

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM
JANUARY 2008 - MARCH 2008



AGREED-UPON PROCEDURES REPORT
ISSUED JULY 30, 2008

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

July 30, 2008

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

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

We have performed the procedures enumerated below for the first quarter of 2008 (January 1, 2008 through March 31, 2008), which were requested and agreed to by the former 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. 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.

The procedures that we performed and our findings and comments are as follows:

Technical Assistance Contractors Invoice Review

We compared the technical assistance contractors', James Lee Witt Associates (JLWA) and Deloitte LLP, invoices to their contracts to determine if the invoice were submitted in accordance with the terms of the contract; had all the required signatures; were within the required time period (invoices are to be submitted monthly); were supported by subcontractor invoices, time records, and/or receipts; and verified that the supporting documentation agrees with the invoice.

For the first quarter of 2008, the contractors presented 25 invoices totaling \$10,715,256 to GOHSEP for payment.

Questioned costs were identified during a standard review process before payment. These costs totaled \$7,665 (0.07% of the total invoiced amount) and did not appear to be within the terms of the contracts. The contractors resolved the questionable costs by either providing additional documentation that clarified the costs or removing the costs from the invoices. These questioned costs are primarily related to the lack of adequate supporting documentation or expenses that are not reimbursable in accordance with the contracts. The table below details the information for each contractor:

Contractor	Number of Invoices 1st Qtr.	Total Invoiced Amount	Questioned Costs	Percentage of Questioned Costs to Invoiced Amount
Deloitte	16	\$3,622,766	\$1,667	0.05%
JLWA	9	\$7,092,490	\$5,998	0.08%
Total	25	\$10,715,256	\$7,665	0.07%

Contract terms for JLWA state that invoices should be submitted within 30 days of the billing period. JLWA submitted all nine of its invoices more than 30 days after the billing period. Though its contract does not specify, Deloitte submitted all its invoices within 30 days of the billing period.

GOHSEP management continues to stress the need for accurate billing with its contractors resulting in minimal questioned costs, currently less than one percent of the total invoiced amount.

Public Assistance Procedures

We reviewed 1,132 Expense Review Forms (ERFs) along with their supporting documentation as prepared by the GOHSEP disaster recovery specialists totaling \$445,683,050. Through the use of these forms, disaster recovery specialists document their reviews of the reimbursement claims submitted by sub-grantees. For all large projects [as defined in 44 CFR 206.203(c)(1)], we conducted the following procedures to verify that expenses reviewed and documented on ERFs by the disaster recovery specialists were in compliance with federal and state guidelines and properly documented:

1. Verified that the reimbursement request and the parish/local certification documents are dated on or after the creation of the project worksheet
2. Reviewed sub-grantee provided policies and procedures to determine the impact on disaster assistance reimbursement
3. Examined contracts, invoices, and/or receipts to determine reasonableness of costs as defined by GOHSEP and/or the Federal Emergency Management Agency (FEMA)

4. Verified that invoices, receipts, lease agreements, and/or contracts supplied by the sub-grantees comply with state and federal guidelines for the PA program
5. Verified that for each employee listed on the force account labor summary (FAL) there is also a disaster-related job description
6. Verified that employee hours listed on the FAL 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
7. Verified that the fringe benefit calculation prepared by the sub-grantees includes only elements allowed by their employment practices and is mathematically accurate
8. Verified that for each piece of equipment listed on the force account equipment summary (FAE) there is also an operator listed
9. Verified that equipment hours claimed on the FAE agree with the employee hours claimed on the FAL
10. Verified that the equipment rate used on the FAE is in accordance with the FEMA equipment rate schedule or locally adopted and approved equipment rate schedule
11. Verified that costs listed on the material summary are supported with invoices, receipts, lease agreements, and/or contracts
12. Verified that costs listed on the rented equipment summary are supported with invoices, receipts, lease agreements, and/or contracts
13. Verified that costs listed on the contract summary are supported with invoices, receipts, lease agreements, and/or contracts

We developed findings of review for each of the 1,132 ERFs reviewed during this period. Each finding was presented to management to keep them informed of our concerns. This report is a summary those findings.

Of the 1,132 ERFs reviewed, we did not detect deficiencies in 860 ERFs totaling \$327,367,977. However, deficiencies were noted in 272 ERFs totaling \$118,315,074 that were returned to the disaster recovery specialists for additional information or further clarification. The deficiencies detected in 127 of the 272 ERFs related primarily to cost reasonableness, contracting, and project scope issues. These deficiencies, had they not been detected, could have led to questioned costs totaling \$77,937,526 (17.5% of the total amount of the ERFs reviewed).¹ Ultimately, some or all of these costs may be

¹ Of the \$77,937,526 in questioned costs (17.5% of the total amount of the ERF's reviewed), \$61,794,636 is from one ERF review. The sub-grantee entered into a \$2.5 million contract which has escalated to over \$68 million for which change orders or a demonstration of cost reasonableness for the increase costs has not been provided.

reimbursed to the applicants with proper documentation. The deficiencies detected in the remaining 145 ERFs related primarily to effective writing/communication which would not have resulted in any questioned costs.

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

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Management's Response



State of Louisiana

BOBBY JINDAL
GOVERNOR

**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND
EMERGENCY PREPAREDNESS**

MARK A. COOPER
DIRECTOR

July 3, 2008

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

Re: Draft Recovery Assistance Division Quarterly Report, First Quarter 2008

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 the first quarter of 2008 (January 1 through March 31). Again, we commend the Legislative Auditor's Office for the quality of individuals that have been provided to assist us in this very complex PA process. We continue to rely heavily on the constructive advice provided by your office to ensure adherence to appropriate grants management processes.

With the help of your staff we have been successful in reducing "questioned costs" found in the review of invoices from our technical assistance contractors from a high of 0.5% in the 3rd quarter of 2007, to 0.07% for the current period. We will continue to work with the contractors and monitor cost to eliminate "questioned costs".

We continue to work on the review of Expense Review Forms (ERFs) to eliminate findings. We have reduced employee turnover and increased training and have seen a significant increase in the quality of review. We have recently filled our Training Officer position and will formalize and standardize training. We will look to your staff to provide advice on areas which are in need of training. With the help of your staff, we are sending individuals for training in effective writing and communication courses which are offered through your office.

We look forward to a continued relationship with your office as we proceed with the Katrina/Rita Hurricane recovery efforts.

Sincerely,

Mark A. Cooper
Director