

An Agreed-Upon Procedures Report on the
**GOVERNOR'S OFFICE OF HOMELAND SECURITY AND
EMERGENCY PREPAREDNESS
HAZARD MITIGATION PROGRAMS**
Issued October 19, 2011



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Executive Summary

We performed agreed-upon procedures to assist the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) in evaluating the completeness and accuracy of documentation submitted by sub-grantees for reimbursement under the Hazard Mitigation Grant Program, Severe Repetitive Loss, Repetitive Flood Claims, Flood Mitigation Assistance, and Pre Disaster Mitigation programs, collectively referred to as Hazard Mitigation programs.

For the period January 1, 2011, through June 30, 2011, we analyzed 412 reimbursement requests totaling \$51,088,132 and noted potential questioned costs of \$6,619,337. During the application of our procedures, GOHSEP disaster recovery specialists gathered additional documentation and information to resolve \$581,904 of the potential questioned costs. The remaining unresolved amount totals \$6,037,433.

During the fourth quarter of 2010, GOHSEP management temporarily altered the process for Office of Community Development/Disaster Recovery Unit (OCD/DRU) reimbursement requests so that our audit review was post-payment rather than pre-payment. During the current period engagement (January 1, 2011, through June 30, 2011), we analyzed 40 expense review forms and supporting documentation totaling \$3,866,924 that were processed during the fourth quarter of 2010. We noted questioned costs totaling \$3,198,003. GOHSEP disaster recovery specialists obtained documentation to support \$48,225 of the questioned costs. The remaining unresolved amount totals \$3,149,778.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

October 19, 2011

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

**MR. PAT SANTOS, ACTING DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND
SECURITY AND EMERGENCY PREPAREDNESS**
Baton Rouge, Louisiana

We performed the procedures enumerated below for the period January 1, 2011, through June 30, 2011, 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 implementing the Hazard Mitigation (HM) programs. GOHSEP management is responsible for the day-to-day operations of HM.

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 GOHSEP management. 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.

Procedures and Findings

We analyzed the 452 (412 prior to payment and 40 post-payment) reimbursement requests submitted by sub-grantees and the supporting documentation totaling \$54,955,056 to confirm that the reimbursement requests were in compliance with federal and state guidelines and were properly documented. We developed a finding of review for each request analyzed during this period and presented each finding of review to management.

For the 412 reimbursement requests we analyzed prior to payment, any exceptions we noted are considered potential questioned costs since GOHSEP will have the opportunity to correct deficiencies prior to payment. Table 1 presents the overall results of our analysis of these reimbursement requests.

Review Type	Number of Reviews	Value	Questioned Amount	Resolved Amount
Initial*	394	\$49,466,567	\$6,615,902	\$581,904
Subsequent**	18	1,621,565	3,435	0
Total	412	\$51,088,132	\$6,619,337	\$581,904

*Includes reviews of individual homeowner files from OCD/DRU’s Applicant Tracking System (ATS) that have been included in a batch and presented to GOHSEP for payment.

**Consists of re-reviews of reimbursement requests that have been returned to GOHSEP disaster recovery specialists because of some deficiency in documentation identified by our review.

During the fourth quarter of 2010, GOHSEP management temporarily altered the process for OCD/DRU reimbursement requests so that our audit review was post-payment rather than pre-payment. We analyzed 40 individual homeowner reimbursement requests and supporting documentation that GOHSEP processed through the altered process. Since payment was made prior to our review, any exceptions we noted are considered questioned costs. Although our analysis of these files was performed post-payment, GOHSEP will continue to work with OCD/DRU to gather additional supporting documentation. Table 2 presents the overall results of our analysis of these individual homeowner reimbursement requests.

Review Type	Number of Reviews	Value	Questioned Amount	Resolved Amount
Initial Post-Payment	35	\$3,587,193	\$3,020,194	\$0
Subsequent Post-Payment	5	279,731	177,809	48,225
Total	40	\$3,866,924	\$3,198,003	\$48,225

Procedure: We confirmed that the sub-grantee submitted an SF 270 (Request for Advance or Reimbursement) that has been signed by an authorized person.

Finding: As a result of this procedure, we were unable to verify that the submitted SF 270 was signed by an authorized person for six reviews (four initial reviews and two initial post payment reviews). The files were returned to GOHSEP personnel to gather adequate documentation.

Procedure: We reviewed the mathematical calculations performed by GOHSEP personnel to confirm that the calculations are in accordance with funding parameters.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that the invoices, billings, photographs of work, and related items provided by the sub-grantee supported the request for reimbursement.

Finding: As a result of this procedure, we were unable to verify that procurement, invoices, billings, or photographs of work supported the reimbursement requests for 97 reviews as follows:

- Sixty-four initial reimbursement requests contained potential questioned costs of \$6,604,287. After our analysis, GOHSEP personnel obtained adequate documentation to support \$581,904 of the questioned amount leaving an unsupported balance of \$6,022,383.
 - Six of the requests lacked adequate documentation of competitive procurement or a cost analysis to support cost reasonableness of the expenditures.
 - Sixty-one of the requests lacked adequate documentation to support the requested reimbursement amount.

Since a request may contain more than one exception, there are more exceptions than requests.

- Thirty-one initial post payment requests contained questioned cost of \$3,000,817 and two subsequent post payment requests contained questioned costs of \$133,705 because the requests lacked adequate documentation to support the requested reimbursement amount. After our analysis, GOHSEP personnel obtained adequate documentation to support \$48,225 of the questioned amount for the subsequent requests leaving an unsupported balance of \$3,086,297.

Procedure: We confirmed that the work reflected by the documentation was within the scope approved for the grant.

Finding: As a result of this procedure, we were unable to verify that the work reflected by the documentation was within the scope of eligible work approved for the grant for nine reviews as follows:

- Six initial reimbursement requests contained \$11,615 of potential questioned costs and one subsequent reimbursement request contained potential questioned cost of \$3,435 because the requests

lacked adequate support to demonstrate the work performed was within the eligible scope of the project. GOHSEP personnel have not obtained adequate supporting documentation to resolve any of these potential questioned costs.

- One initial post-payment request contained questioned costs of \$19,377 and one subsequent post-payment request contained questioned cost of \$44,104 because the requests lacked adequate support to demonstrate the work performed was within the eligible scope of the project. GOHSEP personnel have not obtained adequate supporting documentation to support any of these questioned costs.

Procedure: We confirmed that the quarterly reporting was up-to-date.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that the documented expenses and project progression correspond with the performance period.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that an end of performance period letter had been prepared and processed for projects ending in less than 90 days.

Finding: We did not note any exceptions as a result of this procedure.

Procedure: We confirmed that at least one site inspection had been conducted for each project that was more than 50% complete or that a final site inspection had been conducted for each project that was 100% complete.

Finding: We did not note any exceptions as a result of this procedure.

Additional Information

Individual Homeowner Files

Typically, when a sub-grantee submits a reimbursement request to GOHSEP, the request contains multiple homeowner files and it covers all files in the batch. According to our agreed-upon procedures engagement with GOHSEP, we review the batch and prepare a single finding of review that documents the results of our analysis. However, GOHSEP management requested that we analyze individual homeowner files from OCD's Applicant Tracking System (ATS) prior to OCD batching them.

Sometime after our analysis, OCD combines the individual homeowner files into a batch and prepares a request for reimbursement for the batch. OCD then submits the batch to GOHSEP for processing and payment.

We analyzed 1,110 homeowner files before they were batched that contained requests for payment totaling \$39,407,532. As a result of our analysis, we noted \$4,354,367 of potential questioned cost from 261 of the homeowner files.

- Two hundred and five homeowner files contained potential questioned costs of \$2,959,608 because the request lacked adequate documentation to support the expenditures claimed.
- Sixty-one homeowner files contained potential questioned costs of \$1,394,759 because the request contained expenses that did not appear to be eligible for reimbursement under the Hazard Mitigation Grant Program.

Since a request may contain more than one exception, there are more exceptions than requests.

Resolved Questioned Amounts by Year

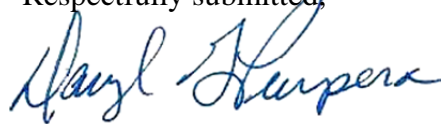
Since it may take several days to several months to resolve some questioned amounts, the following table summarizes those amounts that have been resolved and those amounts that are unresolved. The table does not include the results of the individual homeowner file analysis.

Period	Amount Questioned	Amount Resolved	Amount Remaining
Calendar year 2008	\$17,365,704	\$17,365,704	(\$0)
Calendar year 2009	8,314,750	7,724,298	590,452
Calendar year 2010	8,329,046	6,247,112	2,081,934
Total	\$34,009,500	\$31,337,114	\$2,672,386

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 the fair presentation of 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 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, flowing style.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

SD:JM:dl

GOHSEP HM 2011

Appendix A
Management's Response



BOBBY JINDAL
GOVERNOR

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

PAT SANTOS
INTERIM DIRECTOR

September 12, 2011

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

RE: Management Responses to Hazard Mitigation Grants – First and Second Quarter 2011 report

Dear Mr. Purpera:

I have reviewed the findings in the first and second quarter 2011 report, from your office, which covers activities of the Hazard Mitigation Section, Governor's Office of Homeland Security and Emergency Preparedness for January 1 to June 30, 2011.

GOHSEP's current policies and procedures require that all sub-grantees provide complete and accurate detailed documentation to support the reimbursement requests as they are submitted. In addition, GOHSEP has contracted with the State Legislative Auditor's Office to assist in the review process to ensure complete and accurate documentation, prior to any reimbursement request being processed for funding. Also of note is, in late 2010, there was a short period of time, approximately three weeks, in which GOHSEP temporarily waived standard documentation protocol in order to continue payments to homeowners while OCD transferred its applicant tracking and payment process from paper files to virtual files (the ATS system). The waiver was a management decision made after weighing the risks against the advantages. The majority of the files with findings are from that short period of time in late 2010.

In accordance with your guidance, we are providing management's response to the findings that were not resolved by the end of the review period.

Procedure: We confirmed that the sub-grantee submitted a SF 270 (Request for Advance or Reimbursement) that has been signed by an authorized person.

Finding: As a result of this procedure, we were unable to verify that the submitted SF 270 was signed by an authorized person for six reviews (four initial reviews and two initial post payment reviews). The files were returned to GOHSEP personnel to gather adequate documentation.

Response:

HM management concurs that at the time of this report, this exception has not been resolved.

Corrective Action:

The Disaster Recovery Specialists (DRSs) and Team Leaders, will ensure that prior to submission for reimbursement all required supporting documentation is in place, prior to submission of the package for review by the document review staff. Also, HM management will meet bi-monthly with the LLA assigned to the section to discuss findings, as they may occur.

Mr. Daryl G. Purpera, CPA
Page Number 2
September 12, 2011

Procedure: We confirmed that the invoices, billings, photographs of work, and related items provided by the sub-grantee supported the request for reimbursement.

Finding: As a result of this procedure, we were unable to verify that procurement, invoices, billings, or photographs of work supported the reimbursement requests for 97 reviews.

Response:

HM management concurs that at the time of this report, potential questioned costs have been returned to the sub-grantee for additional supporting documentation. GOHSEP employees are diligently working with sub-grantees to provide the necessary documentation to support the remaining questioned costs.

Corrective Action:

The Mitigation Section leadership continues to stress the importance of valid cost analysis for uncompetitive procurement matters. DRS' and Team Leads will provide support to the sub grantee to ensure that proper documentation of procurement or a cost analysis is performed. The emphasis is placed on providing the required documentation to demonstrate competitive procurement or a valid cost analysis that supports the sub-grantees decision regarding cost reasonableness. Additionally, focus will be placed on ensuring all proper documentation is available to support payment requests. This is the responsibility of the Disaster Recovery Specialists (DRSs) and Team Leaders. Furthermore, HM management will meet bi-monthly with the LLA assigned to the section to discuss findings, as they may occur.

Procedure: We confirmed that the work reflected by the documentation was within the scope approved for the grant.

Finding: As a result of this procedure, we were unable to verify that the work reflected by the documentation was within the scope of eligible work approved for the grant for nine reviews.

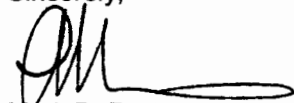
Response:

HM management concurs that at the time of this report, these exceptions have not been resolved.

Corrective Action:

The Mitigation Section leadership has instructed section staff to validate and determine that activities fall within the approved scope of work prior to submission for reimbursement.

Sincerely,



Mark DeBosier
Deputy Director
Disaster Recovery

MD:JG:pw

cc: Mark Riley