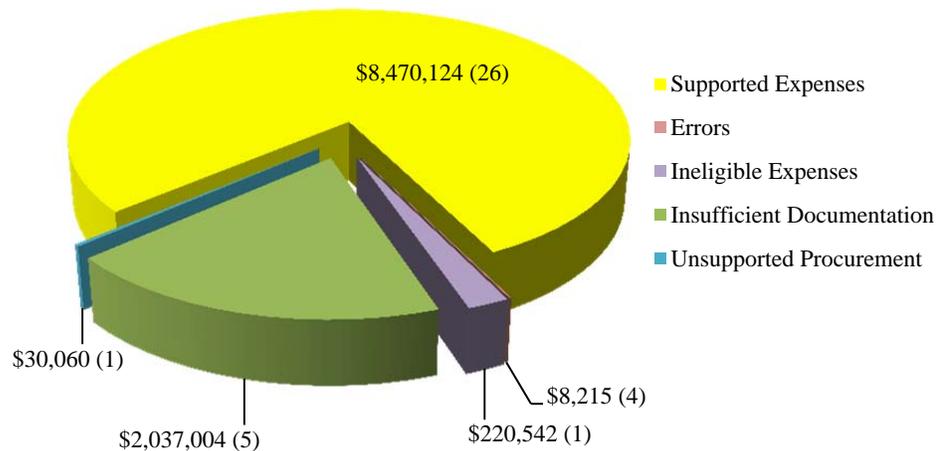
Note: The numbers in parentheses represent the number of projects with that attribute.

Figure 4

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 \$10,765,945 for 35 large projects and noted questioned costs totaling \$2,295,821 as indicated in Figure 5.

Contract Work



Note: The numbers in parentheses represent the number of projects with that attribute.

Figure 5

Our analyses also noted contract work cost underruns totaling \$17,776 in two projects and contract work cost overruns totaling \$5,274 in three 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.

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,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

GOHSEP-PA CLOSEOUT 2013

BACKGROUND

Public Assistance (PA) Overview. Under the PA program, FEMA provides supplemental aid to states, communities, and certain private nonprofit (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.

In 2012, GOHSEP began a new close-out process whereby the close-out specialists are to identify cost overruns and underruns, document their review results on a pre-closeout summary, and submit the summary and supporting documentation to the LLA close-out team. The LLA close-out team analyzes the pre-closeout summary 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. Any final inspection report created as a result of this work is not reviewed by the LLA close-out team.

Schedule A

Additional Information

Sometimes questioned costs are not resolved until a subsequent reporting period. The following tables present the status of questioned costs noted in prior periods for final inspection report reviews and detailed documentation reviews as of December 31, 2012.

Final Inspection Report Reviews Prior Period Questioned Costs			
Period	Amount Questioned	Amount Resolved	Amount Unresolved
Calendar Year 2008	\$0	\$0	\$0
Calendar Year 2009	532,138	(465,640)	66,498
Calendar Year 2010	740,812	(257,466)	483,346
Calendar Year 2011	21,621,204	(13,607,508)	8,013,696
Calendar Year 2012	1,311,495	(135,472)	1,176,023
Total	\$24,205,649	(\$14,466,086)	\$9,739,563

Project Close-outs and 2012 Pilots Prior Period Questioned Costs			
Period	Amount Questioned	Amount Resolved	Amount Unresolved
Calendar Year 2008	\$10,732	\$0	\$10,732
Calendar Year 2009	120,503	(12,053)	108,450
Calendar Year 2010	2,323,356	(104,681)	2,218,675
Calendar Year 2011	9,822,475	(6,685,998)	3,136,477
Calendar Year 2012	6,903,479	(9,403)	6,894,076
Total	\$19,180,545	(\$6,812,135)	\$12,368,410

Appendix A

Management's Response



BOBBY JINDAL
GOVERNOR

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

KEVIN DAVIS
DIRECTOR

October 14, 2013

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 1, 2013 – June 30, 2013

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 1, 2013 through June 30, 2013). 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, it is our intent to review the documentation requirements needed for the reimbursement stage to identify gaps which can be closed to more proactively identify potential closeout issues. GOHSEP has also recently completed the redesign of the

Mr. Daryl Purpera, CPA, CFE

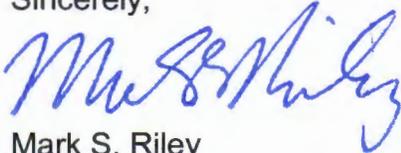
October 14, 2013

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closeout process and our objective remains to prepare applicants for closeout through education, outreach and technical assistance. We believe that these initiatives will alleviate the recurring issues with insufficient or missing documentation concerns and focus the closeout process on those projects that are ready for closeout.

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:ck

cc: Kevin Davis, Director-GOHSEP