

An Agreed-Upon Procedures Report on the  
**GOVERNOR'S OFFICE OF HOMELAND SECURITY  
AND EMERGENCY PREPAREDNESS  
HAZARD MITIGATION PROGRAM**  
Issued September 26, 2012



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**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR**  
**AND STATE AUDIT SERVICES**  
PAUL E. PENDAS, CPA

**DIRECTOR OF RECOVERY ASSISTANCE**  
JOHN L. MOREHEAD, CPA

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## EXECUTIVE SUMMARY

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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 completeness and accuracy of documentation submitted by sub-grantees to GOHSEP for reimbursement under FEMA's Hazard Mitigation Assistance program consisting of Hazard Mitigation Grant Program (HMGP), Severe Repetitive Loss (SRL), Repetitive Flood Claims (RFC), Flood Mitigation Assistance (FMA), and Pre Disaster Mitigation (PDM), collectively referred to as the Hazard Mitigation (HM) program.

**Current Period Analysis.** For the period January 1, 2012, through June 30, 2012, we analyzed 291 reimbursement requests totaling \$37,298,592 and noted potential questioned costs of \$1,574,121 (4%). We also conducted subsequent analyses on 13 of the 291 reimbursement requests that had been returned to the GOHSEP disaster recovery specialists because of documentation deficiencies. Our subsequent analyses noted that the sub-grantees provided sufficient documentation to support \$407,321 in potential questioned costs. The remaining unsupported potential questioned costs for the current period total \$1,166,800.

**Prior Period Analysis.** We conducted subsequent analyses on 21 reimbursement requests that we initially analyzed in prior periods and were returned to the GOHSEP disaster recovery specialists because of documentation deficiencies. Our subsequent analyses noted that the sub-grantees provided sufficient documentation to support \$2,610,407 of \$10,133,309 (26%) in previously noted potential questioned costs. Our subsequent analyses also noted additional potential questioned costs of \$58,665.



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

August 7, 2012

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

**MR. KEVIN DAVIS, DIRECTOR**  
**GOVERNOR'S OFFICE OF HOMELAND SECURITY**  
**AND EMERGENCY PREPAREDNESS**  
Baton Rouge, Louisiana

We performed the procedures described on the following pages for the period January 1, 2012, through June 30, 2012, 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) program. 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 management of GOHSEP. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

**Overall Results**

For the period January 1, 2012, through June 30, 2012, we analyzed 291 reimbursement requests along with supporting documentation to confirm that the reimbursement requests complied with federal and state guidelines and were sufficiently documented. We also conducted subsequent analyses on 13 of the 291 requests and on 21 requests that were initially analyzed in a prior period. We presented GOHSEP management a finding of review for each reimbursement request we analyzed during this period.

Any findings resulting from our analyses are considered potential questioned costs since GOHSEP will have the opportunity to correct deficiencies prior to payment. The following table presents the overall results of our analysis.

<b>Potential Questioned Costs</b>				
<b>Review Type</b>	<b>Number of Reviews</b>	<b>Amount Reviewed</b>	<b>Amount Questioned</b>	<b>Amount Resolved</b>
Initial (current period)	291	\$37,298,592	\$1,574,121	\$0
Subsequent (current period)	13	1,659,783	0	(407,321)
Subsequent (prior period)	21	8,024,221	58,665	(2,610,407)
<b>Total</b>	<b>325</b>	<b>\$46,982,596</b>	<b>\$1,632,786</b>	<b>(\$3,017,728)</b>

### Procedures and Findings

**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 identified one request that did not have a SF 270 form signed by an authorized person. The file was returned to GOHSEP personnel to obtain adequate documentation.

**Procedure:** We reviewed the mathematical calculations performed by GOHSEP personnel to confirm 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 analyzed 291 reimbursement requests and supporting documentation and noted potential questioned costs totaling \$1,574,121 for 24 requests. Since a request may contain more than one finding, there are more findings than requests.

- Fifteen requests lacked sufficient documentation to support the requested amount.
- Six requests lacked sufficient documentation to support cost reasonableness.
- Seven requests lacked sufficient documentation to support compliance with procurement requirements.

Our subsequent analyses of 12 of the 24 requests noted that the sub-grantees provided sufficient documentation to support \$407,321 of the potential questioned costs.

In addition, our subsequent analyses of 21 requests initially analyzed in a prior period noted that the sub-grantees provided sufficient documentation to support \$2,610,407 of \$10,133,309 (26%) in previously noted potential questioned costs. Our subsequent analyses also noted additional potential questioned costs of \$58,665 because of lack of sufficient documentation to support cost reasonableness.

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

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

**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 has been conducted for each project that is 100% complete.

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

### **Additional Information**

#### Prior Period Potential Questioned Costs

Sometimes potential questioned costs are not resolved until a subsequent reporting period. The following table presents the status of potential questioned costs noted in prior periods. The table does not include the results of the Office of Community Development/Disaster Recovery Unit (OCD-DRU) individual homeowner file analysis discussed in the next section.

<b>Prior Period Potential Questioned Costs</b>			
<b>Period</b>	<b>Amount Questioned</b>	<b>Amount Resolved</b>	<b>Amount Unresolved</b>
Calendar year 2008	\$17,365,704	(\$17,365,704)	\$0
Calendar year 2009	8,152,006	(7,865,798)	286,208
Calendar year 2010	6,699,954	(5,937,855)	762,099
Calendar year 2011	9,763,574	(3,311,417)	6,452,157
<b>Total</b>	<b>\$41,981,238</b>	<b>(\$34,480,774)</b>	<b>\$7,500,464</b>

### OCD-DRU Individual Homeowner Files

Typically, a sub-grantee submits a batch of reimbursement requests containing multiple homeowner files. We analyze the batch and submit a single finding of review to GOHSEP management. The finding of review documents the results of our analysis of the batch. For the OCD-DRU individual homeowner files, OCD-DRU submits the files separately to GOHSEP for analysis prior to batching them. GOHSEP management requested that we analyze these individual homeowner files and submit a finding of review for each file. Subsequent to our analysis, OCD-DRU submits a batch of individual homeowner files with a request for reimbursement to GOHSEP for processing and payment.

During the period January 1, 2012, through June 30, 2012, we conducted 1,550 reviews of individual homeowner files along with supporting documentation to confirm that the files complied with federal and state guidelines and were sufficiently documented (see the following table). Of the 1,550 reviews, 1,079 were files we reviewed for the first time (initial reviews) and 471 were files we previously reviewed (subsequent reviews). For the initial reviews, we noted potential questioned costs of \$2,925,935. For the subsequent reviews of files initially reviewed in the current period, OCD-DRU provided sufficient documentation to support \$1,019,145 of the amount questioned (\$2,925,935) in the current period. Our subsequent analyses also noted additional potential questioned costs of \$59,825.

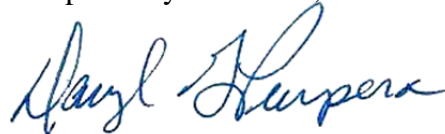
For the subsequent reviews of files initially reviewed in a prior period, OCD-DRU provided sufficient documentation to support \$2,203,092 of \$5,069,242 (43%) in previously noted potential questioned costs. Our subsequent analyses also noted additional potential questioned costs of \$377,865. The following table presents the overall results of our analysis of OCD-DRU individual homeowner files.

<b>Potential Questioned Costs</b>				
<b>Review Type</b>	<b>Number of Reviews</b>	<b>Amount Reviewed</b>	<b>Amount Questioned</b>	<b>Amount Resolved</b>
Initial (current period)	1,079	\$31,980,459	\$2,925,935	\$0
Subsequent (current period)	183	4,938,899	59,825	(1,019,145)
Subsequent (prior period)	288	6,816,222	377,865	(2,203,092)
<b>Total</b>	<b>1,550</b>	<b>\$43,735,580</b>	<b>\$3,363,625</b>	<b>(\$3,222,237)</b>

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,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

JB:SD:JM:ch

GOHSEP-HMP 2012



## Appendix A

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### Management's Response



**BOBBY JINDAL**  
GOVERNOR

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

**KEVIN DAVIS**  
DIRECTOR

August 22, 2012

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

RE: Management Responses to Hazard Mitigation Grants – First and Second Quarter 2012 Report

Dear Mr. Purpera:

I have reviewed the findings in the first and second quarter 2012 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, 2012.

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 through early 2011, there was a short period of time 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). This decision does not reflect our normal procedure and as such does not require corrective action. In addition this decision was made with the understanding that all payments made during this period would still undergo our rigorous review process after the payment was made. This alteration of procedures was made at the request of OCD in order to ensure payments were not delayed to the disadvantage of homeowners as OCD transitioned their grants management system.

Since the time of the 3<sup>rd</sup> and 4<sup>th</sup> QTR 2011 report, GOHSEP worked diligently with OCD to obtain documentation necessary to address deficiencies in documentation regarding these payments. OCD reviewed the files in question and made information available to GOHSEP via the ATS system to justify costs. GOHSEP reviewed all documentation provided and notified LLA of the availability of information on April 20, 2012 and June 6, 2012. GOHSEP will continue working through all payments made during this time period with OCD to ensure that any further deficiencies in documentation noted are addressed. If GOHSEP determines that OCD is unable to validate those questioned costs the funds will be required to be returned.

GOHSEP's policy requires that GOHSEP review all documentation submitted by OCD to ensure that the federal award is documented and was used for authorized purposes prior to releasing the final payment to OCD.

A.1

Mr. Daryl Purpera, CPA, CFE  
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August 22, 2012

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 identified one request that did not have a SF 270 form signed by an authorized person. The file was returned to GOHSEP personnel to obtain adequate documentation.

Response:

HM management concurs that at the time of this report, there was a request for reimbursement submitted that did not have a SF 270 form signed by an authorized person. Since that time, the SF 270 was obtained from the applicant with a signature from the authorized representative.

Corrective Action:

The Mitigation leadership will continue to enforce rigorous reviews of all requests for payment prior to any request being processed for reimbursement. Disaster Recovery Specialists (DRSs) and Team Leaders are responsible for ensuring all proper documentation is available to support payment requests. Focus will be placed in these areas and management will continue frequent meetings with LLA assigned to the section to discuss findings as they occur.

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 analyzed 291 reimbursement requests and supporting documentation and noted potential questioned costs totaling \$1,574,121 for 24 requests. Since a request may contain more than one finding, there are more findings than requests.

- 15 requests lacked sufficient documentation to support the requested amount.
- 6 requests lacked sufficient documentation to support cost reasonableness.
- 7 requests lacked sufficient documentation to support compliance with procurement requirements.

Our subsequent analysis of 12 of the 24 requests noted that the sub-grantees provided sufficient documentation to support \$407,321 of the potential questioned costs.

In addition, our subsequent analyses of 21 requests initially analyzed in a prior period noted that the sub-grantees provided sufficient documentation to support \$2,610,407 in previously noted potential questioned costs. Our subsequent analyses also noted additional potential questioned costs of \$58,665 due to lack of sufficient documentation to support cost reasonableness.

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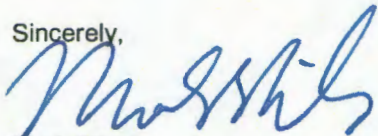
Response:

HM management concurs that at the time of this report, potential questioned costs have been returned to the sub-grantee for additional supporting documentation. Of the total questioned costs, \$56,326.97 for 3 requests has been resolved due to the sub-grantee withdrawing the requests for reimbursement. It is noted that "questioned costs" does not mean the costs are not eligible under the program, only that to meet strict standards of documentation, additional documentation from the applicant is required. GOHSEP employees are diligently working with sub-grantees to provide the necessary documentation to support the remaining questioned costs. Additionally, GOHSEP has adopted OCD's Cost Elevation Guidance, previously validated by RS Means, as a method to help in determining reasonable cost of non-competitive home elevation work within the HMGP. The final product provided by RS Means establishes a baseline for reasonable cost of standard home elevations and is one of the tools used to establish cost reasonableness.

Corrective Action:

The Mitigation Section leadership continues to stress the importance of valid cost analysis and cost reasonableness determinations for uncompetitive procurement matters. Disaster Recovery Specialists (DRSs) 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 DRSs and Team Leaders. Furthermore, HM management will meet regularly with the LLA assigned to the section to discuss findings, as they may occur.

Sincerely,



Mark Riley  
Deputy Director, Disaster Recovery

MR:tw

cc: Kevin Davis, Director  
Mark DeBosier, State Coordinating Officer