

An Agreed-Upon Procedures Report on the
**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM**
Issued November 9, 2011



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Executive Summary

We performed agreed-upon procedures to assist the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) in evaluating the documentation submitted by sub-grantees for reimbursement under the Public Assistance program. For the period January 1, 2011, through June 30, 2011, we reviewed 5,374 initial reimbursement requests totaling \$946,331,985 and noted potential questioned costs of \$63,883,987. We also re-reviewed 1,074 reimbursement requests totaling \$114,828,044 that had been returned to GOHSEP disaster recovery specialists because of some deficiency in documentation (subsequent reviews) and noted potential questioned costs of \$10,965,926 as a result of the subsequent reviews.

In addition, we reviewed 119 reimbursement requests totaling \$10,434,751 where the sub-grantees initially provided documentation to support the claim and a version increasing the value of the related project worksheet had not yet been obligated but has since been obligated (additional obligations). We did not note any potential questioned costs as a result of the additional obligation reviews.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

October 6, 2011

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

**MR. PAT SANTOS, INTERIM DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND
SECURITY AND EMERGENCY PREPAREDNESS**
Baton Rouge, Louisiana

We performed the procedures enumerated below for the period January 1, 2011, through June 30, 2011, 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 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 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.

This report is a summary of the findings that we present to GOHSEP management on a daily basis.

Technical Assistance Contractor Invoice Review

- Procedure:** We compared the technical assistance contractor, James Lee Witt Associates (JLWA), invoices to the contract guidelines to determine if:
- (1) invoices were submitted in accordance with the contractual guidelines;
 - (2) invoices had all the required signatures;

- (3) invoices were submitted within the required time period; and
- (4) invoices were supported by subcontractor invoices, time records, and receipts.

Finding: For the period January 1, 2011, through June 30, 2011, JLWA presented 15 invoices totaling \$6,049,291 to GOHSEP for payment. Through a post-payment review, we did not identify any questionable cost.

Contract terms for JLWA state that invoices should be submitted within 30 days of the billing period end date. JLWA submitted 11 of its invoices within 30 days of the billing period end date. JLWA submitted the remaining four invoices more than 30 days after the billing period had ended.

Procedures and Findings for Public Assistance

Disaster recovery specialists use expense reviews to document deficiencies in reimbursement claims submitted by sub-grantees. We inspected 6,567 expense reviews totaling \$1,071,594,780 as prepared by the GOHSEP disaster recovery specialists along with supporting documentation. The overall results of those inspections are as follows:

Review Type	Number of Reviews	Value	Questioned Amount
Initial	5,374	\$946,331,985	\$63,883,987
Subsequent*	1,074	114,828,044	10,965,926
Additional Obligation**	119	10,434,751	0
Total	6,567	\$1,071,594,780	\$74,849,913

*Re-reviews of reimbursement requests that have been returned to GOHSEP disaster recovery specialists because of some deficiency in documentation identified by our review

**Reviews of reimbursement requests where the sub-grantees initially provided documentation to support the claim and a version increasing the value of the related project worksheet had not yet been obligated but has since been obligated

For all large projects [as defined in 44 CFR 206.203(c)(1)], we inspected the expense reviews performed by the disaster recovery specialists and the supporting documentation to confirm that the reimbursement claims were in compliance with federal and state guidelines and were properly documented. We developed findings as needed for the 6,567 expense reviews inspected during this period. Each finding was presented to GOHSEP management.

Procedure: When the work undertaken by the sub-grantee was accomplished through the use of contractors, we inspected and confirmed whether:

- (1) documentation provided in the sub-grantee's reimbursement request was for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that were within the scope of the project worksheets were identified;
- (3) costs listed on the contract summaries were supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) each contract was procured in accordance with federal and/or state laws.

Finding: As a result of our procedures, we identified 4,179 initial reviews, 722 subsequent reviews, and 114 additional obligation reviews where the work was accomplished by a contractor. On those reviews, the disaster recovery specialists indicated total documented expenses of \$1,001,962,924.

We did not detect deficiencies in 4,390 of the 5,015 expense reviews. However, we noted deficiencies in 559 initial reviews and 66 subsequent reviews. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

We placed the deficiencies from the 559 initial reviews and the 66 subsequent reviews into one of the following categories:

- Two hundred twenty-four deficiencies related to expenses that lacked documentation supporting the scope of work.
- Thirty-six deficiencies related to line items or project cost over-runs within the scope of work that were not identified.
- Three hundred thirty-four deficiencies related to costs listed on contract summaries that lacked supporting documentation.
- One hundred sixteen deficiencies related to files that lacked documentation to support procurement compliant with federal and/or state laws.

Since an expense review may have contained multiple deficiencies, there are more deficiencies than reviews.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$67,810,778 (6.33% of the total amount reviewed or 6.77% of the documented expenses for this category).

Procedure: When the work undertaken by the sub-grantee was accomplished through the use of the sub-grantee's equipment, we inspected supporting documentation included in the expense reviews to determine whether:

- (1) documentation provided in the sub-grantee's reimbursement request was for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that were within the scope of the project worksheets were identified;
- (3) an operator was listed for each piece of equipment contained in the force account equipment summaries;
- (4) equipment hours claimed on the force account equipment summaries agreed with the employee hours claimed on the force account labor summaries; and
- (5) equipment rates used in calculating the reimbursement amount were in accordance with the FEMA equipment rate schedule or a locally adopted and approved equipment rate schedule.

Finding: As a result of our procedures, we identified 98 initial reviews, 66 subsequent reviews, and one additional obligation review where the work was accomplished by using the sub-grantee's equipment. On those reviews, the disaster recovery specialists indicated total documented expenses of \$6,816,079.

We did not detect deficiencies in 131 of the 165 expense reviews. However, we noted deficiencies in 29 initial reviews and five subsequent reviews. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

We placed the deficiencies from the 29 initial reviews and the five subsequent reviews into one of the following categories:

- Four deficiencies related to expenses that lacked documentation supporting the scope of work.
- Nineteen deficiencies related to equipment hours claimed on the force account equipment summaries that did not agree with the employee hours claimed on the force account labor summaries.

- Fifteen deficiencies related to expenses that were not in accordance with FEMA rates or locally adopted/approved rates.

Since an expense review may have contained multiple deficiencies, there are more deficiencies than reviews.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$1,293,540 (0.12% of the total amount reviewed or 18.98% of the documented expenses for this category).

Procedure: When the work undertaken by the sub-grantee was accomplished through the use of the sub-grantee's employees, we inspected the expense reviews and supporting documentation to determine whether:

- (1) documentation provided in the sub-grantee's reimbursement request was for work contained in the scope for that project worksheet;
- (2) line items and/or project cost over-runs that were within the scope of the project worksheets were identified;
- (3) a disaster-related job description for each employee was listed on the force account labor summaries;
- (4) employee hours listed on the force account labor summaries were in accordance with the sub-grantee's overtime policy and that only hours spent conducting work that was a direct result of the disaster were claimed for reimbursement; and
- (5) fringe benefit calculations prepared by the sub-grantee included only eligible elements and were mathematically accurate.

Finding: As a result of our procedures, we identified 249 initial reviews, 110 subsequent reviews, and two additional obligation reviews where the work was accomplished using the sub-grantee's employees. On those reviews, the disaster recovery specialists indicated total documented expenses of \$35,095,473.

We did not detect deficiencies in 289 of the 361 expense reviews. However, we noted deficiencies in 50 initial reviews and 22 subsequent reviews. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

We placed the deficiencies from the 50 initial reviews and the 22 subsequent reviews into one of the following categories:

- Eleven deficiencies related to labor costs that lacked documentation supporting the scope of work.
- Twenty-three deficiencies related to disaster-related job descriptions for each employee that were not listed on the labor summaries.
- Forty-one deficiencies related to employee hours listed on labor summaries that do not agree with sub-grantee's overtime policy or hours claimed were not for disaster-related work.
- Seven deficiencies related to a fringe benefit calculation that contained ineligible items or mathematical inaccuracies.

Since an expense review may have contained multiple deficiencies, there are more deficiencies than reviews.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$3,473,104 (0.32% of the total amount reviewed or 9.90% of the documented expenses for this category).

Procedure:

When the sub-grantee purchased or used materials from inventory to accomplish the work detailed in the scope of the project worksheets, we inspected the expense reviews and related documentation to determine whether:

- (1) documentation provided in the sub-grantee's reimbursement request was for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that were within the scope of the project worksheets were identified;
- (3) costs listed on the material summaries were supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) materials were procured in accordance with federal and/or state laws.

Finding:

We identified 789 initial reviews, 154 subsequent reviews, and two additional obligation reviews where the sub-grantee used materials from inventory or purchased materials to accomplish the work. On those reviews, the disaster recovery specialists indicated total documented expenses of \$25,637,021.

We did not detect deficiencies in 841 of the 945 expense reviews. However, we noted deficiencies in 94 initial reviews and in 10 subsequent reviews. When deficiencies were noted, the expense reviews and the

supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

We placed the deficiencies from the 94 initial reviews and the 10 subsequent reviews into one of the following categories:

- Fifty-six deficiencies related to expenses that lacked documentation supporting the scope of work.
- Thirteen deficiencies related to line item or project cost over-runs within the scope of work that were not identified.
- Twenty-eight deficiencies related to costs listed on material summaries that lacked supporting documentation.
- Twenty deficiencies related to a file that lacked documentation supporting procurement compliant with federal and/or state laws.

Since an expense review may have contained multiple deficiencies, there are more deficiencies than reviews.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$2,094,271 (0.20% of the total amount reviewed or 8.17% of the documented expenses for this category).

Procedure: When the work undertaken by the sub-grantee was accomplished through the use of rented equipment, we inspected the expense reviews and related documentation to determine whether:

- (1) documentation provided in the sub-grantee's reimbursement request was for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that were within the scope of the project worksheets were identified;
- (3) costs listed on the rented equipment summaries were supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) equipment was procured in accordance with federal and/or state laws.

Finding: We identified 59 initial reviews and 22 subsequent reviews where the sub-grantees used rented equipment to accomplish the work. On those reviews, the disaster recovery specialists indicated total documented expenses of \$2,083,283.

We did not detect deficiencies in 71 of the 81 expense reviews. However, we noted deficiencies in eight initial reviews and two subsequent reviews. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

We placed the deficiencies from the eight initial reviews and the two subsequent reviews into one of the following categories:

- Three deficiencies related to expenses that lacked documentation supporting the scope of work.
- Four deficiencies related to costs listed on material summaries that lacked supporting documentation.
- Three deficiencies related to a file that lacked documentation supporting procurement compliant with federal and/or state laws.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$178,220 (0.02% of the total amount reviewed or 8.55% of the documented expenses for this category).

Procedure: We confirmed that the reimbursement requests and the parish/local certification documents or memorandums of understanding (MOUs) are dated on or after the creation of the project worksheets.

Finding: We inspected the parish/local certifications and MOUs for 6,178 project worksheets submitted in expense review form packages. We noted that the date was incorrect on five of the certifications or MOUs. Those expense review packages 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 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 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, appearing to read "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

JS:JM:dl

GOHSEP PA 2011

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Appendix A
Management's Response



BOBBY JINDAL
GOVERNOR

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

PAT SANTOS
INTERIM DIRECTOR

October 20, 2011

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

RE: Draft Public Assistance Division Report
First Half 2011, Hurricanes Katrina, Rita, Gustav, and Ike

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) program for Hurricanes Katrina, Rita, Gustav, and Ike for the period January 1, 2011 through June 30, 2011. We concur in the findings as identified in the report and note the continued improvement in the process.

Previous to this reporting period, reports were provided quarterly and issued as separate reports for Katrina/Rita and Gustav/Ike. Reports will now be issued semi-annually and will encompass all four hurricanes in one report. This change has not impacted process or procedure and only affected the number of the RRF's reviewed and reported on in a single report. Because of the change, the value of the questioned costs may appear high; however, the percentage of total costs questioned has decreased from the 2010 Fourth Quarter reports. While we are encouraged by the improvement from the last reports, we recognize there are areas that can be improved upon further.

As a matter of practice, we use the reports as a training tool for our Grants Management Team. These reports assist us to identify opportunities to improve our process and highlight trends in need of our attention for further correction. Additionally, we will begin to meet at least monthly with the LLA team and our management group to discuss problems and issues so that we may proactively address them and give consistent direction to staff.

Mr. Daryl Pupera, CPA
October 20, 2011
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We continue to track findings internally to better identify training opportunities. This information is used to develop our staff in programmatic and technical issues and as such is a key component in our skills development program. We will continue to monitor findings and react accordingly to any trends noted.

Your LLA Team continues to assist us in the improvement of our processes and continue to provide outstanding advice and counsel. Their continued analysis of our Public Assistance procedures will assist us in achieving our 100%-accuracy goal.

Sincerely,



Mark DeBosier
Deputy Director, Disaster Recovery Division

MD:SW:pw

cc: Pat Santos, Interim Director