

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM
APRIL 2008 - JUNE 2008



AGREED-UPON PROCEDURES REPORT
ISSUED NOVEMBER 19, 2008

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

November 19, 2008

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

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

We have performed the procedures enumerated below for the second quarter of 2008 (April 1, 2008 through June 30, 2008), which were requested and agreed to by you, as the director of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), primarily to assist in evaluating the operations of the state's Public Assistance (PA) program. GOHSEP management is responsible for the day-to-day operations of PA. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the applicable attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of management of GOHSEP. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report is a summary of the findings that we present to GOHSEP management on a daily basis. The procedures that we performed and our findings are as follows:

Technical Assistance Contractors Invoice Review

We compared the technical assistance contractors', James Lee Witt Associates (JLWA) and Deloitte LLP, invoices to their contracts to determine if:

- (1) the invoices were submitted in accordance with the terms of the contracts;
- (2) the invoices contained all the required signatures;
- (3) the invoices were submitted within the required time period;
- (4) the invoices were supported by subcontractor invoices, time records, and receipts; and
- (5) the supporting documentation agreed with the invoice.

PUBLIC ASSISTANCE PROGRAM

For the second quarter of 2008, the contractors presented 24 invoices totaling \$10,576,256 to GOHSEP for payment.

Questioned costs were identified during a standard review process before payment. These costs totaled \$1,952 (0.02% of the total invoiced amount) and did not appear to be within the terms of the contracts. The contractors resolved the questionable costs by either providing additional documentation that clarified the costs or removing the costs from the invoices. These questioned costs are primarily related to the lack of adequate supporting documentation or expenses that are not reimbursable in accordance with the contracts. The table below details the information for each contractor:

Contractor	Number of Invoices 2nd Qtr.	Total Invoiced Amount	Questioned Costs	Percentage of Questioned Costs to Invoiced Amount
Deloitte	11	\$2,597,042	\$614	0.02%
JLWA	13	\$7,979,214	\$1,338	0.02%
Total	24	\$10,576,256	\$1,952	0.02%

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

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

Public Assistance Procedures

We reviewed 1,573 expense review forms along with their supporting documentation as prepared by the GOHSEP disaster recovery specialists totaling \$293,856,185. Through the use of these forms, disaster recovery specialists document their reviews of the reimbursement claims submitted by sub-grantees. For all large projects [as defined in 44 CFR 206.203(c)(1)], we reviewed the expense review forms and the supporting documentation to verify that the reimbursement claims are in compliance with federal and state guidelines and properly documented.

We developed findings of review for each of the 1,573 expense review forms reviewed during this period. Each finding was presented to management to keep them informed of our concerns.

Contract Work

Procedures

We applied the following procedures when the work undertaken by the sub-grantee was accomplished through the use of contractors:

1. Verified that the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project
2. Verified that line items and/or project cost over-runs that are within the scope of the project worksheets have been identified
3. Verified that costs listed on the contract summaries are supported with invoices, receipts, lease agreements, and/or contracts
4. Verified that each contract was procured in accordance with federal and/or state laws

Findings

We reviewed 1,162 expense review forms where the work was accomplished by a contractor. On those forms, the disaster recovery specialists indicated total documented expenses of \$264,368,215. Of the 1,162 reviewed, we did not detect deficiencies in 869 of them. However, we noted deficiencies totaling \$60,940,394 on 293 of the expense review forms. When deficiencies were noted, the expense review forms and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on 237 of the expense review forms related primarily to scope limitations, lack of documentation, or procurement. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$13,617,613 (5% of the total amount reviewed). The deficiencies detected on the remaining 56 expense review forms related primarily to effective writing/communication which would not have resulted in any questioned costs.

Force Account Equipment

Procedures

We applied the following procedures when the work was accomplished through the use of the sub-grantees' equipment:

1. Verified that the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project

2. Verified that line items and/or project cost over-runs that are within the scope of the project worksheets have been identified
3. Verified that an operator was listed for each piece of equipment listed on the force account equipment summaries
4. Verified that equipment hours claimed on the force account equipment summaries agreed with the employee hours claimed on the force account labor summaries
5. Verified that the equipment rate used in calculating the reimbursement amount is in accordance with the FEMA equipment rate schedule or a locally adopted and approved equipment rate schedule

Findings

We reviewed 44 expense review forms where the work was accomplished by using the sub-grantees' equipment. On those forms, the disaster recovery specialists indicated total documented expenses of \$2,528,250. Of the 44 reviewed, we did not detect deficiencies in 32 of them. However, we noted deficiencies totaling \$423,656 on 12 of the expense review forms. When deficiencies were noted, the expense review forms and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected in seven of the expense review forms related primarily to the scope limitations, excessive equipment hours, or incorrect equipment rate calculations. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$45,616 (0.02% of the total amount reviewed). The deficiencies detected on the remaining five expense review forms related primarily to effective writing/communication which would not have resulted in any questioned costs.

Force Account Labor

Procedures

We applied the following procedures when the work was accomplished through the use of the sub-grantees' employees:

1. Verified that the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project worksheet
2. Verified that line items and/or project cost over-runs that are within the scope of the project worksheets have been identified
3. Verified that there is a disaster related job description for each employee listed on the force account labor summaries

4. Verified that employee hours listed on the force account labor summaries are in accordance with the sub-grantees' overtime policies and that only hours spent conducting work that was a direct result of the disaster are claimed for reimbursement
5. Verified that the fringe benefit calculation prepared by the sub-grantees include only eligible elements and are mathematically accurate

Findings

We reviewed 90 expense review forms where the work was accomplished using the sub-grantees' employees. On those forms, the disaster recovery specialists indicated total documented expenses of \$4,279,361. Of the 90 reviewed, we did not detect deficiencies in 65 of them. However, we noted deficiencies totaling \$986,396 on 25 of the expense review forms. When deficiencies were noted, the expense review forms and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on 18 expense review forms related primarily to scope limitations, excessive employee hours, or incorrect/unsupported benefit calculations. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$224,042 (0.08% of the total reviewed). The deficiencies detected on the remaining seven expense review forms related primarily to effective writing/communication which would not have resulted in any questioned costs.

Materials

Procedures

We applied the following procedures when the sub-grantees purchased or used materials from inventory to accomplish the work detailed in the scope of the project worksheets:

1. Verified that the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project
2. Verified that line items and/or project cost over-runs that are within the scope of the project worksheets have been identified
3. Verified that costs listed on the material summaries are supported with invoices, receipts, lease agreements, and/or contracts
4. Verified that materials were procured in accordance with federal and/or state laws

Findings

We reviewed 219 expense review forms where the sub-grantees used materials from inventory or purchased materials to accomplish the work. On those forms, the disaster recovery specialists indicated total documented expenses of \$20,171,064. Of the 219 reviewed, we did not detect deficiencies in 149 of them. However, we noted deficiencies totaling \$10,904,219 on 70 of the expense review forms. When deficiencies were noted, the expense review forms and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on 55 of the expense review forms related primarily to scope limitations, lack of documentation, or procurement. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$1,894,044 (0.64% of the total amount reviewed). The deficiencies detected on the remaining 15 expense review forms related primarily to effective writing/communication which would not have resulted in any questioned costs.

Rental Equipment

Procedures

We applied the following procedures when the sub-grantees rented equipment to accomplish the work detailed in the scope of the project worksheets:

1. Verified that the documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project
2. Verified that line items and/or project cost over-runs that are within the scope of the project worksheets have been identified
3. Verified that costs listed on the material summaries are supported with invoices, receipts, lease agreements, and/or contracts
4. Verified that the equipment was procured in accordance with federal and/or state laws

Findings

We reviewed 58 expense review forms that contained total documented expenses of \$2,509,296 where rented equipment was used to accomplish the work. Of the 58 reviewed, we did not detect deficiencies in 43 of them. However, we noted deficiencies totaling \$485,514 on 15 of the expense review forms. When deficiencies were noted, the expense review forms and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected on 12 of the expense review forms related primarily to the scope limitations, lack of documentation, or procurement. These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$37,508 (0.01% of the total amount reviewed). The deficiencies detected in the remaining three expense review forms related primarily to effective writing/communication which would not have resulted in any questioned costs.

Reimbursement Request Forms

Procedure - Verified that the reimbursement requests and the parish/local certification documents are dated on or after the creation of the project worksheets

Finding - We reviewed the reimbursement requests and the parish/local certifications included in 1,573 expense review forms and did not note any exceptions.

Additional Procedures

At the request of GOHSEP, we conducted a more extensive review of Westbank Christian Center's (WCC) reimbursement claim. WCC received a \$1,125,000 advance from GOHSEP in December 2007 to begin reconstruction of its daycare center. We conducted an initial site visit in May 2008. Our visit revealed that the building had been demolished, but no construction had begun. A second site visit in June 2008 revealed that construction had begun. During the second site visit, we also reviewed WCC's financial records related to the advance funding and no deficiencies were noted.

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

This report is intended primarily for the information and use of GOHSEP. However, by provisions of state law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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Management's Response



BOBBY JINDAL
GOVERNOR

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

MARK A. COOPER
DIRECTOR

October 23, 2008

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

Re: Draft Public Assistance Division Quarterly Report, Second Quarter 2008

Dear Mr. Theriot:

We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division reviewing the State's Public Assistance (PA) program for the second quarter of 2008 (April 1, 2008 through June 30, 2008). The efforts of the Legislative Auditor's Office, lead by John Moorehead and Steve Stephens, have been essential to this Agency's execution of a highly complex and regulatory program which manages over \$10 billion in grant funding.

The report provided an analysis of technical assistance contractor billing and reflects that we have continued to be effective in reducing the percentage of questioned costs (reduced to .02% from .07% from the previous quarter). We will continue to place emphasis on our contractors to provide accurate and timely billing. It should be noted that all questioned costs were reconciled with the contractors in question prior to payment.

The Agreed-Upon Procedures Report provided analysis of current activities within our public assistance procedures. During the quarter reviewed, we processed in excess of \$298 million in public assistance grant funding. We strive for 100% accuracy in processing granting funding and have continued to emphasize an aggressive training program. The reports provide by the Legislative Auditor's office help us identify trends and to target training against those trends. Your continued analysis of our public assistance procedures will assist us in achieving our 100% accuracy goal.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark A. Cooper".

Mark A. Cooper
Director