

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 4, 2013

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
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PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 2, 2013

**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements and the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2013, we conducted certain procedures at the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for the period from July 1, 2012, through June 30, 2013.

- Our auditors obtained and documented an understanding of GOHSEP's operations and system of internal controls, including internal controls over major federal award programs administered by GOHSEP, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to GOHSEP.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using GOHSEP's annual fiscal reports and/or system-generated reports and obtained explanations from management for any significant variances. We also scheduled GOHSEP's major federal program expenditures for fiscal years 2010 through 2013 for informational purposes.
- Our auditors reviewed the status of the findings identified in the prior management letter, dated January 7, 2013. The prior year findings relating to inadequate monitoring of Hazard Mitigation payments and noncompliance with subrecipient monitoring requirements have been resolved by management.
- Our auditors considered internal control over financial reporting and examined evidence supporting the following: nonpayroll expenditures, federal revenue, receivables, payables, deferred revenue, prepayments, and the Schedule of Expenditures of Federal Awards, including critical information systems and related user access controls. We also tested GOHSEP's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements, as part of our audit of the state's Comprehensive

Annual Financial Report for the fiscal year ended June 30, 2013, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the following federal programs for the fiscal year ended June 30, 2013, as part of the Single Audit of the State of Louisiana:
 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA 97.036)
 - Hazard Mitigation Grant (CFDA 97.039)
 - Homeland Security Grant Program (CFDA 97.067)

The Annual Fiscal Report of GOHSEP was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. GOHSEP's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we have included the following significant findings for management's consideration. These findings will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2013.

Inadequate Preparation of Federal Schedules

GOHSEP's Schedule of Non-State Entity Subrecipients of Major Federal Programs (Schedule 8-4) and Schedule of Expenditures of Federal Awards (SEFA) were inaccurately prepared. Inadequate preparation of federal schedules increases the risk of errors occurring in the state's Single Audit report.

The Schedule 8-4 included payments totaling \$41,440,139 in error. In addition, the Schedule 8-4 did not include expenditures totaling \$4,865,418 for various subrecipients. These errors resulted in a net overstatement of \$36,574,721.

Audit procedures on the SEFA identified the following errors:

- Expenditures reported for the Hazard Mitigation program was overstated by \$5,189,375.
- The schedule did not include expenditures totaling \$4,982,611 for the 2009 Severe Repetitive Loss grants (CFDA 97.110).
- Expenditures totaling \$454,634 relating to the Emergency Management Assistance Compact under the Public Assistance and National Incident Management System (CFDA 97.107) programs were not included and reported separately as being received from a pass-through entity.

- The Homeland Security Grant program was incorrectly reported as a cluster.
- The reconciliation between the SEFA and the financial statements included unsupported adjustments.
- Expenditures of \$266,884 for the 2012 Homeland Security Grant Program were incorrectly reported as Emergency Management Performance Grants (CFDA 97.042).

Fiscal year 2013 was the first year that the Department of Public Safety and Corrections - Public Safety Services (DPS) was responsible for preparing GOHSEP's federal schedules. DPS and GOHSEP management did not coordinate its efforts to develop an adequate review process to ensure that the federal schedules were accurately presented. Good internal control over financial reporting should include adequate procedures to record, process, and transmit financial data needed to prepare accurate and complete federal schedules and a review process that will identify and correct preparation errors before submitting those schedules to the Division of Administration, Office of Statewide Reporting and Accounting Policy for inclusion in the state's Single Audit report.

Management should properly prepare and review GOHSEP's federal schedules to identify and correct errors before submission for inclusion in the Single Audit report. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Inadequate Identification of Federal Award Information to Subrecipients

GOHSEP did not properly identify and communicate the catalog of federal domestic assistance (CFDA) number to subrecipients at the time of the award for 23 of 40 (58%) projects under the Public Assistance program and one of nine (11%) projects under the Hazard Mitigation program. Inadequate identification of federal award information to subrecipients results in noncompliance with Office of Management and Budget (OMB) A-133 requirements and could result in possible misuse of federal funds by subrecipients and potential disallowed costs which may have to be returned to the federal grantor.

Management did not adequately train its disaster recovery staff in OMB A-133 compliance requirements and did not develop an adequate review process to ensure that the notifications to subrecipients, or memorandums of understanding, contain all required information. The OMB Circular A-133 *Compliance Supplement* requires that, at the time of the subaward, the pass-through entity must identify to the subrecipient the federal award information (i.e., CFDA title and number) and applicable compliance requirements.

Management should ensure that the required award information, including the CFDA number, is provided to the subrecipient at the time of the award. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of GOHSEP. The nature of the recommendations, their implementation costs, and their potential impact on the operations of GOHSEP should be considered in reaching decisions on courses of action. The findings relating to GOHSEP's compliance with applicable laws and regulations should be addressed immediately by management.

The purpose of this letter is solely to describe the scope of our work at GOHSEP and not to provide an opinion on the effectiveness of GOHSEP's internal control over financial reporting or on compliance. Accordingly, this letter is not intended to be and should not be used for any other purpose. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

LMN:NM:EFS:THC:ch

GOHSEP 2013

APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



BOBBY JINDAL
GOVERNOR

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

KEVIN DAVIS
DIRECTOR

November 8, 2013

Mr. Daryl G. Purpera, CPA CFE
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

RE: Inadequate Preparation of Federal Schedules

Dear Mr. Purpera,

I have reviewed the finding in the letter dated October 29, 2013 from your office, which covers activities of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for Fiscal Year 2013.

GOHSEP management concurs in this finding. The errors identified on the Schedule of Expenditures of Federal Awards and Schedule of Non-State Entity Subrecipients of Major Federal Programs were the result of the consolidation of GOHSEP and the Department of Public Safety Services (DPS) financial staff resulting in new staff involvement in preparing the schedules. The lack of familiarity with identification of some Federal programs and the failure to account for some transactions related to a new grant resulted in some transactions being misclassified and other transactions being inadvertently omitted.

Corrective Action:

Both GOHSEP and the Department of Public Safety (DPS) Services Financial staffs will review the existing reporting categories and those that are added during the current fiscal year for all GOHSEP incurred expenditures for a particular disaster event/federal program. Validation will occur that these reporting categories have been included in the defined filter for the Schedule 8 reporting.

In addition, timeline adjustments for review will be initiated whereby GOHSEP has opportunity to review prior to DPS' submission of the Schedule 8.

If you have any further questions, please contact me at (225) 925-7500.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Davis".

Kevin Davis



BOBBY JINDAL
GOVERNOR

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

KEVIN DAVIS
DIRECTOR

November 12, 2013

Mr. Daryl G. Purpera, CPA CFE
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

RE: Inadequate Identification of Federal Award Information to Subrecipients

Dear Mr. Purpera,

I have reviewed the finding in the letter dated October 28, 2013 from your office, which covers activities of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for Fiscal Year 2013.

GOHSEP management concurs in this finding. Previously, GOHSEP had fulfilled this requirement by including the notification within the body of our Memorandum of Understanding (MOU) for Public Assistance funding and in the Subgrantee Agreement for Hazard Mitigation funding, both of which is required to be signed by all recipients. When the Public Assistance MOU was revised, the verbiage, which identified the Catalog of Federal Domestic Assistance (CFDA) number, and title was inadvertently omitted. Additionally, Hazard Mitigation staff did not sufficiently review one award document for compliance with the CFDA requirement prior to award.

Corrective Action:

GOHSEP will include the required CFDA information for Public Assistance grants in the system generated obligated project notice through Louisianapa.com. We have revised the electronic notification to include the notice of the CFDA number and grant title. We anticipate that the system changes will be in effect within the next 60 days. Additionally, we also send a notification which includes the required language independently of Louisianapa.com to alert applicants to any new awards.

GOHSEP's Hazard Mitigation staff will receive additional training on the importance of the CFDA requirement and on the review process of the subgrantee agreement prior to sending to applicants.

If you have any further questions, please contact me at (225) 925-7500.

Sincerely,

A handwritten signature in blue ink that reads "Kevin Davis".

Kevin Davis