

DIVISION OF ADMINISTRATION  
OFFICE OF COMMUNITY DEVELOPMENT  
RECOVERY WORKFORCE TRAINING PROGRAM



AGREED-UPON PROCEDURES REPORT  
ISSUED NOVEMBER 26, 2008

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BATON ROUGE, LOUISIANA 70804-9397**

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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

November 26, 2008

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

**MR. PAUL RAINWATER, EXECUTIVE DIRECTOR  
OFFICE OF COMMUNITY DEVELOPMENT  
DIVISION OF ADMINISTRATION**  
Baton Rouge, Louisiana

**MR. TIM BARFIELD, EXECUTIVE DIRECTOR  
LOUISIANA WORKFORCE COMMISSION**  
Baton Rouge, Louisiana

We performed the procedures enumerated below for requests for reimbursement of Recovery Workforce Training Program (RWTP) intermediaries, which were agreed to by your predecessors, primarily to assist you in evaluating the validity of the intermediaries' billings to the state. Office of Community Development (OCD) and Louisiana Workforce Commission (LWC) management are responsible for approving intermediary invoices. 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 of America. The sufficiency of these procedures is solely the responsibility of OCD and LWC 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.

For the period January 1, 2007, through July 25, 2008, we reviewed 185 requests for reimbursement totaling \$9,102,861. The intermediaries requested reimbursement of expenses totaling \$2,175,207 for salaries and related fringe benefits; \$76,443 for travel; \$942,774 for operating services; \$313,422 for supplies; \$2,568,151 for professional services; \$2,457,033 for equipment/acquisitions; and \$569,831 for miscellaneous/other charges.

The procedures we performed and our findings are as follows:

1. Procedure

Verify that all travel expenses for the RWTP incurred by the intermediaries and their subcontractors during the period are in accordance with the Division of

Administration Policy and Procedures Memorandum 49, State Travel Regulations (PPM 49), as amended for the 2007-08 fiscal year and any other requirements imposed by OCD.

Finding

During the period, the intermediaries requested reimbursement for travel expenses totaling \$76,443. Of that amount, \$359 was not in accordance with PPM 49.

2. Procedure

Verify that claims for reimbursement are made on the LWC Request for Payment/ Financial Report form; are accompanied by a completed LWC Expense Statement identifying each vendor or subcontractor who provided services for activities funded by RWTP; and are accompanied by receipts, invoices, time sheets, or other documentation detailing each billable item and related cost.

Finding

Of the 185 requests for reimbursement that we reviewed, 79 were not accompanied by a completed LWC Expense Statement. Also, \$3,465,314 in expenses was not accompanied by sufficient documentation to support the charges. In addition, we questioned duplicate charges and over-billings totaling \$820,063. During the application of these procedures, the intermediaries submitted additional supporting documentation to resolve \$703,570 in questioned costs.

In addition, the intermediaries submitted requests for reimbursement for expenses totaling \$460,834 that occurred outside the billing period. Because of time and resource constraints, we were unable to determine whether these expenses were previously billed.

3. Procedure

Verify that each invoice submitted by an intermediary bears a unique invoice number and contains a certification that all services billed, including subcontracted services, have been completed.

Finding

No exceptions were noted.

4. Procedure

Report to LWC instances where an intermediary does not respond to requests for further information within seven calendar days.

Finding

LWC's reimbursement request process required intermediaries to provide additional documentation to support any questioned costs within seven days. However, LWC chose to allow the intermediaries more time to respond; therefore, we did not collect the information we would have needed to report discrepancies to LWC.

5. Procedure

Verify that invoiced charges are allowable expenditures relative to the approved proposal and sector served and are in accordance with Office of Management and Budget (OMB) Circulars A-21, A-87, A-122, whichever is applicable.

Finding

Expenses totaling \$482,314 were not provided for in the subrecipient agreements between LWC and the intermediaries or in the intermediaries' subcontract agreements. During the application of these procedures, the intermediaries submitted additional supporting documentation to resolve \$26,883 in questioned costs. We continue to question charges totaling \$455,431.

The intermediaries also submitted requests for reimbursement of indirect costs totaling \$142,354, which are not allowable under the subrecipient agreements. In addition, expenses totaling \$3,132 were not in accordance with the applicable OMB Circular. LWC did not provide us with the amounts paid to the intermediaries; therefore, we were unable to determine whether these questioned costs were paid.

6. Procedure

Compare actual expenditures to the budgeted amounts and verify that actual administration costs do not exceed 10% of the total proposed budget.

Finding

No exceptions were noted.

7. Procedure

Verify that all materials, property, or services are procured in accordance with 24 CFR 84.40 or 24 CFR 85.36, whichever is applicable, or that justification for sole source procurement has been provided.

Finding

Documentation demonstrating proper procurement of materials, property, and services totaling \$958,231 was not provided. LWC did not provide us with the amounts paid to the intermediaries; therefore, we were unable to determine whether these questioned costs were paid.

We were not engaged to and did not conduct an examination, the objective of which would be to express an opinion on OCD and LWC's compliance with federal and state regulations, their internal controls over compliance with federal and state regulations, or their 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 primarily for the information and use of OCD and LWC. However, by provisions of state law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

SF:JM:dl

RWFTP08

## Management's Responses



**BOBBY JINDAL**  
GOVERNOR



**ANGELE DAVIS**  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
**Office of Community Development**  
**Disaster Recovery Unit**

November 14, 2008

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
Office of the Louisiana Legislative Auditor  
1600 N. Third St.  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Application of Agreed-Upon Procedures  
Recovery Workforce Training Program

Dear Mr. Theriot:

The Office of Community Development, Disaster Recovery Unit (OCD/DRU) appreciates the opportunity to respond to the findings by the Louisiana Legislative Auditor, Recovery Assistance Division (RAD) in its agreed-upon procedures report on the State's Recovery Workforce Training Program (RWTP). The OCD/DRU contracted with the RAD to perform and report on a number of agreed-upon procedures to provide OCD/DRU with a level of assurance of the validity of the RWTP intermediaries' billings to the state. In addition, the agreed-upon procedures report provides OCD/DRU information in which to evaluate the operations of the RWTP.

OCD concurs with the findings of the RAD.

OCD has received, reviewed, and enclosed the Louisiana Workforce Commission's (LWC) response to the findings contained in the agreed-upon procedures report. OCD is pleased with the work LWC has performed to resolve the reported findings and will continue to work closely with LWC.

Mr. Steve J. Theriot, CPA  
November 14, 2008  
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We appreciate the cooperation and diligence of your staff in conducting this engagement. If you have any questions or require additional information, please let me know.

Sincerely,



Paul Rainwater

Executive Director  
Office of Community Development/DRU

PR/SU

Enclosure

c: Ms. Angele Davis  
Ms. Sharon Robinson  
Mr. Thomas Brennan  
Mr. Rich Gray  
Mr. William Hall  
Mr. Stephen Upton

November 7, 2008

Mr. Paul Rainwater, Executive Director  
Office of Community Development (OCD)  
Division of Administration  
Baton Rouge, Louisiana

Dear Mr. Rainwater:

This letter is in response to the *Independent Accountant's Report on the Application of Agreed-Upon Procedures*, issued by the Louisiana Legislative Auditor (LLA). During the period January 1, 2008 through July 25, 2008, the Recovery Assistance Division of the Office of the Legislative Auditor performed invoice auditing services for the Recovery Workforce Training Program (RWTP), under an agreement with the Office of Community Development.

The Legislative Auditor's staff reviewed invoices submitted for payment by grantees of the RWTP, and prepared written reports on their findings. It was agreed the findings would be of use in determining that invoices reimbursed by the RWTP met the standards that would be applied in an official audit by auditors at the conclusion of the program.

With the transfer of the RWTP staff to the new Louisiana Workforce Commission (LWC) effective July 1, 2008, a review of staff and procedures determined that RWTP staff with fiscal experience would work with LWC staff to review invoices according to state and federal standards and assure compliance for the program. The "Findings of Review" and "Supplemental Reviews" prepared by the LLA were used as the standard for further review by staff in determining reimbursable expenses. Additionally, a determination was made that modifications would be completed for the existing 18 sub-recipient agreements to address the areas of concern, highlighted by the LLA reviews.

Beginning August 26, 2008, and concluding October 1, 2008 (scheduling interruptions were experienced due to Hurricanes Gustav and Ike which lengthened the process) RWTP staff hosted meetings for each of the 18 grantees. Major areas of concern addressed in these meetings included assuring grantees, as fiscal agents, thoroughly understood their obligation to know and follow the OMB circulars and federal regulations which apply to reimbursements. The RWTP staff also identified specific areas of concern for the grantees in the areas of proper documentation of time and effort spent on the grant, allocable and indirect cost issues, and subcontracts for professional services.

The following is in response to the specific findings identified in the report:

1. Travel –The LWC/RWTP notes this finding and concurs that all sub-recipients will be reimbursed in accordance with the Division of Administration Policy and Procedures Memorandum 49, State Travel Regulations (PPM49), as amended each fiscal year. In cases where problems were noted specifically for travel, more documentation was sought from the grantee. In the event expenses could not be sufficiently documented, the amount was reduced from the total reimbursement.

2. Reimbursement / Expense Statement forms – The LWC/RWTP concurs with this finding. On June 3, 2008, at an RWTP Compliance Meeting, held in conjunction with the Louisiana Legislative Auditor and the Office of Community Development, fiscal agents were notified that use of the Expense Statement is mandatory, per the sub-recipient agreements, and that future reimbursement requests without the properly completed form would not be accepted for processing.

Outside the Billing Period-The LWC/RWTP obtained agreement from the Office of Community Development that invoices presented in one billing month, if dated from a prior month, still could be paid as long as they represented legitimate program costs. We recognize that invoices from prior months, presented outside the billing period open the possibility of duplication of payments; however, in paying these invoices, we have exercised appropriate care to check prior months' billings from the fiscal agent. The required use of the Expense Statement has made this process much easier to facilitate.

3. Unique invoice numbers – No exceptions were noted by the auditors.
4. Required response for information in seven days – The LWC/RWTP concurs with this finding, with the exception that in some cases LWC/RWTP extended the time for response to meet the needs of grantees. Further, grantees were notified that any additional time needed to gather and send documentation might delay their payment by that same amount of time, and grantees agreed to the delay.
5. Expenses not provided for in the Sub-recipient Agreement – The LWC/RWTP concurs with this finding and notes that expenses that were not allowable under the agreements with grantees, and were not justified in advancing the program objectives were not reimbursed. However, as the administrative agency, we found after further analysis, some expenses were reimbursable, as the activities were justified to meet the program objectives, implied in the agreement, and within the scope of the authority of the fiscal agent to determine as reimbursable.

Indirect costs –Per the sub-recipient agreements, indirect costs are not allowable expenses. This was also questioned in respect to the applicable OMB Circulars. This issue has been raised with the Office of Community Development and submitted as a question of clarification to HUD officials. Further, expenses have been withheld to grantees that were determined indirect and this will be addressed directly through requested modifications to the agreements.

6. Comparison of actual expenditures to the budgeted amounts to verify that actual administrative expenditures do not exceed 10% of the total proposed budget- No exceptions were noted by the auditors. LWC/RWTP maintains a spreadsheet of reimbursements to track the percent paid in all categories, including administrative costs.
7. Verification that all materials, property, or services are procured in accordance with 24 CFR 84.40 or 24 CFR 85.36, or that sole source procurement has been provided- The auditors quantified in their reports the amount expended on items procured as services, supplies or equipment. The LWC/RWTP requested and received all procurement policies for each of the grantees and their sub-recipients. Further, the Office of Community Development approved these items to be reimbursed. However, those items that were noted in the reviews will be reviewed during on-site compliance monitoring to assure proper procedures and record-keeping is maintained.

The information provided by the Office of the Legislative Auditor, Recovery Assistance Division, to the LWC/RWTP will be used as an ongoing measure in identifying areas of concern for much-needed technical assistance to our grantees and in identifying reimbursable program costs. We will continue to work with our grantees to ensure they remain in compliance with federal standards in every area, and there is proper documentation of expenses.

Since we are in the process of working with grantees on modifications to the existing sub-recipient agreements, the LWC/RWTP has identified an opportunity to address the concerns noted in the *Report on the Application of Agreed-Upon Procedures* by the Louisiana Legislative Auditor. We remain committed to the timely performance and full compliance of all state and federal standards for the Louisiana Workforce Commission/Recovery Workforce Training Program.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tim Barfield', written in a cursive style.

Tim Barfield, Executive Director

TB:cd