

An Agreed-Upon Procedures Report on the
**OFFICE OF COASTAL PROTECTION AND
RESTORATION**
CONSTRUCTION OF TEMPORARY BERMS
Issued November 2, 2011



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Executive Summary

We performed agreed-upon procedures to assist the Office of Coastal Protection and Restoration (OCPR) management in evaluating the completeness and accuracy of documentation submitted by OCPR's contractor for payment under the contract for the construction of temporary berms. The purpose of our procedures was to analyze the documentation and note exceptions when the invoices were not sufficiently supported and when labor charges and other direct costs were not billed in accordance with the contract.

For the period June 21, 2010, through August 22, 2011, we analyzed labor charges of \$12,228,819 and other direct costs of \$238,851,520 for a total of \$251,080,339. We noted exceptions totaling \$856,598, including \$61,244 for labor charges and \$795,354 for other direct costs. During the application of our procedures, the contractor provided additional information to resolve \$361,518 of the exceptions. The remaining unresolved exceptions total \$495,080. OCPR management has expressed that it will work with the contractor to resolve all exceptions before closing out the contract.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

October 6, 2011

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

STEVE MATHIES, EXECUTIVE DIRECTOR
OFFICE OF COASTAL PROTECTION AND RESTORATION
Baton Rouge, Louisiana

We performed the procedures enumerated below, which were agreed to by the Office of Coastal Protection and Restoration (OCPR) management, solely to assist them in evaluating the completeness and accuracy of documentation submitted by OCPR's contractor for payment under the contract for the construction of temporary berms from June 21, 2010, through August 22, 2011. OCPR management is responsible for the day-to-day operations of the construction of temporary berms.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the applicable attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of OCPR management. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

A summary of the exceptions noted during our analysis of the labor charges and other direct costs is as follows:

Exception Type	Exception Amount	Amount Resolved	Remaining Exceptions
Labor Charges			
Incorrect rate billed	\$106	(\$0)	\$106
Over billed	61,138	(61,138)	0
Labor Charges Subtotal	\$61,244	(\$61,138)	\$106

Exception Type	Exception Amount	Amount Resolved	Remaining Exceptions
Other Direct Costs			
Incorrect rate billed for material and equipment	\$209,028	(\$94,399)	\$114,629
Travel charges noncompliant with state travel regulations (PPM49)	257,377	(132,536)	124,841
Over billed for material and equipment	516	(396)	120
Over billed for reimbursable expenses	328,433	(73,049)	255,384
Other Direct Costs Subtotal	\$795,354	(\$300,380)	\$494,974
Total	\$856,598	(\$361,518)	\$495,080

Background

In response to the Deepwater Horizon explosion and resulting oil spill in the Gulf of Mexico that occurred on April 20, 2010, the U.S. Army Corps of Engineers offered the state a temporary/emergency permit for the immediate construction of temporary berms. OCPR is the state agency responsible for integrating hurricane protection, storm damage reduction, flood control, coastal protection and restoration efforts, and associated infrastructure construction and maintenance in the state of Louisiana.

OCPR contracted with Shaw Environmental and Infrastructure, Inc. (Shaw) effective June 1, 2010, to provide overall project management and execution of the construction of the temporary berms. In support of this effort, Shaw provided (1) the update of the necessary environmental permitting and conducted modeling as necessary and required by the state or the permitting process; (2) all necessary personnel, materials and equipment to perform the execution of the project criteria as set forth by the state; and (3) all project mobilization, front-end planning including cost and scheduling, meeting and reporting to responsible parties and the state, borrow analysis, production scheduling and as built reporting, material testing, coordination and management of the dredges, surveying, environmental inventory, environmental reporting and interaction with state and federal agencies, construction inspection, and public outreach.

Procedures and Findings

Procedure: We analyzed the labor charges from each sand berm construction invoice submitted by Shaw and determined if:

- (1) personnel charges were billed in accordance with the categories and rates specified in the contract or subcontract;
- (2) exempt employee overtime was billed at the regular hourly rate; and
- (3) non-exempt employee overtime was billed at 1.5 times the normal hourly rate.

Finding: During the period, Shaw submitted labor invoices totaling \$12,228,819. Of that total, \$106 was not billed in accordance with the labor categories and rates specified in the contract. Shaw did not provide any additional documentation to resolve the exceptions.

Procedure: We agreed the labor charges billed through the sand berm construction invoices submitted by Shaw and tested the supporting time sheets and/or wage reports and reported any differences.

Finding: Of the \$12,228,819 billed for labor charges, the contractor over billed \$61,138 based on the supporting time sheets provided. After our initial review, the contractor provided additional time sheets to support all of the exceptions.

Procedure: We analyzed the material and equipment charges from each sand berm construction invoice submitted by Shaw and determined if the materials and equipment were billed in accordance with the rates specified in the contract.

Finding: During the period, Shaw submitted other direct cost invoices totaling \$238,848,851. Of that total, \$209,028 was not billed in accordance with the material and equipment rates specified in the contract. After our initial review, the contractor provided additional documentation to support \$94,399 of the exceptions. The remaining unresolved exceptions total \$114,629.

Procedure: We analyzed the travel charges from each sand berm construction invoice submitted by Shaw and tested for compliance with the state travel regulations (PPM49).

Finding: Of the \$238,848,851 billed for other direct costs, \$257,377 did not comply with PPM49. After our initial review, the contractor provided additional documentation to support \$132,536 of the exceptions. The remaining unresolved exceptions total \$124,841.

Procedure: We analyzed the reimbursable expenses from each sand berm construction invoice submitted by Shaw and tested that the expenses were billed at cost or at cost plus 5%.

Finding: No exceptions were noted.

Procedure: We agreed the material and equipment charges billed through the sand berm construction invoices submitted by Shaw to the supporting equipment logs, invoices, receipts, or other appropriate documentation and reported any differences.

Finding: Of the \$238,848,851 billed for other direct costs, the contractor over billed \$516 for material and equipment based on the equipment logs, invoices, receipts, and other appropriate documentation provided. After our initial review, the contractor provided additional documentation to support \$396 of the exceptions. The remaining unresolved exceptions total \$120.

Procedure: We agreed the reimbursable expenses billed through the sand berm construction invoices submitted by Shaw to the supporting invoices, receipts, subcontracts, rental agreements, or other appropriate documentation and reported any differences.

Finding: Of the \$238,848,851 billed for other direct costs, the contractor over billed \$328,433 for reimbursable expenses based on the supporting invoices, receipts, subcontracts, rental agreements, and other appropriate documentation provided. After our initial review, the contractor provided additional documentation to support \$73,049 of the exceptions. The remaining unresolved exceptions total \$255,384.

Procedure: We agreed the total amount paid to Shaw for the construction of sand berms to the total amount billed by Shaw and reported any differences.

Finding: No exceptions were noted.

We were not engaged to and did not conduct an examination, the objective of which would be to express an opinion on OCPR's compliance with federal and state regulations, internal control over compliance with federal and state regulations, or financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended solely for the information and use of OCPR management and the Louisiana Legislature and is not intended to be and should not be used by anyone other than those parties. However, by provision 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 written in a cursive style with a large initial 'D'.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

SD:JM:dl

OCPR 2011

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Appendix A
Management's Response



Coastal Protection and
Restoration Authority of Louisiana

State of Louisiana

BOBBY JINDAL
GOVERNOR

October 25, 2011

John L. Morehead, CPA
Director of Recovery Assistance and
Assistant Legislative Auditor
Louisiana Legislative Auditor's Office
Post Office Box 94397
Baton Rouge, LA 70804

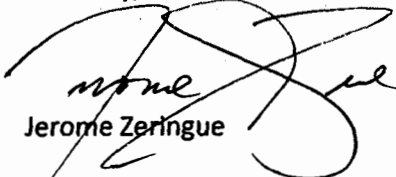
Dear Mr. Morehead:

I am writing in response to the Agreed-upon Procedures Report on the Construction of Temporary Berms issued to us by your office on October 12, 2011. I would like to first state our sincere appreciation for the work you and your staff did during the agreement period. As you know, the emergency sand berm project was unprecedented in scope, size, budget and complexity. We absolutely could not have completed an effective review/analysis of the contractor's invoices without your aid.

Since the construction contract is complete, your review of the invoices has concluded and you have rendered your final comments on the costs submitted by the contractor. We are continuing to work with the contractor to make final payment on the outstanding issues that can be supported with necessary documentation. I am confident that we will resolve these last few issues within a few weeks.

Again, we truly appreciate your assistance and guidance throughout the entire project. Your service to us was invaluable and certainly a benefit to the state. We look forward to working with you again in the future.

Sincerely,



Jerome Zeringue

c: Janice Lansing, Chief Financial Officer

Executive Division

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