

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM
HURRICANES GUSTAV AND IKE
OCTOBER 2010 - DECEMBER 2010



AGREED-UPON PROCEDURES REPORT
ISSUED MAY 4, 2011

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We performed agreed-upon procedures to assist the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) in evaluating the documentation, submitted by sub-grantees for reimbursement under the Public Assistance program, related to damages caused by hurricanes Gustav and Ike. For the period October 1, 2010, through December 31, 2010, we reviewed 398 initial expense reviews totaling \$33,605,695 and noted potential questioned costs of \$5,028,940. We also re-reviewed 211 reimbursement requests totaling \$25,283,576 that had been returned to GOHSEP disaster recovery specialists because of some deficiency in documentation (subsequent reviews) and noted potential questioned costs of \$1,877,376.

In addition, we reviewed two reimbursement requests totaling \$1,393,848 where the sub-grantees initially provided documentation to support the claim and a version increasing the value of the related project worksheet had not yet been obligated but has since been obligated (additional obligation). We did not note any potential questioned costs as a result of those subsequent reviews.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 7, 2011

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 2010 (October 1, 2010, through December 31, 2010), 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 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 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.

Background

GOHSEP's documentation review process begins when sub-grantees submit reimbursement requests and supporting documentation. Disaster recovery specialists review the requests and gather any additional documentation deemed necessary to fully support them. The disaster recovery specialists document the results of their reviews on expense review forms. The disaster recovery specialists then submit the expense review forms and all supporting documentation to the Louisiana Legislative Auditor's document review team to be reviewed under our agreed-upon procedures engagement.

The document review team inspects the expense review forms and supporting documentation to identify any potential questioned costs. Unsupported costs are considered potential questioned

costs and are reported. The expense review forms and supporting documentation are returned to the disaster recovery specialists for resolution when deficiencies are noted. This procedure allows GOHSEP the opportunity to correct deficiencies before final payment thus eliminating questioned costs.

Since it may take several months to resolve certain questioned amounts, we do not report whether deficiencies have been resolved in our quarterly reports. However, GOHSEP management requires the disaster recovery specialists to resolve all deficiencies noted by the document review team before payment with very limited exception. This process reduces the risk that reimbursements will be paid that are not fully documented. Final determination of questioned costs will be made in the closeout review process.

Public Assistance

Disaster recovery specialists use expense reviews to document deficiencies in reimbursement claims submitted by sub-grantees. We inspected 611 expense reviews totaling \$60,283,119 as prepared by the GOHSEP disaster recovery specialists along with supporting documentation. The overall results of that inspection are as follows:

Review Type	Number of Reviews	Value	Questioned Amount
Initial	398	\$33,605,695	\$5,028,940
Subsequent*	211	25,283,576	1,877,376
Additional Obligation**	2	1,393,848	0
Total	611	\$60,283,119	\$6,906,316

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

**Reviews of reimbursement requests where the sub-grantees initially provided documentation to support the claim and a version increasing the value of the related project worksheet had not yet been obligated but has since been obligated

For all large projects [as defined in 44 CFR 206.203(c)(1)], we inspected the expense reviews performed by the disaster recovery specialists and the supporting documentation to confirm that the reimbursement claims were in compliance with federal and state guidelines and were properly documented. We developed findings as needed for the 611 expense reviews inspected during this period. Each finding was presented to management.

PROCEDURE: When the work undertaken by the sub-grantee was accomplished through the use of contractors, we inspected and confirmed whether:

- (1) documentation provided in the sub-grantees' reimbursement requests was for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that were within the scope of the project worksheets were identified;

- (3) costs listed on the contract summaries were supported with invoices, receipts, lease agreements, and/or contracts; and
- (4) each contract was procured in accordance with federal and/or state laws.

FINDING:

As a result of our procedures, we identified 134 initial reviews, 53 subsequent reviews, and two additional obligation reviews where the work was accomplished by a contractor. On those reviews, the disaster recovery specialists indicated total documented expenses of \$27,882,694.

We did not detect deficiencies in 148 of the 189 expense reviews. However, we noted deficiencies in 29 initial reviews and in 12 subsequent reviews. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

We placed the deficiencies from the 29 initial reviews and 11 subsequent reviews into one of the following categories:

- Thirteen deficiencies related to expenses that lacked documentation supporting the scope of work.
- Two deficiencies related to line items or project cost over-runs within the scope of work that were not identified.
- Twenty deficiencies related to costs listed on contract summaries that lacked supporting documentation.
- Fifteen deficiencies related to files that lacked documentation supporting procurement compliant with Federal and/or State laws.

Since an expense review may have contained multiple deficiencies, there are more deficiencies than reviews.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$4,214,192 (6.99% of the total amount reviewed or 15.11% of the documented expenses for this category). The deficiency in the remaining subsequent review related to effective writing/communication and would not have resulted in any questioned costs.

PROCEDURE: When the work undertaken by the sub-grantees was accomplished through the use of the sub-grantees' equipment, we inspected supporting documentation included in the expense reviews to determine whether:

- (1) documentation provided in the sub-grantees' reimbursement requests was for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that were within the scope of the project worksheets were identified;
- (3) an operator was listed for each piece of equipment contained in the force account equipment summaries;
- (4) equipment hours claimed on the force account equipment summaries agreed with the employee hours claimed on the force account labor summaries; and
- (5) equipment rates used in calculating the reimbursement amount were in accordance with the FEMA equipment rate schedule or a locally adopted and approved equipment rate schedule.

FINDING: As a result of our procedures, we identified 38 initial reviews and 46 subsequent reviews where the work was accomplished by using the sub-grantees' equipment. On those reviews, the disaster recovery specialists indicated total documented expenses of \$7,690,755.

We did not detect deficiencies in 56 of the 84 expense reviews. However, we noted deficiencies in 15 initial reviews and 13 subsequent reviews. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

We placed the deficiencies from the 15 initial reviews and the 13 subsequent reviews into one of the following categories:

- Two deficiencies related to expenses that lacked documentation supporting the scope of work.
- Two deficiencies related to costs listed on force account equipment summaries that lacked supporting documentation.
- One deficiency related to an operator not being listed for each piece of equipment.
- Thirteen deficiencies related to equipment hours listed on force account equipment summaries that did not agree with the employees hours claimed on the force account labor summaries.

- Twelve deficiencies related to equipment rates that were not in accordance with FEMA rates or locally adopted/approved rates.
- One deficiency related to employee hours listed on labor summaries that do not agree with sub-grantees' overtime policies or hours claimed were not for disaster-related work.

Since an expense review may have contained multiple deficiencies, there are more deficiencies than reviews.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$658,108 (1.09% of the total amount reviewed or 8.56% 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, we inspected the expense reviews and supporting documentation to determine whether:

- (1) documentation provided in the sub-grantees' reimbursement requests was for work contained in the scope for that project worksheet;
- (2) line items and/or project cost over-runs that were within the scope of the project worksheets were identified;
- (3) a disaster-related job description for each employee was listed on the force account labor summaries;
- (4) employee hours listed on the force account labor summaries were in accordance with the sub-grantees' overtime policies and that only hours spent conducting work that was a direct result of the disaster were claimed for reimbursement; and
- (5) fringe benefit calculations prepared by the sub-grantees included only eligible elements and were mathematically accurate.

FINDING:

As a result of our procedures, we identified 81 initial reviews and 56 subsequent reviews where the work was accomplished using the sub-grantees' employees. On those reviews, the disaster recovery specialists indicated total documented expenses of \$16,390,781.

We did not detect deficiencies in 103 of the 137 expense reviews. However, we noted deficiencies in 23 initial reviews and 11 subsequent reviews. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

We placed the deficiencies from the 23 initial reviews and the 11 subsequent reviews into one of the following categories:

- Five deficiencies related to labor costs that lacked documentation supporting the scope of work.
- One deficiency related to line items or project cost over-runs within the scope of work that was not identified.
- Seven deficiencies related to costs listed on the labor summaries that lacked supporting documentation.
- One deficiency related to a disaster-related job description that was not listed on the labor summaries.
- Twenty deficiencies related to employee hours listed on labor summaries that did not agree with the sub-grantees' overtime policies or hours claimed were not for disaster-related work.
- Six deficiencies related to fringe benefit calculations that contained ineligible items or mathematical inaccuracies.

Since an expense review may have contained multiple deficiencies, there are more deficiencies than reviews.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$1,701,144 (2.82% of the total amount reviewed or 10.38% 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, we inspected the expense reviews and related documentation to determine whether:

- (1) documentation provided in the sub-grantees' reimbursement requests was for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that were within the scope of the project worksheets were identified;
- (3) costs listed on the material summaries were 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 119 initial reviews and 44 subsequent 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 \$7,906,503.

We did not detect deficiencies in 147 of the 163 expense reviews. However, we noted deficiencies in 12 initial reviews and in four subsequent reviews. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

We placed the deficiencies from the 12 initial reviews and the four subsequent reviews into one of the following categories.

- Eight deficiencies related to expenses that lacked documentation supporting the scope of work.
- One deficiency related to line items or project cost over-runs within the scope of work that was not identified.
- Six deficiencies related to costs listed on material summaries that lacked supporting documentation.
- Two deficiencies related to files that lacked documentation supporting procurement compliant with federal and/or state laws.

Since an expense review may have contained multiple deficiencies, there are more deficiencies than reviews.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$233,471 (0.39% of the total amount reviewed or 2.95% of the documented expenses for this category).

PROCEDURE: When the work undertaken by the sub-grantees was accomplished through the use of rented equipment, we inspected the expense reviews and related documentation to determine whether:

- (1) documentation provided in the sub-grantees' reimbursement requests was for work contained in the scope of work for that project;
- (2) line items and/or project cost over-runs that were within the scope of the project worksheets were identified;
- (3) costs listed on the rented equipment summaries were 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 26 initial reviews and 12 subsequent reviews where the sub-grantees used rented equipment to accomplish the work. On those reviews, the disaster recovery specialists indicated total documented expenses of \$412,386.

We did not detect deficiencies in 34 of the 38 expense reviews. However, we noted deficiencies in three initial reviews and in one subsequent review. When deficiencies were noted, the expense reviews and the supporting documentation were returned to the disaster recovery specialists for additional information or further clarification.

We placed the deficiencies from the three initial reviews and the subsequent review into the following categories:

- Two deficiencies related to expenses that lacked documentation supporting the scope of work.
- One deficiency related to costs listed on material summaries that lacked supporting documentation.
- One deficiency related to files that lacked documentation supporting procurement compliant with federal and/or state laws.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$99,401 (0.16% of the total amount reviewed or 24.10% of the documented expenses for this category).

PROCEDURE: We confirmed that the reimbursement requests and the parish/local certification documents are dated on or after the creation of the project worksheets.

FINDING: We inspected the reimbursement requests included in 354 expense review packages.¹ We confirmed that all of the packages had certification documentation dated after the creation of the project worksheet or that the sub-grantee and GOHSEP entered into a Memorandum of Understanding.

¹ These inspections are done when the first reimbursement request for a project worksheet is submitted. A sub-grantee will typically submit multiple reimbursement requests for each project worksheet.

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, appearing to read "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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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

April 20th, 2011

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

RE: Draft Public Assistance Division Quarterly Report
Fourth Quarter 2010, 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 2010 (October 1st, 2010 through December 31st, 2010). 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 Team. These reports assist us to identify opportunities to improve our process and highlight trends in need of our attention for further correction. Additionally, we continue to meet monthly 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.

We also continue to track findings internally to better identify training opportunities. This information is used to develop our staff in programmatic and technical issues and as such is a key component in our skills development program. We will continue to monitor findings and react accordingly to any trends noted.

Daryl Purpera, CPA, Page 1 of 2

Your LLA Team continues to assist us in the improvement of our processes and Continue to provide outstanding advice and counsel. Their continued analysis of our Public Assistance procedures will assist us in achieving our 100%-accuracy goal.

Sincerely,

A handwritten signature in black ink, appearing to be 'MD' followed by a long horizontal stroke.

Mark DeBosier
Deputy Director - Disaster Recovery

MD:lb

cc: Mark A. Cooper, Director