

GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
OFFICE OF COMMUNITY DEVELOPMENT
DISASTER RECOVERY UNIT
HAZARD MITIGATION PROGRAMS



PERFORMANCE AUDIT
AGREED-UPON PROCEDURES ENGAGEMENT
ISSUED JULY 13, 2011

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

July 13, 2011

The Honorable Joel T. Chaisson, II,
President of the Senate
The Honorable Jim Tucker,
Speaker of the House of Representatives

Dear Senator Chaisson and Representative Tucker:

This report provides the results of our performance audit on the Hazard Mitigation Programs, as managed by the Office of Community Development Disaster Recovery Unit (OCD/DRU) and monitored by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). In addition, this report includes the results of our Fourth Quarter 2010 agreed-upon procedures engagement on GOHSEP's Hazard Mitigation Grant, Pre-Disaster Mitigation, Flood Mitigation Assistance, Severe Repetitive Loss, and Repetitive Flood Claims programs, collectively referred to as Hazard Mitigation programs.

The report contains our findings, conclusions, and recommendations. Appendices B, C, and D contain OCD/DRU's and GOHSEP's responses, respectively. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of OCD/DRU and GOHSEP for their assistance during this audit.

Sincerely,

A handwritten signature in blue ink that reads "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/dl

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Office of Legislative Auditor

Daryl G. Purpera, CPA, CFE, Legislative Auditor



**Governor's Office of Homeland Security
and Emergency Preparedness
Office of Community Development Disaster Recovery Unit -
Hazard Mitigation Programs**

July 2011

Audit Control # 40100014

Executive Summary

The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) is the state agency in Louisiana that is the direct recipient of federal Hazard Mitigation (HM) funds. GOHSEP reimburses sub-grantees (traditionally parishes and other local entities) for eligible expenses under several HM programs, including the Hazard Mitigation Grant Program (HMGP). In addition, on May 30, 2008, GOHSEP and the Division of Administration's Office of Community Development (OCD/DRU) entered into a cooperative endeavor agreement to establish OCD/DRU's HMGP, whereby OCD/DRU is designated as the sub-grantee. (See Appendix E for additional background information and Appendix F for initiation, scope, and methodology.)

This report includes results from our performance audit of OCD/DRU's HMGP. The purpose of the performance audit was to determine whether OCD/DRU has effectively managed its HMGP. This report also includes the results of our agreed-upon procedures engagement on GOHSEP's HM programs. The purpose of the agreed-upon procedures engagement was to assist GOHSEP management in reviewing documentation submitted by sub-grantees in support of reimbursement claims for the fourth quarter of 2010.

The objectives and results of our work are as follows:

Objective 1: Has OCD/DRU effectively managed its HMGP?

Results: Although OCD/DRU is in compliance with its internal metrics for project management costs, it has not effectively managed its HMGP. Our specific findings are as follows:

- OCD/DRU's method of processing and tracking HMGP applications lacks structure, guidance, and monitoring.
- The data in OCD/DRU's Applicant Tracking System (ATS) is not reliable.
- OCD/DRU provided incorrect elevation guidance to homeowners prior to September 2009. As a result, homeowners could not be reimbursed for the money they paid out of pocket to elevate their homes based on OCD/DRU's incorrect guidance.

Objective 2: Has GOHSEP effectively monitored the performance of OCD/DRU's HMGP?

Results: Although GOHSEP conducts various monitoring activities, GOHSEP did not effectively monitor the performance of OCD/DRU's HMGP. GOHSEP did not have a formal monitoring plan as required by the current cooperative endeavor agreement with OCD/DRU. Without formal monthly performance evaluations or a tool to complete such evaluations, GOHSEP may not be able to identify and address weaknesses and/or inefficiencies in OCD/DRU's HMGP.

Objective 3: Did GOHSEP ensure sub-grantees submitted complete and accurate documentation for reimbursement under HM programs?

Results: GOHSEP did not always ensure that sub-grantees submitted complete and accurate documentation for reimbursement under HM programs before payment. In our review of supporting documentation for reimbursement requests, our specific findings are as follows:

- Of the \$20,003,163 in reimbursement requests that we reviewed before payment, we noted potential questioned costs totaling \$1,939,524. The sub-grantees submitted additional supporting documentation to resolve \$871,646 of the potential questioned costs. GOHSEP will continue to work with the sub-grantees to resolve the remaining potential questioned costs before payment.
- Of the \$1,782,989 in reimbursement requests that we reviewed post payment, we noted questioned costs totaling \$1,169,180. The sub-grantees provided additional supporting documentation to support \$176,265 of the questioned costs. GOHSEP will continue to work with the sub-grantees to gather additional supporting documentation.

Objective 1: Has OCD/DRU effectively managed its HMGP?

According to OCD/DRU, it has spent approximately \$49.3 million in project management costs as of January 2011. OCD/DRU projected that its project management costs at January 2011 would be approximately \$54.2 million; therefore, OCD/DRU is in compliance with its internal metrics. OCD/DRU's total project management budget for its HMGP during our audit period was approximately \$92 million. According to OCD/DRU officials, OCD/DRU HMGP costs and accompanying project milestones were submitted to GOHSEP and FEMA, and these entities convey their approval by continuing to allow the program to draw down funds.

According to information OCD/DRU provided to the Select Committee on Hurricane Recovery, as of January 2011, OCD/DRU has made final payments to 519¹ of the 10,331 homeowners they expect to fund by the conclusion of the program.² According to OCD/DRU, a total of 4,360 homeowners have received at least one HMGP payment, totaling \$135.5 million, during this same period.³

Although OCD/DRU is in compliance with its internal metrics for project management costs, we found that it has not effectively managed its HMGP, as described in the findings below. The recommendations throughout the remainder of the report, if implemented, should help OCD/DRU improve its management of the HMGP and help to expedite payments to homeowners.

OCD/DRU's method of processing and tracking HMGP applications lacks structure, guidance, and monitoring.

As sub-grantee, OCD/DRU is responsible for processing and tracking homeowner applications for its HMGP.⁴ In July 2010, OCD/DRU transitioned from a legacy data system to the Applicant Tracking System (ATS). This new system, designed to provide OCD/DRU with more functionality in monitoring and managing its HMGP, cost approximately \$716,837⁵ and is OCD/DRU's third data system since the program began in May 2008. At the time of our audit, OCD/DRU was transitioning to this system and beginning to design new processes.

We found that the method OCD/DRU used to process and track homeowner applications in its system during the fall of 2010, which was shortly after the agency transitioned to ATS, lacked structure, guidance, and monitoring. As a result, OCD/DRU could not easily determine the status of an application or determine if, when, and where additional resources were needed to move applications along. The lack of this type of information can result in bottlenecks in the system going unnoticed and homeowners not being served in a timely manner. The problems we found with OCD/DRU's method of processing and tracking its HMGP homeowner applications are described as follows:

¹ This figure does not include payments for Individual Mitigation Measures (IMM) or payments made at earlier stages of the process.

² According to OCD/DRU, 20,271 homeowners expressed initial interest in elevation or reconstruction through HMGP.

³ This total includes the 519 final payments.

⁴ According to OCD data, as of November 4, 2010, there were 54,466 active grant applications in process.

⁵ This cost includes licenses as well as development and implementation of the system.

Undefined processes. OCD/DRU places grant applications in “stages” as they progress through its HMGP. The program encompasses over 100 stages. As applications enter the different stages, one or more entities (e.g., OCD/DRU, FEMA, or homeowner) need to take action to move them forward. However, OCD/DRU has no criteria defining who needs to take action and what that action needs to be. This lack of structure and guidance within the stages makes it difficult for OCD/DRU to effectively monitor its application process and hold entities accountable for fulfilling their roles.

In addition, OCD/DRU has not established formal timeframes by which applications should move through each stage. As a result, OCD/DRU staff has no criteria to determine whether an application is moving through the process in a timely manner or if the application has stalled at a particular stage, creating a bottleneck in the system. More clearly defining what happens at each stage, the entity responsible for taking action at that stage, and the timeframe in which an application should remain at that stage would enable OCD/DRU to more effectively track the status of applications and determine if and when additional resources are needed to move an application along.

Insufficient applicant tracking. To better manage its HMGP, OCD/DRU management said it is currently developing monitoring reports, such as aging reports, that show how long applications have been in the process. We reviewed two of these reports and determined one was inaccurate. OCD/DRU management has since corrected this report. OCD/DRU officials also said they recently implemented a due diligence procedure which will provide formal guidance to staff on when to follow up with applicants. Developing monitoring reports and procedures will assist OCD/DRU to accurately identify bottlenecks in the system and make decisions (e.g., shift resources, implement streamlining measures) to address the bottlenecks in a timely manner.

Recommendation 1: OCD/DRU management should clearly define what happens at each stage of its HMGP and the entity responsible for taking action at that stage.

Summary of Management’s Response: OCD/DRU agrees with this recommendation. OCD/DRU stated that it has defined what happens at each stage of its HMGP and the entity responsible for taking action at that stage. Each stage is defined in ATS, the system of record. In addition, OCD/DRU policy defines timeframes for homeowners to complete mitigation activities (see Appendix B).

Additional LLA Comments: In this response and several others that follow, OCD/DRU describes activities that they are currently conducting. As stated in this audit report, our audit scope ended in December 2010. As a result, we did not verify any of the improvements they state to have made since then and therefore cannot attest to the accuracy of these statements.

Recommendation 2: OCD/DRU management should define the timeframes in which an application should remain at each stage of its HMGP.

Summary of Management's Response: OCD/DRU agrees with this recommendation. OCD/DRU stated it has defined the timeframes in which an application should remain at each stage of its HMGP. In addition, OCD/DRU monitors the application movement through these stages using various ATS aging reports. Processes have also been developed to assist applicants in meeting timeframes. Additionally, OCD/DRU meets weekly, at a minimum, with other agencies to discuss program progress and any possible program implementation issues (see Appendix B).

Recommendation 3: OCD/DRU should continue to develop and use monitoring reports.

Summary of Management's Response: OCD/DRU agrees with this recommendation and will continue to develop and utilize monitoring reports. To date, OCD/DRU uses more than 50 reports to monitor the entire grant process. OCD/DRU has increasingly improved its reporting abilities since the inception of ATS. Modules were being developed and integrated throughout the audit (see Appendix B).

Recommendation 4: OCD/DRU should ensure that its monitoring reports are accurate.

Summary of Management's Response: OCD/DRU agrees with this recommendation. OCD/DRU reconciles all monitoring reports by comparison and confirmations (see Appendix B).

The data in OCD/DRU's ATS is not reliable.

As stated previously, OCD/DRU transitioned from a legacy data system to ATS in July 2010. During our audit, we identified issues with the reliability of the data in ATS. Without reliable information, OCD/DRU cannot effectively administer its HMGP or make management decisions for improvement. The problems we found are described below.

Lack of historical data. Unlike the new ATS data system, the old system OCD/DRU used to store its applicant data did not have the capability to capture the date a grant application entered into each stage. In addition, when OCD/DRU converted its data from the old system to ATS, the conversion date was entered for each stage. Because the system does not contain information prior to the conversion date, OCD/DRU cannot accurately determine the length of time a grant application has been in a particular stage.

Inaccurate payment information. According to OCD/DRU staff, payment information related to individual grant awards was not entered into the new data system accurately. As a result, we found that the grant application payment data did not always correspond to a payment stage. We also identified stages where payments appeared to have been made when they should not have been made at that particular stage. Without the correct payment information, OCD/DRU cannot determine when individual grant payments were made or ensure they were made at the appropriate stage. According to OCD/DRU staff, they are in the process of correcting individual grant payments in each grant award field.

Recommendation 5: OCD/DRU management should begin capturing historical data such as the date an application enters each stage in the process since the new data system has this capability.

Summary of Management's Response: OCD/DRU agrees with this recommendation. OCD/DRU began capturing historical data with the inception of ATS (see Appendix B).

Recommendation 6: OCD/DRU management should implement processes that ensure the completeness, accuracy, and reliability of ATS data. For example, OCD/DRU should establish written procedures for verifying, reconciling, and making changes to the data in ATS.

Summary of Management's Response: OCD/DRU agrees with this recommendation. OCD/DRU has implemented processes, such as written procedures in the ATS Training Manual and error logs to ensure the completeness, accuracy, and reliability of ATS data (see Appendix B).

OCD/DRU provided incorrect elevation guidance to homeowners prior to September 2009.

OCD/DRU provided incorrect elevation guidance to at least 18 homeowners prior to September 2009.⁶ In February 2008, FEMA issued new elevation guidance applicable to the OCD/DRU HMGP.⁷ FEMA also included the new elevation guidance in formal correspondence with GOHSEP in January 2009 and June 2009. In February 2009, the former Director of the Louisiana Recovery Authority (LRA) requested that FEMA delay enforcement of this new elevation guidance, although OCD/DRU officials told us that they did not realize that FEMA's updated February 2008 guidance was applicable to elevations until the summer of 2009. FEMA reiterated the use of the new elevation guidance in a July 2009 response to the LRA's February 2009 request. OCD/DRU issued an updated elevation policy in September 2009 incorporating FEMA's updated elevation guidance.

Homeowners who followed OCD/DRU's incorrect elevation guidance were thus deemed ineligible to participate in OCD/DRU's HMGP; therefore, the homeowners could not be reimbursed for the money they paid out of pocket to elevate their homes based on OCD/DRU's incorrect guidance. OCD/DRU has since developed a plan to use Road Home funds to compensate homeowners, upon request, who relied on OCD/DRU's incorrect elevation guidance. However, the plan does not allow homeowners who have reached their Road Home cap of \$150,000 to participate, nor does it provide for funding to compensate homeowners once the Road Home program sunsets in March 2012. As a result, the state would have to identify an alternative source of funding, such as General Fund dollars, if it chooses to compensate any such homeowners. OCD/DRU estimates 540 homeowners may ultimately have been affected by this incorrect elevation guidance, but so far only 32 have approached OCD/DRU on this matter.

⁶ These homeowners are commonly referred to as "V9 Homeowners."

⁷ *Louisiana Flood Recovery Guidance: Using Preliminary Digital Flood Insurance Rate Maps (DFIRM) and Flood Insurance Study for Reconstruction, February 11, 2008.*

OCD/DRU officials do not anticipate that a significant number of additional homeowners will come forward.

Recommendation 7: OCD/DRU should ensure that it implements updated HMGP program and policy changes, as communicated by either GOHSEP and/or FEMA.

Summary of Management's Response: OCD/DRU agrees with this recommendation. OCD/DRU has implemented the following upon receipt of a notification from GOHSEP that affects program policy and/or procedure:

- Clarification regarding the notification is sought, when applicable.
- Internal policies/procedures are modified or created, when applicable.
- Communication memos are released to staff.
- Training is performed at the various program office locations (see Appendix B).

Objective 2: Has GOHSEP effectively monitored the performance of OCD/DRU's HMGP?

GOHSEP is not effectively monitoring the performance of OCD/DRU's HMGP. GOHSEP did not perform all monitoring procedures required in the cooperative endeavor agreement as described in the findings below.

GOHSEP's programmatic monitoring of the OCD/DRU HMGP can be improved.

According to the cooperative endeavor agreement, GOHSEP is required to monitor the performance of OCD/DRU's HMGP. This programmatic monitoring could help ensure that OCD has implemented efficient processes for the OCD/DRU HMGP. While GOHSEP has a formal process in place to review payment documentation for HM programs, a GOHSEP official stated it does not follow all required programmatic monitoring provisions in the cooperative endeavor agreement, such as preparing monthly performance evaluations on OCD/DRU's performance and using an evaluation tool to conduct these evaluations. According to GOHSEP management, its monitoring process has evolved since the agreement was signed. However, without the formal monthly performance evaluations, GOHSEP may not be able to identify and address weaknesses and/or inefficiencies in OCD/DRU's HMGP.

According to GOHSEP management, other programmatic monitoring activities are in place in lieu of the requirements in the cooperative endeavor agreement. For example, GOHSEP monitors the program through weekly meetings with OCD and reviews of OCD's quarterly reports and provides verbal feedback to OCD regarding program performance as needed. According to these officials, GOHSEP staff also meet regularly with FEMA and the Office of Finance and Support Services (OFSS).⁸ In addition, GOHSEP has on-site quality assurance/quality control staff to work directly with OCD and maintains daily interaction with OCD.

In addition, as described in Objective 1, OCD/DRU provided incorrect elevation guidance to homeowners prior to 2009. Although OCD/DRU administers its HMGP, neither GOHSEP nor FEMA commented on incorrect elevation guidance included in OCD/DRU's HMGP documents submitted for review in April and June 2009.⁹ According to the cooperative endeavor agreement signed by GOHSEP and OCD/DRU, GOHSEP is required to ensure that OCD/DRU is aware of the requirements imposed upon it by federal and state laws, regulations, and policies.

Recommendation 8: GOHSEP should improve its programmatic monitoring activities to ensure efficient OCD/DRU HMGP processes by conducting monthly performance evaluations as called for by the GOHSEP-OCD/DRU cooperative endeavor agreement. Alternatively, if the monitoring activities in this cooperative endeavor

⁸ OFSS provides the accounting services and financial management for OCD and the HMGP.

⁹ Based on our review of e-mail correspondence between OCD/DRU, GOHSEP, and FEMA.

agreement are not sufficient, GOHSEP should amend this agreement to include its current programmatic monitoring activities.

Summary of Management's Response: GOHSEP did not respond to this recommendation, but rather to this section of the report in its entirety. See Appendix C for full response.

Recommendation 9: GOHSEP should develop a performance evaluation tool that will allow GOHSEP to complete its monthly monitoring requirement. GOHSEP should seek the input of other entities as appropriate when developing this tool.

Summary of Management's Response: GOHSEP did not respond to this recommendation. See Appendix C for full response.

Recommendation 10: GOHSEP should ensure that OCD/DRU implements updated HMGP program and policy changes, as communicated by either GOHSEP and/or FEMA.

Summary of Management's Response: GOHSEP did not respond to this recommendation. See Appendix C for full response.

Objective 3: Did GOHSEP ensure its sub-grantees submitted complete and accurate documentation for reimbursement under HM programs?

GOHSEP did not always ensure that sub-grantees submitted complete and accurate documentation for reimbursement under HM programs prior to payment. Twenty-five of the 185 files we reviewed did not have sufficient supporting documentation prior to payment due to GOHSEP’s temporary departure from its normal review process. Any deficiencies in the remaining 160 should be resolved prior to payment since they were processed through GOHSEP’s normal review process.

Lack of complete and accurate documentation resulted in questioned costs and other costs that could be questioned.

During our agreed-upon procedures engagement, we analyzed 160 reimbursement requests and supporting documentation as submitted by the sub-grantees totaling \$20,003,163 (see table 1). Any exceptions we noted as a result of our analysis of these files are considered a potential questioned cost since GOHSEP will have the opportunity to correct deficiencies prior to payment.

Review Type	Number of Reviews	Value	Questioned Amount	Resolved Amount
Initial*	152	\$18,742,457	\$1,939,524	\$871,646
Subsequent**	8	1,260,706	0	0
Total	160	\$20,003,163	\$1,939,524	\$871,646
*Includes reviews of individual homeowner files from OCD/DRU’s ATS that have been included in a batch and presented to GOHSEP for payment.				
**Consists of re-reviews of reimbursement requests that have been returned to GOHSEP disaster recovery specialists because of some deficiency in documentation identified by our review.				

During the fourth quarter of 2010, GOHSEP management temporarily altered the process for OCD/DRU reimbursement requests so that our audit review was post-payment rather than pre-payment. We analyzed 25 expense review forms and supporting documentation totaling \$1,782,989 (see table 2). Although our analysis of these files was performed post-payment, GOHSEP will continue to work with OCD/DRU to gather additional supporting documentation.

Review Type	Number of Reviews	Value	Questioned Amount	Supported Amount
Initial Post Payment	22	\$1,685,272	\$1,165,261	\$176,265
Subsequent Post Payment	3	97,717	3,919	0
Total	25	\$1,782,989	\$1,169,180	\$176,265

Application of Agreed-Upon Procedures

We analyzed the 185 (160 prior to payment and 25 post payment) reimbursement requests submitted by sub-grantees and the supporting documentation to confirm that the reimbursement requests were in compliance with federal and state guidelines and were properly documented. We developed a finding of review for each request analyzed during this period and presented each finding of review to management.

PROCEDURE: We confirmed that the sub-grantee submitted an SF 270 (Request for Advance or Reimbursement).

FINDING: No exceptions were noted.

PROCEDURE: We reviewed the mathematical calculations performed by GOHSEP personnel for accuracy.

FINDING: No exceptions were noted.

PROCEDURE: We confirmed that the calculations were in accordance with funding parameters.

FINDING: FEMA obligates funds for HMGP projects based on an application and proposed budget prepared by the sub-grantee. In most cases, sub-grantees are municipal and parish governments but can be state agencies as is the case with OCD/DRU. GOHSEP uses the obligated amount to fund eligible HMGP project activities performed by the sub-grantee as outlined in its proposed budget. If the sub-grantee exhausts the obligated funding amount, additional funding can be requested from FEMA through GOHSEP. There is no guarantee that FEMA will award additional funding. However, GOHSEP can use alternative funding sources to fund HMGP activities once FEMA funding is exhausted.

As a result of this procedure, we identified 28 initial reviews where the reimbursement calculations exceeded the amount FEMA obligated for the project based on the proposed budget.

In each of these instances, the sub-grantee had exhausted the FEMA obligated funding and was waiting for approval of additional funds. Twenty-three initial reimbursement requests lacked obligated project funds to cover \$715,705 of the requested amount. In addition, five initial post-payment reviews lacked obligated project funds to cover \$140,642 of the requested amount. After our analysis was complete, FEMA obligated additional funds which negated any potential questioned costs.

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 were unable to verify that procurement, invoices, billings, or photographs of work supported the reimbursement requests for 39 reviews as follows:

- Two initial reimbursement requests contained potential questioned costs of \$138,715 because the requests lacked competitive procurement documentation or a cost analysis to support cost reasonableness of the expenditures. After our analysis, GOHSEP personnel obtained sufficient documentation to support \$99,995 of the questioned amount leaving an unsupported balance of \$38,720 in potential questioned costs.
- Twenty-eight initial reimbursement requests contained potential questioned costs of \$1,061,561 because the requests lacked sufficient documentation to fully support them. After our analysis, GOHSEP personnel obtained sufficient documentation to support \$55,946 of the questioned amount leaving an unsupported balance of \$1,005,615 in potential questioned costs.
- Nine initial post-payment reviews contained questioned costs of \$966,634 because the requests lacked sufficient documentation to fully support the payments. GOHSEP personnel have not obtained sufficient supporting documentation for the questioned amount.

PROCEDURE: We confirmed that previous payments were listed in block 11-h on the SF 270.

FINDING: No exceptions were noted.

- PROCEDURE: We confirmed the original signatures of authorized persons on the SF 270s.
- FINDING: No exceptions were noted.
- PROCEDURE: We confirmed that the quarterly reporting was up-to-date.
- FINDING: No exceptions were noted.
- PROCEDURE: We confirmed that the documented expenses and project progression correspond with the performance period.
- FINDING: No exceptions were noted.
- PROCEDURE: We confirmed that the work reflected by the documentation was within the scope approved for the grant.
- FINDING: As a result of this procedure, we were unable to verify that the work reflected by the documentation was within the scope of eligible work approved for the grant for six reviews (five initial and one subsequent) as follows:
- Two initial reimbursement requests contained potential questioned costs of \$23,543 because the requests lacked sufficient support to demonstrate the work performed was within the eligible scope of the project. GOHSEP personnel have not obtained sufficient supporting documentation to resolve the potential questioned costs.
 - Four (three initial and one subsequent) post-payment reviews contained questioned costs of \$61,904 because the requests lacked sufficient support to demonstrate the work performed was within the eligible scope of the project. After our review, GOHSEP personnel obtained sufficient supporting documentation for \$35,623 of the questioned amount.
- PROCEDURE: We confirmed that at least one site inspection had been conducted for each project that was more than 50% complete.
- FINDING: No exceptions were noted.
- PROCEDURE: We confirmed that an “end of performance period letter” had been prepared and processed for projects ending in less than 90 days.
- FINDING: No exceptions were noted.
- PROCEDURE: We confirmed that a final site inspection had been conducted for each project that was 100% complete.
- FINDING: No exceptions were noted.

Additional Information

OCD Individual Homeowner Files

Typically, when a sub-grantee submits a reimbursement request to GOHSEP, the request contains multiple homeowner files and it covers all files in the batch. According to our agreed-upon procedures engagement with GOHSEP, we review the batch and prepare a single finding of review that documents the results of our analysis. However, GOHSEP management requested that we analyze individual homeowner files from the OCD’s ATS prior to OCD batching them.

Sometime after our analysis, OCD corrects any deficiencies noted, combines the individual homeowner files into a batch, and prepares a request for reimbursement for the batch. OCD then submits the batch to GOHSEP for processing and payment.

During our agreed-upon procedures engagement, we analyzed 22 homeowner files that contained requests for payment totaling \$933,434. As a result of our analysis, we noted \$187,010 of potential questioned costs from four of the homeowner files. OCD will have the opportunity to correct the deficiencies prior to payment.

- Three homeowner files contained requests for payment totaling \$122,277 that lacked sufficient documentation to support the expenditures claimed.
- One homeowner file contained a \$64,733 request for payment for expenses that did not appear to be eligible for reimbursement under HMGP.

Resolved Amounts

Since it takes from several days to several months to resolve some questioned amounts, the following table summarizes those amounts that have been resolved and those amounts that are unresolved.

Period	Amount Questioned	Amount Resolved	Amount Remaining
Calendar year 2008	\$17,365,704	\$17,365,704	\$0
Calendar year 2009	8,314,750	5,425,051	2,889,699
1st Qtr 10	2,956,805	2,110,194	846,611
2nd Qtr 10	1,587,353	1,587,353	0
3rd Qtr 10	676,182	230,349	445,833
4th Qtr 10	3,108,705	1,047,912	2,060,793
Total	\$34,009,499	\$27,766,563	\$6,242,936

Recommendation 11: GOHSEP management should ensure that sub-grantees submit complete and accurate documentation prior to payment.

Summary of Management's Response: GOHSEP did not respond to this recommendation. See Appendix C for full response.

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**APPENDIX A: INDEPENDENT ACCOUNTANT'S REPORT ON
THE APPLICATION OF AGREED-UPON PROCEDURES**

May 13, 2011

MARK A. COOPER, DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
Baton Rouge, Louisiana

We performed the agreed-upon procedures for GOHSEP's Hazard Mitigation Grant, Pre-Disaster Mitigation, Flood Mitigation Assistance, Severe Repetitive Loss, and Repetitive Flood Claims programs (collectively referred to as HM programs) for the fourth quarter of 2010 (October 1 through December 31), which were requested and agreed to by GOHSEP management, solely to assist GOHSEP management in reviewing documentation submitted by sub-grantees in support of reimbursement claims. GOHSEP management is responsible for the day-to-day operations of the Hazard Mitigation programs.

Our 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 the 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.

We analyzed 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 for each of the expense reviews we analyzed during this period and presented each finding to management. Our procedures and findings are listed in this report beginning on page 12.

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 GOHSEP management.

This report is intended solely for the information and use of agency 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,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first name being the most prominent.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/dl

OCD DRU HMGR 2011

APPENDIX B: OCD/DRU'S RESPONSE TO PERFORMANCE AUDIT



BOBBY JINDAL
GOVERNOR

PAUL W. RAINWATER
COMMISSIONER OF ADMINISTRATION

State of Louisiana
Division of Administration
Office of Community Development
Disaster Recovery Unit

June 13, 2011

Mr. Daryl Purpera, CPA
Legislative Auditor
Louisiana Legislative Auditor
1600 N. Third St.
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

The Division of Administration, Office of Community Development (OCD), Hazard Mitigation Grant Program (HMGP) is providing the Louisiana Legislative Auditor (LLA) with its response to the performance audit outlined in the draft report regarding HMGP.

Though OCD has outlined in great detail its response to each issue your office raised, I wanted to highlight the responses to a few critical issues in the audit:

- OCD's HMGP, as of today, has disbursed in excess of \$260 million in grant funds to approximately 6,300 homeowners. This includes a significant number of "advance" payments, which are a critical aspect of this program. Though the LLA's audit focused on "final" payments, without this "advance" funding, most homeowners would be unable to start their mitigation work because of the associated expense. Our office has worked diligently over the past year to increase the amount of "advance" funding offered to homeowners, at the request of program participants, contractors and legislators.
- OCD's HMGP has consistently exceeded its milestones as approved by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) and the Federal Emergency Management Agency (FEMA). In fact, as of April 2011, the project management costs were approximately \$6.6 million below spending projections, while payments to homeowners were 51 percent higher than the approved milestone for the

same period. OCD paid far more than the agencies granting the funds expected the program to disburse in awards for much less money than anticipated.

- The audit is highly critical of the IT system used by OCD’s HMGP. I would remind you that the LLA conducted its audit of the program’s IT system, ATS, while it was first being launched and while the program underwent a transitional period from old system to new. OCD’s staff informed the auditors that this could pose issues during the course of the LLA’s audit.

LLA: Objective 1: Has OCD/DRU effectively managed its HMGP?

LLA: “According to information OCD/DRU provided to the Select Committee on Hurricane Recovery, as of January 2011, OCD/DRU has made final payments to 519 of the 10,331 homeowners they expect to fund by the conclusion of the program. According to OCD/DRU, a total of 4,360 homeowners have received at least one HMGP payment, totaling \$135.5 million, during this same period.”

OCD Response:

- The focus solely on elevation/reconstruction final payments is misleading. The total number of final payments is 2,500 and not 519 as stated in the report. The complete set of Hazard Mitigation (HM) information reported to the Select Committee in January of 2011 and the current information for HM as of May 31, 2011 follows:

	January 2011	May 31, 2011	% Increase
Total Payments \$	\$135.5 Million	\$253 million	86.7%
Total Payments #	5,448	9124	67.5%
Total Homeowners paid	4,360	6253	43.4%
Total Final Payments (Elevations/Reconstructions)	519	1145	120.6%
Total Final IMM Payments	1,981	2830	42.9%
Total Final Payments	2500	3975	59%

- The emphasis should be on how many total grants were disbursed versus the total final payments to homeowners as that reflects the potential number of mitigation projects underway. Contractor capacity and subsequent applicant provision of required documentation (e.g., Certificate of Occupancy) factors heavily in how many homeowners HM can render final payment to at a given time. Also, there are presently waiting lists for most contractors to initiate work.
- This audit does not take into consideration the LLA engagement in the final payment process. All final payments are subject to additional review by LLA personnel.

- As discussed with the LLA during the audit, with any new large scale construction program there will be accelerated upfront administrative expenses associated with program startup. These costs, inclusive of setup of program operations (e.g., call center, development of an IT solution, etc), are normal for the programs that include a construction component and are also typical of initial costs found within other OCD program lifecycles.
- Following the boarding of the Supplemental Staff Contractor, the program was heavily staffed due to (1) the influx of new applicants inquiring about the program (program deadline of March 2010) and (2) the need to expedite identification of and subsequent processing of eligible homeowners through the program. As the program has matured, the level of staffing needed has and will continue to be reduced (e.g., closure of the Hammond Call Center and recent ancillary staff reduction in Operations).

LLA: “Although OCD/DRU is in compliance with its internal metrics for project management costs, we found that it has not effectively managed its HMGP.”

OCD Response:

- To effectively manage the HMGP budget, the program developed a monthly milestone and metric report as it relates to the number of structures mitigated. This report has been reviewed and accepted by GOHSEP and FEMA. This document is currently submitted as part of our quarterly report, undergoes review by both external agencies regularly, and is also reviewed by FEMA headquarters and is submitted to the federal Office of Management and Budget prior to any draw down of funding. It should be noted that OCD has consistently met the budgetary constraints found in metrics established and has also incorporated all feedback provided by GOHSEP and FEMA.
- Per the milestone and metric report, project management costs are expected to be 15% or less (of the total project cost) by the end of the grant, which is compliant with both GOHSEP and FEMA expectations for effective project management.
- In January 2011, project management costs were approximately \$4.9 million less than projected while homeowner disbursements were approximately \$49.8 million—51% above the established metric for this timeframe.
- In April 2011, project management costs were approximately \$6.6 million less than projected while homeowner disbursements were approximately \$80.2 million—51% above the established metric for this timeframe.

LLA: “OCD’s method of processing and tracking HMGP applications lacks structure, guidance, and monitoring....As sub-grantee, OCD/DRU is responsible for processing and tracking homeowner applications for its HMGP. In July 2010, OCD/DRU transitioned

from a legacy data system to the Applicant Tracking System (ATS). This new system....is OCD/DRU's third data system since the program began in May 2008."

OCD Response:

- OCD did not have 3 data systems. Due to cost and procurement limitations, the data was initially tracked and monitored with the best available software at that point in time, SharePoint, while OCD concurrently initiated the request for proposal (RFP) process for an IT Solution (ITS). As the program has evolved, OCD has taken the steps necessary to utilize the most efficient systems available for effective processing and tracking of homeowner files.
- ITS, the initial formal system of record, was a Relational Database written in PostgreSQL (PGSQL). It was an open source object-relational database system that the program deliberately chose to transition from once the decision was made to introduce the Individual Mitigation Measures (IMM) component. This proactive measure allowed the program to transition to a cost effective system capable of tracking multiple grants to one applicant and also enabled the program to implement any future changes needed to accommodate program requirements.
- The Applicant Tracking System (ATS), the program's current system of record, is a business process management (BPM) system that allows us to manage, monitor and analyze the applicant/grant processes. Metastorm integrates into everything including Portals (such as Microsoft SharePoint).

LLA: "Undefined processes. OCD/DRU places grant applications in "stages" as they progress through its HMGP....As applications enter the different stages, one or more entities (e.g., OCD/DRU, FEMA, or homeowner) need to take action to move them forward. However, OCD/DRU has no criteria defining who needs to take action and what that action needs to be."

OCD's Response:

ATS was in development at the time of the audit. Modules were being developed and integrated throughout the audit. The system was not in production and ATS reports were not developed when the LLA's audit began on July 14, 2010. As disclosed to the auditors during the background interview held on this date, HMGP's ATS system was in its earliest stages of development—the first conversion date from the old system to the new system occurring during the week of July 26, 2010.

All OCD HM applicants are tracked using the program's customized relational database called the Applicant Tracking System (ATS). It is a business process management (BPM) tool which allows HMGP to efficiently manage grants, establishes visibility on applicant status, and effectively responds to the changing business needs of a time sensitive unprecedented program such as OCD's HMGP.

- To effectively monitor and manage user tasks, ATS has a “To Do list” and “Watch list” under the “Status and History Tab” both on the applicant level and grant level. These lists are automated based on the role of the user. This identifies which users are associated with a particular applicant/grant stage and also allows users to “watch” the progress of a particular applicant and/or grant. All of the actions are time stamped whereby an aging report can be created. This reporting holds HMGP personnel accountable for fulfilling their roles and the metrics setup by team leads within the program.
- The ATS Training Manual (End User Guide), provided to LLA on December 20, 2010 via ePortal, clearly defines the action to be taken for each responsible role to move a grant forward in the process. This manual is used for the training of state employees as well as contract employees.
- The ATS Desk Reference, provided to LLA on January 18, 2011 through email, also gives an overview of the grant stage, action required, responsible role, action button and next grant stage.
- In addition, the Metastorm BPM Stage Action Matrix, provided to LLA on November 18, 2010 via ePortal provides clarification of payment stages, user actions, and user responsibility (Note: system actions are not included).

LLA: “In addition, OCD/DRU has not established formal time frames by which applications should move through each stage. As a result, OCD/DRU staff has no criteria to determine whether an application is moving through the process in a timely manner or if the application has stalled at a particular stage, creating a bottleneck in the system.”

OCD’s Response:

OCD’s HMGP is a project that depends upon action taken by the applicant to complete their mitigation activity. Numerous stages depend on the applicant providing specific information or documentation before a grant can move to the next workable stage. Even in cases where another agency such as FEMA is responsible for a particular action (e.g., BCA review, EHP review), information may still be required from the homeowner before that review can be completed and the grant moved to the next stage.

Applicant Driven Stages

- In order to effectively facilitate active applicant participation, OCD implemented a Due Diligence process in February 2011. This process is designed to provide applicants the opportunity to contact the program or provide the program with the necessary documents or information. Additionally, it provides the applicant the opportunity to request an extension for one additional thirty (30) day period in which to provide needed documents or information. If Due Diligence has been exhausted without resolution, an applicant is placed in a “Pending Withdrawal” stage or in the case of paid applicants “Pending Recovery.” This process effectively manages the aging of grants.

- Additionally, OCD launched an interactive website in February 2011 that further assists its applicants by providing status updates for their grants.
- The program requires that homeowners complete the construction portion of their activity within a designated timeframe once they receive payment from the program. The Alternative Payment Option (APO) policy was provided to LLA during the audit on October 15, 2010.

OCD Driven Stages

- Metrics are in place for instances where the stage is OCD driven. For example, QA/QC has predefined turnaround times for reviews of payment requests. In addition, all final payments are subject to additional review by LLA personnel. A list of aging reports used by the program follows:
 - Elevation, Reconstruction and IMM Pipeline Report
 - HMGP Production Report
 - QA/QC payment detail
 - Clearance Manager's Report
 - Close out Report
 - Probable Disbursed Amount
- ATS has a "To Do list" and "Watch list" under the "Status and History Tab" both on the applicant level and the grant level. These lists are automated based on the role of the user. This identifies which users are associated with a particular applicant/grant stage and also allows users to "watch" the progress of a particular applicant and/or grant.

Other Agency Stages

- OCD meets weekly with each agency responsible for stages in the program (e.g., GOHSEP, OFSS, LLA, etc) to discuss program progress and any issues associated with program implementation.
- Additionally, OCD also meets bi-weekly with both GOHSEP and FEMA regarding overall program progress and any issues with program implementation.

LLA: "Insufficient applicant tracking. In order to better manage its HMGP, OCD/DRU management said it is currently developing monitoring reports, such as aging reports, that show how long applications have been in the process. We reviewed two of these reports and determined one was inaccurate."

OCD's Response:

At the audit's end, January 2011, 33 reports were functional for monitoring purposes and were provided to LLA. To date, OCD uses more than 50 reports to monitor the entire grant process.

OCD has increasingly improved its reporting abilities since the inception of ATS during the week of July 26, 2010. Modules were being developed and integrated throughout the audit. OCD moved from a partially paper environment to a virtual environment starting in October 2010. The system was not in production and ATS reports were not fully developed when the LLA's audit began on July 14, 2010, as disclosed to the auditors during the background interview held on this date.

The draft audit report did not specify the reports that were reviewed. On May 12, 2011 OCD received updated information from LLA. The reports noted were:

- Pending Mitigation Analyst (MA) Assignment Aging Report
- Production Aging Report

Pending MA Assignment Aging Report

Upon review, there were no discrepancies. The MA Assignment Aging report shows counts for all of the Grant Types. The LLA staffer and HMGP personnel pulled the reports at different times.

Production Aging Report

The Production Aging Report was in a testing stage at the time of the audit. Upon review, we found this report had a calculation error and therefore one group was not aging correctly. It was corrected at that time.

LLA: "Recommendation 1: OCD/DRU management should clearly define what happens at each stage of its HMGP and the entity responsible for taking action at that stage."

OCD Response:

OCD management has defined what happens at each stage of its HMGP and the entity responsible for taking action at that stage. Each stage is defined in ATS, the system of record. In addition, policy defines timeframes for homeowners to complete mitigation activities.

IT System Tracking

- The ATS Training Manual (End User Guide) provided to LLA on December 20, 2010 via ePortal, defines the action to be taken for each responsible role to move a grant forward in the process. This manual is used for the training of state employees as well as contract employees.
- The ATS Desk Reference, provided to LLA on January 18, 2011 through email, also gives an overview of the grant stage, action required, responsible role, action button and next grant stage.

- In addition, the Metastorm BPM Stage Action Matrix, provided to LLA on November 18, 2010 via ePortal provides clarification of payment stages, user actions, and user responsibility (Note: system actions are not included).

Homeowner Tracking

- The covenant requires that the owner(s) re-occupy the property as his/her/their primary residence within twelve (12) months from the effective date of the declaration of covenant. An extension of the period for compliance with this provision may be granted by OCD to owner upon request by owner to extend the compliance period.
- Disbursements made using the Alternative Payment Option (APO) have abbreviated construction timeframes (as stated in policy) different than the aforementioned covenant timeframe. These types of payments are associated with a majority of our applicants.
- OCD has set timeframes by which to contact the applicant to offer assistance. OCD implemented a Due Diligence process in February 2011. This process is designed to provide applicants the opportunity to contact the program or provide the program with the necessary documents or information. Additionally, it provides the applicant the opportunity to request an extension for one additional thirty (30) day period in which to provide needed documents or information. If Due Diligence has been exhausted without resolution, an applicant is placed in a "Pending Withdrawal" stage or in the case of paid applicants "Pending Recovery." This process effectively manages the aging of grants.

LLA: "Recommendation 2: OCD/DRU management should define the timeframes in which an application should remain at each stage of its HMGP."

OCD Response:

OCD management has defined the timeframes in which an application should remain at each stage of its HMGP. In addition, OCD monitors the application movement through these stages using various ATS aging reports. Processes have also been developed to assist applicants in meeting timeframes. Additionally, OCD meets weekly, at a minimum, with other agencies to discuss program progress and any possible program implementation issues.

Applicant Driven Stages

- In order to effectively facilitate active applicant participation, OCD implemented a Due Diligence process in February 2011. This process is designed to provide applicants the opportunity to contact the program or provide the program with the necessary documents or information. Additionally, it provides the applicant the opportunity to request an extension for one additional thirty (30) day period in which to provide needed documents or information. If Due Diligence has been exhausted without resolution, an applicant is placed in a "Pending Withdrawal" stage or in the case of paid applicants "Pending Recovery." This process effectively manages the aging of grants.

- Additionally, OCD launched an interactive website in February 2011 that further assists its applicants by providing status updates for their grants.
- The program requires that homeowners complete the construction portion of their activity within a designated timeframe once they receive payment from the program. The APO policy was provided to LLA during the audit on October 15, 2010.

OCD Driven Stages

- Metrics are in place for instances where the stage is OCD driven. For example, QA/QC has predefined turnaround times for reviews of payment requests. In addition, all final payments are subject to additional review by LLA personnel. A list of aging reports used by the program follows:
 - Elevation, Reconstruction and IMM Pipeline Report
 - HMGP Production Report
 - QA/QC payment detail
 - Clearance Manager's Report
 - Close out Report
 - Probable Disbursed Amount
- ATS has a "To Do list" and "Watch list" under the "Status and History Tab" both on the applicant level and grant level. These lists are automated based on the role of the user. This identifies which users are associated with a particular applicant/grant stage and also allows users to "watch" the progress of a particular applicant and/or grant.

Other Agency Stages

- OCD meets weekly with each agency responsible for stages in the program (e.g., GOHSEP, OFSS, LLA, etc) to discuss program progress and any issues associated with program implementation.
- Additionally, OCD also meets bi-weekly with both GOHSEP and FEMA regarding overall program progress and any issues with program implementation.

LLA: "Recommendation 3: OCD/DRU should continue to develop and utilize monitoring reports."

OCD Response:

OCD has and will continue to develop and utilize monitoring reports. At the audit's end, January 2011, 33 reports were functional for monitoring purposes and were provided to LLA. To date, OCD uses more than 50 reports to monitor the entire grant process. OCD has increasingly improved its reporting abilities since the inception of ATS during the week of July 26, 2010.

Modules were being developed and integrated throughout the audit. OCD moved from a partially paper environment to a virtual environment starting in October 2010. The system was not in production and ATS reports were not fully developed when the LLA's audit began on July 14, 2010, as disclosed to the auditors during the background interview held on this date.

LLA: "Recommendation 4: OCD/DRU should ensure that its monitoring reports are accurate."

OCD Response:

OCD does insure that its monitoring reports are accurate through the following means:

- HMGP IT reconciles all reports by comparison. As a control, IT recreates the reports by another IT specialist that did not create the report. This duplicate report shows if data being displayed is the same for both reports. If the report is not created by the IT staff, more than one IT specialist reviews the logic together and run similar reports to make sure the numbers are coming out correctly. Additionally, CGI is asked to review the report if discrepancies are noted while performing these procedures.
- User acceptance is provided to personnel to confirm report logic based on the parameters they requested as well as providing an opportunity to request additional logic. HMGP IT also supports the opportunity for personnel to ask additional questions.

LLA: "The data in OCD's Applicant Tracking System (ATS) is not reliable....During our audit, we identified issues with the reliability of the data in ATS. Without reliable information, OCD cannot effectively administer its HMGP or make management decisions for improvement."

OCD Response:

OCD takes exception to the LLA statement that data in ATS is not reliable for the following reasons:

- ATS was in development at the time of the audit. Modules were being developed and integrated throughout the audit. The system was not in production and ATS reports were not developed when the LLA's audit began on July 14, 2010. As disclosed to the auditors during the background interview held on this date, HMGP's ATS system was in its earliest stages of development—the first conversion date from the old system to the new system occurring during the week of July 26, 2010.
- ATS is the central data collection location which allows HM to see where the discrepancies are in order to clean the data. This data was in the process of being reviewed and cleansed during the audit period. The concerns cited by LLA are no longer an issue. The integrity of

the data in ATS is not compromised as this BPM system allows controls to be placed on data to ensure its integrity.

LLA: “Lack of historical data. Unlike the new ATS data system, the old system OCD/DRU used to store its applicant data did not have the capability to capture the date a grant application entered into each stage. In addition, when OCD/DRU converted its data from the old system to ATS, the conversion date was entered for each stage. Because the system does not contain information prior to the conversion date, OCD/DRU cannot accurately determine the length of time a grant application has been in a particular stage.”

OCD Response:

The aforementioned statement is misleading and inaccurate. As the program has evolved and applicant information transitioned, OCD has taken the steps necessary to ensure that historical information is preserved and effectively captured in the current system of record.

- Due to cost and procurement limitations, homeowner data was initially tracked and monitored with the best available software at that point in time, SharePoint, while OCD concurrently initiated the request for proposal (RFP) process for an IT Solution (ITS). The “stages” cited by the LLA did not exist in SharePoint and as a result invalidates the LLA’s statement regarding a lack of historical information for said “stages.”
- ITS, the initial formal system of record, was a Relational Database written in PostgreSQL (PGSQL). It was an open source object-relational database system that the program deliberately chose to transition from once the decision was made to introduce the IMM component. This proactive measure allowed the program to transition to a cost effective system capable of tracking multiple grants to one applicant and also enabled the program to implement any future changes needed to accommodate program requirements. Upon conversion from SharePoint to ITS, the following legacy data was converted:
 - Target List
 - VPA Tracker List
 - Road Home (RH) VPAs (import from prior RH contractor)
 - Inbound Outbound Call (Contact) List
 - IMM Tracker
- The Applicant Tracking System (ATS), the program’s current system of record, is a business process management (BPM) system that allows us to manage, monitor and analyze the applicant/grant processes. Upon the initial conversion to the new ATS BPM system, the following “legacy data” was converted from ITS. The conversion dates were used in place of the stages that did not exist prior to the implementation of ATS.
 - In and out bound communications
 - Applicant demographics
 - Current applicant status

- Damaged structure information
 - ABFE information
 - eGrants import data
- Historical data that was not part of the original ATS conversion falls into two categories: (1) data that was captured outside the original system and (2) fields that were identified to be added after the development of ATS began.
 - Category 1: The HMGP team worked to bring in data captured outside the original system as timing was appropriate. Given the timeliness needed for grant processing to continue and the number of resources that would be impacted by an elongated conversion, data was brought into the system in a deliberate manner until all identified data resided in the ATS database.
 - Category 2: As new ATS functionality went live with new fields, HMGP staff entered the information as they worked those particular files. In addition, large batch uploads were performed to fill the database faster and with fewer data entry errors. Date information related to the timing of applications in each stage was only identified as a required element to capture when the ATS system was being designed. Therefore, timing information is only available as that information is being captured – after the original ATS conversion.

LLA: “Inaccurate payment information. According to OCD/DRU staff, payment information related to individual grant awards was not entered into the new data system accurately.”

OCD Response:

The aforementioned statement is misleading. OCD was aware that the initial Finance module release, which occurred in October 2010—approximately 4 months following the start of the LLA audit, would warrant a multi-tiered reconciliation process once implemented due to the manner in which this data was stored previously and the “stage” approach of ATS’ design.

- Prior to ATS, grant stages did not exist and payments were generated manually. The payment packages were QA/QCed by GOHSEP and LLA prior to release of the payment and payment information was subsequently housed in the program’s Payment Tracker Spreadsheet. The program ensured the accuracy of this information by reconciling this data with the physical payment package and information contained in ISIS regarding disbursements.
- During the conversion process of this component of ATS, it was known that this data would not be reportable data until the following reconciliations were complete: (1) Reconciliation of the Payment Tracker to ATS and (2) Reconciliation of ATS to ISIS.

- The first phase of this reconciliation process (ATS with the payment tracker) was completed in December 2010. The second phase (ATS to ISIS) in February 2011. It should be noted that during this timeframe the Payment Tracker was independently maintained and utilized for program reporting purposes.
- HM Finance currently meets weekly with GOHSEP Finance and OFSS to reconcile payment information and ensure all entities are reporting consistent information. Finance data contained in ATS is accurate.

LLA: “Recommendation 5: OCD management should begin capturing historical data such as the date an application enters each stage in the process, since the new data system has this capability”

OCD Response:

OCD has been capturing historical data since the inception of ATS. ATS is a date driven system. The time stamp of data movement through stages has always been in ATS since its inception due to the existence of this functionality. The SQL reporting tables have been added as objects to the Business Objects reporting universe in order for this data to be readily accessed through the HMGP Business Objects reporting universe.

- Due to cost and procurement limitations, homeowner data was initially tracked and monitored with the best available software at that point in time, SharePoint, while OCD concurrently initiated the RFP process for an IT Solution (ITS). The “stages” cited by the LLA did not exist in SharePoint and as a result invalidates the LLA’s statement regarding a lack of historical information for said “stages.”
- ITS, the initial formal system of record, was a Relational Database written in PostgreSQL (PGSQL). It was an open source object-relational database system that the program deliberately chose to transition from once the decision was made to introduce the Individual Mitigation Measures (IMM) component. This proactive measure allowed the program to transition to a cost effective system capable of tracking of multiple grants to one applicant and also enabled the program to implement any future changes needed to accommodate program requirements. Upon conversion from SharePoint to ITS, the following legacy data was converted:
 - Target List
 - VPA Tracker List
 - Road Home (RH) VPAs (import from prior RH contractor)
 - Inbound Outbound Call (Contact) List
 - IMM Tracker
- The Applicant Tracking System (ATS), the program’s current system of record, is a business process management (BPM) system that allows us to manage, monitor and analyze the applicant/grant processes. Upon the initial conversion to the new ATS BPM

system, the following “legacy data” was converted from ITS. The conversion dates were used in place of the stages that did not exist prior to the implementation of ATS.

- In and out bound communications
 - Applicant demographics
 - Current applicant status
 - Damaged structure information
 - ABFE information
 - eGrants import data
- Historical data that was not part of the original ATS conversion falls into two categories: (1) data that was captured outside the original system and (2) fields that were identified to be added after the development of ATS began.
 - Category 1: The HMGP team has worked to bring in data captured outside the original system as timing was appropriate. Given the timeliness needed for grant processing to continue and the number of resources that would be impacted by a elongated conversion, data was brought into the system in a deliberate manner until all identified data resided in the ATS database.
 - Category 2: As new ATS functionality went live with new fields, HMGP staff entered the information as they worked those particular files. In addition, large batch uploads were performed to fill the database faster and with fewer data entry errors. Date information related to the timing of applications in each stage was only identified as a required element to capture when the ATS system was being designed. Therefore, timing information is only available as that information is being captured – after the original ATS conversion.

LLA: “Recommendation 6: OCD management should implement processes that ensure the completeness, accuracy, and reliability of ATS data. For example, OCD should establish written procedures for verifying, reconciling, and making changes to the data in ATS.”

OCD Response:

OCD management has implemented processes as discussed below that ensure the completeness, accuracy, and reliability of ATS data.

- OCD has written procedures for the aforementioned processes as contained within the ATS Training Manual (End User Guide). Additionally, as new functionality is incorporated into the system, updates are sent to all staff regarding steps needed in ATS via Communication Memos and field training is conducted.

- Error logs, if any, are auto-generated and emailed daily to software developers, analysts and the IT Applications Manager.

LLA: “OCD provided incorrect elevation guidance to homeowners prior to September 2009.”

OCD Response:

OCD disagrees that it provided incorrect elevation guidance to homeowners prior to September 2009. OCD provided and communicated to applicants the guidance reviewed and issued by both GOHSEP and FEMA to program personnel regarding elevation height requirements. OCD’s HM staff, at all times, made attempts to ensure the accuracy of information being disseminated to homeowners—the clearance letters (which cited elevation height guidance) having been reviewed and revised based on commentary received from both grantee and grantor.

Upon the discovery that inaccurate guidance had been provided by FEMA and local floodplain managers to a subset of applicants, OCD worked diligently to find a feasible resolution for applicants that fell within this subset. Following collaboration with HUD, GOHSEP, and FEMA, OCD made the following options available to homeowners within the V9 subset:

Option 1: Remain in OCD’s Hazard Mitigation Grant Program

- Applicants will take all necessary measures to bring the home into compliance with HMGP grant standards
- Applicants will also be eligible to receive the Road Home V-Zone Compensation Payment for those costs that FEMA considers duplicated due to the re-elevation of the home.

Option 2: Participate only in the Road Home V-Zone Compensation Payment Program

- Applicants can receive compensation for out of pocket expenses associated with the mitigation activity.

Homeowners had the choice of mitigating further to comply with HMGP grant standards and only those who decided not to move forward with Option 1 were ruled ineligible for HMGP funding. Furthermore, homeowners who opted for the “V-Zone Compensation Payment” were reimbursed for expenses paid “out of pocket” for mitigation related activities.

As part of this process, OCD conducted a “V9 subset universe identification campaign” during the summer of 2010. Preliminary estimates indicated that this subset might grow to as many as 540 applicants during the course of the program’s life cycle. To date, only 10 additional applicants have been identified. As they are identified, OCD works with these applicants and present the options available to them.

OCD does not anticipate that the universe will expand to 540 applicants by the end of its HMGP grant.

LLA: "Recommendation 7: OCD should ensure that it implements updated HMGP program and policy changes, as communicated by either GOHSEP and/or FEMA."

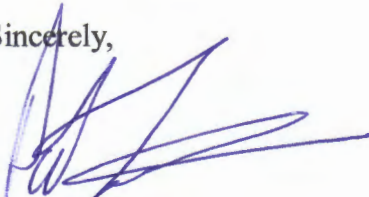
OCD Response:

OCD management has implemented the following upon receipt of a notification from GOHSEP that affects program policy and/or procedure:

- Clarification regarding the notification is sought, when applicable
- Internal policies/procedures are modified or created, when applicable
- Communication memos are released to staff
- Training is performed at the various program office locations

We appreciate the diligence and professionalism of your staff in conducting this review. If any additional information is needed, please contact me.

Sincerely,



Patrick Forbes
Interim Executive Director
OCD/DRU

Cc: Paul Rainwater
Mark Brady
Steven Procopio
Marsha Guedry
Thomas Brennan
Lara Robertson
Richard Gray
Stephen Upton
William Haygood
Jeffrey Giering

APPENDIX C: GOHSEP'S RESPONSE TO PERFORMANCE AUDIT



BOBBY JINDAL
GOVERNOR

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

MARK A. COOPER
DIRECTOR

June 20, 2011

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

RE: Management Responses to Hazard Mitigation Grants – Fourth Quarter 2010 report

Dear Mr. Purpera:

I have reviewed the findings in the fourth quarter 2010 report, from your office, which covers the performance audit of the Office of Community Development (OCD) mitigation project and the activities of the Hazard Mitigation Section, Governor's Office of Homeland Security and Emergency Preparedness for October, November and December 2010.

GOHSEP offers the following response:

Your office has combined the findings of a performance audit of the OCD-HMGP Road Home project with the Fourth Quarter 2010 LLA/GOHSEP engagement for documents review support. To alleviate possible confusion resulting from this combined report, we will segregate our response to address our role in the OCD-HMGP performance audit separately from our customary response to the quarterly GOHSEP management report. This letter will respond to the Performance Audit of OCD's HMGP. GOHSEP's response to the management report will be forwarded in separate correspondence.

OCD-HMGP Report Objective 2:

"Has GOHSEP effectively monitored the performance of OCD's HMGP?"

Report Result:

"GOHSEP did not effectively monitor the performance of OCD's HMGP because it does not have a formal monitoring plan or evaluation tool."

Response:

GOHSEP has a rigorous and continuous monitoring plan that has been utilized since the inception of the OCD project. The monitoring plan incorporates the detailed review of quarterly reports submitted by OCD, a weekly steering committee meeting, a bi-weekly meeting with OCD and FEMA, bi-weekly meetings with OCD's finance department and OFSS to reconcile payments, and a weekly Eligibility Panel meeting where program eligibility determinations are made. In March 2010, we initiated additional monitoring control by embedding GOHSEP staff in the OCD HMGP QA/QC review process to better ensure

complete and accurate submittal packages. In October 2010, we jointly developed with OCD, a monthly "Metrics and Milestone Report" and several supporting tracking spreadsheets to track the progress of project cost and management cost. The Metrics and Milestone Report is also used to support requests to FEMA for additional obligations of funds. For each tranche of additional funds, GOHSEP has to demonstrate to FEMA that the previous obligations have been disbursed in accordance with program requirements. To date, FEMA has provided all requested funding after review of the Metrics and Milestone Report.

Additional measures taken to enhance program efficiency and monitor the performance of the OCD HMGP project include the implementation of a two party check system and additional field inspections on structures that have received advances. This initiative expedites the implementation of the mitigation measures and ensures that funds are being applied appropriately. The GOHSEP Project Manager for the OCD HMGP project maintains constant communication with OCD. During weekly and monthly meetings with OCD, GOHSEP continually notifies OCD of potential issues and necessary changes to be made to improve program delivery. In short, GOSHEP's monitoring of OCD HMGP is detailed and continuous.

Monitoring Improvement Action:

GOHSEP will provide a monthly written evaluation report to OCD, formally documenting the progress of the project. Recently, GOHSEP has dedicated a special liaison team to the OCD project to provide technical assistance on programmatic issues, to coordinate resolutions to issues hindering the implementation of the project, to assist with communications at all levels to assist with grant management oversight, and to assist with efforts to ensure compliance with federal regulations and policies.

OCD-HMGP Report Objective 3:

"Did GOHSEP ensure sub-grantees submitted complete and accurate documentation for reimbursement under HM programs?"

Report Result:

"GOHSEP did not always ensure sub-grantees submitted complete and accurate documentation for reimbursement under HM programs".

Response:

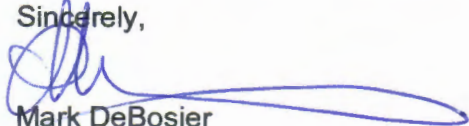
The report stated that "GOHSEP did not always ensure sub-grantees submitted complete and accurate documentation for reimbursement..." In fact , GOHSEP has always had a rigorous review process that ensures all required documentation submitted is complete and accurate. GOHSEP's current policies and procedures require that all sub-grantees provide complete and accurate detailed documentation to support the reimbursement requests as they are submitted. As part of that process, GOHSEP has contracted with the State Legislative Auditor's Office to assist in the review process to ensure complete and accurate documentation.

There was a short period of time, approximately 4 weeks, during which GOHSEP temporarily waived standard documentation protocol in order to continue applicant payments while OCD transferred its applicant tracking and payment process from paper files to virtual files (the ATS system). The waiver was a management decision after weighing the risks with the advantages. Subsequent reviews of the audited files have revealed that the eligible activities have been completed and final site visits have been conducted. Final project closeout on these files is currently in progress.

Corrective Action:

No corrective action is needed.

Sincerely,



Mark DeBosier
Deputy Director
Disaster Recovery

MD:JLG:pw
cc: Mark Riley

**APPENDIX D: GOHSEP'S RESPONSE TO
AGREED-UPON PROCEDURES ENGAGEMENT**



BOBBY JINDAL
GOVERNOR

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

MARK A. COOPER
DIRECTOR

June 20, 2011

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

RE: Management Responses to Hazard Mitigation Grants – Fourth Quarter 2010 report

Dear Mr. Purpera:

I have reviewed the findings in the fourth quarter 2010 report, from your office, which covers activities of the Hazard Mitigation Section, Governor's Office of Homeland Security and Emergency Preparedness for October, November, and December 2010.

In accordance with your guidance, we are providing management's response to the findings that were not resolved by the end of the quarter.

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 result of this procedure we were unable to verify that procurement, invoices, billings, or photographs of work supported the reimbursement requests for 39 reviews.

Response:

HM management acknowledges that at the time of this report, an unsupported balance of \$1,972,249 has been returned to the DRS, in order to obtain sufficient documentation to validate the expenses.

Corrective Action:

The Mitigation Section staff will continue to work with sub grantees to ensure proper documentation is provided to support payment requests. HM management will continue to meet with assigned LLA staff to ensure closure on undocumented requests.

Mr. Daryl G. Purpera, CPA
Page 2
June 20, 2011

Procedure:

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

Finding:

As a result of this procedure, we were unable to verify that the work reflected by the documentation was within the scope of eligible work approved for the grant for six reviews (five initial and one subsequent).

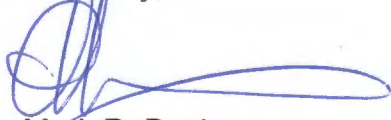
Response:

HM management acknowledges that at the time of this report, an unsupported balance of \$49,824 has been returned to the DRS, in order to determine eligibility.

Corrective Action:

The Mitigation Section staff will continue to review project work and determine prior to actions being initiated, whether or not work is or is not eligible for reimbursement under the HM program. Additionally, HM staff will continue to meet with sub grantees to discuss eligibility issues.

Sincerely,



Mark DeBosier
Deputy Director
Disaster Recovery

MD:JLS:pw
cc: Mark Riley

APPENDIX E: ADDITIONAL BACKGROUND INFORMATION

Performance Audit of OCD/DRU'S HMGP

Program Funding and Goals. OCD/DRU's HMGP funding totals \$750 million. OCD/DRU's HMGP is a supplemental grant for eligible Road Home participants allowing them to implement measures that will permanently reduce or eliminate future damages or losses from natural hazards. According to the cooperative endeavor agreement between GOHSEP and OCD/DRU, the goal of OCD/DRU's HMGP is to elevate, reconstruct, or retrofit approximately 20,000 flood prone structures and properties throughout the State of Louisiana. Eligible participants in OCD/DRU's HMGP are Road Home Homeowner Assistance Program applicants who were eligible to participate in the Road Home program and selected Option 1, meaning that they elected to keep their home.

GOHSEP and OCD/DRU roles. In this program, GOHSEP is designated as the grantee, while OCD/DRU is designated as the sub-grantee. As sub-grantee, OCD/DRU receives HMGP funds from GOHSEP. Exhibit 1 provides additional information regarding GOHSEP's and OCD/DRU's roles with regard to OCD/DRU's HMGP.

Exhibit 1	
Roles by Agency for OCD/DRU's HMGP *	
Agency	Responsibilities
GOHSEP	<ul style="list-style-type: none"> • Assure that the sub-grantee (OCD/DRU) is aware of the requirements imposed upon them by federal and state laws, regulations and policies. • Monitor usage of the funds awarded to the sub-grantee (OCD/DRU). • Monitor performance of the contract.
OCD/DRU	<ul style="list-style-type: none"> • Ensure funds are used in accordance with applicable federal and state laws, regulations, and policies. • Agree to meet all program and administrative requirements as dictated by applicable state and federal laws, regulations, and policies and by any other requirements deemed necessary by the grantee. • Assure that all work is done within scope, time, and budget.
<p>*This is not a complete list of all responsibilities assigned in the cooperative endeavor agreement. Source: Prepared by legislative auditor's staff using the GOHSEP-OCD/DRU Cooperative Endeavor Agreement.</p>	

AGREED-UPON PROCEDURES ENGAGEMENT OF GOHSEP'S HM PROGRAMS

Reimbursement request review process. 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 the requests. 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 GOHSEP's finance section. The finance section performs its functions and then submits the expense review forms and all supporting documentation to the Legislative Auditor for review under our agreed-upon procedures engagement.

We analyze 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.

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.

APPENDIX F: INITIATION, SCOPE, AND METHODOLOGY**Performance Audit of OCD/DRU'S HMGP**

We conducted this performance audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We conducted this audit in response to a legislative request. Our audit focused on whether OCD/DRU has effectively managed its HMGP and whether GOHSEP effectively monitored OCD/DRU's HMGP. Our audit covered the time period from September 2005 through January 2011.

We experienced delays of one to two months in obtaining necessary information from OCD/DRU. We discussed these delays with OCD/DRU senior management at the conclusion of our fieldwork. OCD/DRU officials provided an explanation for these delays by informing us that all audit requests made at the beginning of our audit were required to be routed through the former Executive Director for approval. In addition, these officials stated that they thought program staff were providing us with requested information. Although program staff provided us with requested information as practicable, we were directed to executive management to obtain some of the information we requested. We encountered delays as a result of these referrals. Although we did obtain all requested information by the end of this audit, we were unable to publish a report as quickly as originally anticipated as a result of these delays.

To answer our objectives, we reviewed internal controls relevant to the audit objectives and performed the following audit steps for each objective:

- Identified FEMA's February 2008 guidance regarding HMGP elevation requirements
- Interviewed FEMA, GOHSEP, and OCD/DRU officials, and interviewed legislative staff representing affected homeowners
- Reviewed 18 homeowner files (identified as "V9 homeowners") to determine the nature of the elevation guidance provided by OCD/DRU

- Reviewed OCD/DRU's solution to address the incorrect elevation guidance provided to homeowners
- Reviewed correspondence and other documents to determine the history of elevation guidance provided to homeowners
- Reviewed Shaw Environmental & Infrastructure, Inc., invoices for supplemental staffing services submitted to OCD/DRU
- Obtained ATS data from OCD/DRU
- Analyzed ATS data to determine its reliability and identify bottlenecks in the process
- Interviewed OCD/DRU staff to discuss the data and obtain their feedback on our methodologies