

An Agreed-Upon Procedures Report on the  
**COASTAL PROTECTION AND  
RESTORATION AUTHORITY  
COASTAL IMPACT ASSISTANCE PROGRAM**  
Issued June 12, 2013



**INSIDE**

- 1 INDEPENDENT ACCOUNTANT'S REPORT
- 8 MANAGEMENT'S RESPONSE

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR**  
**AND STATE AUDIT SERVICES**  
PAUL E. PENDAS, CPA

**DIRECTOR OF RECOVERY ASSISTANCE**  
JOHN L. MOREHEAD, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$4.32. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at [www.la.la.gov](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 3533 or Report ID No. 52120013 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

May 22, 2013

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

**MR. JEROME ZERINGUE, EXECUTIVE DIRECTOR  
COASTAL PROTECTION AND RESTORATION AUTHORITY**  
Baton Rouge, Louisiana

We performed the procedures described on the following pages for a sample of projects that were funded through the Coastal Impact Assistance Program (CIAP) during the period January 1, 2007 through December 31, 2012. These procedures were requested and agreed to by Coastal Protection and Restoration Authority (CPRA) management, solely to assist you in evaluating the implementation of the CIAP grant.

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

## Background

The Coastal Impact Assistance Program (CIAP) was created by Section 384 of the Energy Policy Act of 2005 to assist oil producing states and their coastal political subdivisions to mitigate the impacts from Outer Continental Shelf oil and gas production. The CIAP legislation appropriated \$250 million per year for Fiscal Years 2007 through 2010 to be distributed among eligible producing states and their coastal political subdivisions. As a result of the Energy Policy Act of 2005, the State of Louisiana and its 19 coastal political subdivisions expected to receive \$495.7 million of CIAP funding to complete projects in one or more of the following project types:

1. Projects and activities for the conservation, protection, or restoration of coastal areas, including wetlands
2. Mitigation of damage to fish, wildlife, or natural resources
3. Planning assistance and the administrative costs of complying with CIAP
4. Implementation of a Federally approved marine, coastal, or comprehensive conservation management plan
5. Mitigation of the impact of Outer Continental Shelf activities through funding onshore infrastructure projects and public service needs



**CIAP project funding sign**

## Procedures and Findings

**PROCEDURE 1:** We assessed the management controls in place to ensure contract compliance, proper procurement, and compliance with the approved CIAP plan.

**FINDING:** *CPRA does not have adequate written policies and procedures.* Written policies and procedures are necessary for a clear understanding of what should be done, how it should be done, who should do it, and when it should be done. Written policies and procedures also aid in the continuity of operation and ensure the procedures followed meet management's expectations.

During our engagement, CPRA management provided written procedures that covered a small portion of the agency's daily operations and the current project management procedures manual. In the areas where written policies and procedures exist, we did not note any issues. However, we found instances where having additional policies and procedures are necessary to provide the structure for administration of all CPRA's operations.

For example, we discovered that no one at CPRA is verifying that the payments are charged to the appropriate project. Since the Louisiana Department of Natural Resources provides all of CPRA's accounting support, it is imperative that someone at CPRA reconcile the payments to the projects to verify that costs are charged to the appropriate project and are from the appropriate funding source.



**Revetment lined shoreline. The rock pile indicates a "turn" in the shoreline.**

***In three instances, CPRA tasked the same engineering firm with designing the project and overseeing the construction of that project.*** On the Rockefeller Refuge Shoreline Protection Demonstration project, the Orleans Land Bridge Shoreline Protection project, and the East Grand Terre Island Restoration project, the same engineering firm that designed the project served as the construction manager. Section 871.7 of the United States General Services Administration (GSA) Engineering and Construction Management Services guide states, in part, that “the construction manager functions as an advisor or consultant to the owner/Agency to assist with the execution of the project, to help the owner achieve a project that is properly constructed, on time and on budget. The construction manager is not involved with designing the project or performing the construction of real property.”

CPRA management agrees with this best practice and employs it on its more complex civil works projects, such as flood protection. However, on coastal erosion and restoration projects that have a very low risk to public safety, CPRA management believes that allowing the engineering firm to design and manage the construction is acceptable. Although CPRA has a staff of licensed engineers with the capability to design and manage the construction of CIAP projects, they do not have the manpower to provide those services on all of the CIAP projects within the grant time frame. Therefore, CPRA hires contractors to perform those services when necessary but continues to provide direct oversight by assigning in-house staff, which includes licensed engineers, to review the project management, project engineering, and construction management.

***CPRA did not ensure certain contract provisions were followed.*** CPRA amended several contracts to include clauses required by federal regulations and the state Office of Risk Management. The amendments added language that required contractors to:

- (1) maintain insurance coverage throughout the duration of the contract and
- (2) take the necessary steps to ensure that Disadvantaged and Women-owned Business Enterprises (DBEs) have the maximum opportunity to compete for and perform services relating to the contract.

State Purchasing verifies the construction contractor's insurance coverage at the beginning of the project. For projects that span multiple years, contractors submit new coverage certificates prior to expiration. That process allows State Purchasing to periodically check insurance coverage throughout the duration of the project. However, for projects that do not span multiple years, insurance is only verified at the beginning of the project. Therefore, for some projects, neither State Purchasing nor CPRA

verified that insurance was in place throughout the duration of the contract. Also, contractors are required to submit quarterly procurement summaries detailing purchases from DBE vendors. The contractors have not submitted the summaries nor has the CPRA documented the absence of the reports in the project files.



### **Revetment lined shoreline**

**PROCEDURE 2:** We verified that all change orders were necessary and reasonable by verifying that:

- (1) the work involved an unforeseen/hidden condition and was not included in the original scope of the contract and
- (2) the costs were consistent with national estimating cost indices or costs on similar CIAP projects.

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

**PROCEDURE 3:** For a sample of projects, we verified that the payments were supported by documentation such as bid documents, contracts, invoices, pay applications, and field reports.

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

**PROCEDURE 4:** We verified that all land was acquired in accordance with applicable federal and state requirements.

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



### **Bayou exiting between two revetment segments**

**PROCEDURE 5:** For a sample of payments, we verified that the transactions were classified and recorded appropriately.

**FINDING:** *Invoices totaling \$261,422 (.3%) out of the \$83,306,197 of invoices that were submitted for the sampled projects were coded incorrectly.* The Louisiana Department of Natural Resources (DNR) provides accounting services to CPRA. It is therefore imperative that CPRA representatives review all aspects of the payments that DNR processes on their behalf. As a result of this procedure, we discovered that CPRA representatives are not reviewing all aspects of the payment and in some situations are relying on DNR's records. In our sample, we found seven instances where CPRA did not have the supporting documentation for payments made by DNR resulting in \$261,422 of incorrectly coded costs. After we brought the situation to CPRA management's attention, all seven deficiencies were corrected.

**PROCEDURE 6:** For a sample of invoices submitted for payment, we verified that the work provided by the contractor conformed to the contracted scope of work.

**FINDING:** *Of the \$70,988 in mileage invoiced in our sample, \$4,009 did not agree with state travel regulations.* Contractors were required to follow state travel regulations for CIAP. We noted several invoices that included mileage for in-state travel without supporting mileage logs or odometer readings, as required by the state travel regulation (PPM 49). CPRA management responded that at the time of the charges, they were unaware that mileage logs or odometer readings were required for travel under PPM 49. CPRA management has since corrected this issue and is currently following the requirements for in-state travel.



We were not engaged to and did not conduct an examination, the objective of which would be to express an opinion on CPRA's compliance with federal and state regulations, CPRA's internal control over compliance with federal and state regulations, or CPRA'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 CPRA management and the Louisiana Legislature and is not intended to be and should not be used by anyone other than these parties. By provisions 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 fluid and cursive, with the first name being the most prominent.

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

DGP/ch

CIAP 2013

## Appendix A

---

### Management's Response



# State of Louisiana

BOBBY JINDAL  
GOVERNOR

June 4, 2013

Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804

RE: Coastal Impact Assistance Program (CIAP) Review

Dear Mr. Purpera:

As you know, we requested the services of your office to assist the Coastal Protection and Restoration Authority (CPRA) by reviewing the expenditures associated with our Coastal Impact Assistance Program (CIAP). CIAP is a federal grant for the purpose of completing certain conservation, protection and restoration projects, and we agreed upon a set of procedures that were intended to determine if CPRA is in compliance with the CIAP grant requirements. Additionally, these procedures allowed for a review of management's controls and structure to ensure contract compliance, proper procurement, and other areas relevant to compliance.

Upon conclusion of the review/analysis by your staff, we were pleased to learn that no issues/findings were noted in the following procedures:

**Procedure 2** – Verification that all change orders were necessary and reasonable

**Procedure 3** – For a sample of projects, verification that the payments were supported by documentation such as bid documents, contracts, invoices, pay applications and field reports.

**Procedure 4** – Verification that all land was acquired in accordance with applicable federal and state requirements.

For Procedures 1, 5 and 6, your staff did note some minor issues/findings. Below, we provide a response for each, and a corrective action, where appropriate:

**Procedure 1** – Assess management controls in place to ensure contract compliance, proper procurement, and compliance with the approved CIAP plan.

**Finding** – *CPRA does not have adequate written policies and procedures*

**Response** – Management concurs with this finding and agrees that the CPRA should have additional written policies and procedures regarding its operations and the transactional relationship with the Department of Natural Resources (DNR). CPRA is a relatively young agency, having just been created a few years ago. We recognize that there are still areas that need to be addressed and are committed to doing so.

#### Executive Division

Post Office Box 44027 • Baton Rouge, Louisiana 70804-4027 • 450 Laurel Street • 15<sup>th</sup> Floor Chase Tower North • Baton Rouge, Louisiana 70801  
(225) 342-7308 • Fax (225) 342-4711 • <http://www.coastal.la.gov>  
An Equal Opportunity Employer

**Corrective Action** – Management will work toward implementing additional written policies and procedures that clearly define roles and responsibilities for CPRA and the DNR.

**Finding** – *In three instances, CPRA tasked the same engineering firm with designing the project and overseeing the construction of that project*

**Response** – During the engagement, we had lengthy discussions regarding this issue, and we provided an explanation of our rationale for using the same firm on specialty restoration projects. We stated that with specialty restoration projects involving significant dredging design, field quantification, and template monitoring, it is our typical practice to have the design firm perform the construction oversight function due to their familiarity with the unique design aspects of these types of projects. There is also a cost savings to the state using this approach.

In consideration of the finding, we discussed that this practice could be considered acceptable with coastal erosion and restoration projects that have a very low risk to public safety. Additionally, to support this approach, CPRA has a staff of licensed engineers with the capability to design and manage the construction of CIAP projects, but does not have sufficient staff to provide those services on all of the CIAP projects within the grant timeframe. Therefore, contractors are hired to perform those services when necessary, but direct oversight is provided by assigning in-house staff, inclusive of licensed professional engineers, to review the project management, project engineering, and construction management. On other more complex projects, such as flood protection, we employ separate contractors for design and engineering.

**Finding** – *CPRA did not ensure certain contract provisions were followed*

**Response** – The report noted that CPRA has not verified that the contractor maintained insurance coverage throughout the duration of the contract on certain projects. This is specifically related to construction projects which are bid and contracted through the Office of State Purchasing. We were unaware that State Purchasing was not verifying insurance on single year projects. For our professional services contracts, the DNR Contracts and Grants staff does verify that insurance is maintained. As of April 2013, State Purchasing is no longer handling the bid/contracting process for CPRA's construction projects. It is currently being handled through a joint effort with the Office of Facility Planning and the DNR. CPRA/DNR will implement the necessary procedures for insurance verification.

The report also noted that contractors did not submit the required Disadvantaged and Women-owned Business Enterprises (DBE) procurement forms, and CPRA had not documented this in the project files. CPRA concurs with this finding.

**Corrective Action** – We have met with the staff at DNR to establish a procedure for the construction contracts to verify that the contractor maintains insurance throughout the duration of the project. Additionally, we are establishing a process with DNR to track the contractor's submission of the required DBE forms.

**Procedure 5** – For a sample of payments, verification that the transactions were classified and recorded appropriately.

**Finding** – *Invoices totaling \$261,422, or 0.3%, out of the \$83,306,197 of invoices that have been submitted for the sampled projects were coded incorrectly*

**Response** – CPRA concurs with this finding.

**Corrective Action** - As noted in the report, the DNR provides accounting services to CPRA. As soon as we learned of the coding errors, we notified DNR and all errors were corrected. CPRA will implement a routine verification process with DNR to ensure all transactions are coded correctly.

**Procedure 6** – For a sample of invoices submitted for payment, verification that the work provided by the contractor conforms to the contracted scope of work.

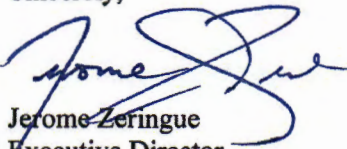
**Finding** – *Of the \$70,988 in mileage invoiced in our sample, \$4,009 did not agree with state travel regulations*

**Response** – CPRA became aware of and corrected this procedural deficiency in 2010 during another engagement with the Legislative Auditor's Office. It is precisely this type of voluntary engagement that CPRA considers to have value-added benefits to our program.

As we have stated to you many times before, we value the experience of the audit process and view it as an opportunity to discover ways to improve our methods of doing business. In this case, we have determined that CPRA has implemented the Coastal Impact Assistance Program in accordance with grant requirements; however, we have also discovered certain areas that should be strengthened through additional oversight and implementing additional written policies and procedures. We believe this engagement has been productive and we appreciate the work your staff has performed.

If you should have any questions or need additional information regarding our response, please contact Janice Lansing, Chief Financial Officer at 342-4698.

Sincerely,



Jerome Zeringue  
Executive Director

c: Janice Lansing, Chief Financial Officer, CPRA  
Bob Harper, Undersecretary, DNR