

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM
HURRICANES GUSTAV AND IKE
OCTOBER 2009 - DECEMBER 2009



AGREED-UPON PROCEDURES REPORT
ISSUED APRIL 21, 2010

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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 performed the procedures enumerated below for the fourth quarter of 2009 (October 1, 2009 through December 31, 2009), which were requested and agreed to by management of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), solely to assist you in fulfilling your responsibility for administering the Public Assistance (PA) program including gathering and maintaining documents submitted by sub-grantees in support of reimbursement claims. GOHSEP management is responsible for the daily 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 adequacy of these procedures is entirely the responsibility of management of GOHSEP. Therefore, we make no representation regarding the adequacy 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 we performed and our findings are as follows:

We reviewed 582 expense reviews totaling \$112,081,797 and their supporting documentation as prepared by the GOHSEP disaster recovery specialists. Through the use of these reviews, disaster recovery specialists document their findings of the reimbursement claims submitted by sub-grantees. For all large projects [as defined in 44 CFR 206.203(c)(1)], we analyzed the expense reviews and the supporting documentation to confirm that the reimbursement claims are in compliance with federal and state guidelines and properly documented.

We developed findings of review for each of the 582 expense reviews analyzed during this period. Each finding was presented to management to keep them informed of our concerns.

Procedure: When the work undertaken by the sub-grantee was accomplished through the use of contractors, confirm that:

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

Finding: We reviewed 133 expense reviews where the work was accomplished by a contractor. On those reviews, the disaster recovery specialists indicated total documented expenses of \$76,991,464. We did not detect deficiencies in 121 of the 133 expense reviews. However, we noted deficiencies in 12 expense reviews containing documented expenses totaling \$1,768,989. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected related directly to:

- (1) work outside the scope of work listed for projects;
- (2) line items or project cost over-runs within the scope of work that were not identified;
- (3) costs listed on the contract summaries that lacked documentation; or
- (4) contracts that were not procured in accordance with federal and/or state laws.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$843,254 (.75% of the total amount reviewed or 1.10% of the documented expenses for this category).

Procedure: When the work undertaken by the sub-grantee was accomplished through the use of the sub-grantees' equipment, confirm that:

- (1) documentation provided in the sub-grantees' reimbursement requests is for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that are within the scope of the project worksheets have been identified;
- (3) an operator is listed for each piece of equipment listed on the force account equipment summaries;

- (4) equipment hours claimed on the force account equipment summaries agree with the employee hours claimed on the force account labor summaries; and
- (5) 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.

Finding: We identified 122 expense reviews where the work was accomplished by using the sub-grantees' equipment. On those reviews, the disaster recovery specialists indicated total documented expenses of \$6,635,388. We did not detect deficiencies in 98 of the 122 expense reviews. However, we noted deficiencies in 24 expense reviews containing documented expenses totaling \$1,482,825. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected related directly to:

- (1) work outside the scope of work listed for projects;
- (2) line items or project cost over-runs within the scope of work that were not identified;
- (3) operators not being listed for equipment listed on the equipment summaries;
- (4) equipment hours listed on equipment summaries that do not agree with the employee hours claimed on labor summaries; or
- (5) equipment rates used in calculating the reimbursement amount that are not in accordance with the FEMA rate schedule or locally adopted and approved rate schedules.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$320,745 (0.29% of the total amount reviewed or 4.83% of the documented expenses for this category).

Procedure: When the work undertaken by the sub-grantees was accomplished through the use of the sub-grantees' employees, confirm that:

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

- (4) 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; and
- (5) fringe benefit calculations prepared by the sub-grantees include only eligible elements and are mathematically accurate.

Finding: We identified 173 expense reviews where the work was accomplished using the sub-grantees' employees. On those reviews, the disaster recovery specialists indicated total documented expenses of \$18,473,425. We did not detect deficiencies in 148 of the 173 expense reviews. However, we noted deficiencies in 25 expense reviews containing documented expenses totaling \$3,848,931. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected related directly to:

- (1) work outside the scope of work listed for projects;
- (2) line items or project cost over-runs within the scope of work that were not identified;
- (3) disaster-related job descriptions for each employee that were not listed on the labor summaries;
- (4) employee hours listed on labor summaries that do not agree with sub-grantees' overtime policies or were not for disaster-related work; or
- (5) the fringe benefit calculation containing ineligible items or mathematical inaccuracies.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$1,113,143 (0.99% of the total amount reviewed or 6.03% of the documented expenses for this category).

Procedure: When the sub-grantees purchased or used materials from inventory to accomplish the work detailed in the scope of the project worksheets, confirm that:

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

Finding: We identified 121 expense reviews where the sub-grantees used materials from inventory or purchased materials to accomplish the work. On those reviews, the disaster recovery specialists indicated total documented expenses of \$8,760,946. We did not detect deficiencies in 112 of the 121 expense reviews. However, we noted deficiencies in nine of the expense reviews containing documented expenses totaling \$274,636. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected related directly to:

- (1) work outside the scope of work listed for projects;
- (2) line items or project cost over-runs within the scope of work that were not identified;
- (3) costs listed on material summaries that were not supported by documentation; or
- (4) materials that were not procured in accordance with federal and/or state laws.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$232,788 (0.21% of the total amount reviewed or 2.66% of the documented expenses for this category).

Procedure: When the work undertaken by the sub-grantees was accomplished through the use of rented equipment, confirm that:

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

Finding: We identified 33 expense reviews that contained total documented expenses of \$1,220,575 where rented equipment was used to accomplish the work. We did not detect deficiencies in 31 of the 33 expense reviews. However, we noted deficiencies in two expense reviews containing documented expenses totaling \$62,974. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

The deficiencies detected related directly to costs listed on rental equipment summaries that were not supported by documentation or rented equipment that was not procured in accordance with federal and/or state laws.

These deficiencies, had they not been detected, could have resulted in questioned costs totaling \$62,974 (0.06% of the total amount reviewed or 5.16% of the documented expenses for this category).

Procedure: Confirm that the certification documents are dated on or after the creation of the project worksheets or that the applicant and GOHSEP have entered into a Memorandum of Understanding.

Finding: We reviewed the reimbursement requests included in 332 expense review form packages. We confirmed that all of the packages had certification documentation dated after the creation of the project worksheet or that the applicant and GOHSEP have entered into a Memorandum of Understanding.

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 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,



Daryl G. Purpera, CPA
Legislative Auditor

JLS:JLM:dl:ja

PA(G) 4TH QTR 09

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 Quarterly Report
Fourth Quarter, Hurricanes Gustav and Ike

Dear Mr. Purpera:

We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division reviewing the State's Public Assistance (PA) program for Hurricanes Gustav and Ike for the fourth quarter of 2009 (October 1, 2009 through December 31, 2009). We concur in 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 process to continue the improvements in the process and to identify trends that need correction. Additionally, we continue to meet bi-weekly with the LLA team and our management group to discuss problems and issues so that we may proactively address them and give consistent direction. Specifically, as related to document review and tracking, we have fine tuned our Expense Review Tool (ERT) and continue to look for opportunities to enhance ERT. In addition we are working on supplemental training for ERT. Writing and communication continues to be an issue. In addition to participating in the LLA writing and communication courses, we are developing some standard language which has been approved by the LLA staff to be used in expense review. We anticipate that this exercise will alleviate some of the written-communication issues.

Daryl Purpera, CPA, Page 1 of 2

Your LLA Team continues 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