

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM
HURRICANES KATRINA AND RITA
JULY 2010 - SEPTEMBER 2010



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 2, 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, related to hurricanes Katrina and Rita, submitted by sub-grantees for reimbursement under the Public Assistance program. For the period July 1, 2010, through September 30, 2010, we reviewed 1,767, initial reimbursement requests totaling \$207,252,982 and noted potential questioned costs of \$26,751,938. We also re-reviewed 247 reimbursement requests (subsequent reviews) totaling \$42,808,032 that had been returned to GOHSEP disaster recovery specialists because of some deficiency in documentation and noted potential questioned costs of \$1,828,846 as a result of the subsequent reviews.

In addition, we reviewed 25 reimbursement requests (additional obligations) totaling \$6,294,550 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. We did not note any potential questioned costs as a result of those reviews.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 6, 2010

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 third quarter of 2010 (July 1, 2010, through September 30, 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 relating to hurricanes Katrina and Rita. 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 and 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 third quarter of 2010, JLWA presented 17 invoices totaling \$4,613,873 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 16 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 2,039 expense reviews totaling \$256,355,564 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 | 1,767 | \$207,252,982 | \$26,751,938 |
| Subsequent* | 247 | 42,808,032 | 1,828,846 |
| Additional Obligation** | 25 | 6,294,550 | 0 |
| Total | 2,039 | \$256,355,564 | \$28,580,784 |

*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 2,039 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 1,481 initial reviews, 190 subsequent reviews, and 24 additional obligation reviews where the work was accomplished by a contractor. On those reviews, the disaster recovery specialists indicated total documented expenses of \$237,268,289.

We did not detect deficiencies in 1,480 of the 1,695 expense reviews. However, we noted deficiencies in 200 initial reviews containing documented expenses of \$48,191,325 and 15 subsequent reviews containing documented expenses of \$7,464,804. 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 189 initial reviews and 14 subsequent reviews into the following categories:

- Ninety-three 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.
- Eighty-one deficiencies related to costs listed on contract summaries that lacked supporting documentation.
- Thirty 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 \$23,940,046 (9.34% of the total amount reviewed or 10.09% of the documented expenses for this category). The deficiencies in the other 11 initial reviews and 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 16 initial reviews and five 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 \$552,976.

We did not detect deficiencies in 18 of the 21 expense reviews. However, we noted deficiencies in three initial reviews containing documented expenses of \$234,395. 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 into one of the following categories:

- One deficiency 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 were not identified.
- One deficiency related to equipment hours claimed on the force account equipment summaries that did not agree with the employee hours claimed on the force account labor summaries.

Had we not detected these deficiencies, they could have resulted in questioned costs totaling \$141,531 (0.06% of the total amount reviewed and 25.59% 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 32 initial reviews and nine subsequent reviews where the work was accomplished using the sub-grantees' employees. On those reviews, the disaster recovery specialists indicated total documented expenses of \$6,464,199.

We did not detect deficiencies in 31 of the 41 expense reviews. However, we noted deficiencies in eight initial reviews containing documented expenses of \$3,141,015 and two subsequent reviews containing documented expenses of \$635,047. 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 eight initial reviews and the two subsequent reviews into one of the following categories:

- Six deficiencies related to labor costs that lacked documentation supporting the scope of work.
- Two deficiencies 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.
- Three deficiencies related to a fringe benefit calculation 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 \$3,631,160 (1.42% of the total amount reviewed or 56.17% 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 224 initial reviews, 39 subsequent reviews, and one additional obligation review 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 \$11,844,651.

We did not detect deficiencies in 229 of the 264 expense reviews. However, we noted deficiencies in 31 initial reviews containing documented expenses of \$1,164,235 and in four subsequent reviews containing documented expenses of \$141,720. 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 30 of the initial reviews and the four subsequent reviews into one of the following categories:

- Thirteen deficiencies related to expenses that lacked documentation supporting the scope of work.
- Nine deficiencies related to line item or project cost over-runs within the scope of work that were not identified.
- Six deficiencies related to costs listed on material summaries that lacked supporting documentation.
- Ten 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 \$833,454 (0.33% of the total amount reviewed or 7.04% of the documented expenses for this category). The deficiency in the other initial 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 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 14 initial reviews and four 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 \$225,449.

We did not detect deficiencies in 17 of the 18 expense reviews. However, we noted deficiencies in one initial review containing documented expenses of \$34,593. 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 expenses that lacked documentation supporting the scope of work.

Had we not detected this deficiency, it could have resulted in questioned costs totaling \$34,593 (0.01% of the total amount reviewed or 15.34% of the documented expenses for this category).

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

FINDING: We inspected the reimbursement requests and the parish/local certifications included in 1,997 expense review form packages. We noted that the date was incorrect on four of the certifications. The expense review form packages were returned to the disaster recovery specialists for correction. The date was corrected and the packages were resubmitted.

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. 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 that reads "Daryl G. Purpera". The signature is fluid and cursive, written in a professional style.

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

December 20th, 2010

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

RE: Draft Public Assistance Division Quarterly Report
Third 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 third quarter of 2010 (July 1st, 2010 through September 30th, 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 or 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. Writing and communication continues to be an issue. In addition to participating in the LLA writing and communication courses, we are developing some standard language which has been approved by the LLA staff to be used in expense review. We anticipate that this exercise will alleviate some of the written-communication issues.

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 read 'M DeBosier', with a long horizontal flourish extending to the right.

Mark DeBosier
Deputy Director - Disaster Recovery

MD:lb

cc: Mark A. Cooper, Director