

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



MANAGEMENT LETTER
ISSUED JANUARY 16, 2013

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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 Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$4.17. 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. 80120024 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 Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

EXECUTIVE SUMMARY

We conducted certain procedures at the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) as part of the Single Audit of the State of Louisiana and to evaluate its accountability over public funds for the fiscal year ended June 30, 2012.

We tested controls, compliance with laws, and financial reporting for certain accounts as part of the audit of the Comprehensive Annual Financial Report for the State of Louisiana and tested compliance with requirements for the Disaster Grants - Public Assistance program, the Hazard Mitigation Grant program, and the Homeland Security Grant Program. Our procedures disclosed the following:

- Financial information related to those accounts tested was fairly presented.
- GOHSEP made Completed Work Payments to the Office of Community Development (OCD) through the Hazard Mitigation program that did not have cancelled checks submitted within the required 45 days to support the payments, and no action was taken by GOHSEP to follow up on the missing documentation. This is the second consecutive year that GOHSEP did not adequately monitor payment support.
- GOHSEP did not adequately monitor subrecipients of the Disaster Grants - Public Assistance program, the Hazard Mitigation Grant program, and the Homeland Security Grant Program to ensure that the subrecipients obtained a required audit within nine months of the subrecipient's fiscal year-end. In addition, GOHSEP did not ensure that management decisions were issued within six months after receipt of the audit reports and did not ensure that the subrecipients took timely and appropriate corrective action.
- For the three federal programs we tested, the majority of expenditures are passed through to subrecipients, including parish and local governments, which heightens the importance of proper monitoring by GOHSEP over those subrecipients.

This report is a public report and has been distributed to state officials. We appreciate GOHSEP's assistance in the successful completion of our work.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 7, 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, 2012, we conducted certain procedures at the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented a basic 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 documentation 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 GOHSEP management for any significant variances.
- Our auditors reviewed the status of the findings identified in the prior management letter, dated April 25, 2012. The prior year findings relating to inadequate reconciliations between ISIS and LAPA, duplicate payment in the Public Assistance program, deficiencies in site visit monitoring, and no procedures for ensuring validity of DUNS number on subrecipient applications have been resolved by management. The finding relating to inadequate monitoring of Hazard Mitigation payments was partially resolved and is addressed again in this letter.
- Our auditors considered internal control over financial reporting; examined evidence supporting GOHSEP's 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; and 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, 2012, 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 (OMB) Circular A-133 on the following federal programs for the fiscal year ended June 30, 2012, 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 all significant findings that are required to be reported by *Government Auditing Standards*. Both findings will be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2012.

The following significant findings are included in this letter for management's consideration.

Inadequate Monitoring of Hazard Mitigation Payments

Our 2012 audit of the Hazard Mitigation Program's Completed Work Payments made by GOHSEP to the Office of Community Development (OCD) disclosed that 10 of 21 (48%) payments did not have cancelled checks submitted within the required 45 days to support the payments, and no action was taken by GOHSEP to follow up on the missing documentation. This is the second consecutive year that GOHSEP did not adequately monitor payment support.

Inadequate monitoring increases both the risk that program objectives will not be met and the risk of disallowed costs, which will need to be returned to the federal grantor.

Management should strengthen current monitoring procedures over OCD to ensure that the required supporting documentation relating to Completed Work Payments is received from homeowners within 45 days of the payment. Management did not concur with the finding. Management indicates in its response that cancelled check procedures are not a federal requirement or a GOHSEP policy. Management further notes FEMA program guidelines state that as long as the mitigation activities are completed within the period of

performance, the project is in compliance with federal regulation (see Appendix A, page A-1).

Additional Comment: We agree that OCD's policies regarding time frames for project completion and retaining cancelled checks are not specifically required by federal regulations; however, OCD and GOHSEP developed these policies to mitigate the risk of questioned costs during project close-out. GOHSEP's role is to monitor OCD's compliance with these policies.

Noncompliance With Subrecipient Monitoring Requirements

GOHSEP did not adequately monitor subrecipients of the Disaster Grants - Public Assistance program, the Hazard Mitigation Grant program, and the Homeland Security Grant Program to ensure that the subrecipients obtained a required audit within nine months of the subrecipient's fiscal year-end. In addition, GOHSEP did not ensure management decisions were issued within six months after receipt of the audit reports and did not ensure the subrecipients took timely and appropriate corrective action. Failure to perform adequate subrecipient monitoring results in noncompliance with federal regulations and possible disallowed costs that must be returned.

In our test of subrecipient audit reports, we noted the following:

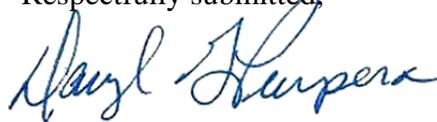
- For one of 11 (9%) subrecipients, GOHSEP did not ensure the required OMB Circular A-133 audit was completed within nine months of the subrecipient's fiscal year-end. In addition, we noted six subrecipients where GOHSEP did not document the date the audit report was received.
- For four of 18 (22%) subrecipients, GOHSEP did not perform a desk review to evaluate the subrecipients' audit reports, as required by GOHSEP's procedures.
- For three of eight (38%) subrecipients, GOHSEP did not issue a management decision letter within six months after receipt of the audit report.
- For one of 10 (10%) subrecipients, GOHSEP did not evaluate the impact of the subrecipient's activities on GOHSEP's ability to comply with federal regulations.

Management should strengthen current procedures to ensure that the review of subrecipient audit reports and the issuance of management decision letters are performed timely. In addition, management should evaluate and document the impact of audit findings on GOHSEP's ability to comply with federal regulations and follow up with subrecipients who have not completed required audits to determine if sanctions should be imposed. Management concurred with the finding and provided a corrective action plan (see Appendix A, page A-2).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of GOHSEP. The varying 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.

This letter is intended for the information and use of GOHSEP and its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink, reading "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

LMN:WDG:EFS:THC:dl

GOHSEP 2012

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 27, 2012

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

RE: Inadequate Monitoring of Hazard Mitigation Payments

Dear Mr. Purpera,

I have reviewed the finding in the letter dated November 7, 2012 from your office, which covers activities of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for Fiscal Year 2012.

GOHSEP does not concur in this finding. The report states that it is a requirement that OCD must submit a cancelled check to GOHSEP within 45 days of the Completed Work Payment (CWP). The CWP option is an internal OCD policy developed to ensure homeowners are completing their mitigation activities in a timely manner and is not part of the grant agreement between OCD and GOHSEP. This is not a federal program requirement; nor is it GOHSEP's policy. FEMA program guidance states that as long as the mitigation activities are completed within the period of performance, the project is in compliance with federal regulation. Per GOHSEP policy we do require OCD and all subgrantees to remit the cancelled checks as part of the required documentation needed to close out the individual homeowner file and we have not altered from this policy for the projects in question. Additionally, all invoices to support the mitigation activity are included in each homeowner file when submitted for closeout. GOHSEP is very consciences in its monitoring activities of this applicant to include daily reports on progress, frequent meetings on policy and procedure issues with OCD, detailed review of reimbursement requests, and regular quarterly reporting.

Sincerely,

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

Kevin Davis

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BOBBY JINDAL
GOVERNOR

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

KEVIN DAVIS
DIRECTOR

November 27, 2012

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

RE: Noncompliance with Sub-recipient Monitoring Requirements

Dear Mr. Purpera,

I have reviewed the finding in the letter dated November 7, 2012 from your office, which covers activities of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for Fiscal Year 2012.

GOHSEP management concurs with the finding. In some instances, GOHSEP did not obtain the required audits in the required time period and ensure management decision letters were issued timely.

GOHSEP has implemented improved procedures and reorganized staff in order to ensure compliance with required timeframes and tasks. These corrective actions will ensure that we are obtaining the required audits in the nine month time period and issuing management decision letters timely. If a Sub-recipient is not in compliance with Sub-recipient Monitoring procedures, they will be forwarded to GOHSEP's Compliance Assurance Program for Public Assistance or Hazard Mitigation Grants and to the Program Management for Homeland Security for Homeland Security Grants for review.

The person responsible for this corrective action is Teresa Broussard, Compliance Manager.

Sincerely,

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

Kevin Davis