

A Compliance Audit Report on
RED RIVER PARISH
Issued April 30, 2014



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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 30, 2014

KEVIN DAVIS, DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
Baton Rouge, Louisiana

Pursuant to your request and our agreement, we performed a compliance audit of certain transactions of Red River Parish. Our audit was conducted to determine the propriety of certain financial transactions submitted to the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) in support of reimbursement requests under the Federal Emergency Management Agency (FEMA) Public Assistance (PA) program.

Our audit consisted primarily of inquiries and the examination of selected financial transactions, records, and other documentation. The scope of our audit was significantly less than an examination conducted in accordance with *Government Auditing Standards*.

The accompanying report presents our findings and recommendations, as well as management's responses. This report is intended primarily for the information and use of GOHSEP management and the Louisiana Legislature. This is a public report and copies have been delivered to the appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

RED RIVER 2014

EXECUTIVE SUMMARY

After anomalies in the documentation submitted by Red River Parish were brought to our attention, management for GOHSEP asked us to conduct an in-depth analysis of Red River Parish's documentation. The documentation Red River Parish submitted was support for emergency work and evacuee sheltering undertaken by the Parish as a result of hurricanes Katrina, Rita, and Gustav.

Through our analysis, we determined that:

- The Parish used \$58,891 of FEMA funds related to Hurricane Katrina to pay expenses that are not eligible under the PA program and cannot provide support for an additional \$21,915.
- The Parish received \$14,515 of FEMA funds related to Hurricane Gustav that were used to pay for volunteers or have yet to be spent.

FINDINGS AND RECOMMENDATIONS

FEMA provided funding to the Parish through six project worksheets, and GOHSEP provided reimbursements as shown in the following table:

Disaster	Project Work-Sheet	Scope of Work	Project Work-Sheet Value	Admin. Cost ¹	Paid to Red River
Katrina	73	Shelter Operations	\$145,610	\$3,412	\$149,022
Rita	738	Debris Removal from Parish Roads	14,297	429	14,726
Gustav	870	Security and Transportation	3,905	0	3,905
Gustav	885	Emergency Protective Measures	7,711	0	7,711
Gustav	1301	Shelter Operations	11,368	0	11,368
Gustav	1304	Shelter Operations	3,147	0	3,147
Total			\$186,038	\$3,841	\$189,879

Through the FEMA PA grant program, grantees and sub-grantees are reimbursed for eligible disaster-related expenses. GOHSEP, the grantee, requires all sub-grantees to submit supporting documentation for costs related to large projects.² However, at the direction of FEMA, GOHSEP advanced funds to several sub-grantees to expedite the recovery process immediately following Hurricane Katrina. The Parish received advanced funding to expedite recovery processes for project worksheet number 73 listed above. All other projects listed in the table above are small projects,³ which GOHSEP reimburses as soon as practicable after FEMA provides funding. For small projects, grantees and sub-grantees do not have to provide

¹ FEMA provides funding for administrative costs based on a sliding scale of total project costs from all Hurricane Katrina and Hurricane Rita project worksheets for a sub-grantee and does not require documentation to support them.

² Payment methods for FEMA PA program grants are determined by the total cost of a project. Each year, FEMA determines and publishes a cost threshold. Projects with costs greater than the threshold are defined as large projects and projects with costs less than the threshold are defined as small projects. The large project threshold for Hurricane Katrina and Hurricane Gustav are \$55,500 and \$60,900, respectively. For large projects, GOHSEP makes payments to the sub-grantee after costs are incurred and reimbursement requests with supporting documentation are received. For small projects, GOHSEP makes a payment, in full, as soon as possible after FEMA approves the project and provides funding for it.

³ 44 CFR 206.203 and 206.205 provide, in part, that for small projects the grantee will provide funds to the sub-grantee as soon as practicable after FEMA obligates them. For Hurricane Rita, small projects were defined as those with costs of \$55,500 or less. For Hurricane Gustav, small projects were defined as those with costs of \$60,800 or less.

documentation to support completed work but must certify at project close-out that the work is complete.

Hurricane Katrina Funds

The Parish used \$58,891 of FEMA funds to pay expenses that are not eligible under the PA program and cannot provide support for an additional \$21,915.

Red River Parish received advanced funds for project worksheet 73 totaling \$145,610. Subsequently, the Parish submitted documentation to GOHSEP to support the use of those funds. Of the \$145,610 received, the Parish provided supporting documentation (contracts, invoices, and canceled checks) for \$64,804. The remaining \$80,806 is either unsupported or ineligible and is discussed in more detail below.

For the past 25 years, Mr. Russell Adams has served as part-time director of the Red River Parish Office of Homeland Security and Emergency Preparedness (OHSEP). The Parish OHSEP is funded through various federal grants that flow through GOHSEP. GOHSEP records indicate the Parish did not receive any grant funding other than PA funds for the period January 2005 through June 2008. Parish records indicate that Mr. Adams was not paid as director during that period. Although Mr. Adams was not paid, he actively served as the director of the Parish OHSEP and was responsible for the Parish OHSEP operations.

Shortly after Hurricane Katrina, Mr. Adams initiated emergency protective measures by opening and operating the Parish shelter to aid evacuees. The Parish shelter was open from August 28, 2005 through October 30, 2005. Within days of opening the Parish shelter, Mr. Adams also:

- (1) opened the Red River Relief bank account to deposit donations for evacuees (first deposits made September 1, 2005);
- (2) entered into a contract with the Parish to have Red River Relief provide shelter services (contract dated August 29, 2005); and
- (3) created an entity titled Red River Relief (applied for IRS Employer Tax ID number on September 14, 2005).

Mr. Adams did not resign from his position as the Parish OHSEP director prior to contracting with the Parish on behalf of Red River Relief.

After the shelter closed, Mr. Adams, acting on behalf of Red River Relief, submitted the following four Red River Relief invoices totaling \$43,208 to the Parish.

- Invoice dated October 31, 2005 for labor in the amount of \$9,765
- Invoice dated October 31, 2005 for labor in the amount of \$31,015
- Invoice dated October 31, 2005 for mileage in the amount of \$1,214

- Another invoice dated October 31, 2005 for mileage in the amount of \$1,214

Ineligible Expenses

The Parish paid the labor invoices listed above. The \$40,780 from the labor invoices was then deposited into the Red River Relief bank account. Subsequently, Red River Relief issued checks to Mr. Adams and the 18 shelter volunteers.

FEMA considers volunteers to be donated resources and their services not eligible for reimbursement.⁴ We spoke with 16⁵ volunteers who all stated that they volunteered to work at the Parish shelter and had no expectation of being paid for their services. Therefore, the \$33,565 the Parish paid Red River Relief for volunteer labor and the related administrative costs should be returned to GOHSEP.

We also spoke with Mr. Adams. He stated that operating the Parish shelter is part of his job as the Parish OHSEP Director. Mr. Adams also stated that Hurricane Katrina was his first incident and he now realizes that he should have gotten guidance.

Even though Mr. Adams did not receive compensation from the Parish, his involvement with the shelter was in the capacity as Parish OHSEP director and any payment for his services should have been through the Parish. FEMA regulations only allow reimbursement for overtime hours for this type of work. Therefore, the \$7,215 the Parish paid Red River Relief for Mr. Adams' services and the related administrative costs should be returned to GOHSEP.

The Parish included an additional \$18,111 in its supporting documentation of the advanced funds for items that are not eligible for reimbursement. The vast majority (\$18,000) of the support was from an invoice created by Mr. Jessie Davis, then Parish President and Parish Manager. Mr. Davis is currently a Police Juror and is still the Parish Manager. That invoice contains costs for renting two Parish-owned buildings for food and supply storage and the installation and use of electrical hook-ups for mobile homes at the Parish fairgrounds. According to Mr. Davis, the fairgrounds were not in use at the time of Hurricane Katrina.

FEMA regulations⁶ state that a facility must have been in active use at the time of the disaster to be eligible for PA funding with some exceptions. The exceptions occur when:

- (1) the facility is only temporarily inoperative for repairs or remodeling;
- (2) the facility is temporarily unoccupied between tenants;
- (3) future use by the sub-grantee is firmly established in an approved budget; or

⁴ FEMA 321/October 2001 p33 Donated Resources, which include volunteer labor, donated equipment and donated materials, are eligible to offset the State and local portions of the cost share for emergency work (Categories A and B). Hurricane Katrina was a 100% federally funded disaster so there was no State or local cost share.

⁵ One volunteer is deceased and we could not locate the other.

⁶ FEMA 322, October 1999 pp 20-21: A facility must be in active use at the time of the disaster. Inactive facilities are typically not eligible.

- (4) the sub-grantee can clearly demonstrate that there is intent to begin use within a reasonable amount of time.

Since the buildings were vacant at the time of the disaster and none of the exceptions apply, the only eligible costs incurred by the Parish were increased electricity costs. Those costs total \$151 and have already been included with the Parish's support for their advance. The Parish also included \$6,625 in costs for the installation of the electrical hook-ups in its advance support. Since the building rentals are not eligible for reimbursement and the hook-up and electricity costs are duplicative, the Parish should return \$18,000 to GOHSEP. The remaining \$111 was for ineligible items and should also be returned to GOHSEP.

Lack of Supporting Documentation

Though it has been eight years since GOHSEP advanced \$145,610 in PA funds to the Parish, the Parish has not provided adequate documentation to support \$21,915. Of that amount, the Parish did not submit invoices or canceled checks for \$2,162. In addition, the Parish submitted duplicate invoices for electrical service, telephone services, and material purchases totaling \$495. Finally, the Parish provided invoices to support the remaining \$19,258 but cannot provide canceled checks indicating the invoices were paid.

Of the \$19,258, \$14,202 is from the following invoices that are related to a Parish contract with Red River Housing.

- Invoice dated December 30, 2005 for shelter related services in the amount of \$9,891
- Invoice dated February 1, 2006 for housing deposits in the amount of \$4,311

Red River Housing is the name of Red River Parish's Department of Housing and Urban Development Program. The program is administered by Mr. Davis.

In Mr. Davis' capacity as Parish President, he created and executed a contract between the Parish and Red River Housing. Mr. Davis also created the two invoices mentioned above. According to Mr. Davis, the invoices were for the additional hours he worked as Parish Manager during Hurricane Katrina. Mr. Davis stated that he executed the contract and created the invoices because the Parish was incurring an expense because of his additional hours and he wanted the Parish to get the funds it was entitled to. As of December 2013, the Parish had not paid Red River Housing or Mr. Davis. When asked, Mr. Davis stated that he is not concerned about being paid because he frequently does extra work for the Parish for which he is not compensated.

Since FEMA regulations allow reimbursement for overtime hours, it is unclear why Mr. Davis created and executed a questionable contract. It is equally unclear why Mr. Davis created Red River Housing invoices for his Parish overtime and then submitted them as support for the PA funds the Parish already received. Therefore the Parish should either:

- (1) submit Parish records that support the overtime hours that Mr. Davis actually worked, or
- (2) return \$14,202 of PA funding and the related administrative costs to GOHSEP.

Also included in the \$19,258 are the two mileage invoices mentioned previously. The invoices are for mileage for Mr. Adams and a volunteer and total \$2,428. Red River Relief did not provide any mileage detail to support the invoice so it is unclear if the mileage is related to the sheltering operations. According to Parish and bank records, this amount has not been paid to Red River Relief, Mr. Adams, or the volunteer. The remaining \$2,628 of the \$19,258 consists of several vendor invoices. The Parish cannot provide support that the invoices have been paid because the Parish misplaced its manual payable records for November and December 2005. Therefore, the Parish should return \$5,056 and related administrative costs to GOHSEP.

Hurricane Gustav Funds

The Parish received \$14,515 of FEMA funds that were used to pay for volunteers or have yet to be spent.

In 2008, after Hurricane Gustav, Mr. Adams and Mr. Davis once again created questionable contracts⁷ and invoiced the Parish as Red River Relief and Red River Housing. Those contracts and invoices were provided to FEMA as support to generate two small project worksheets⁸ (1301 and 1304). Both project worksheets were for shelter operations with a combined total of \$14,515.

The entire amount the Parish received for project worksheet 1301 (\$11,368) was paid to Red River Relief. Of that amount, \$4,903 was paid to 11 volunteers and \$1,758 to Mr. Adams. According to the January 2014 bank statement, the remaining \$4,707 was still in the Red River Relief account. We spoke with eight⁹ of the 11 volunteers and all stated that they had no expectation of being paid for their services since they were volunteering. Mr. Adams stated that he knew the individuals listed were volunteers when he created the time sheets to submit to GOHSEP. Mr. Adams also included his time with the documentation Red River Relief submitted to the Parish even though he was the part-time OHSEP Director during Hurricane Gustav. During this time, he was also receiving a monthly salary through other federal grants.

In his capacity as the parish administrator, Mr. Davis created and entered into another contract with Red River Housing. Mr. Davis provided that contract and his time sheets to FEMA. FEMA then created project worksheet 1304 which totaled \$3,147. Even though

⁷ LA R.S. 42:1112 A. No public servant, except as provided in R.S. 42:1120 shall participate in a transaction in which he has a personal substantial economic interest of which he may be reasonably expected to know involving the governmental entity.

⁸ 44 CFR 206.203 and 206.205 provide, in part, that small projects are based on estimates and that the grantee will provide funds to the sub-grantee as soon as practicable after FEMA obligates the funds. For Hurricane Rita, small projects were defined as those with costs of \$55,500 and under. For Hurricane Gustav, small projects were defined as those with costs of \$60,800 and under.

⁹ One of the 11 volunteers is deceased and we were unable to locate two others.

Mr. Davis created documentation to support payment, the PA funds the Parish received for project worksheet 1304 were not paid to Red River Housing or Mr. Davis. Those funds remain in the Parish's General Fund. According to Mr. Davis and his time sheet, the \$3,147 represents the overtime hours he worked as a result of Hurricane Gustav.

Mr. Davis' and Mr. Adams' contracting and invoicing practices after Hurricane Gustav were like the actions taken after Hurricane Katrina. Therefore, for the reasons mentioned previously, the Parish should return the \$14,515 related to Hurricane Gustav small projects to GOHSEP.

Recommendations

When GOHSEP management received notice of possible improprieties in the Parish's reimbursements, they asked the Louisiana Legislative Auditor to conduct a detailed review of the Parish's project worksheets and supporting documentation.

We recommend that GOHSEP management:

- (1) recover the \$80,806 and related administrative costs paid to Red River Parish for expenses purportedly related to Hurricane Katrina sheltering operations;
- (2) recover the \$14,515 paid to Red River Parish for expenses purportedly related to Hurricane Gustav sheltering operations; and
- (3) provide additional PA program training to Red River Parish employees.

BACKGROUND

The federal government makes disaster relief funding available to state, local, and Indian tribal governments under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act). The Stafford Act authorizes the PA program which is administered by FEMA. The rules and regulations governing the PA program are codified in Title 44 of the CFR.

Under the PA program, GOHSEP is the grantee for the State of Louisiana. All program funding flows through GOHSEP to eligible sub-grantees. PA program guidelines define eligible sub-grantees as state agencies, local governmental entities, qualifying nonprofit entities, and Indian Tribes.

Red River Parish government operations are located at 615 East Carroll Street in Coushatta, Louisiana. Red River is governed by a police jury and administered on a daily basis by Mr. Jessie Davis, current parish administrator.

FEMA determined that Red River was eligible for PA funding because it was a governmental entity that provided services and sustained damage as a result of hurricanes Katrina, Rita, and Gustav.

Appendix A

Management's Responses



BOBBY JINDAL
GOVERNOR

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

KEVIN DAVIS
DIRECTOR

April 17, 2014

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

Re: Red River Parish
Public Assistance Grants
Hurricanes Karina, Rita and Gustav

Dear Mr. Purpera,

Pursuant to your April 2014 report on Red River Parish, GOHSEP will pursue recovery of \$80,806 for reimbursements made to PW 73 (Hurricane Katrina) resulting from a determination of ineligible work and for unsupported payments; and, \$14,515 for reimbursements made to PWs 1301 and 1304 (Hurricane Gustav) for reimbursement made for ineligible work.

GOHSEP will also reach out to Parish officials to offer additional program training to better ensure proper management of any future Public Assistance grants.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark DeBosier", with a large, sweeping flourish extending to the right.

Mark DeBosier
Assistant Deputy Director
Public Assistance

cc: Mark Riley
Lynne Browning

P.O. Box 709
Coushatta, La 71019
April 23, 2014

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, La 94397

Dear Mr. Purpera,

After review of the report your team has compiled concerning reimbursement of funds for the following project worksheets: 73, 738, 870, 885, 1301, and 1304. I, Shawn Beard, President of the Red River Police Jury, and my fellow juryman, would like to cooperate one hundred percent in this matter. We will return any funds, not eligible for reimbursement, to GOHSEP immediately upon request.

We would also like to make you aware that Mr. Russell Adams is no longer the OEP Director of Red River Parish.

Furthermore, we will be consulting our attorney and will address any and all ethic violations found within this report.

Sincerely,

A handwritten signature in black ink that reads "Shawn Beard". The signature is written in a cursive style with a large initial "S" and a long, sweeping underline.

Shawn Beard, President Red River Parish Police Jury

Louisiana Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Red River Parish Compliance Audit

To Whom it may concern,

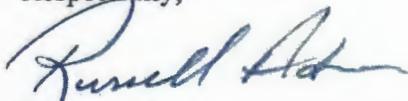
I would like to take this opportunity to let it be known that when I as OEP director for red River Parish opened an evacuation shelter for hurricanes KATRINA and GUSTAV that no one, myself included had intentions of being compensated for our time or services. The funds that were given to the Parish to be used for the sheltering process did not even come to light until after talking with the many FEMA representatives that came to the Parish and met with the Parish Manager / President and myself. The FEMA representatives are the ones that advised us what would be eligible expenses for these events.

I would also like to say that in the years before KATRINA, RITA, GUSTAV, and IKE I was basically working off of my own dime as there was no funding at the local level for this office or position that is mandated by law. I attended as many training seminars, workshops and on line training courses as I could over the years to gain more knowledge in the field of Emergency Management so that we could hopefully be prepared for and handle just such events.

In response to funds being paid to volunteer shelter workers and myself, as you know that when something like this happens no matter where it is, you get volunteer's coming out of the woodwork, most with good intentions but as the event drags on you get down to a true core of people that go above and beyond, and without the group who did receive payment afterwards we would have not had a successful shelter for some of our citizens to stay in.

In closing I can assure you that all acts that I done in this matter, 1) setting up the Red River Relief bank account, 2) signing an intergovernmental agreement between Red River Relief and the Red River Parish Police Jury for shelter purposes and, 3) creating the Red River Relief entity with the IRS, all were done in good faith upon advice from the several FEMA representatives and that everything would be an approved expense.

Respectfully,



Russell Adams



RE: Red River Parish Report
Jessie Davis to: ltucker@lla.la.gov

04/23/2014 01:58 PM

I will not be responding to the audit report for Red River Parish.

Thanks

Jessie Davis