

An Agreed-Upon Procedures Report on the
**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
HAZARD MITIGATION PROGRAM**
Issued April 4, 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) in evaluating the completeness and accuracy of documentation submitted by sub-grantees to GOHSEP for reimbursement under FEMA's Hazard Mitigation Assistance program consisting of: Hazard Mitigation Grant Program (HMGP), Severe Repetitive Loss (SRL), Repetitive Flood Claims (RFC), Flood Mitigation Assistance (FMA), and Pre Disaster Mitigation (PDM), collectively referred to as the Hazard Mitigation (HM) program.

Current Period Analysis. For the period July 1, 2011, through December 31, 2011, we analyzed 285 reimbursement requests totaling \$47,796,491 and noted potential questioned costs of \$3,132,933. We also conducted subsequent analyses on five of the 285 reimbursement requests that had been returned to the GOHSEP disaster recovery specialists due to documentation deficiencies. Our subsequent analyses noted that the sub-grantees provided sufficient documentation to support \$38,219 in potential questioned costs. Our subsequent analyses also noted additional potential questioned costs of \$11,304. The remaining unsupported potential questioned costs for the current period total \$3,106,018.

Prior Period Analysis. We conducted subsequent analyses on seven reimbursement requests that we initially analyzed in prior periods and were returned to the GOHSEP disaster recovery specialists due to documentation deficiencies. Our subsequent analyses noted that the sub-grantees provided sufficient documentation to support \$219,886 in potential questioned costs.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 17, 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 July 1, 2011, through December 31, 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 Hazard Mitigation (HM) program. GOHSEP management is responsible for the day-to-day operations of HM.

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 management of GOHSEP. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Overall Results

For the period July 1, 2011, through December 31, 2011, we analyzed 285 reimbursement requests along with supporting documentation to confirm that the reimbursement requests complied with federal and state guidelines and were sufficiently documented. We also conducted subsequent analyses on five of the 285 requests and on seven requests that were initially analyzed in a prior period. We presented to GOHSEP management a finding of review for each reimbursement request analyzed during this period.

Any findings resulting from our analyses are considered *potential* questioned costs since GOHSEP will have the opportunity to correct deficiencies before payment. The following table presents the overall results of our analysis.

Current Period Potential Questioned Costs				
Review Type	Number of Reviews	Amount Reviewed	Amount Questioned	Amount Resolved
Initial (current period)	285	\$47,796,491	\$3,132,933	\$0
Subsequent (current period)	5	803,252	11,304	(38,219)
Subsequent (prior period)	7	446,687	0	(219,886)
Total	297	\$49,046,430	\$3,144,237	(\$258,106)

Procedures and Findings

Procedure: We confirmed that the sub-grantee submitted an SF 270 (Request for Advance or Reimbursement) that has been signed by an authorized person.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We reviewed the mathematical calculations performed by GOHSEP personnel to confirm the calculations are in accordance with funding parameters.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that the invoices, billings, photographs of work, and related items provided by the sub-grantee supported the request for reimbursement.

Finding: As a result of this procedure, we analyzed 285 reimbursement requests and supporting documentation and noted potential questioned costs totaling \$3,132,933 for 24 requests. Since a request may contain more than one finding, there are more findings than requests.

- Twenty requests lacked sufficient documentation to support the requested amount.
- Twelve requests lacked sufficient documentation to support cost reasonableness.
- Three requests lacked sufficient documentation to support compliance with procurement requirements.

Our subsequent analyses of five of these 24 requests noted that the sub-grantees provided sufficient documentation to support \$38,219 of the potential questioned costs. We also noted additional potential questioned costs of \$11,304 because of lack of sufficient documentation to support cost reasonableness.

In addition, our subsequent analyses of seven requests initially analyzed in a prior period noted that the sub-grantees provided sufficient documentation to support \$219,886 in previously noted potential questioned costs.

Procedure: We confirmed that the work reflected by the documentation was within the scope approved for the grant.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that the quarterly reporting was up-to-date.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that the documented expenses and project progression correspond with the performance period.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that an end of performance period letter had been prepared and processed for projects ending in less than 90 days.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that at least one site inspection had been conducted for each project that was more than 50% complete or that a final site inspection has been conducted for each project that is 100% complete.

Finding: We did not note any exceptions as a result of this procedure.

Additional Information

Prior Period Potential Questioned Costs

Sometimes potential questioned costs are not resolved until a subsequent reporting period. The following table presents the status of potential questioned costs noted in prior periods. The table does not include the results of the Office of Community Development - Disaster Recovery Unit (OCD-DRU) individual homeowner file analysis discussed in the next section.

Prior Period Potential Questioned Costs			
Period	Amount Questioned	Amount Resolved	Amount Unresolved
Calendar year 2008	\$17,365,704	(\$17,365,704)	\$0
Calendar year 2009	8,152,006	(7,853,298)	298,708
Calendar year 2010	6,699,954	(5,917,918)	782,036
January 2011 - June 2011	6,619,337	(672,790)	5,946,547
Total	\$38,837,001	(\$31,809,710)	\$7,027,291

OCD-DRU Individual Homeowner Files

Typically, a sub-grantee submits a batch of reimbursement requests containing multiple homeowner files. According to our agreed-upon procedures engagement with GOHSEP, we analyze the batch and submit to GOHSEP management a single finding of review documenting the results of our analysis of the batch. For the OCD-DRU individual homeowner files, OCD-DRU submits the files separately to GOHSEP for analysis before batching them. GOHSEP management requested that we analyze these individual homeowner files and submit a finding of review for each file. Subsequent to our analysis, OCD-DRU submits a batch of individual homeowner files with a request for reimbursement to GOHSEP for processing and payment.

During the period July 1, 2011, through December 31, 2011, we analyzed 1,195 homeowner files along with supporting documentation to confirm that the files complied with federal and state guidelines and were sufficiently documented and noted potential questioned costs of \$5,609,415. We also conducted subsequent analyses on 470 of the 1,195 files that had been returned to OCD-DRU because of documentation deficiencies. Our subsequent analyses noted that OCD-DRU provided sufficient documentation to support \$3,038,899 in potential questioned costs. Our subsequent analyses also noted additional potential questioned costs of \$708,367. The remaining unsupported potential questioned costs for the current period total \$3,278,883.

We conducted subsequent analyses on 149 homeowner files that we initially analyzed in prior periods and were returned to OCD-DRU because of documentation deficiencies. Our subsequent analyses noted that OCD-DRU provided sufficient documentation to support \$796,432 in potential questioned costs. Our subsequent analyses also noted additional potential questioned costs of \$352,356. The following table presents the overall results of our analysis.

Current Period Potential Questioned Costs				
Review Type	Number of Reviews	Amount Reviewed	Amount Questioned	Amount Resolved
Initial (current period)	1,195	\$35,696,055	\$5,609,415	\$0
Subsequent (current period)	470	11,686,437	708,367	(3,038,899)
Subsequent (prior period)	149	3,081,044	352,356	(796,432)
Total	1,814	\$50,463,536	\$6,670,138	(\$3,835,331)

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 provision 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, flowing style.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

JB:SD:JM:dl

GOHSEP HMG 3RD_4TH QTR 2011

Appendix A

Management's Response



BOBBY JINDAL
GOVERNOR

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

KEVIN DAVIS
DIRECTOR

March 8, 2012

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

RE: Management Responses to Hazard Mitigation Grants
Third and Fourth Quarter 2011 Report

Dear Mr. Purpera:

I have reviewed the findings in the third and fourth quarter 2011 report, from your office, which covers activities of the Hazard Mitigation Section, Governor's Office of Homeland Security and Emergency Preparedness for July 1 to December 31, 2011.

GOHSEP's current policies and procedures require that all sub-grantees provide complete and accurate detailed documentation to support the reimbursement requests as they are submitted. In addition, GOHSEP has contracted with the State Legislative Auditor's Office to assist in the review process to better ensure complete and accurate documentation, prior to any reimbursement request being processed for funding. Also of note is, in late 2010, there was a short period of time, approximately four weeks, in which GOHSEP temporarily waived standard documentation protocol in order to continue payments to homeowners while OCD transferred its applicant tracking and payment process from paper files to virtual files (the ATS system). That decision and revised process did not reflect our normal procedure and was terminated immediately after the transition occurred. As such, there is no corrective action required for that finding. In addition, that decision was made with the understanding that all payments made during the four week period would still undergo our rigorous review process after the payments were made. This temporary alternative procedure was made at the request of OCD in order to ensure payments were not delayed to the disadvantage of homeowners as OCD transitioned their grants management system. GOHSEP and OCD are currently working through all payments made during this time period to ensure that any deficiencies in documentation are addressed. If GOHSEP determines that OCD is unable to validate those questioned costs the funds will be required to be returned.

GOHSEP's policy requires full review of all documentation submitted by OCD to ensure that the federal award is documented and was used for authorized purposes prior to releasing the final payment to OCD.

In addition, GOHSEP engaged RS Means to validate OCD's Cost Elevation Guidance. After this analysis by RS Means it was determined that the cost guidance set forth by OCD was supported as reasonable with industry standards. The final product provided by RS Means establishes a baseline for reasonable cost of standard home elevations and is one of the tools used to establish cost reasonableness. GOHSEP has adopted this cost guidance as a method to help in determining reasonable cost of non-competitive home elevation work within the HMGP.

In accordance with your guidance, we are providing management's response to the findings that were not resolved by the end of the review period.

Procedure: We confirmed that the invoices, billings, photographs of work, and related items provided by the sub-grantee supported the request for reimbursement.

Finding: As a result of this procedure, we analyzed 285 reimbursement requests and supporting documentation and noted potential questioned costs totaling \$3,132,933 for 24 requests. Since a request may contain more than one finding, there are more findings than requests.

**20 requests lacked sufficient documentation to support the requested amount.
12 requests lacked sufficient documentation to support cost reasonableness.
3 requests lacked sufficient documentation to support compliance with procurement requirements.**

Our subsequent analyses of five of these 24 requests noted that the sub-grantees provided sufficient documentation to support \$38,219 of the potential questioned costs. We also noted additional potential questioned costs of \$11,304 due to lack of sufficient documentation to support cost reasonableness.

In addition, our subsequent analyses of seven requests initially analyzed in a prior period noted that the sub-grantees provided sufficient documentation to support \$219,886 in previously noted potential questioned costs.

Response:

HM management concurs that at the time of this report, potential questioned costs have been returned to the sub-grantee for additional supporting documentation. GOHSEP employees are diligently working with sub-grantees to provide the necessary documentation to support the remaining questioned costs.

In the cases of cost reasonableness, GOHSEP's policy has either established reasonableness or management has reviewed documentation and determined costs were reasonable.

Corrective Action:

The Mitigation Section leadership continues to stress the importance of valid cost analysis for non-competitive procurement matters. DRSs and Team Leads will provide support to the sub-

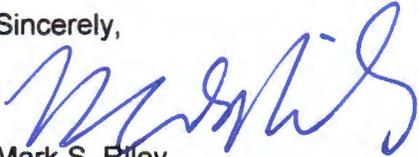
Mr. Daryl Purpera, CPA, CFE

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grantee to ensure that proper documentation of procurement or a cost analysis is performed. The emphasis is placed on providing the required documentation to demonstrate competitive procurement or a valid cost analysis that supports the sub-grantees decision regarding cost reasonableness. Additionally, focus will be placed on ensuring all proper documentation is available to support payment requests. This is the responsibility of the Disaster Recovery Specialists (DRSs) and Team Leaders. Furthermore, HM management will meet bi-monthly with the LLA assigned to the section to discuss findings, as they may occur.

Sincerely,



Mark S. Riley

Deputy Director, Disaster Recovery

MR:TW:pw

cc: Kevin Davis, Director
Mark DeBosier, State Coordinating Officer
Donnie Ladatto, Internal Auditor