

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM CLOSE OUT
JULY 2009 - DECEMBER 2009



AGREED-UPON PROCEDURES REPORT
ISSUED APRIL 21, 2010

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	Page
Independent Accountant's Report on the Application of Agreed-Upon Procedures.....	3
Management's Response	Appendix A



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

March 3, 2010

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 period of July 1, 2009 through December 31, 2009, which were requested and agreed to by the management of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), solely to assist you in fulfilling your responsibility for project close-outs, which is part of the Public Assistance program. GOHSEP management is responsible for the day-to-day operations of the Public Assistance program including project close-out. 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 routinely present to GOHSEP management. The procedures that we performed and our findings are as follows:

Small Project Review

Procedure: For each small project close-out package provided by GOHSEP, confirm that the close-out package, prepared by the GOHSEP close-out specialists, contains a certification that the eligible scope of work has been completed and that any exceptions that are identified are documented in the close-out package and supported by photographs, invoices, receipts, or other documentation as may be appropriate as evidence that the work performed was not part of the eligible scope.

Finding: We reviewed 90 small project close-out packages with an obligated total of \$1,343,293. We noted that one small close-out package did not contain a work complete

certification. Subsequently, a GOHSEP close-out specialist obtained the required certification.

Large Project Review

Procedure: For each large project close-out package provided by GOHSEP, confirm that the close-out package, prepared by the GOHSEP close-out specialists, contains a certification that the eligible scope of work has been completed and that any exceptions that are identified are documented in the close-out package and supported by photographs, invoices, receipts, or other documentation as may be appropriate as evidence that the work performed was not part of the eligible scope.

Finding: We reviewed 58 large project close-out packages with an obligated total of \$12,233,847. We noted three packages that did not contain the correct certification. Subsequently, GOHSEP close-out specialists obtained the correct certifications.

We also noted that six close-out packages contained various other exceptions. Two packages contained calculation errors and one package did not contain documentation to support proper procurement or a cost reasonableness analysis. Subsequently, GOHSEP close-out specialists corrected the errors or obtained documentation to support cost reasonableness.

The remaining three packages are missing documentation required by GOHSEP's close-out policies and procedures. Documentation compliant with GOHSEP policies and procedures has yet to be obtained.

Small Project Close-out

The results of each small project close-out are routinely communicated to GOHSEP management so they can decide how to address any issues that were noted as a result of applying agreed-upon procedures or close the project.

Procedure: For each sub-grantee, whose small projects are assigned to the Louisiana Legislative Auditor (LLA) by GOHSEP, select a sample of the projects based on the risk model created by GOHSEP and confirm through visual inspection and review of invoices, receipts, contracts, or other documentation as may be necessary that the eligible scope of work has been completed.

Finding: GOHSEP assigned 26 small projects with an obligated total of \$413,622 to us for review and confirmation. We noted that the scope of work was complete in 24 of the small projects and noted exceptions in the other two.

In one of the two remaining small projects, the scope of work has not been completed and the other project appears to be a duplication of benefits since the expenses are contained in two separate project worksheets for the applicant.

Large Project Close-out

The results of each large project close-out are routinely communicated to GOHSEP management so they can decide how to address any issues noted as a result of applying agreed-upon procedures or close the project.

GOHSEP assigned 25 large projects with an obligated total of \$3,633,009 to the LLA for review and confirmation. After selecting a sample of completed work based on the risk model created by GOHSEP, we conducted the following procedures:

Procedure: When the work undertaken by the sub-grantee was accomplished through the use of the sub-grantee's employees, confirm through visual inspection and reviewing payroll documents, overtime policies, fringe benefit rate calculation sheets, or any other documentation as may be necessary that the costs incurred are supported.

Finding: Eleven of the large projects assigned contained scope of work line items for work to be accomplished using the sub-grantee's employees. We noted that costs were supported for three projects and that eight projects contained a total of \$18,359 of unsupported cost. We also noted that five of the projects contained a total of \$64,296 of potentially eligible cost that has not been submitted for reimbursement.

The unsupported costs are due to one or more of the following factors:

- Fringe benefits that were obligated and reimbursed but were not paid to employees
- Incorrect application of overtime policies
- Hours claimed for work outside the scope of the project
- Hourly rates claimed and obligated but not paid to employees
- Incorrect application of fringe benefits rates

FEMA representatives determined that all unsupported costs identified are ineligible and will have to be de-obligated and returned to FEMA.

FEMA representatives also determined that the potentially eligible costs identified are eligible because of changes in Recovery Policy 9525.7 that apply retroactively and eligible costs that were not obligated initially.

Procedure: When the work undertaken by the sub-grantee was accomplished through the use of the sub-grantee's equipment, confirm through visual inspection and reviewing payroll documents, equipment usage logs, equipment inventories, or any other documentation as may be necessary that the costs incurred are supported.

Finding: Ten of the large projects assigned contained scope of work line items for work to be accomplished using the sub-grantee's equipment. We noted that costs were supported in five projects and that five projects contained a total of \$14,125 of unsupported cost. We also noted that three of the projects contained a total of \$13,377 of potentially eligible cost that has not been submitted for reimbursement.

The unsupported costs are due to one or more of the following factors:

- Hours claimed for work that is outside the scope of the project
- Equipment hours claimed that exceed the operator hours worked
- Duplication of benefits
- Incorrect use of FEMA equipment rates

FEMA representatives determined that all unsupported costs identified are ineligible and will have to be de-obligated and returned to FEMA.

FEMA representatives also determined that the potentially eligible costs identified are eligible because of math errors and eligible costs that were not obligated initially.

Procedure: When the sub-grantee purchased or used materials from inventory to accomplish the work detailed in the scope of work, confirm through visual inspection and reviewing invoices, receipts, contracts, or any other documentation as may be necessary that the costs incurred to complete the eligible scope of work are supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding: Ten of the large projects assigned contained scope of work line items where the sub-grantee used materials from inventory or purchased materials to accomplish the work. We noted that costs were supported in seven projects and that the appropriate procurement standards had been followed for seven projects. However, we noted that three of the projects contained a total of \$9,246 of unsupported cost. We also noted that three of the projects contained a total of \$21,245 of potentially eligible cost that has not been submitted for reimbursement.

The unsupported costs are due to undocumented material cost and/or salvage value.

FEMA representatives determined that all unsupported costs identified are ineligible and will have to be de-obligated and returned to FEMA.

FEMA representatives also determined that the potentially eligible costs identified are eligible because they represent eligible costs that were not obligated initially.

Procedure: When the work undertaken by the sub-grantee was accomplished through the use of rented equipment, confirm through visual inspection and reviewing invoices, receipts, contracts, or any other documentation as may be necessary that the costs

incurred to complete the eligible scope of work are supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding: Four of the large projects assigned contained scope of work line items where the sub-grantee rented equipment to accomplish the work. We noted that all costs were supported and that the appropriate procurement standards had been followed. We also noted that two of the projects contained a total of \$8,615 of potentially eligible cost that has not been submitted for reimbursement.

FEMA representatives determined that the potentially eligible costs identified are eligible because they represent eligible costs that were not obligated initially.

Procedure: When the work undertaken by the sub-grantee was accomplished through the use of contractors, confirm through visual inspection and reviewing invoices, receipts, contracts, lease agreements, or any other documentation as may be necessary that the costs incurred to complete the eligible scope of work are supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding: Fourteen of the large projects assigned contained scope of work line items for work to be accomplished through the use of contractors. We noted that costs were supported and that the appropriate procurement standards had been followed for 13 projects. However, we noted that the remaining project contained \$4,363 of unsupported cost. We also noted that two of the projects contained a total of \$5,308 of potentially eligible cost that has not been submitted for reimbursement.

The unsupported costs are due to duplication of benefits. FEMA representatives determined that all unsupported costs identified are ineligible and will have to be de-obligated and returned to FEMA.

FEMA representatives also determined that the potentially eligible costs identified are eligible because they represent eligible costs that were not obligated initially.

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.

PUBLIC ASSISTANCE PROGRAM CLOSE-OUT - JULY 2009 - DECEMBER 2009 _____

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first name being the most prominent.

Daryl G. Purpera, CPA
Legislative Auditor

LET:JM:dl:ja

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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

March 17, 2010

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

RE: Draft Public Assistance Division Biannual Report
Second Half, Hurricanes Katrina and Rita

Dear Mr. Purpera:

We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division Closeout Engagement reviewing the State's Public Assistance Closeout (PA) program for Hurricanes Katrina and Rita for the second half of 2009 (July 1, 2009 through December 31, 2009). We concur with the findings as identified in the report and note the continued improvement in the process.

As a matter of practice, we use the reports as a training tool for our grants management closeout process to continue the improvements in the process and to identify trends that need correction. Additionally, we have initiated weekly meetings with the LLA Closeout Lead and the State's Public Assistance Closeout Lead to discuss problems and issues on a current basis. Specifically, as related to document review and tracking, we have fine tuned our Closeout Policy and Procedures and are working on supplemental training for Closeout Specialist on a weekly basis. Closeout packages missing documentation or that contain math errors has been an issue. To keep this from occurring in the future GOHSEP has created a more stringent review process for its closeout packets in order to identify issues before submittal to the Legislative Auditor's Recovery Assistance Division.

Your reports continue to assist us in the improvement of our processes and continues to provide outstanding advice and counsel. Their continued analysis of our public-assistance procedures will assist us in achieving our 100%-accuracy goal.

Sincerely,



Mark DeBosier
Deputy Director - Disaster Recovery

MD:sh

cc: Mark A. Cooper, Director