

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM CLOSE OUT
JANUARY 2010 - JUNE 2010



AGREED-UPON PROCEDURES REPORT
ISSUED NOVEMBER 10, 2010

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We performed agreed-upon procedures to assist the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) in fulfilling its responsibility for programmatic closure under the (PA) program. For the period January 1, 2010, through June 30, 2010, we reviewed 50 close-out packages¹ that GOHSEP close-out specialists prepared. Thirty-two packages were large projects that contained expenses of \$89,225,097 and the other 18 packages represented 28 small projects that contained expenses of \$351,514. Out of the total \$89,576,611 of documented expenses, we noted potential questioned costs of \$125,560. We also re-reviewed a close-out package that had been returned to a GOHSEP close-out specialist because of a documentation deficiency (subsequent review) but did not note any potential questioned costs as a result of that review.

In preparation of programmatic closure, GOHSEP assigned six sub-grantees to us to conduct detailed reviews of supporting documentation for the costs the sub-grantees claimed reimbursement for under the PA program. For those sub-grantees, there were 168 packages for large projects that contained expenses of \$50,492,608 and seven packages that represented 566 small projects that contained expenses of \$6,163,943. We completed close-out procedures for 52 packages (50 large projects and nine small projects grouped into two packages) that contained expenses of \$4,722,330 and noted potential questioned costs of \$5,386.

¹ A package is either a single large project or all of a sub-grantee's small projects grouped together.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 25, 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 period of January 1, 2010, through June 30, 2010, which were requested and agreed to by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management, solely to assist you in fulfilling your responsibility for programmatic closure. GOHSEP management is responsible for the day-to-day operations of the Public Assistance program including programmatic closure. 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.

Background

GOHSEP's close-out process begins when sub-grantees request closure of projects. If the request is to close a small project,² all work for all small projects must be complete. If the request is to close a large project,³ then just the work on that project must be complete. If these conditions are met, close-out specialists review the expenses the sub-grantee has submitted over the life of the project to determine if all expenses are supported or if additional expenses need to be submitted and gather any additional documentation deemed necessary.

² A small project is one that is valued less than \$55,500 for hurricanes Katrina and Rita or \$60,900 for hurricanes Gustav and Ike.

³ A large project is one that is valued greater than \$55,500 for hurricanes Katrina and Rita or \$60,900 for hurricanes Gustav and Ike.

GOHSEP close-out specialists document the results of their reviews on final inspection reports. The close-out specialists then submit the final inspection reports and all supporting documentation to the Louisiana Legislative Auditor's (LLA) document review team to be reviewed under our agreed-upon procedures engagement.

The document review team inspects the final inspection reports and supporting documentation to identify any potential questioned costs or other costs the sub-grantees have not submitted for reimbursement. Unsupported costs which are considered potential questioned costs and unclaimed costs which may be reimbursed are reported. The final inspection reports and supporting documentation are returned to the close-out specialists for resolution. This procedure allows GOHSEP the opportunity to identify additional funding available to the sub-grantees or correct deficiencies thus eliminating questioned costs. Deficiencies that cannot be resolved result in questioned costs and we recommend that GOHSEP have the funds de-obligated from the sub-grantees' awards.

In some situations, GOHSEP assigns the review to the LLA document review team to conduct a detailed documentation review pursuant to our agreed-upon procedures engagement. The results of those reviews and the supporting documentation are regularly presented to GOHSEP management through a finding of review. GOHSEP management reviews the information and either completes a final inspection report or returns the finding of review to us to correct deficiencies or gather additional supporting documentation. Any final inspection report that is created as a result of this work is not reviewed by the LLA document review team.

Final Inspection Report Review - Small Projects

PROCEDURE: For each small project close-out package provided by GOHSEP, we confirmed that the close-out package contained a certification that the eligible scope of work was completed and that any exceptions that were identified were documented and supported by photographs, invoices, receipts, or other documentation as may be appropriate as evidence the work performed was not part of the eligible scope.

FINDING: We inspected 18 small project close-out packages that contained 28 small projects with obligations totaling \$351,514. We did not note any deficiencies.

Final Inspection Report Review - Large Projects

PROCEDURE: For each large project close-out package provided by GOHSEP, we confirmed that the close-out package contained a certification that the eligible scope of work was completed and that any exceptions that were identified were documented and supported by photographs, invoices, receipts, or other documentation as may be appropriate as evidence the work performed was not part of the eligible scope.

FINDING: We inspected 32 large project close-out packages with obligations totaling \$89,225,097. We noted the following deficiencies that totaled \$125,560 in three of the packages:

- Calculation errors
- Documentation supporting competitive procurement or a cost reasonableness analysis was missing
- Documentation supporting the work performed was within the scope of the project was missing

The GOHSEP close-out team has not resubmitted any of these packages with documentation of resolution.

Detailed Documentation Review - Small Projects

PROCEDURE: For each sub-grantee whose small projects are assigned to the LLA, we selected a sample of the projects based on GOHSEP’s risk model and confirmed through visual inspection and review of invoices, receipts, contracts, or other documentation as may be necessary that the eligible scope of work was completed.

FINDING: Of the seven packages assigned by GOHSEP, we completed detailed reviews for two packages that contained nine small projects with obligations totaling \$101,296. From those packages, we selected a sample of two small projects and noted that the scope of work was completed for both sampled projects.

Detailed Documentation Review - Large Projects

Overall Results

Of the 168 large project packages GOHSEP assigned to the LLA close-out team, we completed detailed reviews for 50 packages with obligations totaling \$4,621,034 and noted potential questioned costs of \$5,386. Our overall results are listed in the following table.

| Category of Work | Number of Packages | Potential Questioned Cost |
|-------------------------|--------------------|---------------------------|
| Force Account Labor | 4 | \$0.00 |
| Force Account Equipment | 4 | 25.00 |
| Materials | 9 | 0.00 |
| Rented Equipment | 3 | 0.00 |
| Contract Work | 40 | 5,361.00 |
| Total | 60 | \$5,386.00 |

Since a package may contain multiple line-item types, there are more detailed reviews than project packages assigned.

Detailed Results

For each package, we selected a sample of completed work based on GOHSEP's risk model and conducted the following procedures:

PROCEDURE: When the work undertaken was accomplished through the use of the sub-grantees' employees, we confirmed through visual inspection and reviewing payroll documents, overtime policies, fringe benefit rate calculations, and other documentation that the costs incurred were supported.

FINDING: As a result of our procedure, we determined that four of the large project packages assigned contained line items that were to be accomplished using the sub-grantees' employees. We also noted that reimbursed costs were supported in all four projects. However, in three of these projects anticipated costs exceeded actual costs resulting in cost underruns. We recommended that GOHSEP de-obligate a total of \$6,723 from these projects.

PROCEDURE: When the work undertaken was accomplished through the use of the sub-grantees' equipment, we confirmed through visual inspection and reviewing payroll documents, equipment usage logs, equipment inventories, and other documentation that the costs incurred were supported.

FINDING: As a result of our procedure, we determined that four of the large project packages assigned contained line items that were to be accomplished using the sub-grantees' equipment. We also noted that costs were supported in three projects, but the fourth project contained \$25 of unsupported costs. The unsupported costs were due to equipment hours claimed that exceeded the operator hours worked. FEMA representatives determined that all of the unsupported costs identified were ineligible and will have to be de-obligated and returned to FEMA.

In addition, we noted \$9,331 of potentially eligible costs that had not been submitted for reimbursement by the sub-grantees because of the use of incorrect equipment rates. FEMA representatives determined that these costs were eligible.

PROCEDURE: When the sub-grantees purchased or used materials from inventory to accomplish the work, we confirmed through visual inspection and reviewing invoices, receipts, contracts, and other documentation that the costs incurred were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

FINDING: As a result of our procedure, we determined that nine of the large project packages assigned contained line items where the sub-grantees used materials from inventory or purchased materials to accomplish the work. We also noted that all costs were supported and that the appropriate procurement standards were followed. However, in five of these projects, anticipated costs exceeded actual cost resulting in cost underruns. We recommended that GOHSEP de-obligate a total of \$61,607 from these projects.

PROCEDURE: When the work undertaken was accomplished through the use of rented equipment, we confirmed through visual inspection and reviewing invoices, receipts, contracts, and other documentation that the costs incurred were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

FINDING: As a result of our procedure, we determined that three of the large project packages assigned contained line items where the sub-grantees rented equipment to accomplish the work. We also noted that all costs were supported and that the appropriate procurement standards had been followed. In one of these packages, we noted \$2,144 in potentially eligible costs that had not been obligated because of the use of incorrect rental rates. FEMA representatives determined that these costs were eligible. We also noted that \$937 in rented equipment costs had been obligated as material expenses.

PROCEDURE: When the work undertaken was accomplished through the use of contractors, we confirmed through visual inspection and reviewing invoices, receipts, contracts, lease agreements, and other documentation that the costs incurred to complete the eligible scope of work were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

FINDING: As a result of our procedures, we determined that 40 of the large project packages assigned contained line items for work that were to be accomplished through the use of contractors. We also noted that costs were supported and that the appropriate procurement standards had been followed for 39 projects. The remaining project contained \$5,361 of unsupported cost that GOHSEP had not reimbursed. The unsupported costs were due to a math error. FEMA representatives determined that all unsupported costs identified were ineligible and will have to be de-obligated.

In addition, we noted that two of the projects contained a total of \$3,496 of potentially eligible costs that had not been submitted for reimbursement by the sub-grantees. FEMA representatives determined that these costs were eligible because they represent eligible costs that were not obligated initially.

Since a package may contain multiple line-item types, there are more detailed reviews than project packages assigned.

We were not engaged to and did not conduct an audit, 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 and the Louisiana Legislature and is not intended to be and should not be used by anyone other than those parties. 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 written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

CAT:LET:ja/dl

PAPCO10

Management's Response



BOBBY JINDAL
GOVERNOR

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

MARK A. COOPER
DIRECTOR

September 7, 2010

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

RE: Draft Public Assistance Division Biannual Report
First 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 first half of 2010 (January 1, 2010 through June 30, 2010). 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.

Daryl Purpera, CPA, Page 1 of 2

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