

An Agreed-Upon Procedures Report on the
**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM CLOSE-OUT
JULY 2012 - DECEMBER 2012**
Issued April 17, 2013



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EXECUTIVE SUMMARY

We performed agreed-upon procedures to assist the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management in fulfilling its responsibility for programmatic closure under the Public Assistance (PA) program. For the period July 1, 2012, through December 31, 2012, we analyzed obligated funds totaling \$109,187,993. The results of our analysis are as follows:

Final Inspection Report Review. During the period, we conducted subsequent final inspection report reviews on 13 large and 1 small project packages that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. Our subsequent analyses noted that GOHSEP provided sufficient documentation to support \$2,296,663 (19%) of the \$12,036,048 in previously noted questioned costs. Our subsequent analyses also noted additional questioned costs totaling \$178.

Detailed Documentation Review. During the period, we conducted detailed documentation reviews in preparation of programmatic closure on 164 large projects with obligated funds of \$107,441,653. We also reviewed 22 small project packages representing 158 small projects with obligated funds of \$1,746,340. Of the \$109,187,993 in total obligated funds we reviewed, we noted that the sub-grantees did not provide sufficient documentation resulting in questioned costs of \$5,548,829 as well as cost underruns¹ totaling \$594,100 and overruns² totaling \$101,635. Cost underruns and overruns are differences between estimated and actual costs. There are no questioned costs associated with cost underruns and overruns. FEMA generally writes versions to the project worksheets to adjust the estimates to actual project costs.

GOHSEP management returned 12 large projects. We analyzed each of those files in greater detail and noted that the sub-grantees provided sufficient documentation to support \$702,229 (9%) of the \$7,468,417 in previously noted questioned costs. Our subsequent analyses also noted additional questioned costs of \$53,393.

Close-out Progress. As of December 31, 2012, FEMA obligated more than \$12 billion for hurricanes Katrina, Rita, Gustav, and Ike. Of that \$12 billion, GOHSEP reimbursed sub-grantees more than \$8 billion. Approximately 2.2% of the obligated amount has been closed.

¹ A cost underrun occurs when FEMA's estimated obligations are greater than the actual cost to perform the scope of work.

² A cost overrun occurs when FEMA's estimated obligations are less than the actual cost to perform the scope of work.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 26, 2013

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, 2012, through December 31, 2012, which were requested and agreed to by Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management, solely to assist you in fulfilling your responsibility for programmatic closure. GOHSEP management is responsible for the day-to-day operations of the Public Assistance (PA) program including programmatic closure.

This agreed-upon procedures engagement was conducted in accordance with the applicable 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 GOHSEP 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.

Overall Results - Final Inspection Report Review

For the period July 1, 2012, through December 31, 2012, we conducted subsequent final inspection report reviews on 13 large and one small project packages that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. We presented GOHSEP management a finding of review for each reimbursement request we analyzed during this period. The following table presents the overall results of our analyses:

Final Inspection Report Reviews Current Period Questioned Costs				
Review Type	Number of Reviews	Amount Reviewed	Amount Questioned	Amount Resolved
Initial (current period)	0	\$0	\$0	\$0
Subsequent (current period)	0	0	0	0
Subsequent (prior period)	14	3,043,608	178	(2,296,663)
Total	14	\$3,043,608	\$178	(\$2,296,663)

Final Inspection Report Review - Small Projects

Procedure: For each small project close-out package provided by GOHSEP, we confirmed that the close-out package contained a certification that the eligible scope of work was completed and that any exceptions that were identified were documented and supported by photographs, invoices, receipts, or other documentation as may be appropriate as evidence the work performed was not part of the eligible scope.

Finding: We conducted a subsequent analysis on project costs totaling \$4,771 for one small project package that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. Our subsequent analysis did not note any questioned costs.

Final Inspection Report Review - Large Projects

Procedure: For each large project close-out package provided by GOHSEP, we confirmed that the close-out package contained a certification that the eligible scope of work was completed and that any exceptions that were identified were documented and supported by photographs, invoices, receipts, or other documentation as may be appropriate as evidence the work performed was not part of the eligible scope.

Finding: We conducted subsequent analyses on project costs totaling \$3,038,837 for 13 large projects that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. Our subsequent analyses noted that GOHSEP provided sufficient documentation to support \$2,296,663 in previously noted questioned costs. Our subsequent analyses also noted \$178 in additional questioned costs.

Overall Results - Detailed Documentation Review

For the period July 1, 2012, through December 31, 2012, we analyzed project costs totaling \$34,049,237 for 164 large projects and 22 small project packages representing 158 small projects. These 186 large and small project packages had obligated funds totaling \$109,187,993. In addition, we conducted subsequent analyses on project costs totaling \$1,322,509 for 12 large projects that had been returned by GOHSEP. We presented a finding of review to GOHSEP

management for each reimbursement request we analyzed during this period. The following table presents the overall results of our analyses.

Detailed Documentation Reviews Current Period Questioned Costs				
Review Type	Number of Reviews	Amount Reviewed	Amount Questioned	Amount Resolved
Initial (current period)	186	\$34,049,237	\$5,548,829	\$0
Subsequent (current period)	1	28,417	0	(9,403)
Subsequent (prior period)	11	1,294,092	53,393	(692,826)
Total	198	\$35,371,746	\$5,602,222	(\$702,229)

Detailed Documentation Review - Small Projects

Procedure: For each sub-grantee whose small projects were assigned to the Louisiana Legislative Auditor, we selected a sample of the projects based on GOHSEP's risk model and confirmed through visual inspection and review of invoices, receipts, contracts, or other documentation as may be necessary that the eligible scope of work was completed.

Finding: As a result of our procedure, we analyzed project costs totaling \$559,970 for 22 small project packages. The 22 small project packages represented 158 small projects with obligated funds totaling \$1,746,340. Our analyses noted that seven projects did not contain sufficient evidence supporting scope of work completion, resulting in questioned costs totaling \$51,113. Our analyses also noted that one project contained errors in the documentation totaling \$9,000.

Detailed Documentation Review - Large Projects

We analyzed project costs totaling \$33,489,267 for 164 large projects with obligated funds totaling \$107,441,653. For 77 of those projects, we noted that the sub-grantees did not fully support all expenses claimed, resulting in questioned costs totaling \$5,488,716 as follows:

Initial Analyses		
Expense Type	Number of Reviews*	Amount Questioned
Force Account Labor	27	\$478,816
Force Account Equipment	23	202,348
Materials	12	231,654
Rented Equipment	3	79,683
Contract Work	50	4,366,303
No Type	9	129,912
Total		\$5,488,716

* A large project may contain multiple expense types; therefore, there are more reviews than projects.

Our analyses also noted that for some projects FEMA’s estimated obligations were greater than the actual cost to perform the scope of work (cost underrun) and that for others FEMA’s estimated obligations were less than the actual cost to perform the scope of work (cost overrun). The underruns totaled \$594,100 and the overruns totaled \$101,635. There are no questioned costs associated with these differences in estimates. FEMA generally writes versions to the project worksheets to adjust the estimates to actual project costs.

In addition, GOHSEP management returned 12 large projects for additional analyses. We analyzed project costs totaling \$1,322,509 in greater detail and noted that the sub-grantees provided sufficient documentation to support \$702,229 in previously noted questioned costs. Our subsequent analyses also noted additional questioned costs totaling \$53,393.

Detailed Results. For each large project, we selected a sample of completed work from each expense category and conducted the following procedures:

Procedure: When the work undertaken was accomplished through the use of the sub-grantees’ employees (force account labor), we confirmed through visual inspection and reviewing payroll documents, overtime policies, fringe benefit rate calculations, and other documentation that the costs incurred were supported.

Finding: As a result of our procedure, we analyzed force account labor costs totaling \$1,615,449 for 58 large projects and noted \$478,816 in questioned costs as indicated in Figure 1.

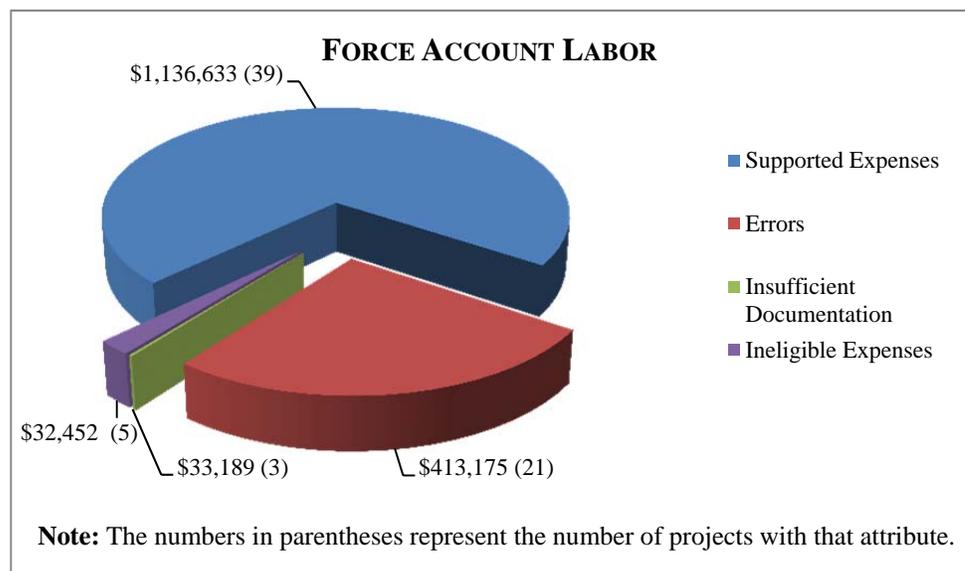


Figure 1

Our analyses also noted cost underruns totaling \$158,418 in 15 projects and cost overruns totaling \$2,005 in three projects.

Procedure: When the work undertaken was accomplished through the use of the sub-grantees’ equipment (force account equipment), we confirmed through visual inspection and reviewing payroll documents, equipment usage logs, equipment inventories, and other documentation that the costs incurred were supported.

Finding: As a result of our procedure, we analyzed force account equipment costs totaling \$1,232,500 for 43 large projects and noted questioned costs totaling \$202,348 as indicated in Figure 2.

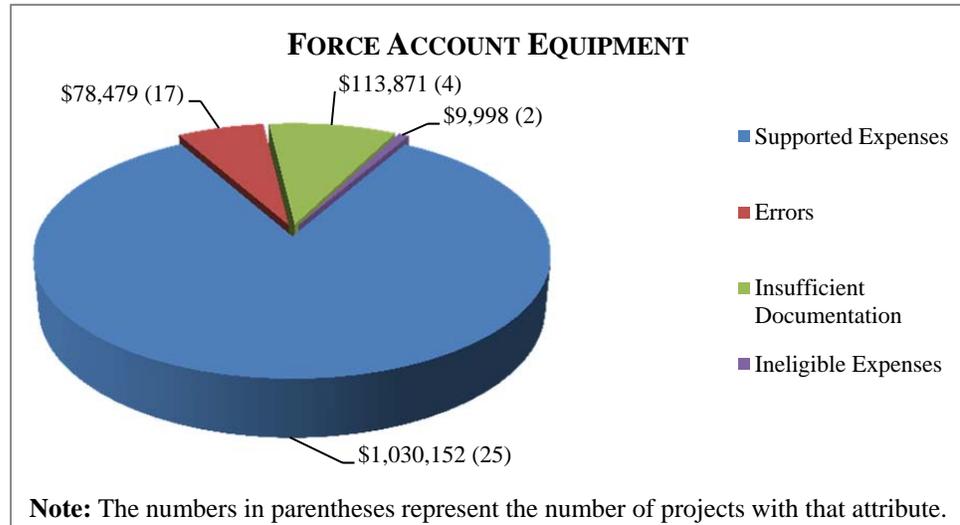


Figure 2

Our analyses also noted cost underruns totaling \$82,967 in six projects and cost overruns totaling \$19,606 in three projects.

Procedure: When the sub-grantees purchased or used materials from inventory to accomplish the work, we confirmed through visual inspection and reviewing invoices, receipts, contracts, and other documentation that the costs incurred were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding: As a result of our procedure, we analyzed material costs totaling \$1,138,367 for 47 large projects and noted questioned costs totaling \$231,654 as indicated in Figure 3.

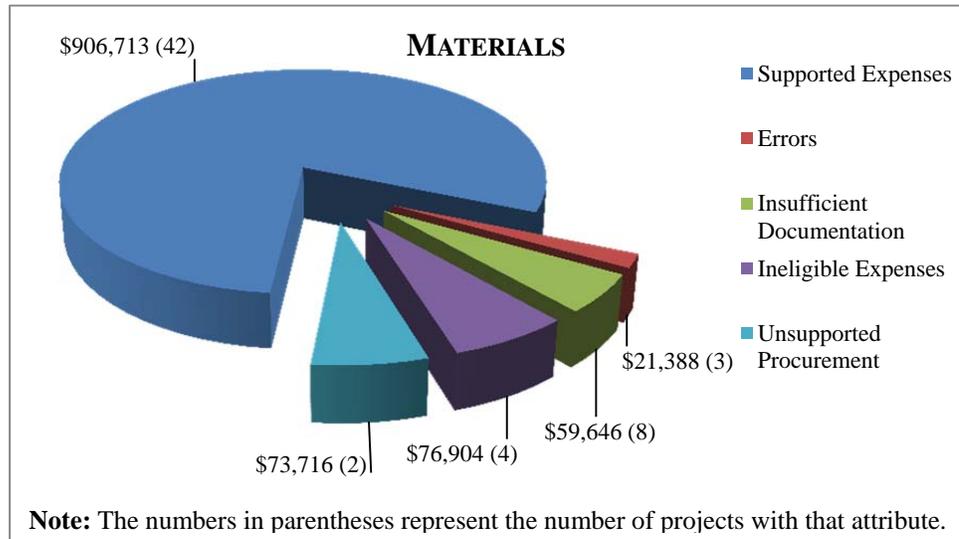


Figure 3

Our analyses also noted cost underruns totaling \$4,532 in nine projects and cost overruns totaling \$31,302 in three projects.

Procedure:

When the work undertaken was accomplished through the use of rented equipment, we confirmed through visual inspection and reviewing invoices, receipts, contracts, and other documentation that the costs incurred were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding:

As a result of our procedure, we analyzed rented equipment costs totaling \$139,958 for 14 large projects and noted questioned costs totaling \$79,683 as indicated in Figure 4.

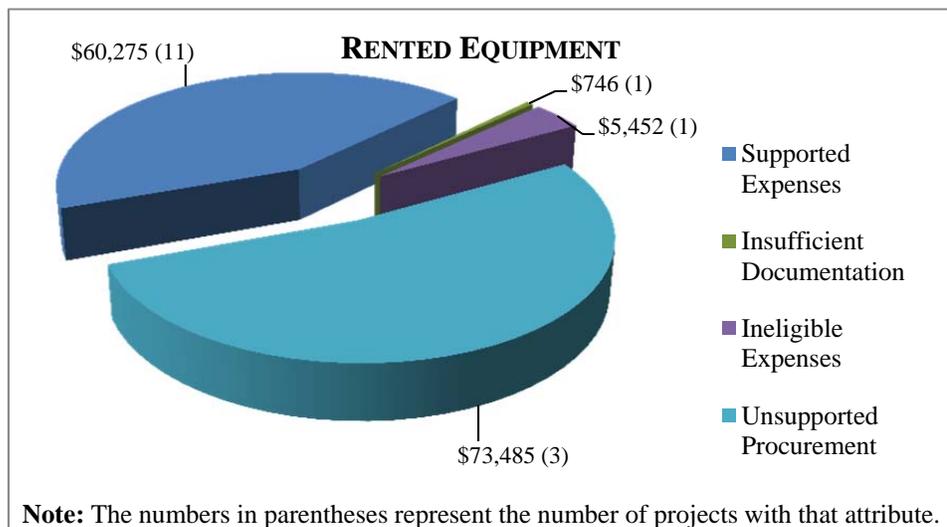


Figure 4

Our analyses also noted cost underruns totaling \$22,876 in one project.

Procedure: When the work undertaken was accomplished through the use of contractors, we confirmed through visual inspection and reviewing invoices, receipts, contracts, lease agreements, and other documentation that the costs incurred to complete the eligible scope of work were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding: As a result of our procedure, we analyzed contract work totaling \$29,362,993 for 130 large projects and noted questioned costs totaling \$4,366,303 as indicated in Figure 5.

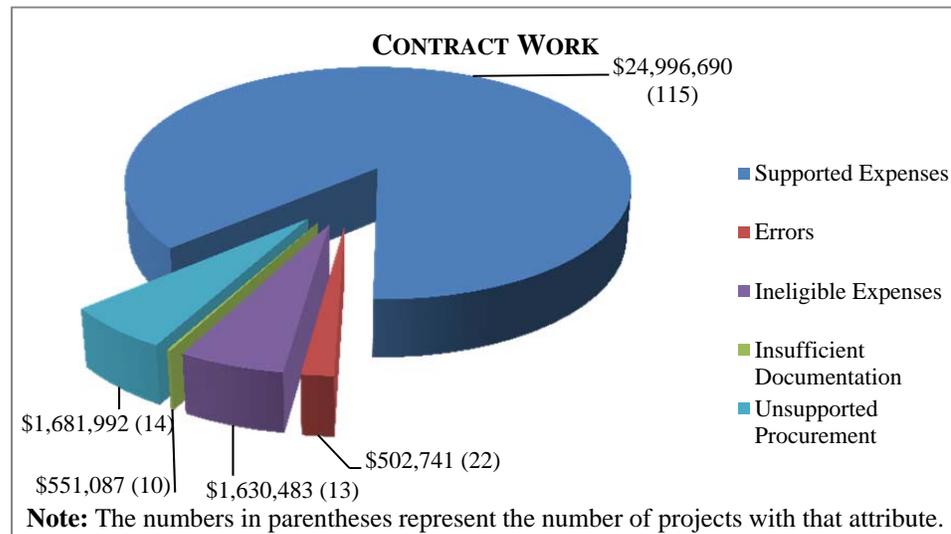


Figure 5

Our analyses also noted cost underruns totaling \$325,308 in 21 projects and cost overruns totaling \$48,722 in 12 projects.

In addition, we noted questioned costs totaling \$129,912 that are not associated with an expense category. Eight projects contained errors in the supporting documentation totaling \$39,175 and one project contained ineligible expenses totaling \$90,737.

Additional Information

Some questioned costs are not resolved until a subsequent reporting period. The following table presents the status of questioned costs noted in prior periods for final inspection report reviews and detailed documentation reviews as of June 30, 2012.

Final Inspection Report Reviews Prior Period Questioned Costs			
Period	Amount Questioned	Amount Resolved	Amount Unresolved
Calendar year 2008	\$0	\$0	\$0
Calendar year 2009	532,138	(465,640)	66,498
Calendar year 2010	740,635	(167,686)	572,949
Calendar year 2011	21,621,204	(11,400,626)	10,220,578
January-June 2012	1,311,495	(135,472)	1,176,023
Total	\$24,205,472	(\$12,169,424)	\$12,036,048

Detailed Documentation Reviews Prior Period Questioned Costs			
Period	Amount Questioned	Amount Resolved	Amount Unresolved
Calendar year 2008	\$10,732	\$0	\$10,732
Calendar year 2009	120,503	(12,053)	108,450
Calendar year 2010	2,290,595	(100,761)	2,189,834
Calendar year 2011	9,801,844	(5,997,093)	3,804,751
January-June 2012	1,354,650	(0)	1,354,650
Total	\$13,578,324	(\$6,109,907)	\$7,468,417

We were not engaged to and did not conduct an audit, the objective of which would be to express an opinion on GOHSEP's compliance with federal and state regulations, internal control over compliance with federal and state regulations, or 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. By provisions of state law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/dl

PACO JUL-DEC 2012

BACKGROUND

Public Assistance (PA) Overview. Under the PA program, FEMA provides supplemental aid to states, communities, and certain private non-profit (PNP) entities for debris removal, emergency protective measures, permanent restoration of infrastructure, and hazard mitigation measures. For hurricanes Katrina and Rita, the federal share of these expenses is 100% of eligible costs; for hurricanes Gustav and Ike, the federal share is 90%.

FEMA manages the PA program, approves grants, and provides technical assistance to the state and local officials. The state, in most cases, acts as the grantee for the program. The state educates potential sub-grantees, works with FEMA to manage the program, implements the program, and monitors the grants awarded under the program. Local officials, as sub-grantees, are responsible for identifying damages, providing sufficient data for FEMA to develop an accurate scope and cost estimate for doing the work and approving grants, and managing the projects funded under the PA program.

The PA program is considered programmatically closed when FEMA ensures that all grants awarded under the PA program for a given disaster meet the statutory and regulatory requirements governing the program. To achieve programmatic closure, FEMA ensures that all funds have been obligated and all work complies with the eligibility requirements of the program.

Normally, the state conducts its close-out procedures after a sub-grantee has completed all of its FEMA-funded recovery activities for all of that sub-grantee's projects. However, GOHSEP has implemented a process to close projects on an individual basis.

Close-out Review Process. Currently, sub-grantees request closure of their projects before the process begins. Large projects are closed individually; small projects are closed as a group. GOHSEP's close-out specialists review the expenses the sub-grantee has submitted over the life of the project(s) to determine if all expenses are supported or additional expenses need to be submitted and gather any additional documentation deemed necessary.

The close-out specialists document their review results on final inspection reports and submit the reports and all supporting documentation to the Louisiana Legislative Auditor's (LLA) close-out team. LLA's close-out team analyzes the final inspection reports and supporting documentation to identify any questioned costs or other costs the sub-grantees did not claim. Questioned costs and unclaimed costs which may be reimbursed are reported to GOHSEP management. The final inspection reports and supporting documentation are returned to the close-out specialists to allow GOHSEP the opportunity to identify additional funding available to the sub-grantees or to correct deficiencies. For deficiencies that cannot be corrected, we recommend that GOHSEP consider having the funds de-obligated.

In some situations, GOHSEP assigns detailed documentation reviews to LLA's close-out team. The results of these reviews and the supporting documentation are regularly presented to GOHSEP management through findings of review. GOHSEP management reviews the information and either completes a final inspection report or returns the finding of review to LLA's close-out team to address deficiencies or request additional supporting documentation. Any final inspection report created as a result of this work is not reviewed by the LLA document review team.

In 2012, GOHSEP began a new close-out process whereby the close-out specialists are to identify cost overruns and underruns, document their review results on a pre-close-out summary, and submit the summary and supporting documentation to the LLA close-out team. The LLA close-out team analyzes the pre-close-out summary and supporting documentation to identify any questioned costs or other costs the sub-grantees did not claim. Questioned costs and unclaimed costs which may be reimbursed are reported to GOHSEP management. Any final inspection report created as a result of this work is not reviewed by the LLA close-out team.

APPENDIX A

Management's Response



BOBBY JINDAL
GOVERNOR

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

KEVIN DAVIS
DIRECTOR

April 8, 2013

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

RE: Draft Public Assistance Division Biannual Report
Public Assistance Program Closeout – July 1, 2012 – December 31, 2012

Dear Mr. Purpera:

We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division reviewing the State's Public Assistance (PA) Closeout program for Hurricanes Katrina, Rita, Gustav and Ike for the second half of 2012 (July 1, 2012 through December 31, 2012). We concur with the findings as identified in the report and note the continued improvement in the process.

As a matter of practice, we use the reports as a training tool for our grants management and closeout personnel to identify areas for improvement in the process and to note trends that need correction. We have also have initiated meetings with the LLA Closeout Management Team and the State's Public Assistance Closeout Team Management to discuss problems and issues on an ongoing and current basis.

Closeout packages that contain procurement deficiencies have been an issue. To keep this from occurring in the future GOHSEP has created a more stringent review process for its closeout packets in order to identify issues before submittal to the Legislative Auditor's Recovery Assistance Division. GOHSEP has also provided an applicant outreach program to specifically deal with educating applicants on proper procurement. This outreach training was also held for internal GOHSEP staff in order to further their understanding of procurement and to assist them to identify issues proactively.

In addition, it is our intent to review the review of documentation done at the reimbursement stage to identify gaps which can be closed to more proactively identify potential closeout issues. GOHSEP has also recently completed the redesign of the

Mr. Daryl Purpera, CPA, CFE

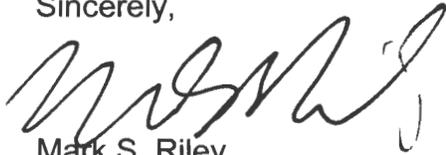
April 8, 2013

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closeout process and our objective remains to prepare applicants for closeout through education, outreach and technical assistance. We believe that these initiatives will alleviate the recurring issues with insufficient or missing documentation concerns and streamline the closeout focus to projects that are ready.

Your reports continue to assist us in the improvement of our processes and provide important feedback which will assist us in achieving our 100% accuracy goal.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. S. Riley', written over a white background.

Mark S. Riley

Deputy Director Disaster Recovery Division

MR:lbb

cc: Kevin Davis, Director-GOHSEP