

An Agreed-Upon Procedures Report on the
**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
EXPRESS PAY SYSTEM**
Issued August 3, 2011



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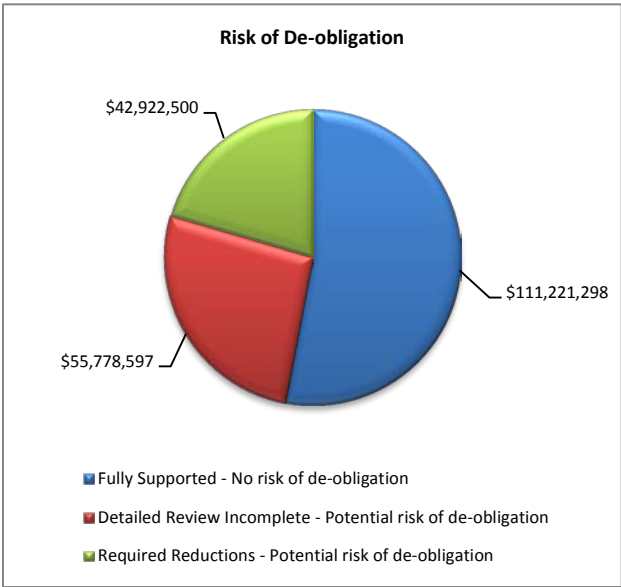
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Executive Summary

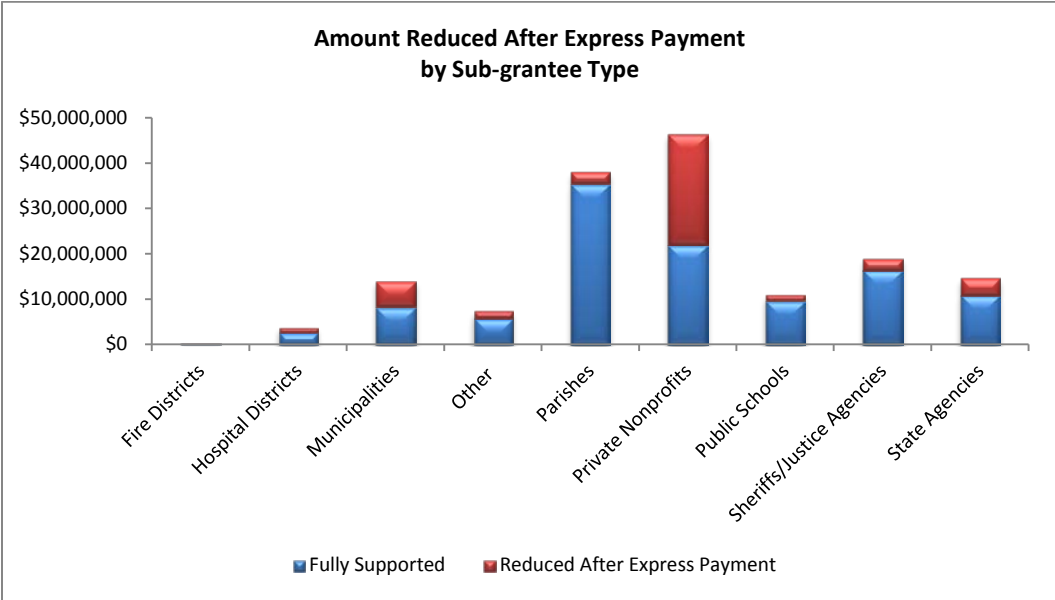
We performed agreed-upon procedures to assist the Governor’s Office of Homeland Security (GOHSEP) management in assessing the effectiveness of the Express Pay System (EPS) in providing rapid disbursements to sub-grantees without increasing the risk of de-obligation of Federal Emergency Management Agency (FEMA) funds.

As of August 31, 2010, sub-grantees submitted 15,141 reimbursement requests totaling \$2,666,175,849 through EPS. Our analysis of the 15,141 requests noted that EPS was effective in providing rapid disbursements to sub-grantees with the documentation required at a cursory review level. However, EPS led to processing delays during the detailed review of the documentation and resulted in reductions to sub-grantees’ subsequent payments.

For a sample of 664 reimbursement requests totaling \$209,922,395, we noted that \$111,221,298 (53%) was fully supported and required no reductions. However, reductions were required for \$42,922,500 (20.4%). GOHSEP recouped \$2,296,394, but reductions are pending for the remaining \$40,626,106. If the reductions are not made, the \$40,626,106 is at risk for de-obligation. Also, the detailed review was not yet complete for \$55,778,597 (26.6%); therefore, we could not determine what reductions, if any, will be needed. If these requests are not fully supported, they are at risk for de-obligation. Currently, there is a potential risk of de-obligation of \$96,404,703, or 46% of the total amount included in our analysis.



Of the \$42,922,500 in required reductions, the majority (57%) were for private nonprofit entities. The remaining reductions were for various other sub-grantee types.





LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 3, 2011

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

**MR. PAT SANTOS, INTERIM DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND
SECURITY AND EMERGENCY PREPAREDNESS**
Baton Rouge, Louisiana

We performed the procedures enumerated below, which were agreed to by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management, solely to assist them in assessing the effectiveness of the Express Pay System (EPS) in providing rapid disbursements to sub-grantees without increasing the risk of de-obligation of Federal Emergency Management Agency (FEMA) funds. GOHSEP management is responsible for the day-to-day operations of EPS.

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 either for the purpose for which this report has been requested or for any other purpose.

As of August 31, 2010, sub-grantees submitted 15,141 reimbursement requests totaling \$2,666,175,849 through EPS. Our analysis of the 15,141 requests resulted in the following findings and recommendations:

Risk of De-Obligation

We analyzed a sample of 664 reimbursement requests totaling \$209,922,395 and noted the following risks of de-obligation:

- \$111,221,298 (53.0%) was fully supported and required no reductions.
- \$55,778,596 (26.6%) had not been completed with the detailed review; therefore, we could not determine whether these requests were fully supported and required

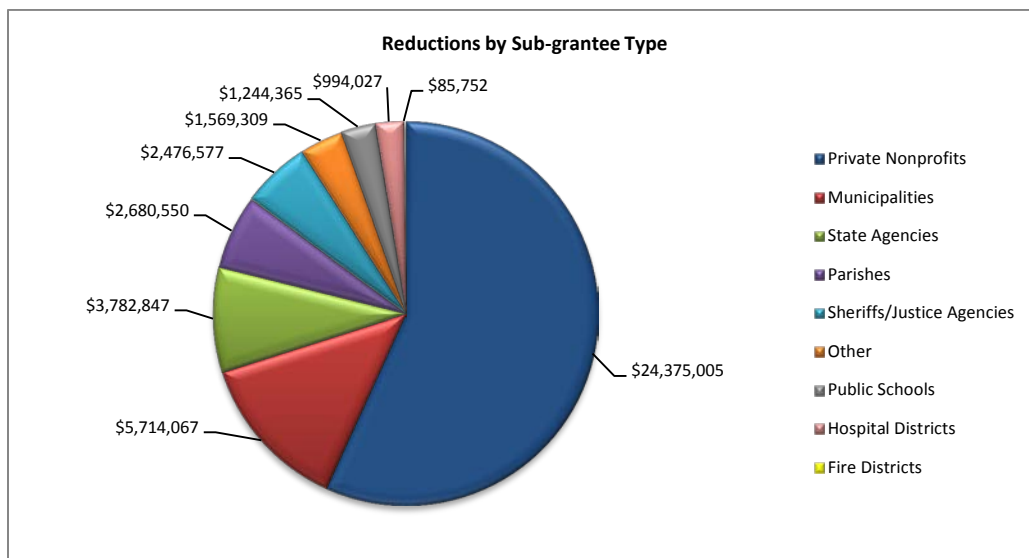
no reductions. If these requests are not fully supported, they are at risk for de-obligation.

- \$42,922,500 (20.4%) required reductions. GOHSEP finance staff recouped \$2,296,394 by reducing the sub-grantees' subsequent payments. However, the remaining \$40,626,106 is pending further finance review. If the remaining reductions are not made, these requests are at risk for de-obligation.

The majority of the reductions were required because either the expenses were to be separated and resubmitted at a later date or the sub-grantees did not submit sufficient documentation to fully support the expenses. The table below indicates the reasons for the reductions after express payment.

Reasons for Reductions after Express Payment	Amount Reduced
Expenses to be resubmitted separately	\$12,376,893
Insufficient documentation	9,461,853
Expenses not within scope of work or contract	5,313,857
Cost reasonableness not established	4,660,477
No explanation of reductions	3,173,542
Duplicated expenses	2,640,432
De-obligation	1,911,000
Error in scope of work	1,910,037
Incorrect project worksheet, expense type, or category of work	826,010
Calculation errors in documentation	381,810
Miscellaneous	219,347
Ineligible expenses	29,680
Cost overruns	17,562
Total	\$42,922,500

Of the \$42,922,500 in reductions, the majority (57%) were for private nonprofits. The remaining reductions were for various other sub-grantee types, as shown in the chart below.

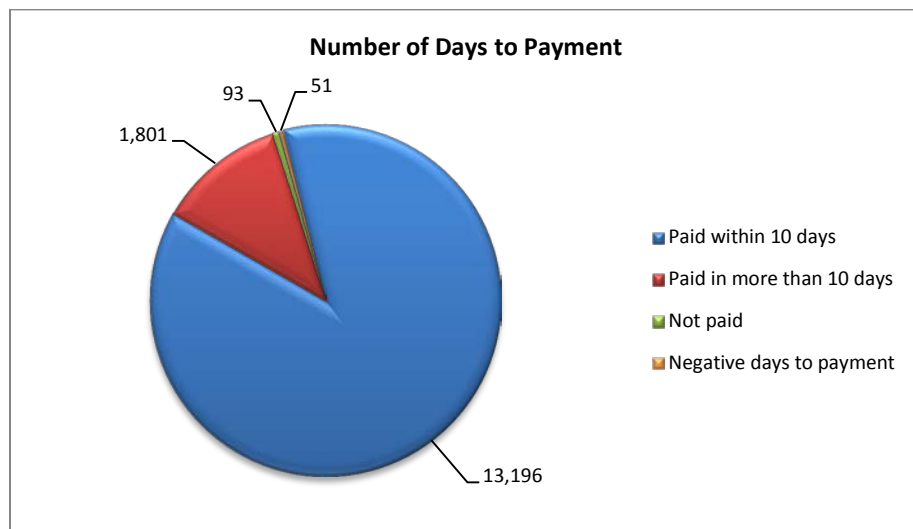


Recommendation 1: To decrease the amount of reductions required after express payment, GOHSEP management should consider revising the eligibility for participation in EPS based on sub-grantee type.

Rapid Disbursements to Sub-Grantees With Appropriate Documentation

Procedure: Did the EPS provide initial disbursements to sub-grantees within 10 days of receipt of appropriate documentation?

Finding: *Number of Days to Payment* - We noted that GOHSEP paid 13,196 (87.2%) of the 15,141 requests submitted through EPS within 10 days of receipt. We also noted that 1,801 (11.9%) requests were paid more than 10 days after receipt and that 93 (0.6%) requests were still in various payment stages but had been in the PA process more than 10 days.



We were unable to calculate the number of days to payment for 51 (0.3%) of the 15,141 requests because GOHSEP did not always ensure that its data entry was accurate and complete. Specifically, GOHSEP’s data indicated a payment date that occurred before the submission date. GOHSEP explained that the negative days to payment occurred because of data entry and system errors. Subsequent to our analysis, GOHSEP corrected the payment date for seven of the 51 requests.

Recommendation 2: GOHSEP management should ensure that its data entry is accurate and complete.

Finding: *Required Documentation* - We analyzed a random sample of 30 reimbursement requests that were submitted through EPS in the 90 days prior to August 31, 2010, and were in the “preparer” stage of GOHSEP’s review process. We noted that all required documents were available during our analysis for 28 of the 30 sampled requests; however, GOHSEP’s data did not always indicate whether the documents were received prior to express payment. We also noted that the sub-grantees did not provide all required documents prior to express payment for two of the 30 sampled requests.

Recommendation 3: GOHSEP management should ensure that sub-grantees submit all required documentation prior to express payment.

Recommendation 4: GOHSEP management should ensure that all transactions are completely and accurately recorded.

Finding: *Compliance with Management’s Directives* - For the sample of 30 reimbursement requests, we also noted that GOHSEP’s Special Projects Team processed 22 of the sampled requests in accordance with GOHSEP’s policies and procedures. The Special Projects Team did not process eight of the 30 sampled requests in accordance with the policies and procedures as indicated in the following table.

Issue	Number of Requests	Unsupported Amount
At least part of the expense was not included in the scope of work authorized by FEMA.	3	\$224,304
At least one supporting invoice did not match the requested amount.	2	30,584
The sub-grantee did not provide the contract or lease agreement to support \$289,574 in expenses. During the subsequent detailed review, GOHSEP obtained the lease agreement thereby reducing the unsupported amount by \$13,638.	2	275,936
The Special Projects Team processed the request even though there were no funds available in the project. GOHSEP’s finance section caught the error and did not disburse any funds.	1	0
Total	8	\$530,824

According to GOHSEP’s policies and procedures, the staff should have reduced the eight requests by the unsupported amount before authorizing the express payment. However, none of the eight requests were reduced. As a result, GOHSEP paid for work that it may not be able to fully support, which increases the risk of de-obligation.

Recommendation 5: GOHSEP management should ensure that reimbursement requests are reduced by the unsupported amount before authorizing the express payment.

Processing Delays During Detailed Review

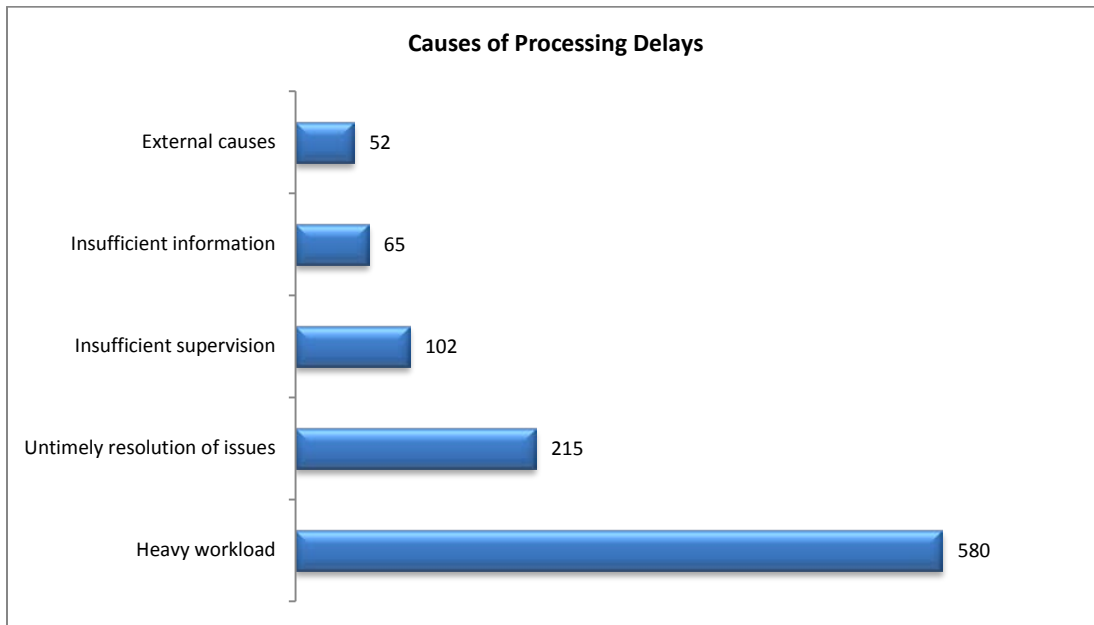
Procedure: What are the reasons that reimbursement requests paid through the EPS remain in the review process more than 30 days?

Finding: *Status of Reimbursement Requests* - We noted the following statuses for the 15,141 reimbursement requests submitted through EPS as of August 31, 2010:

Status	Number
Completed the PA process and were approved	9,152
Various stages of the PA process for 30 days or less	888
Various stages of the PA process for more than 30 days	5,101
Total	15,141

Finding: *Causes of Processing Delays* - We analyzed a sample of 664 of the 5,101 reimbursement requests that had been in the PA process for more than 30 days and identified the causes of the processing delays. The 664 requests totaled \$209,922,395. We noted exceptions totaling \$98,701,096 for 474 of the sampled requests; however, GOHSEP’s finance review staff had already recouped \$2,296,394 of the exceptions during the time of our analysis by reducing subsequent payments. The exception amount represents the portion of the 664 reimbursement requests that GOHSEP may not be able to fully support and is the maximum risk of de-obligation.

The reasons for the processing delays presented on the following pages are not mutually exclusive because the delays often were the result of more than one cause.



Heavy Workload - Of the 664 requests in our sample, 237 requests were delayed because the Disaster Recovery Specialist (DRS) assigned to process the request cited a heavy workload. Also, 343 requests were delayed because the finance section staff said they were overloaded with work and many of the requests were pending supervisor review.

Recommendation 6: GOHSEP management should conduct a staffing study to determine the optimal staffing and supervision level for the number of reimbursement requests processed.

Untimely Resolution of Issues - Of the 664 requests in our sample, 204 requests were delayed because the DRS was waiting on the sub-grantee to provide sufficient documentation to support the expenses. Examples of documentation not provided included the following:

- Contracts
- Change orders
- Cost analyses
- Time sheets
- Overtime policies
- Fringe benefits calculations
- Load tickets

Also, 11 requests were delayed because the DRS was waiting on assistance from other GOHSEP staff to resolve scope of work issues, determine cost reasonableness, or review debris removal documentation.

Recommendation 7: GOHSEP management should ensure that timely action is taken to resolve issues by enforcing its requirement that unsupported expenses are to be reduced to zero within 10 to 14 business days and by developing and implementing a formal process for the DRS to request and receive assistance from other GOHSEP staff.

Insufficient Supervision - Of the 664 requests in our sample, 102 requests were delayed because of the following issues:

- The DRS did not understand how to review the reimbursement request.
- The request was complex.
- The request was returned to the DRS for corrections.
- The DRS overlooked the request.
- The DRS did not follow up with the sub-grantee in a timely manner.
- The DRS deleted the expenses in GOHSEP's database in error.
- The DRS was on leave.
- The DRS did not process the request in accordance with GOHSEP's policies and procedures.

Recommendation 8: GOHSEP management should provide its staff with sufficient guidance, review, and on-the-job training to help ensure proper work flow and processing of reimbursement requests and to reduce misunderstandings.

Insufficient Information - GOHSEP management did not always ensure that pertinent information was identified, captured, and distributed in sufficient detail and in a form and timeframe to enable its employees to perform their duties efficiently and effectively. Of the 664 requests in our sample, 65 requests were delayed because of the following issues:

- The DRS assigned to process the request changed over time and there was no information from the previous DRS.
- The reimbursement request was not assigned to a DRS.
- The State Applicant Liaison assigned to work with the sub-grantee changed over time.
- GOHSEP policy changes caused the DRS to re-do the work.

Recommendation 9: GOHSEP management should ensure that its staff document in GOHSEP's database relevant information such as requests for and receipt of additional information from the sub-grantees, requests for and receipt of assistance from other GOHSEP staff, and other pertinent information.

External Factors - Of the 664 requests in our sample, 52 requests were delayed because of the following external factors:

- FEMA changed the project type.
- There is a pending alternate project or a pending version of the project worksheet.
- The sub-grantee was being investigated internally for irregularities and/or fraud.

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, internal control over compliance with federal and state regulations, or 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,



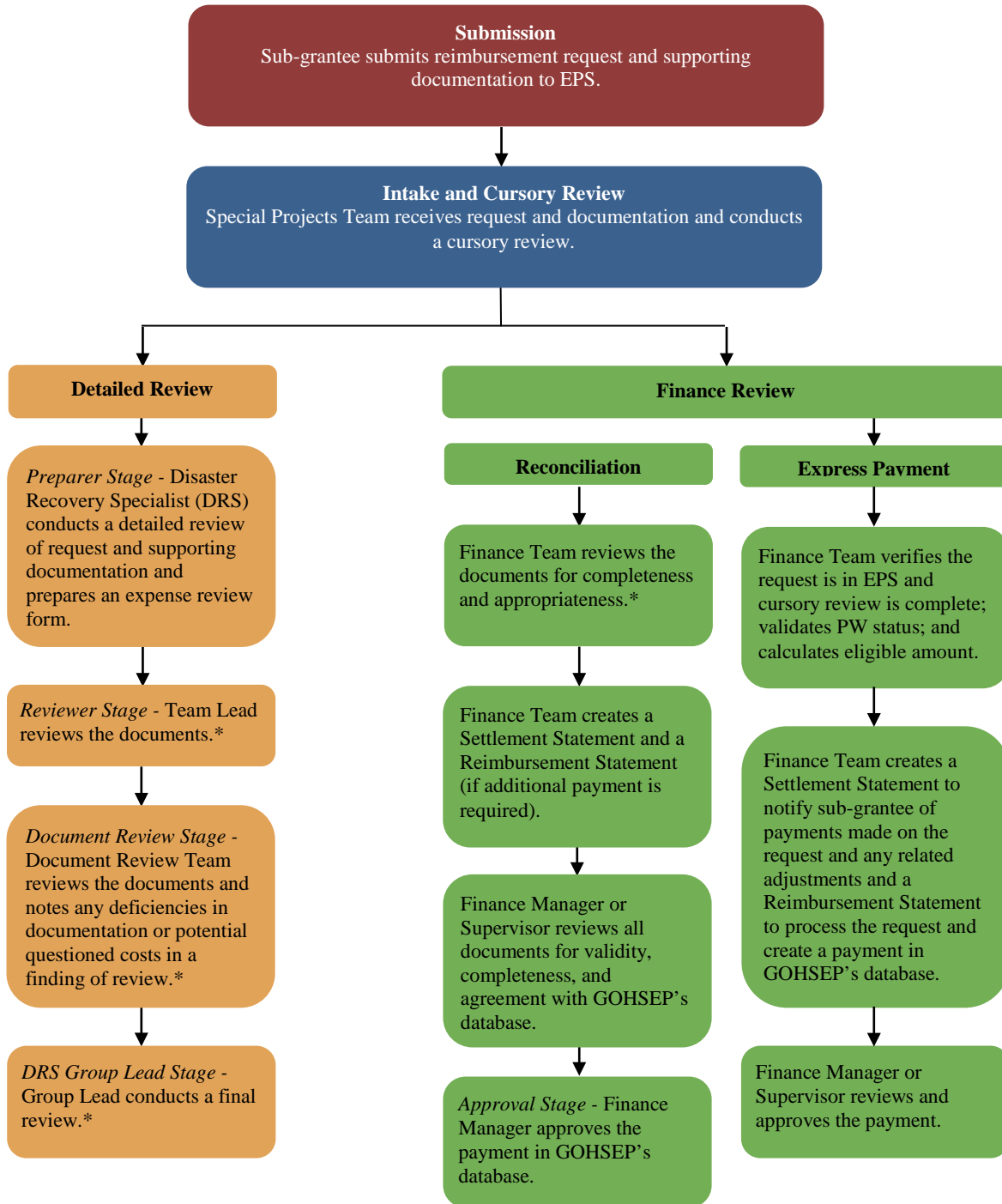
Daryl G. Purpera, CPA, CFE
Legislative Auditor

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EPS 2011

Express Pay System Overview

GOHSEP management created the Express Pay System (EPS) to streamline the payment process and provide for rapid disbursements to sub-grantees within 10 to 14 business days after submitting accurate and complete reimbursement requests with supporting documentation.



*Requests are returned to the DRS when corrections are needed.

Appendix A
Management's Response



BOBBY JINDAL
GOVERNOR

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

MARK A. COOPER
DIRECTOR

July 15, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

At the request of The Governor's Office of Homeland Security and Emergency Preparedness your office recently completed a request to audit the agreed upon procedures of the Public Assistance Express Pay System (EPS). Since the inception of EPS in March of 2008 we have monitored the system and made necessary adjustments. It is our intent to take the recommendations provided in this report and use them to assist us to continue to refine and adjust EPS to strive for both timely payments and accuracy in our execution of the system.

The engagement reviewed both the EPS process and also analyzed the risk of deobligation of funds based on the reasons for reduction upon detailed review. The system also segregated those reductions by sub-grantee types for further analysis by GOHSEP. The following recommendation was made based on this analysis:

- To decrease the amount of reductions required after express payment, GOHSEP management may wish to consider revising the eligibility for participation in EPS based on the sub-grantee type.

Response: We agree that for EPS to be successful that the risk must be further evaluated based on specific applicant types. Based on your analysis, some sub-grantee types appear to pose a greater risk and therefore GOHSEP management will delve further into the feasibility of those applicant types continuing in EPS in its current form.

The following recommendations were made regarding the cursory review intake portion of the Express Pay System:

- GOHSEP management should ensure that its data entry is accurate and complete.

Response: Although the LLA found that the instances of data entry errors were less than 1%, GOHSEP will continue to reiterate the importance of paying attention to detail when making manual entries.

- GOHSEP management should ensure that sub-grantees submit all required documentation prior to express payment.

Response: We currently provide a checklist to the Express Pay team to ensure that the submissions are complete. We will continue to stress the importance of accurately reviewing the documentation and completing the checklists. In addition we will provide better guidance for instances not covered by the checklist. The management group has already been working with the cursory review team to provide clear paths to resolution or approval for substitutions and waivers when prudent.

- GOHSEP management should ensure that all transactions are completely and accurately recorded.

Response: The majority of all documentation received is through the online grants management system LAPA. As such, the documentation is time and date stamped.

- GOHSEP management should ensure that reimbursement requests are reduced by the unsupported amount before authorizing the express payment.

Response: It has been an ongoing challenge of the system to define what a cursory review of a project's scope entails. The level of review is generally minimal especially on project scope that is extremely complex. This allows for the system to make payments quickly; however, we do recognize that such a cursory review sometimes allows for items not in scope to be paid, at least temporarily. We will continue to strive to maintain the speed of review while making efforts to balance the integrity of the review. It should be noted that any items erroneously reviewed as in scope of the project that are not in the scope of the project work will be remedied upon detailed review.

In addition GOHSEP management is currently reviewing the decentralization of the EPS cursory review function from one team of reviewers. This function would be moved back to the Disaster Recovery Specialist (DRS) who is assigned to the applicant and therefore more familiar with the applicant and their projects resulting in a more efficient and knowledgeable review.

The rest of the report addresses recommendations regarding the detailed review which happens after the express payment has been made to reconcile in detail the request to the project worksheet. The following recommendations were made regarding DRS detailed review:

- GOHSEP management should conduct a staffing study to determine the optimal staffing and supervision level for the number of reimbursement requests processed.
- GOHSEP management should ensure that timely action is taken to resolve issues by enforcing its requirement that unsupported expenses are to be reduced

July 15, 2011

to zero within 10 to 14 business days by developing and implementing a formal process for the Disaster Recovery Specialists to request and receive assistance from other GOHSEP staff.

Response: We agree with these recommendations. A key component of the success of EPS is the ability to quickly review the documentation and make any adjustments necessary. We agree that with the current staff that we are unable to review or resolve issues in the expedient manner required. In addition we are reviewing our systems to provide the DRS's with the ability to better track and follow up on items requested and therefore hold the applicants more consistently to the time frames noted.

- GOHSEP management should provide its staff with sufficient guidance, review, and on the job training to help ensure proper work flow and processing of reimbursement requests, and to reduce misunderstandings.

Response: GOHSEP staff is provided a skills development training program that addresses expense reviews along with other pertinent programmatic details. As with any training program, we will continue to evaluate the needs and cater training to better address those needs. In addition, the DRS's have both a team lead and group lead to assist with escalating issues for resolution. The DRS's also have State Applicant Liaisons and technical experts available to work with them to resolve issues with the applicants.

- GOHSEP management should ensure that its staff document, in LAPA, relevant information such as requests for and receipt of additional information from the sub-grantees, requests for and receipt of assistance from other GOHSEP staff, and other pertinent information.

Response: GOHSEP management agrees with this recommendation. GOHSEP management has always stressed the importance of LAPA as the system of record for grants management activities. The notes section should be utilized more consistently and extensively than is the current practice. We will continue to drive the importance of keeping accurate and complete notes within the system through more regular management audits of the notes section.

As noted prior, GOHSEP is very satisfied with the analysis performed by the LLA and is committed to using the report provided by your office to improve the EPS system. We anticipated most of the concerns raised by the report, but we now have solid empirical data to base program adjustments upon. We will continue to analyze the information provided and make further management decisions to address the recommendation based on your review.

Sincerely,



Mark DeBosier
Deputy Director
Disaster Recovery

MD:lb:pw