

An Agreed-Upon Procedures Report on the
**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
PUBLIC ASSISTANCE PROGRAM CLOSEOUT
JANUARY 2011 - JUNE 2011**
Issued December 21, 2011



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EXECUTIVE SUMMARY

We performed agreed-upon procedures to assist the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management in fulfilling its responsibility for programmatic closure under the Public Assistance (PA) program. For the period January 1, 2011, through June 30, 2011, we analyzed obligated funds totaling \$91,450,542. The results of our analysis are as follows:

Final Inspection Report Review. During the period, we reviewed 557 final inspection reports prepared by GOHSEP close-out specialists on 482 large¹ project packages² with obligated funds of \$75,139,134 and 75 small³ project packages containing 340 small projects with obligated funds of \$3,133,135. Of the \$78,272,269 in total obligated funds we reviewed, we noted that the packages contained insufficient documentation resulting in questioned costs of \$20,663,166 as well as cost underruns⁴ totaling \$19,808 and overruns⁵ totaling \$6,978.

We also re-reviewed final inspection reports prepared by GOHSEP close-out specialists on 11 large and nine small project packages that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. Our subsequent reviews noted that GOHSEP provided sufficient documentation to support \$286,802 in previously noted questioned costs. The subsequent reviews also noted additional questioned costs totaling \$77,146 and additional cost overruns of \$25.

Detailed Documentation Review. During the period, we conducted detailed documentation reviews in preparation of programmatic closure on 47 large project packages with obligated funds of \$7,207,401 and 23 small project packages containing 508 small projects with obligated funds of \$5,970,872. Of the \$13,178,273 in total obligated funds we reviewed, we noted that the sub-grantees did not provide sufficient documentation resulting in questioned costs of \$3,722,913 as well as cost underruns totaling \$1,083,786 and overruns totaling \$102,661.

GOHSEP management returned four large project packages for additional analysis. We analyzed each of those files in greater detail and noted additional cost underruns of \$5,216.

¹ A large project is valued greater than \$55,500 for hurricanes Katrina and Rita or \$60,900 for hurricanes Gustav and Ike.

² A package is an individual large project or all of a sub-grantee's small projects grouped together by disaster.

³ A small project is valued less than \$55,500 for hurricanes Katrina and Rita or \$60,900 for hurricanes Gustav and Ike.

⁴ A cost overrun occurs when FEMA's estimated obligations were greater than the actual costs to perform the scope of work.

⁵ A cost overrun occurs when FEMA's estimated obligations were less than the actual costs to perform the scope of work.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 16, 2011

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

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

We performed the procedures described on the following pages for the period January 1, 2011, through June 30, 2011, which were requested and agreed to by Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) management, solely to assist you in fulfilling your responsibility for programmatic closure. GOHSEP management is responsible for the day-to-day operations of the Public Assistance (PA) program including programmatic closure.

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.

Programmatic Closure

The PA program is considered programmatically closed when FEMA ensures that all grants awarded under the PA program for a given disaster meet the statutory and regulatory requirements governing the program. To achieve programmatic closure, FEMA ensures that all funds have been obligated and all work complies with the eligibility requirements of the program.

Normally, the state conducts its close-out procedures after a sub-grantee has completed all of its FEMA-funded recovery activities for all of that sub-grantee's projects. However, GOHSEP has implemented a process to close projects on an individual basis.

Final Inspection Report Review - Small Projects

Procedure: For each small project close-out package provided by GOHSEP, we confirmed that the close-out package contained a certification that the eligible scope of work was completed and that any exceptions that were identified were documented and supported by photographs, invoices, receipts, or other documentation as may be appropriate as evidence the work performed was not part of the eligible scope.

Finding: As a result of our procedure, we analyzed 75 small project packages prepared by GOHSEP close-out specialists. These packages consisted of 340 small projects with obligated funds totaling \$3,133,135. We noted that the packages contained insufficient evidence that the scope of work was completed and errors in the project worksheets and/or supporting documentation, resulting in questioned costs totaling \$188,711.

We also conducted subsequent analyses on nine small project packages that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. Our subsequent analyses noted that GOHSEP provided sufficient documentation to support \$19,229 in previously noted questioned costs.

Final Inspection Report Review - Large Projects

Procedure: For each large project close-out package provided by GOHSEP, we confirmed that the close-out package contained a certification that the eligible scope of work was completed and that any exceptions that were identified were documented and supported by photographs, invoices, receipts, or other documentation as may be appropriate as evidence the work performed was not part of the eligible scope.

Finding: As a result of our procedure, we analyzed 482 large project packages prepared by GOHSEP close-out specialists with obligated funds totaling \$75,139,134 and noted questioned costs totaling \$20,474,455 as follows:

Initial Analysis		
Finding Type	Number of Large Projects	Questioned Costs
Lack of Support	62	\$20,214,292
Errors	62	160,579
Procurement Not Documented	2	96,028
Ineligible Expenses	4	3,556
Total		\$20,474,455

GOHSEP is continuing to seek documentation to resolve these costs.

Our analyses also noted that FEMA’s estimated obligations were \$19,808 greater than the actual costs to perform the scope of work (cost underrun) for two large projects and that FEMA’s estimated obligations were \$6,978 less than the actual costs to perform the scope of work (cost overrun) for four large projects. There are no questioned costs associated with these differences in estimates. FEMA generally writes versions to the project worksheets to adjust the estimates to actual project costs.

In addition, we conducted subsequent analyses on 11 large projects that had been returned to the GOHSEP close-out specialists because of documentation deficiencies. Our subsequent analyses noted that GOHSEP provided sufficient documentation to support \$267,573 in previously noted questioned costs. Our subsequent analyses also noted additional questioned costs totaling \$77,146 as follows:

Subsequent Analysis		
Finding Type	Number of Large Projects	Additional Questioned Costs
Lack of Support	5	\$76,431
Errors	6	715
Total		\$77,146

In addition, through our subsequent analyses, we identified additional cost overruns of \$25. There are no questioned costs associated with this overrun.

Detailed Documentation Review - Small Projects

Procedure: For each sub-grantee whose small projects were assigned to the Louisiana Legislative Auditor, we selected a sample of the projects based on GOHSEP’s risk model and confirmed through visual inspection and review of invoices, receipts, contracts, or other documentation as may be necessary that the eligible scope of work was completed.

Finding: As a result of our procedure, we analyzed 23 small project packages containing 508 small projects with obligated funds totaling \$5,970,872. We noted that the sub-grantees did not provide sufficient evidence that the scope of work was completed, resulting in questioned costs totaling \$76,339.

Detailed Documentation Review - Large Projects

Overall Results. We analyzed 47 large projects with obligated funds totaling \$7,207,401 and noted that the sub-grantees did not fully support all expenses claimed, resulting in questioned costs totaling \$3,646,574 as follows:

Expense Type	Number of Detailed Reviews*	Questioned Costs
Force Account Labor	10	\$21,229
Force Account Equipment	7	48,199
Materials	7	2,065
Contract Work	29	3,575,081
Total		\$3,646,574
* A large project may contain multiple expense types; therefore, there are more detailed reviews than projects.		

Our analyses also noted that FEMA's estimated obligations were \$1,083,786 greater than the actual costs to perform the scope of work (cost underrun) and that FEMA's estimated obligations were \$102,661 less than the actual costs to perform the scope of work (cost overrun) for four large projects. There are no questioned costs associated with these differences in estimates. FEMA generally writes versions to the project worksheets to adjust the estimates to actual project costs.

In addition, GOHSEP management returned four large project packages for additional analysis. We analyzed each of those files in greater detail and noted additional cost underruns of \$5,216.

Detailed Results. For each large project, we selected a sample of completed work from each expense category and conducted the following procedures:

Procedure: When the work undertaken was accomplished through the use of the sub-grantees' employees (force account labor), we confirmed through visual inspection and reviewing payroll documents, overtime policies, fringe benefit rate calculations, and other documentation that the costs incurred were supported.

Finding: As a result of our procedure, we analyzed 10 large projects that contained force account labor and noted \$21,229 in questioned costs. Two projects contained errors totaling \$10,062 in the project worksheet and/or supporting documentation; two projects contained ineligible expenses totaling \$9,736; and three projects contained insufficient documentation to support expenses totaling \$1,431. Our analyses also noted cost underruns totaling \$1,131 in two projects and cost overruns totaling \$10,935 in one project. There are no questioned costs associated with these underruns and overruns.

Procedure: When the work undertaken was accomplished through the use of the sub-grantees' equipment (force account equipment), we confirmed through visual inspection and reviewing payroll documents, equipment usage logs, equipment inventories, and other documentation that the costs incurred were supported.

Finding: As a result of our procedure, we analyzed seven large projects that contained force account equipment and noted questioned costs totaling \$48,199. Three projects contained errors totaling \$31 in the project worksheet and/or supporting documentation and one project contained insufficient documentation to support expenses totaling \$48,168. Our analyses also noted cost underruns totaling \$1,958 in three projects. There are no questioned costs associated with these underruns.

Procedure: When the sub-grantees purchased or used materials from inventory to accomplish the work, we confirmed through visual inspection and reviewing invoices, receipts, contracts, and other documentation that the costs incurred were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding: As a result of our procedure, we analyzed seven large projects that contained materials and noted questioned costs totaling \$2,065. Four projects contained errors totaling \$104 in the project worksheet and/or supporting documentation; two projects contained ineligible expenses totaling \$790; and one project contained insufficient documentation to support expenses totaling \$1,171. Our analysis also noted cost underruns totaling \$23,063 in one project. There are no questioned costs associated with these underruns.

Procedure: When the work undertaken was accomplished through the use of rented equipment, we confirmed through visual inspection and reviewing invoices, receipts, contracts, and other documentation that the costs incurred were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding: As a result of our procedure, we analyzed one large project that contained rented equipment and did not note any questioned costs.

Procedure: When the work undertaken was accomplished through the use of contractors, we confirmed through visual inspection and reviewing invoices, receipts, contracts, lease agreements, and other documentation that the costs incurred to complete the eligible scope of work were supported and that the appropriate procurement standards, as defined in 44 CFR 13.36, were followed.

Finding:

As a result of our procedure, we analyzed 29 large projects that contained contract work and noted questioned costs totaling \$3,575,081. Twelve projects contained errors totaling \$284,832 in the project worksheet and/or supporting documentation; one project contained ineligible expenses totaling \$689; four projects contained insufficient documentation to support expenses totaling \$892,219; and nine projects contained insufficient evidence that proper procurement procedures were followed to support expenses totaling \$2,397,341. Our analyses also noted cost underruns totaling \$1,057,634 in four projects and cost overruns totaling \$91,726 in four projects. There are no questioned costs associated with these underruns and overruns.

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

BACKGROUND

Public Assistance (PA) Overview. Under the PA program, FEMA provides supplemental aid to states, communities, and certain private non-profit (PNP) entities for debris removal, emergency protective measures, permanent restoration of infrastructure, and hazard mitigation measures. For hurricanes Katrina and Rita, the federal share of these expenses is 100% of eligible costs; for hurricanes Gustav and Ike, the federal share is 75%.

FEMA manages the PA program, approves grants, and provides technical assistance to the state and local officials. The state, in most cases, acts as the grantee for the program. The state educates potential sub-grantees, works with FEMA to manage the program, implements the program, and monitors the grants awarded under the program. Local officials, as sub-grantees, are responsible for identifying damages, providing sufficient data for FEMA to develop an accurate scope and cost estimate for doing the work and approving grants, and managing the projects funded under the PA program.

Close-out Review Process. Sub-grantees request closure of their projects. Large projects are closed individually; small projects are closed as a group. GOHSEP's close-out specialists review the expenses the sub-grantee has submitted over the life of the project(s) to determine if all expenses are supported or additional expenses need to be submitted and gather any additional documentation deemed necessary.

The close-out specialists document their review results on final inspection reports and submit the reports and all supporting documentation to the Louisiana Legislative Auditor's (LLA) close-out team. LLA's close-out team analyzes the final inspection reports and supporting documentation to identify any questioned costs or other costs the sub-grantees did not claim. Questioned costs and unclaimed costs which may be reimbursed are reported to GOHSEP management. The final inspection reports and supporting documentation are returned to the close-out specialists to allow GOHSEP the opportunity to identify additional funding available to the sub-grantees or to correct deficiencies. For deficiencies that cannot be corrected, we recommend that GOHSEP consider having the funds de-obligated.

In some situations, GOHSEP assigns detailed documentation reviews to LLA's close-out team. The results of these reviews and the supporting documentation are regularly presented to GOHSEP management through findings of review. GOHSEP management reviews the information and either completes a final inspection report or returns the finding of review to LLA's close-out team to address deficiencies or request additional supporting documentation. Any final inspection report created as a result of this work is not reviewed by the LLA document review team.

APPENDIX A

Management's Response



BOBBY JINDAL
GOVERNOR

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

PAT SANTOS
INTERIM DIRECTOR

December 02, 2011

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

RE: Draft Public Assistance Division Biannual Report
Public Assistance Program Closeout – January 2011 through June 2011

Dear Mr. Purpera:

We have received the draft report compiled by the Legislative Auditor's Recovery Assistance Division Closeout Engagement reviewing the State's Public Assistance Closeout (PA) program for Hurricanes Katrina, Rita, Gustav and Ike for the first half of 2011 (January 1, 2011 through June 30, 2011). We concur with the findings as identified in the report and note the continued improvement in the process.

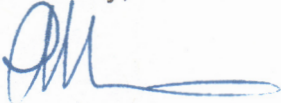
As a matter of practice, we use the reports as a training tool for our grants management closeout process to continue the improvements in the process and to identify trends that need correction. Additionally, we have initiated bi-weekly meetings with the LLA Closeout Team Management and the State's Public Assistance Closeout Team Management to discuss problems and issues on a current basis. Specifically, as related to documentation that is missing GOHSEP is doing a better job in informing applicants on what is needed for closeout. GOHSEP is also asking the State Applicant Liaisons to perform Pre-Closeout on every future closeout request.

Closeout packages that contain procurement deficiencies have been an issue. To keep this from occurring in the future GOHSEP has created a more stringent review process for its closeout packets in order to identify issues before submittal to the Legislative Auditor's Recovery Assistance Division. GOHSEP currently developing an applicant outreach program to specifically deal with proper procurement.

Daryl Purpera
December 2, 2011
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Your reports continue to assist us in the improvement of our processes and
Continues to provide outstanding advice and counsel. Their continued analysis of our
public-assistance procedures will assist us in achieving our 100%-accuracy goal.

Sincerely,

A handwritten signature in blue ink, appearing to read 'MD', with a long horizontal flourish extending to the right.

Mark DeBosier
Deputy Director - Disaster Recovery

MD:ne
cc: Pat Santos, Interim Director