

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM
HURRICANES GUSTAV AND IKE
SEPTEMBER 2008 - MARCH 2009



AGREED-UPON PROCEDURES REPORT
ISSUED JUNE 10, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

May 14, 2009

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

MARK COOPER, DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND
SECURITY AND EMERGENCY PREPAREDNESS
Baton Rouge, Louisiana

We have performed the procedures enumerated below for the seven months ended March 31, 2009, which were requested and agreed to by you, as the director of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), primarily to assist in evaluating the operations of the state's Public Assistance (PA) program for Hurricanes Gustav and Ike. 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 management of GOHSEP. 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. The procedures we performed and our findings are as follows:

Public Assistance Procedures

We reviewed 123 expense reviews totaling \$136,388,926 along with their supporting documentation as prepared by the GOHSEP disaster recovery specialists. Through the use of these reviews, disaster recovery specialists document their findings of the reimbursement claims submitted by sub-grantees. For all large projects [as defined in 44 CFR 206.203(c)(1)], we reviewed the expense reviews and the supporting documentation to verify that the reimbursement claims are in compliance with federal and state guidelines and properly documented.

We developed findings of review for each of the 123 expense reviews analyzed during this period. Each finding was presented to management to keep them informed of our concerns.

Contract Work

Procedures: We applied the following procedures when the work undertaken by the sub-grantee was accomplished through the use of contractors:

1. Verified that the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project.
2. Verified that line items and/or project cost over-runs that are within the scope of the project worksheets have been identified.
3. Verified that costs listed on the contract summaries are supported with invoices, receipts, lease agreements, and/or contracts.
4. Verified that each contract was procured in accordance with federal and/or state laws.

Findings: We reviewed 69 expense reviews where the work was accomplished by a contractor. On these reviews, the disaster recovery specialists indicated total documented expenses of \$96,174,694. Of the 69 reviewed, we did not detect deficiencies in 36 of them. However, we noted deficiencies on 33 expense reviews totaling \$70,235,913. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on 25 of the expense reviews related primarily to scope limitations, lack of documentation, or procurement. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$28,591,214 (20.96% of the total amount reviewed). The deficiencies detected on the remaining eight expense reviews related primarily to effective writing/communication which would not have resulted in any questioned costs.

Force Account Equipment

Procedures: We applied the following procedures when the work was accomplished through the use of the sub-grantees' equipment:

1. Verified that the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project.
2. Verified that line items and/or project cost over-runs that are within the scope of the project worksheets have been identified.
3. Verified that an operator was listed for each piece of equipment listed on the force account equipment summaries.

4. Verified that equipment hours claimed on the force account equipment summaries agreed with the employee hours claimed on the force account labor summaries.
5. Verified that the equipment rate used in calculating the reimbursement amount is in accordance with the FEMA equipment rate schedule or a locally adopted and approved equipment rate schedule.

Findings: We reviewed six expense reviews where the work was accomplished by using the sub-grantees' equipment. On these reviews, the disaster recovery specialists indicated total documented expenses of \$57,895. Of the six reviewed, we did not detect deficiencies in two of them. However, we noted deficiencies on four expense reviews totaling \$56,884. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected in the four expense reviews related primarily to scope limitations, excessive equipment hours, or incorrect equipment rate calculations. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$16,610 (0.01% of the total amount reviewed).

Force Account Labor

Procedures: We applied the following procedures when the work was accomplished through the use of the sub-grantees' employees:

1. Verified that the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project worksheet.
2. Verified that line items and/or project cost over-runs that are within the scope of the project worksheets have been identified.
3. Verified that there is a disaster-related job description for each employee listed on the force account labor summaries.
4. Verified that employee hours listed on the force account labor summaries are in accordance with the sub-grantees' overtime policies and that only hours spent conducting work that was a direct result of the disaster are claimed for reimbursement.
5. Verified that the fringe benefit calculations prepared by the sub-grantees include only eligible elements and are mathematically accurate.

Findings: We reviewed 18 expense reviews where the work was accomplished using the sub-grantees' employees. On these reviews, the disaster recovery specialists indicated total documented expenses of \$1,187,859. Of the 18 reviewed, we did not detect deficiencies in seven of them. However, we noted deficiencies on 11 expense reviews totaling \$794,369. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on 10 expense reviews related primarily to scope limitations, excessive labor hours, or incorrect labor rate calculations. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$381,416 (0.28% of the total amount reviewed). The deficiencies detected on the remaining expense review related primarily to effective writing/communication which would not have resulted in any questioned costs.

Materials

Procedures: We applied the following procedures when the sub-grantees purchased or used materials from inventory to accomplish the work detailed in the scope of the project worksheets:

1. Verified that the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project.
2. Verified that line items and/or project cost over-runs that are within the scope of the project worksheets have been identified.
3. Verified that costs listed on the material summaries are supported with invoices, receipts, lease agreements, and/or contracts.
4. Verified that materials were procured in accordance with federal and/or state laws.

Findings: We reviewed 15 expense reviews where the sub-grantees used materials from inventory or purchased materials to accomplish the work. On these reviews, the disaster recovery specialists indicated total documented expenses of \$19,420,567. Of the 15 reviewed, we did not detect deficiencies in 12 of them. However, we noted deficiencies on three of the expense reviews totaling \$3,939,428. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on one of the expense reviews related primarily to scope limitations, lack of documentation, or procurement. This deficiency, had it not been detected, could have resulted in questioned costs totaling \$3,024,771 (2.22% of the total amount reviewed). The deficiencies detected on the remaining two expense reviews related primarily to effective writing/communication which would not have resulted in any questioned costs.

Rental Equipment

Procedures: We applied the following procedures when the sub-grantees rented equipment to accomplish the work detailed in the scope of the project worksheets:

1. Verified that the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project.
2. Verified that line items and/or project cost over-runs that are within the scope of the project worksheets have been identified.
3. Verified that costs listed on the material summaries are supported with invoices, receipts, lease agreements, and/or contracts.
4. Verified that the equipment was procured in accordance with federal and/or state laws.

Findings: We reviewed 15 expense reviews that contained total documented expenses of \$19,547,912 where rented equipment was used to accomplish the work. Of the 15 reviewed, we did not detect deficiencies in 12 of them. However, we noted deficiencies on three expense reviews totaling \$2,805,881. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on two of the expense reviews related primarily to scope limitations, lack of documentation, or procurement. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$35,365 (0.03% of the total amount reviewed). The deficiencies detected on the remaining expense review related primarily to effective writing/communication which would not have resulted in any questioned costs.

Reimbursement Request Forms

Procedure: Verify that the reimbursement requests and the parish/local certification documents are dated on or after the creation of the project worksheets.

Finding: We reviewed the reimbursement requests included in 95 expense review form packages. For all packages, the date on the reimbursement request was on or after the creation of the project worksheets.

We did not verify that the parish/local certification was dated after the creation of the project worksheets because GOHSEP no longer requires it to be submitted with each expense review form package. GOHSEP has incorporated the certification into a memorandum of understanding that is completed by the sub-grantees as part of their request for public assistance.

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 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 primarily for the information and use of GOHSEP. 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

JLS:JLM:dl

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Management's Response



BOBBY JINDAL
GOVERNOR

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

MARK A. COOPER
DIRECTOR

May 29, 2009

Mr. Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

RE: Draft Public Assistance Division Quarterly Report
First Quarter 2009; Hurricanes Gustav and Ike

Dear Mr. Theriot:

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 Gustav and Ike for the first quarter of 2009 (January 1, 2009 through March 31, 2009). We concur in the findings as identified in the report and note the continued improvement in the process.

Please refer to management comments made in the response to the attendant review by the LLA of the Public Assistance program as applied to Hurricanes Katrina and Rita. During the exit conference for the subject quarterly review, LLA staff identified that the processing of Gustav/Ike reimbursements were not using the same Expense Review Tool (ERT) process being used to support Katrina/Rita reimbursements. FEMA has implemented a different accounting system (EMMIE) for Gustav/Ike and there are synchronization issues between the ERT and EMMIE. Our staff is working on resolving those issues, and, once resolved, the reimbursement processing for the 2005 storms and the 2008 storms will be the same.

Your LLA Team continues to assist us in the improvement of our process and continues to provide outstanding advice and counsel. Their continued analysis of our public assistance procedures will assist us in achieving our 100% accuracy goal.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark S. Riley".

Mark S. Riley
Acting Deputy Director

MSR:krs
cc: Mark A. Cooper, Director