

GOVERNOR'S OFFICE OF HOMELAND SECURITY  
AND EMERGENCY PREPAREDNESS  
PUBLIC ASSISTANCE PROGRAM  
HURRICANES KATRINA AND RITA  
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. For the period October 1, 2010, through December 31, 2010, we reviewed 1,573 initial reimbursement requests totaling \$147,201,361 and noted potential questioned costs of \$20,614,250. We also re-reviewed 274 reimbursement requests totaling \$54,030,666 that had been returned to GOHSEP disaster recovery specialists because of some deficiency in documentation (subsequent reviews) and noted potential questioned costs of \$1,902,905 as a result of the subsequent reviews.

In addition, we reviewed 30 reimbursement requests totaling \$4,318,243 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 obligations). We did not note any potential questioned costs as a result of the additional obligation reviews.

During this reporting period, we also reviewed 126 expense reviews totaling \$149,718,729 where previously obligated amounts were reconciled to actual expense incurred. For this group of reviews, actual expenses were less than the obligated amounts resulting in negative adjustments. The bulk of these reviews were related to three sub-grantees: Washington/St. Tammany Electric Cooperative, Jefferson Davis Electric Cooperative, and the Recovery School District.

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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 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.

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 the 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.

### **Technical Assistance Contractor Invoice Review**

PROCEDURE: We compared the technical assistance contractor, James Lee Witt Associates (JLWA), invoices to the contract guidelines to determine if the:

- (1) invoices were submitted in accordance with the contractual guidelines;
- (2) invoices had all the required signatures;
- (3) invoices were submitted within the required time period; and
- (4) invoices were supported by subcontractor invoices, time records, and receipts.

FINDING: For the fourth quarter of 2010, JLWA presented 16 invoices totaling \$3,381,952 to GOHSEP for payment. Through a post-payment review, we did not identify any questionable cost.

Contract terms for JLWA state that invoices should be submitted within 30 days of the billing period end date. JLWA submitted 15 of its invoices within 30 days of the billing period end date. JLWA submitted the remaining invoice more than 30 days after the billing period had ended.

### **Public Assistance**

Disaster recovery specialists use expense reviews to document deficiencies in reimbursement claims submitted by sub-grantees. We inspected 1,877 expense reviews totaling \$205,550,270 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	1,573	\$147,201,361	\$20,614,250
Subsequent*	274	54,030,666	1,902,905
Additional Obligation**	30	4,318,243	0
<b>Total</b>	<b>1,877</b>	<b>\$205,550,270</b>	<b>\$22,517,155</b>

\*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

During this reporting period, we also reviewed 126 expense reviews totaling \$149,718,729 where previously obligated amounts were reconciled to actual expenses incurred. For this group of reviews, actual expenses were less than the obligated amounts resulting in negative adjustments. The bulk of these reviews were related to three sub-grantees: Washington/St. Tammany Electric Cooperative, Jefferson Davis Electric Cooperative, and the Recovery School District.

Previously submitted expenses for many of the Recovery School District's project worksheets were de-obligated and written into a new project worksheet to consolidate and align them with the Recovery School District's master recovery plan. The adjustments related to the electric cooperatives are the result of reconciling expenses submitted early in the disaster to actual cost.

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 1,877 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-grantee's reimbursement request 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 1,237 initial reviews, 219 subsequent reviews and 30 additional obligation reviews where the work was accomplished by a contractor. On those reviews, the disaster recovery specialists indicated total documented expenses of \$189,433,776.

We did not detect deficiencies in 1,281 of the 1,486 expense reviews. However, we noted deficiencies in 179 initial reviews and 26 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 166 of the initial reviews and 23 of the subsequent reviews into one of the following categories:

- Fifty-seven deficiencies related to expenses that lacked documentation supporting the scope of work.
- Nine deficiencies related to line items or project cost over-runs within the scope of work that were not identified.
- One hundred eight deficiencies related to costs listed on contract summaries that lacked supporting documentation.
- Thirty-one deficiencies related to files that lacked documentation to support 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 \$21,179,588 (10.30% of the total amount reviewed or 11.18% of the documented expenses for this category). The deficiencies in the other 13 initial reviews and three subsequent reviews related to effective writing/communication and would not have resulted in any questioned costs.

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

- (1) documentation provided in the sub-grantee's reimbursement request 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 six initial reviews and one subsequent review where the work was accomplished by using the sub-grantee's equipment. On those reviews, the disaster recovery specialists indicated total documented expenses of \$725,788.

We did not detect deficiencies in three of the seven expense reviews. However, we noted deficiencies in four initial 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 four initial reviews into one of the following categories:

- Three deficiencies related to an operator not being listed for each piece of equipment.
- Two deficiencies related to expenses that were not in accordance with FEMA rates or locally adopted/approved rates.

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 \$686,692 (0.33% of the total amount reviewed or 94.61% of the documented expenses for this category).

PROCEDURE:

When the work undertaken by the sub-grantee was accomplished through the use of the sub-grantee's employees, we inspected the expense reviews and supporting documentation to determine whether:

- (1) documentation provided in the sub-grantee's reimbursement request 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-grantee's overtime policy 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-grantee included only eligible elements and were mathematically accurate.

FINDING:

As a result of our procedures, we identified 21 initial reviews and six subsequent reviews where the work was accomplished using the sub-grantee's employees. On those reviews, the disaster recovery specialists indicated total documented expenses of \$5,147,189

We did not detect deficiencies in 19 of the 27 expense reviews. However, we noted deficiencies in seven initial reviews and 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 six of the initial reviews and the subsequent review into one of the following categories:

- Two deficiencies related to labor costs that lacked documentation supporting the scope of work.
- Two deficiencies related to disaster-related job descriptions for each employee that were not listed on the labor summaries.
- Two deficiencies related to employee hours listed on labor summaries that do not agree with sub-grantee's overtime policy or hours claimed were not for disaster-related work.
- One deficiency related to a fringe benefit calculation that contained ineligible items or mathematical inaccuracies.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$205,228 (0.10% of the total amount reviewed or 3.99% of the documented expenses for this category). The deficiency in the other initial review would not have resulted in any questioned costs.

PROCEDURE:

When the sub-grantee 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-grantee's reimbursement request 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 298 initial reviews and 47 subsequent reviews where the sub-grantee used materials from inventory or purchased materials to accomplish the work. On those reviews, the disaster recovery specialists indicated total documented expenses of \$10,142,768

We did not detect deficiencies in 298 of the 345 expense reviews. However, we noted deficiencies in 46 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 43 of the initial reviews and the subsequent review into one of the following categories:

- Seventeen deficiencies related to expenses that lacked documentation supporting the scope of work.
- Seven deficiencies related to line item or project cost over-runs within the scope of work that were not identified.
- Fourteen deficiencies related to costs listed on material summaries that lacked supporting documentation.
- Seven deficiencies related to a file 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 \$445,639 (0.22% of the total amount reviewed or 4.39% of the documented expenses for this category). The deficiencies in the other three initial reviews would not have resulted in any questioned costs.

PROCEDURE: When the work undertaken by the sub-grantee 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-grantee's reimbursement request 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 11 initial reviews and one subsequent review where the sub-grantees used rented equipment to accomplish the work. On those reviews, the disaster recovery specialists indicated total documented expenses of \$100,749.

We did not detect deficiencies in 11 of the 12 expense reviews. However, we noted deficiencies in one initial 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.

The noted deficiency related to costs listed on rental equipment summaries that lacked supporting documentation.

Had we not detected this deficiency, it could have resulted in questioned costs totaling \$8 (0.01% of documented expenses for this category).

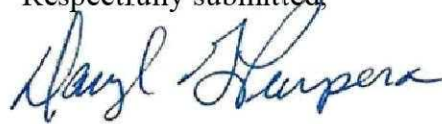
PROCEDURE: We confirmed that the reimbursement requests and the parish/local certification documents are dated on or after the creation of the project worksheets.

FINDING: We inspected the reimbursement requests and the parish/local certifications included in 1,982 expense review form packages. We noted that the date was incorrect on three of the certifications. Those expense review form packages were returned to the disaster recovery specialists for correction.

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 provisions 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

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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 20<sup>th</sup>, 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 Katrina and Rita

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 Katrina and Rita 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.

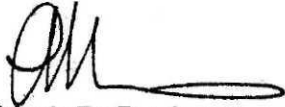
As a matter of practice, we use the reports as a training tool for our Grants Management Team. These reports assist us to identify opportunities to improve our process and highlight trends in need of our attention for further correction. Additionally, we continue to meet monthly with the LLA team and 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 'M DeBosier', with a long horizontal flourish extending to the right.

Mark DeBosier  
Deputy Director - Disaster Recovery

MD:lb

cc: Mark A. Cooper, Director