

GOVERNOR'S OFFICE OF HOMELAND SECURITY  
AND EMERGENCY PREPAREDNESS  
STATE OF LOUISIANA



MANAGEMENT LETTER  
ISSUED APRIL 9, 2008

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

**LEGISLATIVE AUDIT ADVISORY COUNCIL**  
REPRESENTATIVE NOBLE E. ELLINGTON, CHAIRMAN

SENATOR NICHOLAS “NICK” GAUTREAUX  
SENATOR WILLIE L. MOUNT  
SENATOR EDWIN R. MURRAY  
SENATOR BEN W. NEVERS, SR.  
SENATOR JOHN R. SMITH  
REPRESENTATIVE NEIL C. ABRAMSON  
REPRESENTATIVE CHARLES E. “CHUCK” KLECKLEY  
REPRESENTATIVE ANTHONY V. LIGI, JR.  
REPRESENTATIVE CEDRIC RICHMOND

**LEGISLATIVE AUDITOR**  
STEVE J. THERIOT, CPA

**DIRECTOR OF FINANCIAL AUDIT**  
PAUL E. PENDAS, 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 has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$20.58. 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 Web site at [www.la.state.la.us](http://www.la.state.la.us). When contacting the office, you may refer to Agency ID No. 7430 or Report ID No. 07301928 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 Wayne “Skip” Irwin, Director of Administration, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

February 27, 2008

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

Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2007, we considered the Governor's Office of Homeland Security and Emergency Preparedness' internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the office's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management Budget Circular A-133.

The Annual Fiscal Report of the Governor's Office of Homeland Security and Emergency Preparedness is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The office's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the Department of Military Affairs, for the year ended June 30, 2006, we reported findings that involved the Governor's Office of Homeland Security and Emergency Preparedness relating to noncompliance with procurement and suspension and debarment requirements and noncompliance with federal reporting requirements. The finding relating to noncompliance with procurement and suspension and debarment requirements has been resolved by management. The finding relating to noncompliance with federal reporting requirements has been addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2007.

### **Inaccurate and Incomplete Annual Fiscal Report**

The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) did not submit an accurate and complete Annual Fiscal Report (AFR) to the Division of Administration for the fiscal year ended June 30, 2007. As authorized by Louisiana

Revised Statute (R.S.) 39:79, the commissioner of administration through the Division of Administration's Office of Statewide Reporting and Accounting Policy (OSRAP) prescribes the content and format for the preparation of each agency AFR, which is then used in the compilation of the state's Comprehensive Annual Financial Report (CAFR). Good internal control includes establishing a process to ensure that these financial statements are accurately prepared and reviewed. However, GOHSEP's AFR submitted to OSRAP on September 24, 2007, included the following errors and omissions:

- In the AFR note (note I), "Judgments, Claims, and Similar Contingencies," GOHSEP did not disclose federal costs disallowed by the Federal Emergency Management Agency totaling \$31,088,368.
- In the AFR note (note H), "Operating & Capital Grants for GASB 34 Presentation," and AFR note R, "Payroll and Related Benefits Accrual," the federal revenue portion reported by GOHSEP was underestimated by \$8,871,033. The amount reported should have been the total federal revenue; however, GOHSEP only reported a portion of this amount.

GOHSEP management has not ensured that its AFR was properly prepared and reviewed for errors and omissions. Failure to submit an accurate AFR can delay the compilation and issuance of the state's CAFR. Furthermore, the lack of adequate review may cause misstatements from errors or fraud to occur and remain undetected. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

GOHSEP management should ensure that its AFR is properly prepared and reviewed to identify and correct errors before submitting it to OSRAP. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

**Additional Comment:** While agency management asserts that this year's note (note I) was based on last year's audited note (note I), the prior year auditors did submit a correction for the omitted disallowed costs last year to OSRAP, which was obtained from GOHSEP management.

### **Noncompliance With Federal Reporting Requirements**

GOHSEP, as the grantee of the Public Assistance Grant Program (CFDA 97.036), failed to timely submit required financial reports PSC 272 and FEMA 20-10. As a subgrantee, GOHSEP failed to timely input required quarterly project listing reports, P.4, into the Louisiana Public Assistance (LAPA) system. In addition, GOHSEP, as the primary grantee, did not submit complete performance/progress reports to FEMA, as required.

In accordance with federal and state reporting regulations, GOHSEP was required to submit the following reports:

- According to the due dates published by the FEMA Division of Payment Management, the federal cash transaction report (PSC 272) is due to FEMA within 45 days after the end of the quarter.
- According to the FEMA-State agreement, the grantee must submit the financial status report (FEMA 20-10) to the FEMA regional office within 30 days after the end of the first federal quarter following the initial grant award and for all subsequent quarters.
- According to the State Administrative Plan, section X, paragraph (8)(b), the subgrantees are required to report progress on all open projects, small and large, at least quarterly to the primary grantee. According to GOHSEP notification to all applicants, the required applicant P.4 reports are due to GOHSEP 15 days after the end of the fiscal quarter. In addition, the GOHSEP Disaster Recovery Manual Part II, Section E states that each applicant is required to provide either an unsigned copy of each P.4 report indicating the current status toward completion of each project, or in cases when all projects have been completed and all bills paid, a final P.4 report must be submitted. GOHSEP must ensure that all subgrantees file required reports by due dates so that GOHSEP can meet its reporting requirements to FEMA.
- According to the FEMA-State agreement, exhibit C, section 14.c.2, the quarterly performance/progress reports must include a status of the project's completion, amount of expenditures, and amount of payment or reimbursement of costs for each project funded under each of the programs authorized under the FEMA-State agreement.

In our test of required reporting, we determined the following:

- In a test of three federal fiscal quarters for federal cash transaction reports (PCS 272), GOHSEP did not timely submit the required report for the January-March 2007 quarter to FEMA. The report was due on May 15, 2007, but was not submitted until May 31, 2007. While GOHSEP employees contend that an extension was granted by FEMA, they did not provide evidence of an extension.
- In a test of three fiscal quarters for financial status reports (FEMA 20-10), GOHSEP did not timely submit the required report for the January-March 2007 quarter to FEMA. The report was due on April 30, 2007, but was not submitted until May 31, 2007.

- In four of eight quarterly P.4 reports tested, GOHSEP, as the subgrantee, did not timely input the required reports into LAPA. First quarter 2007 reports were due January 15, 2007, and were not submitted until July 13, 2007. Second quarter 2007 reports were due April 15, 2007, and were not submitted until April 27, 2007.
- For four of 45 (9%) large project worksheets (PWs) tested, the PWs were not included in the required quarterly reports submitted by GOHSEP to FEMA. The reports were incomplete because the subgrantees did not submit their quarterly P.4 reports before the compilation of the report filed by GOHSEP as the primary grantee.

Failure to properly submit required quarterly financial status reports and performance/progress reports is in violation of the FEMA-State agreement. Noncompliance with federal reporting requirements increases the risk of adverse consequences to the state. Failure to require timely submission of quarterly P.4 reports from subgrantees in LAPA increases the risk that GOHSEP, as the primary grantee, will not be able to properly report the progress of projects to FEMA. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

GOHSEP management should implement procedures to ensure that all required federal reports are accurate and complete and filed timely by the due dates. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

#### **Noncompliance With Federal Subrecipient Monitoring Requirements**

GOHSEP did not comply with subrecipient monitoring requirements for the Public Assistance (PA) Grant Program (CFDA 97.036). Office of Management and Budget (OMB) Circular A-133 requires pass-through entities of federal awards to (1) ensure subrecipients expending \$500,000 or more in federal awards during their fiscal year have a single audit; (2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensure the subrecipient takes appropriate and timely corrective action.

In our test of subrecipient monitoring, we determined the following:

- GOHSEP used the LAPA system to track and monitor the PA grants. LAPA has a system process (single audit flag) that notes when a subrecipient has reached \$500,000 in grant expenditures and, thus, would

require a single audit to be performed. In testing the single audit flag in LAPA, we determined that the system accumulated expenditures on a calendar year basis rather than on the subgrantee's fiscal year as required by OMB Circular A-133. We also determined that no data in LAPA noted the subgrantee's fiscal year.

- GOHSEP did not develop and implement procedures to ensure that subrecipients requiring a single audit received the audit within nine months of the subrecipient's fiscal year-end. GOHSEP did not attempt to ensure that it identified and received copies of all required subrecipient single audits.
- GOHSEP did not develop and implement procedures to review all subrecipient single audit reports and issue management decisions, when warranted, within six months of the audit issue date. Also, GOHSEP management did not develop and implement procedures to ensure that the subrecipient took appropriate corrective action when required.

Management failed to adequately stress the importance of obtaining, reviewing, and providing a timely followup on single audits of its subrecipients. Inadequate resolution of findings from the single audits of subrecipients results in noncompliance with federal regulations and could result in repeat findings in subsequent single audits of subrecipients, including possible continued misuse of federal funds by subrecipients and disallowed costs. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

GOHSEP management should develop and implement procedures to ensure that subrecipients obtain required single audits. Management should also develop and implement procedures to review all single audits, issue a management decision on any relevant findings, and ensure appropriate corrective action is taken. If the LAPA system is used to identify when subrecipients are required to have a single audit performed, the system should be revised to accumulate federal grant expenditures by the fiscal year of the subrecipient. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 5-6).

**Noncompliance With Subrecipient Monitoring  
Requirements Over the Homeland  
Security Cluster Programs**

GOHSEP did not comply with the federal subrecipient monitoring compliance requirements for the Homeland Security Cluster grant programs (CFDA 97.067 and 97.004). OMB Circular A-133 requires pass-through entities of federal awards to (1) identify to the subrecipient the federal award information and applicable requirements; (2) monitor the subrecipient's use of federal awards; (3) ensure that a subrecipient expending \$500,000 or more in federal awards during its fiscal year obtains a single audit; (4) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (5) ensure the subrecipient takes appropriate and timely corrective action.

Although GOHSEP provided the subrecipient monitoring compliance requirements to subrecipients through the award letter, management did not conduct or document any further subrecipient monitoring activities. GOHSEP did not ensure that "during-the-award" monitoring was conducted, that subrecipients obtained the required single audits, and that corrective action was taken by the subrecipient on audit findings. According to GOHSEP, the agency signed an interagency agreement for the Department of Public Safety and Corrections, Office of State Police (LSP), to conduct the monitoring during fiscal year 2007 for the Homeland Security Cluster grant programs. According to a finding written during the LSP audit, LSP did not conduct any subrecipient monitoring over the Homeland Security Grant Program. GOHSEP did not review the activity of LSP under the agreement and conduct adequate program monitoring when LSP did not. As the grant administrator, GOHSEP is ultimately responsible for compliance with the subrecipient monitoring requirements.

Management's failure to ensure that adequate subrecipient monitoring was performed could result in possible misuse of federal funds by subrecipients and result in disallowed costs. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

Management should develop and implement procedures to ensure that during-the-award monitoring is performed and that subrecipients obtain the required single audits. It should also develop and implement procedures to review all single audits from subrecipients, issue a management decision on any relevant findings, and ensure appropriate corrective action is taken. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 7).

### **Noncompliance With Federal Earmarking Requirement**

GOHSEP did not comply with the earmarking requirement for the Homeland Security Grant Program (CFDA 97.067). OMB Circular A-133 requires states to obligate not less than 80% of grant funds under the State Homeland Security Program, Law Enforcement Terrorism Prevention Program, and Urban Area Security Initiative programs to local governments within 60 days of receipt of funds. In our test of earmarking requirements, we noted that for 30 local subrecipients' grant awards tested, 28 (93%) were not obligated to the local government within 60 days of receipt by GOHSEP.

Failure to ensure compliance with the OMB Circular A-133 earmarking requirement increases the risk that grant funds could be disallowed or future grant awards could be negatively affected. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

GOHSEP management should develop and implement procedures to ensure that awards are properly obligated to local governments within the time requirements set by OMB Circular A-133. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 8-10).

### **Noncompliance With Movable Property Regulations**

GOHSEP did not comply with federal and state movable property laws and regulations, did not maintain adequate internal control over movable property, and did not implement written policies and procedures over movable property. Title 44, Part 13, Section 32 of the Code of Federal Regulations requires that a state use, maintain, and dispose of equipment acquired under a federal grant in accordance with state laws and procedures and that a record of the percentage of federal participation in the cost of the property be maintained. Title 34, Part VII, Section 307 of the Louisiana Administrative Code requires all acquisitions of movable property with an original acquisition cost of \$1,000 or more be tagged and all pertinent inventory information forwarded to the Louisiana Property Assistance Agency within 60 calendar days after receipt. Good internal control should ensure that all information entered into the state's property control system (Protégé) is accurate; written policies and procedures are developed, implemented, and followed; reconciliations are performed between the financial records and the property records; and proper segregation of duties is maintained.

GOHSEP management did not maintain the percentage of federal participation in Protégé for assets purchased with federal funds. GOHSEP also did not enter the correct date for the receipt of the property items, did not maintain adequate segregation of duties, did not

perform routine reconciliations between the financial records and movable property records, and did not fully develop and implement written policies and procedures for movable property transactions.

In our test of 16 movable property transactions, we noted the following:

- For all items purchased with federal funds, the cost allocation feature was not used in Protégé to identify the percentage of federal participation in asset cost.
- For eight of 16 acquisitions (50%), items were not tagged or input into Protégé within 60 days of receipt.
- For all 16 transactions, the acquisition date recorded in Protégé was incorrect. The creation date or date that the accounting department paid for the item was used as the acquisition date rather than the date the item was actually received.
- For one of 16 transactions (6.25%), the original cost noted in Protégé was understated by \$14,730 because the costs for all components were not included.
- For all 16 transactions, the property manager was responsible for receiving movable property items, entering receipt in the financial records, recording applicable information in Protégé, and performing the annual certification. These duties do not reflect an adequate segregation of duties.
- For the time period tested, no reconciliation was performed between capital acquisitions in the financial records and movable property records.
- For the time period tested, management did not implement written policies and procedures over movable property. Some policies were in draft form but not yet implemented.

Failure to record and maintain the percentage of federal participation in asset cost has placed the agency in noncompliance with federal regulations. Failure to develop and implement adequate internal controls increases the risk that assets may be misreported, lost, or stolen. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

Management should record and maintain the required percentage of federal participation in asset cost, strengthen internal control by providing for an adequate segregation of duties, perform routine reconciliations between property records and financial records, tag and input movable property items within the required 60 days of receipt, and develop and implement written policies and procedures over movable property transactions. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 11-12).

**Noncompliance and Inadequate Controls  
Over Information Systems**

GOHSEP did not develop and implement a disaster recovery/business continuity plan (DR/BCP) in compliance with the Division of Administration's Office of Information Technology (OIT) policy IT-POL-011. In addition, GOHSEP did not develop and implement adequate controls over activation, deactivation, and monitoring user access to ISIS, the state's accounting system, or LAPA, the state's disaster recovery project management database. GOHSEP also failed to adequately restrict and monitor physical access to the GOHSEP building. OIT policy 11 requires agencies to develop, test, and maintain a DR/BCP to ensure the availability of mission-critical services and functions in the event of a disaster or unscheduled event that would impact the agency's information technology and telecommunications systems. The policy also requires that agencies annually submit an electronic copy of the most recent DR/BCP to the OIT security office. R.S. 39.15.1 states that the OIT shall have authority over all information technology systems and services for agencies in the executive branch of state government.

A disaster recovery plan is an essential element of internal control to ensure that data is protected against loss and that services are operational as quickly as possible. The plan should include access to a remote facility with the same operating system so that data can be processed and operations can continue with minimal disruption of services. In addition, good internal controls require security over physical assets and information technology, including assigning appropriate security levels of access based on job duties; ensuring only authorized personnel have physical access to assets; timely deactivation of system access when applicable; and continual monitoring of both physical and system access.

GOHSEP did not adequately emphasize compliance with OIT policy or the need for physical and system access security. Failure to comply with OIT policy could result in the inability to deliver essential business functions in the event of an emergency or disaster. In addition, failure to develop and implement written procedures over the security of assets increases the risk that assets could be susceptible to theft or fraud. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management

has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

Management should comply with OIT policies by developing and testing an effective DR/BCP. Management should also develop and implement policies and procedures over activation, deactivation, and continual monitoring of user access to IT systems and physical security to the GOHSEP building. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, pages 13-14).

**Additional Comment:** Management, in its response, did not concur that there was inadequate control over access to ISIS. During our audit inquiry, management provided no policies or procedures governing activating, deactivating, and on-going monitoring of access to ISIS.

### **Deficiencies in Controls Over Revenue**

GOHSEP did not maintain adequate controls over revenues and did not develop proper written policies and procedures over revenue processing. Good internal controls would ensure that policies and procedures over revenue are written and followed; there is a proper segregation of duties between receipt of funds, deposit of funds, and classification and approval of funds in the system; and procedures are developed to ensure that funds remain safeguarded. In addition, for an entity to have effective internal controls, a risk assessment process should consider external and internal events and circumstances that may occur and adversely affect the agency's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements.

Our audit procedures revealed the following significant deficiencies over the revenue class of transactions:

- Written policies and procedures have not been developed, approved, and implemented for the revenue account balance/class of transactions.
- One GOHSEP employee can receive payments, prepare deposit slips, make deposits, classify receipts in the state's accounting system (ISIS), and approve the documents in ISIS, resulting in an inadequate segregation of duties.
- The mailroom located at the GOHSEP headquarters office is not locked and individual mail slots are not secured.
- Management has not developed and implemented an adequate risk assessment process to identify and analyze relevant risks affecting revenue.

Failure to develop and adhere to written procedures over processing revenue transactions, including segregating duties properly, ensuring mail is properly safeguarded, and ensuring a process is developed to identify relevant risks in the area of revenue, increases the risk that errors or fraud could occur and remain undetected. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

Management should address these revenue weaknesses by developing and implementing written policies and procedures; securing assets processed through the mailroom; and developing and performing a risk assessment process to identify, analyze, and manage risk in the processing of revenue. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 15-16).

### **Deficiencies in Controls Over Expenditures**

GOHSEP failed to develop and implement written policies and procedures over the reconciliation process between the Disaster Grants - Public Assistance (PA) program (CFDA 97.036) payments between two systems: ISIS, the state's accounting system, and LouisianaPA.com (LAPA), the state's project management database used to administer the program. Good internal controls would ensure that policies and procedures over expenditures are written and followed and that reconciliations are performed timely. Systems must be reconciled on a periodic basis to verify that all items are correctly posted. Without performing reconciliations, inaccurate recording of transactions may occur that would result in incorrect financial reporting and/or required reporting to the federal grantor.

Our audit procedures revealed the following significant design deficiencies over the expenditure class of transactions:

- Written policies and procedures were not developed, approved, and implemented to reconcile PA program expenditures in ISIS to LAPA payment data.
- GOHSEP did not perform a timely reconciliation between ISIS and LAPA to ensure accuracy and completeness of the financial amounts reported.
- GOHSEP relied on external auditors to identify discrepancies between PA program draws and disbursements through June 30, 2007, which should be performed internally.

Failure to perform a timely reconciliation between the two systems could lead to incorrect financial reporting and increases the risk that errors or fraud could occur and remain undetected. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

GOHSEP management should develop, implement, and enforce written policies and procedures to ensure that timely reconciliations are performed internally and that any errors identified are corrected promptly. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, pages 17-18).

**Additional Comments:** Management states in its response that GOHSEP did have written policies and procedures in place relating to ISIS and LAPA payment data. However, despite inquiries and requests, no policies and procedures were provided to us relating to reconciliation of PA program expenditures in ISIS to LAPA payment data. Management further states in its response that GOHSEP did not rely on external auditors to identify discrepancies between PA program draws and disbursements but only used this information as additional reconciliation information. We made numerous inquiries concerning the reconciliation process during the audit. No information was ever provided to us regarding reconciliation procedures other than those involving external auditors.

### **Deficiencies in Internal Control Over Payroll**

GOHSEP did not maintain adequate internal control over payroll processing and did not develop written policies and procedures over payroll. Good internal control should ensure that policies and procedures over payroll are written and followed; time and attendance records are properly certified and approved; leave slips are properly prepared and approved; compensatory time is properly earned and approved; check stubs are accurate and agree to the time and attendance and leave records; and the proper amounts for payroll transactions are posted to the Integrated Statewide Information System Human Resource (ISIS HR) system. According to the Office of State Uniform Payroll memorandum #2005-41, state agencies are to develop specific policies regarding recoupment of overpayments, incorporating this rule into their policy.

Our tests of payroll records at GOHSEP revealed the following significant deficiencies:

- GOHSEP management did not develop and implement written policies and procedures for time and attendance, termination of employment, or recoupment of overpayments to employees.

- Three of five (60%) time and attendance reports tested were not approved by the employee's supervisor.
- One of 11 (9%) employee leave slips tested were not completed for leave taken and two (18%) were completed but not approved by a supervisor.
- One of 10 (10%) check stubs tested revealed the amount paid for overtime per the check stub did not agree to the amount of overtime per the time and attendance records or overtime authorization form.
- One of 10 (10%) overtime records tested revealed overtime per the time and attendance records did not agree with the overtime reported in the ISIS HR system.
- One of 10 (10%) payroll records tested revealed compensatory time earned per the check stub did not agree to the compensatory time earned per the time and attendance sign-in sheet.

The lack of policies, significant employee turnover, and rapid hiring resulted in more payroll errors. Failure to develop and implement written procedures over payroll increases the risk that payroll errors or fraud could occur and remain undetected. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

Management should develop and implement written policies and procedures to ensure that employees and timekeepers are aware of their responsibilities and that payroll errors are identified and corrected timely. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 19-20).

#### **Noncompliance With LaCarte Purchasing Card Policy**

GOHSEP failed to comply with Office of State Purchasing (OSP) guidelines for the LaCarte purchasing card and Corporate Business Account (CBA) card purchases. The OSP LaCarte purchasing card policy requires a monthly reconciliation between cardholder accounts and the transaction logs/receipts; requires a monthly reconciliation between the corporate statement and the electronic payments made in the general ledger; states that sales tax is not to be charged to the LaCarte card; and states that LaCarte cards should not be used for travel. In addition, OSP purchasing policy requires CBA transactions to be coded to object 2680 in the state's accounting system, ISIS.

In our testing of LaCarte and CBA transactions, we noted the following significant deficiencies:

- For 109 LaCarte/CBA transactions tested, 50 (46%) were not allowable per OSP policy.
- For 109 LaCarte/CBA transactions tested, 12 (11%) improperly included state sales tax.
- The auditor was unable to determine whether sales tax was charged on 26 of 109 (24%) LaCarte/CBA transactions tested, since only a summary receipt was provided instead of a detailed hotel invoice.
- For 24 monthly statements tested, 10 (42%) did not contain evidence of a cardholder reconciliation between the employee's statement and the transaction log/receipts.
- Auditors did not find evidence that GOHSEP was reconciling the corporate account to the general ledger payments.
- All CBA transactions were coded to Object ID 3185 instead of 2680 in ISIS.

Failure to comply with OSP guidelines, rules, or procedures increases the risk that errors or fraud could occur and remain undetected. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

Management should ensure compliance with OSP LaCarte and CBA purchasing policies. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 21-22).

#### **Failure to Submit Required Records Retention Schedules**

GOHSEP did not submit a records retention schedule to State Archives in compliance with state law. R.S. 44:411(A)(1) requires the head of each state agency to submit to the state archivist schedules proposing the length of time each state record series warrants retention for administration, legal, and fiscal purposes after it has been created or received by the agency.

In our testing, we noted that GOHSEP did not develop or submit a records retention schedule to State Archives as required. Failure to submit the required schedule could result in inadequate retention of public records, possibly leading to violation of other state

laws. Since hurricanes Katrina and Rita in August and September of 2005, GOHSEP has faced a workload of unprecedented volume in its efforts to assist state and local governmental entities in their recovery and in preparation for future disasters. GOHSEP management has expressed that since its separation from the Military Department, it has not been able to secure adequate staffing and management to meet these demands.

Management should develop and submit the required records retention schedule to State Archives. Management should continue to recruit and adequately fund labor resources to meet its work demand. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 23).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the office. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the office should be considered in reaching decisions on courses of action. The findings relating to the office's compliance with laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of GOHSEP and its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

BH:WDG:PEP:dl

GOHSEP07

This page is intentionally blank.

Management's Corrective Action  
Plans and Responses to the  
Findings and Recommendations





KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
ACTING DIRECTOR

December 6, 2007

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Audit Finding entitled Inaccurate and Incomplete Annual Fiscal Report

Dear Mr. Theriot:

Please accept this letter as a response to the Legislative Audit finding dated October 26, 2007 regarding Inaccurate and Incomplete Annual Fiscal Report (AFR).

On March 1, 2006 the Governors Office of Homeland Security and Emergency Preparedness (GOHSEP) was formed under the Office of the Governor. At that time there were no administration, finance, or human resource sections (admin. section) and the agency's staff on the whole was limited in size. The priority as directed by the Governor was to be prepared for hurricane season which would begin in three (3) months and to implement as many of the lessons learned from Katrina/Rita as possible. In addition, GOHSEP was charged to surge distribution of PA dollars to the devastated communities while complying with FEMA regulations. Since the date that the agency incepted, Louisiana continues to be under a declared state of emergency for Katrina/Rita and has had two (2) additional presidentially declared disasters and numerous state disasters that required significant time and resources of GOHSEP for response and recovery. During the same time period, the agency has hired and trained over 300 people and disbursed over \$2 billion in grant dollars. Due to the critical nature of GOHSEP's mission, priority over the development of processes was given to the protection of life and property, as well as the recovery funding. The finance section is now at seventy percent strength and making great strides in the development of policies and processes that are needed to enhance the delivery of services as well as addressing audit findings.

GOHSEP management concurs in part with this finding. Two specific Notes (H and I) were included in the finding – GOHSEP concurs that Note H was reported inaccurately. However, while GOHSEP affirms that information was not included in Note I, this was based on the prior year's audited financial statements and adjustments as provided by the Office of Statewide Reporting and Accounting Policy (OSRAP).

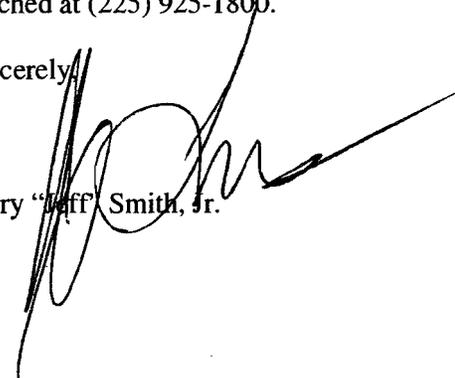
The FY 2006 AFR was prepared by the State Military Department (SMD) when the Louisiana Office of Homeland Security and Emergency Preparedness (LOHSEP) was a program under SMD. The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) was created by legislative action

in February 2006 and finalized on March 1, 2006. Fiscal staff from GOHSEP met with OSRAP staff to obtain copies of the FY 2006 AFR and discuss any issues with the report preparation and data reported. The Note I information relates to a prior fiscal year issue. The information provided did not include an adjustment relating to this issue and the audited AFR also did not report this information. GOHSEP relied on the accuracy of these audited financial statements in preparation of the FY 2007 AFR.

GOHSEP management recognizes the importance of reporting accurate information in our AFR and will establish appropriate review processes for the FY 2008 AFR to ensure accuracy.

The individual responsible for corrective action is Mrs. Gaye Smith, Director of Finance. She can be reached at (225) 925-1800.

Sincerely,

  
Perry "Buff" Smith, Jr.



KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
DIRECTOR

January 7, 2008

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Noncompliance with Federal Report Requirements

Dear Mr. Theriot:

Please accept this letter as a response to the Legislative Audit finding dated December 11, 2007 regarding Noncompliance with Federal Report Requirements.

On March 1, 2006 the Governors Office of Homeland Security and Emergency Preparedness (GOHSEP) was formed under the Office of the Governor. At that time there were no administration, finance, or human resource sections (admin. section) and the agency's staff on the whole was limited in size. The priority as directed by the Governor was to be prepared for hurricane season which would begin in three (3) months and to implement as many of the lessons learned from Katrina/Rita as possible. In addition, GOHSEP was charged to surge distribution of PA dollars to the devastated communities while complying with FEMA regulations. Since the date that the agency incepted, Louisiana continues to be under a declared state of emergency for Katrina/Rita and has had two (2) additional presidentially declared disasters and numerous state disasters that required significant time and resources of GOHSEP for response and recovery. During the same time period, the agency has hired and trained over 300 people and disbursed over \$2 billion in grant dollars. Due to the critical nature of GOHSEP's mission, priority over the development of processes was given to the protection of life and property, as well as the recovery funding. The administrative section is now at seventy percent strength and making great strides in the development of policies and processes that are needed to enhance the delivery of services as well as addressing audit findings.

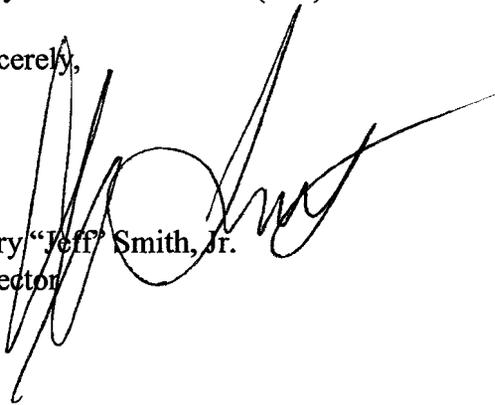
GOHSEP management concurs with the finding. Further, GOHSEP management recognizes the importance of filing timely quarterly financial reports. However, GOHSEP was under the belief that the State requested waiver had been approved. Even

FEMA was far behind in normal reporting and processing due to the magnitude of the events.

Due to the shortage of staff in the Finance section, manpower was not available to consistently complete the quarterly reporting task timely. Additional full-time positions have been assigned to ensure timely submissions of these reports.

The individual responsible for corrective action is Ms. Keisha Payton, Accounting Manager and Ms. Beth Sigler, Assistant Deputy Director of Administration and Finance. They can be reached at (225) 925-7541 and (225) 925-7549, respectively.

Sincerely,

  
Perry "Jeff" Smith, Jr.  
Director



KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
DIRECTOR

January 7, 2008

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Noncompliance with Federal Subrecipient Monitoring Requirements

Dear Mr. Theriot:

Please accept this letter as a response to the Legislative Audit finding dated December 11, 2007 regarding Noncompliance with Federal Subrecipient Monitoring Requirements.

On March 1, 2006 the Governors Office of Homeland Security and Emergency Preparedness (GOHSEP) was formed under the Office of the Governor. At that time there were no administration, finance, or human resource sections (admin. section) and the agency's staff on the whole was limited in size. The priority as directed by the Governor was to be prepared for hurricane season which would begin in three (3) months and to implement as many of the lessons learned from Katrina/Rita as possible. In addition, GOHSEP was charged to surge distribution of PA dollars to the devastated communities while complying with FEMA regulations. Since the date that the agency incepted, Louisiana continues to be under a declared state of emergency for Katrina/Rita and has had two (2) additional presidentially declared disasters and numerous state disasters that required significant time and resources of GOHSEP for response and recovery. During the same time period, the agency has hired and trained over 300 people and disbursed over \$2 billion in grant dollars. Due to the critical nature of GOHSEP's mission, priority over the development of processes was given to the protection of life and property, as well as the recovery funding. The administrative section is now at seventy percent strength and making great strides in the development of policies and processes that are needed to enhance the delivery of services as well as addressing audit findings.

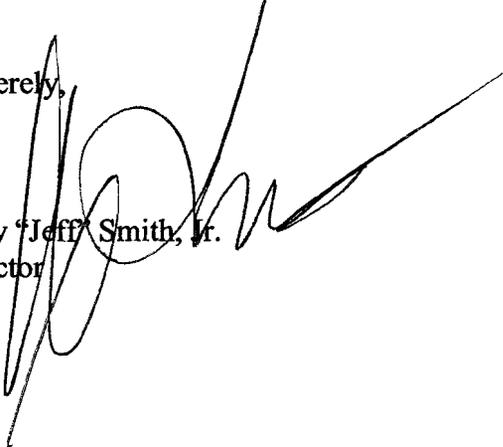
GOHSEP understands the importance and takes very seriously the responsibilities of subrecipient monitoring and has been working diligently to accomplish this objective. GOHSEP has monitored subrecipient activities through the review of financial and performance reports submitted by the subrecipient and regular site visits to review

records and observe operations. In addition, GOHSEP State Public Assistance Coordinators (PACs) have regular contact with subrecipients. GOHSEP management concurs that a system for review and follow-up of single audit reports needs to be in place. A remediation plan was developed and implemented to gather the information necessary to track and monitor the single audits of our subrecipients. This plan addresses the steps necessary (1) to ensure all audits required are received, (2) to address the issuance of management decisions on audit findings, and (3) to ensure that the subrecipient takes appropriate and timely corrective action. In addition, the plan identifies the staffing needs and defines the roles of the additional positions necessary to carry out these functions. GOHSEP is actively recruiting staff. GOHSEP will implement the procedures necessary to ensure compliance with these federal regulations.

The individual responsible for corrective action is Ms. Kimberly Dwin. She can be reached at (225) 339-6689.

Sincerely,

Perry "Jeff" Smith, Jr.  
Director





KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
DIRECTOR

January 7, 2008

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Noncompliance with Subrecipient Monitoring Requirements Over the Homeland Security Cluster Programs

Dear Mr. Theriot:

Please accept this letter as a response to the Legislative Audit finding dated December 18, 2007 regarding Noncompliance with Subrecipient Monitoring Requirements Over the Homeland Security Cluster Programs.

GOHSEP management concurs with the finding. Management understands the importance and takes very seriously the responsibilities of subrecipient monitoring. We relied on others to perform this task. As a result to this finding GOHSEP, has assumed direct responsibility for these activities. Further, GOHSEP will work diligently to accomplish this objective.

GOHSEP will ensure that subrecipient monitoring activities are in place by identifying federal award information and applicable requirements, monitoring use of federal funds, through the review of financial and performance reports submitted by the subrecipient, regular site visits to review records and observe operations, regular contact with subrecipients, and compliance with the single audit requirements. GOHSEP will implement the procedures necessary to ensure compliance with these federal regulations.

The individuals responsible for corrective action are Mr. Brant Mitchell, Regional Support Section Chief and Ms. Beth Sigler, Assistant Deputy Director of Administration and Finance. They can be reached at (225) 925-7500.

Sincerely,

Perry "Jeff" Smith, Jr.  
Director



KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
DIRECTOR

January 7, 2008

Steve J. Theriot  
Legislative Auditor  
Office of Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70806

RE: Noncompliance with Federal Earmarking Requirements

Dear Mr. Theriot,

Please accept this letter as a response to the Legislature Audit findings dated January 2, 2008 regarding Noncompliance with Federal Earmarking Requirements.

On March 1, 2006 the Governors Office of Homeland Security and Emergency Preparedness (GOHSEP) was formed under the Office of the Governor. At that time there were no administration, finance, or human resource sections (admin. section) and the agency's staff on the whole was limited in size. The priority as directed by the Governor was to be prepared for hurricane season which would begin in three (3) months and to implement as many of the lessons learned from Katrina/Rita as possible. In addition, GOHSEP was charged to surge distribution of PA dollars to the devastated communities while complying with FEMA regulations. Since the date that the agency incepted, Louisiana continues to be under a declared state of emergency for Katrina/Rita and has had two (2) additional presidentially declared disasters and numerous state disasters that required significant time and resources of GOHSEP for response and recovery. During the same time period, the agency has hired and trained over 300 people and disbursed over \$2 billion in grant dollars. Due to the critical nature of GOHSEP's mission, priority over the development of processes was given to the protection of life and property, as well as the recovery funding. The admin. section is now at seventy percent strength and making great strides in the development of policies and processes that are needed to enhance the delivery of services as well as addressing audit findings.

GOHSEP concurs with this finding and has already taken measures to prevent this from occurring with existing and future grants awards.

Audit findings indicate that this agency did not obligate awards of the Homeland Security Grant Program (HSGP) to local recipients within sixty days of receipt of the grant. The primary reason for this deficiency resulted from an agency reorganization within State government that established this agency as a single entity following the 2006 Legislative Session under Louisiana Revised Statute, Title 29, Chapter 6, The Louisiana Homeland Security and Emergency Assistance and Disaster Act. This act required that placement of this agency directly under the Governor's Office with an effective Date of July 1, 2006. Prior to the enactment of this legislation, the Homeland Security Grant Program Management was handled by full-time members of the Louisiana Military Department. The individuals responsible for managing the program were not employees of this agency.

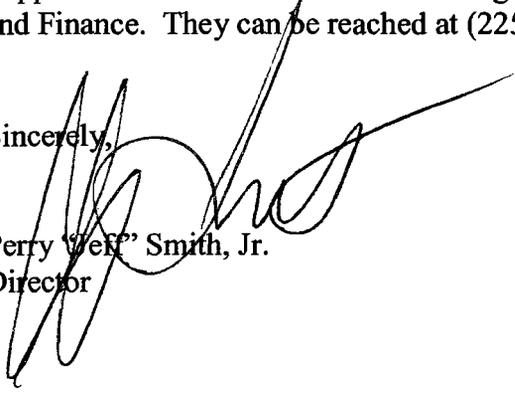
On August 28, 2006 the Regional Support Section was created to provide program management for the HSGP as part of its required function. The pre-determined requirement to award grant funding to local governments was on or about September 7, 2006 which was not adequate time to establish a support section with qualified individuals to execute the function. During this period, however, this agency worked diligently to award the Homeland Security Grants to local government. This resulted in fifty nine grant awards within a 60 day interval. Additionally, coordination efforts with the Louisiana Commission on Law Enforcement, which determines local allocations of the Law Enforcement Terrorism Prevention Program (LETPP) grant, had not occurred, resulting in a delay issuing LETPP awards. A coordination meeting with the Region 2 Urban Area Security Initiative (UASI) Working Group could not be accommodated due to scheduling conflicts which resulted in a delay of awarding the Region 2 UASI award.

The delay in issuing the award letters, as required by the grant guidance, resulted from a numerous issues. The primary reason was that a HSGP program manager was not hired until 10 days before the grants were to be awarded. The agency experienced a significant amount of growth while creating a new agency without functional support in this area from the Louisiana National Guard. Moreover, the new Program Manager was also tasked with creating a new section that did not exist within the agency. This required hiring 9 regional coordinators and 3 assistants, as well as finding suitable office locations in 8 different cities across the State for their use. During this time frame, the State also experienced a Federal Declaration as a result of two significant weather events. Our Regional Support section was required to deploy to provide assistance for both of these events for a sustained period of time in Monroe, LA and Lake Charles, LA. Once the declarations diminished, GOHSEP was able to finalize the LETPP awards and issue them to the local governments. To further the disruptions, the Regional Support Section was assigned to assist the Joint Field Office in Alexandria, LA, for a two week period, including the Thanksgiving holidays, serving as the support staff for the State. However, during this time GOHSEP was able to issue all award letters. Although the award letters were late, there was no financial impact on the State. And, at no time were the FY-06 Homeland Security Grants frozen.

Since this time, the agency has increased its personnel staff and there are several individuals now handling these grant requirements. In addition to a Program Manager, we now have an assistant Program Manager as well as two administrative assistants dedicated to the program. As a result of the increased staff and stability all FY-07 Homeland Security Grants were awarded by November 9<sup>th</sup>, which met the distribution requirement for the FY-07 HSGP grants. GOHSEP had already identified the FY-06 award letters as a deficiency and instituted a corrective action plan through staffing and procedures to ensure the FY-07 HSGP grants were awarded on time. This corrective action plan was instituted in August 2007 prior to the awarding of the 2007 Homeland Security Grant Program. As a result of this effort, there were no delays for FY-07 and the agency has a process to ensure all advance coordination is in place prior to the 60 day period and a process exists to automate the distribution for all awards within the time constraints established by DHS.

The individuals responsible for corrective action are Mr. Brant Mitchell, Regional Support Section Chief and Ms. Beth Sigler, Assistant Deputy Director of Administration and Finance. They can be reached at (225) 925-7500.

Sincerely,



Perry "Weff" Smith, Jr.  
Director



KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
ACTING DIRECTOR

December 7, 2007

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Audit Finding entitled Noncompliance with Movable Property Regulations

Dear Mr. Theriot:

Please accept this letter as a response to the Legislative Audit finding dated July 17, 2007 regarding Noncompliance with Movable Property Regulations.

On March 1, 2006 the Governors Office of Homeland Security and Emergency Preparedness (GOHSEP) was formed under the Office of the Governor. At that time there were no administration, finance, or human resource sections (admin. section) and the agency's staff on the whole was limited in size. The priority as directed by the Governor was to be prepared for hurricane season which would begin in three (3) months and to implement as many of the lessons learned from Katrina/Rita as possible. In addition, GOHSEP was charged to surge distribution of PA dollars to the devastated communities while complying with FEMA regulations. Since the date that the agency incepted, Louisiana continues to be under a declared state of emergency for Katrina/Rita and has had two (2) additional presidentially declared disasters and numerous state disasters that required significant time and resources of GOHSEP for response and recovery. During the same time period, the agency has hired and trained over 300 people and disbursed over \$2 billion in grant dollars. Due to the critical nature of GOHSEP's mission, priority over the development of processes was given to the protection of life and property, as well as the recovery funding. The admin. section is now at seventy percent strength and making great strides in the development of policies and processes that are needed to enhance the delivery of services as well as addressing audit findings.

GOHSEP management concurs with the finding. Further, GOHSEP management recognizes the importance of compliance with property regulations in order to safeguard the state's assets.

Written policies and procedures have been established to ensure compliance with property regulations. Employees will be trained on the new policies and procedures. These procedures will include use of the cost allocation feature of Protégé to record and report federal participation in asset cost.

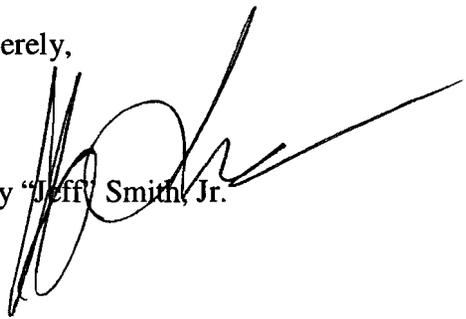
Due to the shortage of staff in Finance and Property, manpower has not been available to consistently perform all regulations relating to property. In order to get critical tasks performed, some duties did not get done. GOHSEP does understand the necessity of reconciling property to financial records, but tasks were assigned based on significant priorities. Additional full-time permanent positions have been assigned to this function. With the hiring of additional staff, the job duties will be re-assigned to ensure proper segregation of duties and procedure established to ensure timely reconciliations. The duties of these positions will include the following:

- Purchasing provides the property manager with a copy of all purchase orders that includes means of financing for the purchase. Purchase Orders including items that require tags will be noted.
- The property manager will tag items within 60 days of receipt.
- Training will be provided to the property manager to ensure the correct date is picked up as the acquisition date.
- Accounts Payable Manager will provide monthly reports from ISIS detailing items paid within the month to use for reconciliation purposes.
- Finance staff will perform a reconciliation to ensure the correct amount is entered into Protégé as the original cost amount, all items are entered timely and all purchases requiring tags are captured.

The individual responsible for corrective action is Ms. Marilyn Cooper, Purchasing Manager and Ms. Gaye Smith, Director of Finance. They can be reached at (225) 925-7313 and (225)925-1800, respectively.

Sincerely,

Perry "Jeff" Smith, Jr.

A handwritten signature in black ink, appearing to read "Perry 'Jeff' Smith, Jr.", written over the printed name.



KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
ACTING DIRECTOR

December 5, 2007

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Audit Finding entitled Noncompliance and Inadequate Controls Over Information Systems

Dear Mr. Theriot:

Please accept this letter as a response to the Legislative Audit finding dated October 26, 2007 regarding Noncompliance and Inadequate Controls Over Information Systems.

On March 1, 2006 the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) was formed under the Office of the Governor. At that time there were no administration, finance, or human resource sections (admin. section) and the agency's staff on the whole was limited in size. The priority as directed by the Governor was to be prepared for hurricane season which would begin in three (3) months and to implement as many of the lessons learned from Katrina/Rita as possible. In addition, GOHSEP was charged to surge distribution of PA dollars to the devastated communities while complying with FEMA regulations. Since the date that the agency incepted, Louisiana continues to be under a declared state of emergency for Katrina/Rita and has had two (2) additional presidentially declared disasters and numerous state disasters that required significant time and resources of GOHSEP for response and recovery. During the same time period, the agency has hired and trained over 300 people and disbursed over \$2 billion in grant dollars. Due to the critical nature of GOHSEP's mission, priority over the development of processes was given to the protection of life and property, as well as the recovery funding. The admin. section is now at seventy percent strength and making great strides in the development of policies and processes that are needed to enhance the delivery of services as well as addressing audit findings.

GOHSEP management concurs in part with the finding that the agency did not develop and implement a disaster recovery/business continuity plan (DR/BCP) in compliance with the

Division of Administration's, Office of Information Technology (OIT) policy IT-POL-011. Prior to its inception, the functions of GOHSEP were carried out by the Louisiana Office of Homeland Security and Emergency Preparedness (LOHSEP), a program under the State Military Department (SMD). GOHSEP quickly recognized the need for a disaster recovery/business continuity plan, but neither manpower nor funding for planning and implementation were immediately available. Once the funding was secured, a plan was written, and implementation of the plan started with the creation of an Alternate Emergency Operations Center (AEOC) and on-going work to recreate a Replication Center. GOHSEP's accomplishments are attested by the State of Louisiana's recent accreditation by the Emergency Management Accreditation Program (EMAP). Among the many requirements for EMAP accreditation is a business continuity plan and the ability to demonstrate emergent relocation of business services.

GOHSEP does not concur that there was inadequate control over access to ISIS. The agency had a process and procedure in place whereby the Chief Accountant documented his authorization of access to ISIS based upon job duties. User IDs (USERID) were de-activated upon separation from employment or when a change of job duties triggered non-eligibility for access.

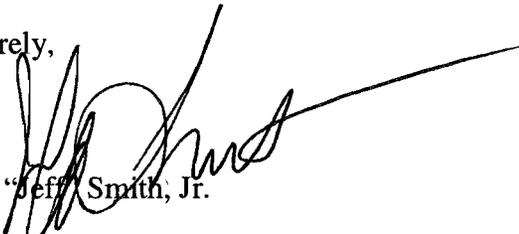
GOHSEP concurs in part that inadequate control existed over access to the LouisianaPA system (LAPA). It is important to note that LAPA is a grant tracking system and not a financial management system. GOHSEP recognized the system deficiency relating to control of access and began remedial measures. Due to the large numbers of users, initial efforts at manual controls informed the agency that such measures were not reasonable. Software changes will automate user control based on non-usage and/or password procedures.

GOHSEP concurs in part that inadequate control existed over building access. Several steps have been taken to strengthen the existing controls. New identification badges are being issued to all GOHSEP employees. Access to the building is based upon work location or job duty requirements. Visitors are required to sign in/out at the reception desk.

The following individuals are responsible for corrective action:

- Mr. Fred Palmer for the Disaster Recovery / Business Continuity Plan; his phone number is (225) 925-7500
- Ms. Gaye Smith for access to ISIS; her phone number is (225) 925-1800
- Mr. Mark Riley for access to LAPA; his phone number is (225) 925-7500
- Mr. Peter Main for building access; his phone number is (225) 925-7500.

Sincerely,

  
Perry "Jeff" Smith, Jr.



KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
ACTING DIRECTOR

December 7, 2007

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Audit Finding entitled Significant Deficiency in Controls Over Revenue

Dear Mr. Theriot:

Please accept this letter as a response to the Legislative Audit finding dated September 4, 2007 regarding Significant Deficiency in Controls Over Revenue.

On March 1, 2006 the Governors Office of Homeland Security and Emergency Preparedness (GOHSEP) was formed under the Office of the Governor. At that time there were no administration, finance, or human resource sections (admin. section) and the agency's staff on the whole was limited in size. The priority as directed by the Governor was to be prepared for hurricane season which would begin in three (3) months and to implement as many of the lessons learned from Katrina/Rita as possible. In addition, GOHSEP was charged to surge distribution of PA dollars to the devastated communities while complying with FEMA regulations. Since the date that the agency incepted, Louisiana continues to be under a declared state of emergency for Katrina/Rita and has had two (2) additional presidentially declared disasters and numerous state disasters that required significant time and resources of GOHSEP for response and recovery. During the same time period, the agency has hired and trained over 300 people and disbursed over \$2 billion in grant dollars. Due to the critical nature of GOHSEP's mission, priority over the development of processes was given to the protection of life and property, as well as the recovery funding. The admin. section is now at seventy percent strength and making great strides in the development of policies and processes that are needed to enhance the delivery of services as well as addressing audit findings.

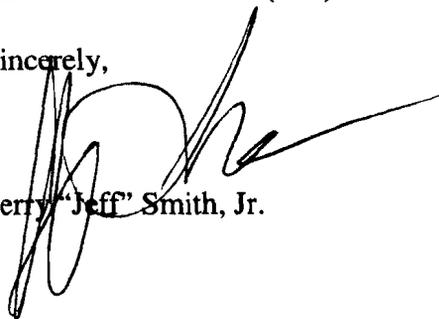
GOHSEP management concurs with the finding. Further, GOHSEP management recognizes the importance of sufficient control over assets and segregation of duties when handling assets.

The following procedures have been established to ensure control over revenues:

- Some written policies and procedures were established for control over revenue assets and additional policies and procedures will be established to ensure that revenue transactions are properly safeguarded and approved.
- GOHSEP had limited employees assigned to the administration and finance functions and has had a high volume of turn-over. As a result, job duties had to be doubled-up for some employees in order to get the work done. The majority of GOHSEP revenues are deposited directly into the state treasury. GOHSEP deposits and revenue classification transactions were entered and approved by different GOHSEP employees. Once Administration and Finance positions are filled and the employees' fully trained, proper segregation of duties will be maintained. More than one employee will be involved in handling transactions such as making deposits and revenue classifications and approvals.
- GOHSEP has implemented new procedures for handling incoming mail. Mail received at Independence Boulevard is opened, stamped and distributed to the mail bins. Any mail that contains checks is logged and handed directly to Administration and Finance, by-passing the mail bins altogether. Other mail received of a confidential nature is held at the front desk and given directly to the appropriate individual.
- GOHSEP management will develop and implement an adequate risk assessment process to identify and analyze relevant risks affecting revenue.

The individual responsible for corrective action is Ms. Gaye Smith, Director of Finance. She can be reached at (225) 925-1800.

Sincerely,



Perry "Jeff" Smith, Jr.



KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
ACTING DIRECTOR

December 7, 2007

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

**RE: Audit Finding entitled Significant Design Deficiency in Controls Over Expenditures**

Dear Mr. Theriot:

Please accept this letter as a response to the Legislative Audit finding dated October 25, 2007 regarding Significant Deficiency in Controls Over Expenditures.

On March 1, 2006 the Governors Office of Homeland Security and Emergency Preparedness (GOHSEP) was formed under the Office of the Governor. At that time there were no administration, finance, or human resource sections (admin. section) and the agency's staff on the whole was limited in size. The priority as directed by the Governor was to be prepared for hurricane season which would begin in three (3) months and to implement as many of the lessons learned from Katrina/Rita as possible. In addition, GOHSEP was charged to surge distribution of PA dollars to the devastated communities while complying with FEMA regulations. Since the date that the agency incepted, Louisiana continues to be under a declared state of emergency for Katrina/Rita and has had two (2) additional presidentially declared disasters and numerous state disasters that required significant time and resources of GOHSEP for response and recovery. During the same time period, the agency has hired and trained over 300 people and disbursed over \$2 billion in grant dollars. Due to the critical nature of GOHSEP's mission, priority over the development of processes was given to the protection of life and property, as well as the recovery funding. The admin. section is now at seventy percent strength and making great strides in the development of policies and processes that are needed to enhance the delivery of services as well as addressing audit findings.

GOHSEP management does not concur that written policies and procedures were not developed, approved, and implemented to reconcile PA program expenditures in ISIS to LouisianaPA payment data. Written procedures were in place relating to ISIS and LouisianaPA payment data. GOHSEP management recognizes the importance of having

written policies and procedures and is working to add further details to the existing procedure and process documentation.

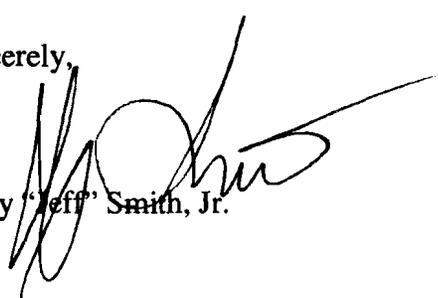
GOHSEP management does concur that reconciliations between ISIS and LouisianaPA should be performed timely. Reconciliations were being performed and available through year end. Tens of thousands of transactions valued at hundreds of millions of dollars flow through LouisianaPA.com and the sheer volume of transactions and software limitations are an impediment to timely reconciliations. GOHSEP management recognizes the importance of having timely reconciliations and is working to develop an automated process to assist staff with this reconciliation. Further, additional staff dedicated to the function has been added.

GOHSEP does not concur that we relied on external auditors to identify discrepancies between draws and disbursements. Through a cooperative endeavor agreement with the State of Louisiana Office of Legislative Auditor (LLA), various services were performed by the LLA employees housed in a quality control/quality assurance group at the disaster recovery Joint Field Office. These LLA employees did not provide management or audit services. This group ran an extract file using the ISIS Business Object Reporting Tool, which contained the payment information from ISIS. The extract file was provided to GOHSEP staff which uploaded the file into the LouisianaPA grant tracking system. This process is known as the sync process. The sync was performed at least monthly and usually weekly. Discrepancies from this sync were reviewed and identified. Reconciliations were performed by GOHSEP staff. At the point that the LLA indicated that they would no longer provide this extract file to GOHSEP, a new procedure was established for GOHSEP to run the extract and perform the sync. Additionally, two separate GOHSEP employees performed separate reconciliations between the draw SmartLink system and payment system. When the external auditors found discrepancies in their review of systems, in most instances, those discrepancies had already been corrected by GOHSEP employees. Although auditors provided this information to GOHSEP for review, this was merely used as another checkpoint for system reconciliations.

GOHSEP will review procedures related to reconciliation of ISIS and Louisiana.PA and update where needed. The appropriate employees will be notified of the new or revised procedures.

The individual responsible for corrective action is Ms. Kim Dwin, Disaster Recovery Finance Officer and Ms. Gaye Smith, Director of Finance. They can be reached at (225) 339-6689 and (225) 925-1800, respectively.

Sincerely,

  
Perry "Jeff" Smith, Jr.



KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
ACTING DIRECTOR

December 7, 2007

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Audit Finding entitled Significant Deficiencies in Internal Control Over Payroll

Dear Mr. Theriot:

Please accept this letter as a response to the Legislative Audit finding dated August 28, 2007 regarding Significant Deficiencies in Internal Control Over Payroll.

On March 1, 2006 the Governors Office of Homeland Security and Emergency Preparedness (GOHSEP) was formed under the Office of the Governor. At that time there were no administration, finance, or human resource sections (admin. section) and the agency's staff on the whole was limited in size. The priority as directed by the Governor was to be prepared for hurricane season which would begin in three (3) months and to implement as many of the lessons learned from Katrina/Rita as possible. In addition, GOHSEP was charged to surge distribution of PA dollars to the devastated communities while complying with FEMA regulations. Since the date that the agency incepted, Louisiana continues to be under a declared state of emergency for Katrina/Rita and has had two (2) additional presidentially declared disasters and numerous state disasters that required significant time and resources of GOHSEP for response and recovery. During the same time period, the agency has hired and trained over 300 people and disbursed over \$2 billion in grant dollars. Due to the critical nature of GOHSEP's mission, priority over the development of processes was given to the protection of life and property, as well as the recovery funding. The admin. section is now at seventy percent strength and making great strides in the development of policies and processes that are needed to enhance the delivery of services as well as addressing audit findings.

GOHSEP management concurs with the finding. Further, GOHSEP management recognizes the importance of sufficient control over payroll.

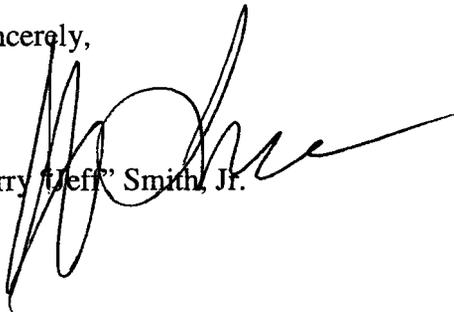
Written policies and procedures have been established for control over payroll. Further, the policies were discussed with each employee and each employee had to sign-off certifying that they read and understood the payroll policies. Additional training was provided to the time-keeping staff to ensure their understanding of the requirements specified in the policy.

Due to the shortage of staff in Human Resources and Finance, manpower has not been available to consistently perform all procedures for payroll control. Additional full-time permanent positions have been assigned to this function. The duties of these positions will include the following:

- Compare timesheets to leave slips and overtime requests to ensure accuracy, followed by comparison to ISIS payroll reports to ensure accurate information is entered. Corrections will be made during the subsequent pay period if errors are found.
- Verify that signatures are on all documents to ensure proper authorization of leave taken.
- Compare timesheets to overtime and compensatory leave requests to ensure accuracy, followed by comparison to ISIS payroll reports to ensure accurate information is entered. Corrections will be made during the subsequent pay period if errors are found.

The individual responsible for corrective action is Mr. Andreas Hansen, Human Resource Manager and Ms. Gaye Smith, Director of Finance. They can be reached at (225) 925-7338 and (225)925-1800, respectively.

Sincerely,

  
Perry 'Jeff' Smith, Jr.



KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
ACTING DIRECTOR

November 26, 2007

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Audit Finding entitled Noncompliance with LaCarte Purchasing Card Policy

Dear Mr. Theriot:

Please accept this letter as a response to the Legislative Audit finding dated November 1, 2007 regarding Noncompliance with LaCarte Purchasing Card Policy.

Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management concurs with the finding. Further, GOHSEP management recognizes the importance of compliance with Office of State Purchasing guidelines and monthly reconciliations of the LaCarte card.

The following procedures have been established to ensure compliance with guidelines:

- GOHSEP has published an agency policy regarding use of the LaCarte card which has been reviewed by the Office of State Purchasing. Periodic reviews of GOHSEP's policy against State Purchasing guidelines will be made.
- Prior to issuance of this finding, GOHSEP requested State Purchasing provide an on-site training class for GOHSEP LaCarte card users, as well as additional Support Services employees who handles transactions related to the LaCarte card. The training was provided in the first quarter of the fiscal year. This training included a discussion of state sales tax and that purchases made with the LaCarte card should not include state sales tax. In addition, the requirement for detailed receipts was discussed.
- GOHSEP used the LaCarte card to purchase hotel rooms for employees who were assigned to work Disaster 1668. Since that time, GOHSEP has found out that travel-type purchases are not allowed on the LaCarte card although they could have been made on the CBA account. In the future, GOHSEP will ensure that the proper account number is used to authorize and/or purchase travel-type expenses.

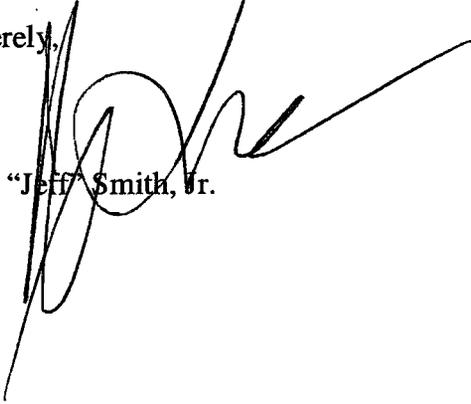
- Each cardholder is required to complete monthly transaction logs and reconcile them to the cardholder's monthly statements. These individual cardholder transaction logs are then compared to the monthly corporate account statement to ensure that all payments have been properly recorded and accounted for. This procedure has been implemented.
- GOHSEP prepares monthly reconciliations between the corporate account and the general ledger entries by running business object reports and comparing to the statements. Discrepancies will be brought to the attention of the cardholder and corrections will be made. This procedure has been implemented.
- When GOHSEP's accounting distribution for the CBA was initially established by State Purchasing (OSP) and the Office of Statewide Reporting and Accounting Policy (OSRAP), the incorrect object code was entered. Since these two agencies are familiar with coding for CBA accounts, GOHSEP did not question the default accounting distribution. Once it was brought to GOHSEP's attention that the incorrect object was being used, GOHSEP contacted OSP and OSRAP to have the coding changed. The default accounting distribution is now correct.

As a result of this finding, GOHSEP has received additional training in use of the LaCarte card. This training has proved to be most beneficial as there has been a large turnover in the Support Services Section.

The individual responsible for corrective action is Ms. Keisha Payton, GOHSEP's LaCarte Program Administrator. She can be reached at (225) 925-7341.

Sincerely,

Perry "Jeff" Smith, Jr.





KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# State of Louisiana

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

PERRY JEFF SMITH, JR., CPA  
COLONEL (RETIRED)  
ACTING DIRECTOR

November 26, 2007

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

**RE: Audit Finding entitled Failure to Submit Required Records Retention Schedules**

Dear Mr. Theriot:

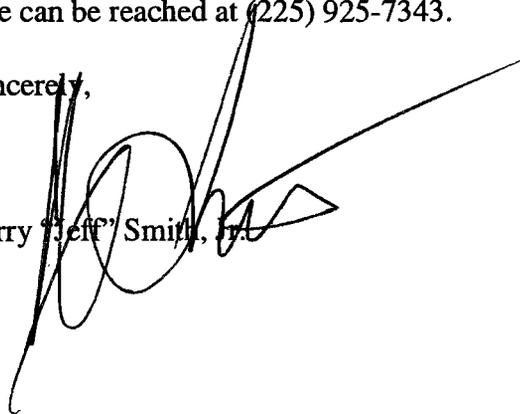
Please accept this letter as a response to the Legislative Audit finding dated October 30, 2007 regarding Failure to Submit Required Records Retention Schedules.

GOHSEP management concurs with the finding. Further, GOHSEP management recognizes the importance of compliance with State Archives statutes.

An inventory of documents kept or produced by GOHSEP has been done and a retention time frame established for each series of documents. This retention schedule has been submitted to State Archives.

The individual responsible for corrective action is Ms. Cheri Scott, GOHSEP's Records Officer. She can be reached at (225) 925-7343.

Sincerely,

  
Perry "Jeff" Smith, Jr.