

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM



AGREED-UPON PROCEDURES REPORT

ISSUED JANUARY 9, 2008

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STEVE J. THERIOT, CPA
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November 19, 2007

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

**PERRY "JEFF" SMITH, JR., CPA
COLONEL (RETIRED)
ACTING DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND
SECURITY AND EMERGENCY PREPAREDNESS
Baton Rouge, Louisiana**

We have performed the procedures enumerated below for the third quarter of 2007 (July 1 through September 30), which were requested and agreed to by you, as acting director of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), primarily to assist you 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.

The procedures that we performed and our findings and recommendations are as follows:

Technical Assistance Contractor Invoice Review

We compared the technical assistance contractor, James Lee Witt Associates (JLWA), invoices for the period April 2007 through August 2007 to the contract to determine if they were submitted in accordance with the contract guidelines; had all the required signatures; were within the required time period (invoices are to be submitted monthly); were supported by subcontractor invoices, time records, and receipts; and verified that the supporting documentation agrees with the invoice. The invoiced amount totaled \$8,197,502.

For the third quarter of 2007, JLWA presented invoices for the period April 2007 through August 2007 to GOHSEP for payment. Questionable costs were identified during a

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standard review process before payment. These costs totaled \$38,762 (0.5% of the total invoiced amount) and did not appear to be within the guidelines of the contract. JLWA provided additional documentation clarifying the costs or reduced the billings. These costs are significantly less than the \$140,821 in questioned costs identified in the previous quarter. Questioned costs continue to be primarily related to travel, duplicate charges, and expenses unrelated to the contract.

In our report for the second quarter, we recommended that GOHSEP:

- (1) require JLWA to better define the contractually agreed-upon travel policy to limit reimbursement of travel expenses to federal or state per diem rates;
- (2) approve all exceptions or deviations from the travel policy in writing; and
- (3) require JLWA to submit invoices and supporting documentation in a timely manner and in accordance with the contract.

During the third quarter, GOHSEP entered into a new contract with JLWA. The new contract directs JLWA to adhere to the Louisiana Division of Administration Policy and Procedure Memorandum 49 (the state travel regulation), which should further reduce or eliminate questioned travel costs.

In the third quarter, GOHSEP did not approve deviations from the travel policy; however, any deviations from the new travel policy will be addressed through amendments to the contract. JLWA significantly reduced the invoice submission time from three months to five weeks following the billing period even though the new contract directs JLWA to submit invoices within 30 days following the billing period.

While questioned costs were reduced and improvements were made during the third quarter, we continue to stress our previous recommendations. We also recommend that GOHSEP require JLWA to more closely examine the invoices for compliance with the travel policy prior to submission to aid in reducing questioned costs and ensure proper amounts are billed.

Public Assistance Procedures

We reviewed 847 Expense Review Forms (ERFs) totaling \$290,873,655 and supporting documentation as prepared by the GOHSEP grant administrators. Through the use of these forms, grant administrators 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 conducted the following procedures to verify that expenses reviewed and documented on ERFs by grant administrators were in compliance with federal and state guidelines and properly documented:

1. Verified that the reimbursement request and the parish/local certification documents are dated on or after the creation of the project worksheet

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2. Reviewed sub-grantee provided policies and procedures to determine the impact on disaster assistance reimbursement
3. Examined contracts, invoices, and/or receipts to determine reasonableness of costs as defined by GOHSEP and/or the Federal Emergency Management Agency (FEMA)
4. Verified that invoices, receipts, lease agreements, and/or contracts supplied by the sub-grantees comply with state and federal guidelines for the PA program
5. Verified that for each employee listed on the force account labor summary (FAL) there is also a disaster-related job description
6. Verified that employee hours listed on the FAL 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
7. Verified that the fringe benefit calculation prepared by the sub-grantees includes only elements allowed by their employment practices and is mathematically accurate
8. Verified that for each piece of equipment listed on the force account equipment summary (FAE) there is also an operator listed
9. Verified that equipment hours claimed on the FAE agree with the employee hours claimed on the FAL
10. Verified that the equipment rate used on the FAE is in accordance with the FEMA equipment rate schedule or locally adopted and approved equipment rate schedule
11. Verified that costs listed on the material summary are supported with invoices, receipts, lease agreements, and/or contracts
12. Verified that costs listed on the rented equipment summary are supported with invoices, receipts, lease agreements, and/or contracts
13. Verified that costs listed on the contract summary are supported with invoices, receipts, lease agreements, and/or contracts

Of the 847 ERFs reviewed, we did not detect deficiencies in 671 ERFs totaling \$228,003,541. However, we noted deficiencies in 176 ERFs totaling \$62,870,114 that were returned to grant administrators for additional information or further clarification. In 104 of the returned ERFs totaling \$38,327,738, we detected deficiencies related primarily to cost reasonableness, contracting, and project scope issues. These deficiencies, had they not been detected, could have led to questioned costs totaling \$18,617,196 (6.4% of the total amount of the ERFs reviewed). Ultimately, some or all of

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these costs may be reimbursed to the applicants with proper documentation. In the remaining 72 ERFs totaling \$24,452,376 (8.4% of the total amount of the ERFs reviewed), we detected deficiencies primarily related to effective writing/communication which would not have resulted in any questioned costs.

To help limit similar errors in the future and guard against possible questioned costs, we continue to recommend that GOHSEP:

- (1) continues its training efforts to enhance its grant administrators communication skills and knowledge of required documentation with a focus on procurement and cost reasonableness documentation;
- (2) continues its sub-grantee education efforts regarding federal and state reimbursement guidelines specifically in the areas of federal procurement regulations and cost reasonableness; and
- (3) requires the sub-grantees to identify the scope of work line item to which each invoice applies, thereby assisting the grant administrators in processing requests for reimbursement in a more timely manner.

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

JLS:JLM:dl

GOHSEPPAP07

Management's Response



KATHLEEN BABINEAUX BLANCO
GOVERNOR

State of Louisiana

GOVERNOR'S OFFICE OF HOMELAND SECURITY AND EMERGENCY PREPAREDNESS

PERRY JEFF SMITH, JR., CPA
COLONEL (RETIRED)
ACTING DIRECTOR

December 7, 2007

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

Re: Draft Recovery Assistance Division Quarterly Report, 3rd Quarter 2007

Dear Mr. Theriot:

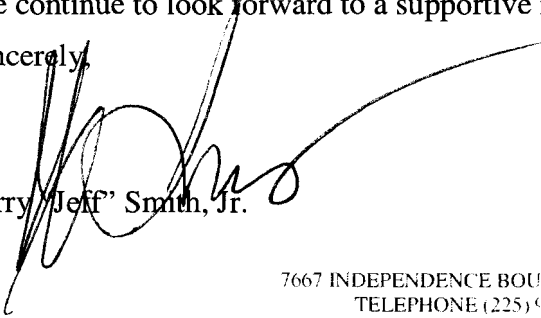
We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division reviewing the State's Public Assistance (PA) program for the third quarter of 2007 (July 1 through September 30). We commend the Legislative Auditor's Office for the quality of individuals that have been provided to assist us in this very complex PA process. The spirit of cooperation shown and the constructive advice provided by your office has greatly enhanced the State's recovery efforts.

We concur with your recommendations concerning our technical assistance contractor, and with the assistance of the personnel from your office, we continue to refine the oversight process of the James Lee Witt and Associates contract. As indicated in our last quarterly response, we have entered into a new contract with James Lee Witt and Associates which has narrowed the scope of services, requires compliance with State Travel Regulations, and requires timely submission of monthly invoices.

We further concur with your recommendations relative to Public Assistance Procedures. We continue to grapple with turnover of grant administrators and the education and training needed to understand the complex nature of the Stafford Act Public Assistance program. We are actively developing a training program, and have made the development of training procedures to enhance the financial procedures within the State's Public Assistance Program a key deliverable under the contract with Deloitte Consulting, LLP. Additionally, Deloitte Consulting, LLP, continues to assist in improving the sub-grantee issues identified in the report, and we are developing a detail process manual for sub-grantees to recommend request for payment processes that will simplify the grant administrator review process.

We continue to look forward to a supportive relationship with your office.

Sincerely,


Perry Jeff Smith, Jr.