

An Agreed-Upon Procedures Report on the
**GOVERNOR'S OFFICE OF HOMELAND SECURITY
AND EMERGENCY PREPAREDNESS
HAZARD MITIGATION PROGRAM**
JANUARY - JUNE 2017
October 4, 2017



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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 31, 2017

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

**MR. JAMES WASKOM, DIRECTOR
GOVERNOR'S OFFICE OF HOMELAND
SECURITY AND EMERGENCY PREPAREDNESS**
Baton Rouge, Louisiana

We performed the procedures enumerated below, which were agreed to by management of the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), solely to assist GOHSEP in evaluating the completeness and accuracy of documentation submitted by sub-grantees under the Hazard Mitigation (HM) program during the period January 1, 2017, through June 30, 2017. GOHSEP management is responsible for the completeness and accuracy of documentation submitted by sub-grantees of the HM program.

This agreed-upon procedures engagement was conducted in accordance with the applicable 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 of America. The sufficiency of these procedures is solely the responsibility of GOHSEP management. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

OVERALL RESULTS

For the period January 1, 2017, through June 30, 2017, we evaluated the completeness and accuracy of 801 reimbursement requests submitted by GOHSEP's disaster recovery specialists totaling \$79,844,334. As a result of our analyses, we noted exceptions totaling \$11,463,443 (14.36%) in 185 reimbursement requests. The following table presents the overall results of our analyses.

Exceptions				
Finding Type	Number of Occurrences	Exception Amount*	Percent of Total Exceptions (\$11,463,443)	Amount Resolved**
Out of Scope	35	\$577,713	5.04%	\$163,719
Lack of Support	59	6,040,435	52.69	5,714,262
Procurement Not Documented	84	4,797,120	41.85	237,550
Ineligible Costs	7	48,175	0.42	5,000
Errors	0	0	0.00	0
Total	185	\$11,463,443	100%	\$6,120,531

* Does not include exceptions noted in prior periods.

** Includes exception amounts noted in prior periods but resolved in the current period.

The following procedures and findings provide additional detail about the exceptions and resolved amounts based on five finding types: *Out of Scope*, *Lack of Support*, *Procurement Not Documented*, *Ineligible Costs*, and *Errors*.

PROCEDURES AND FINDINGS

PROCEDURE: We confirmed that the work reflected in the reimbursement request is within the scope approved for the project and that the requested amount does not exceed the funding parameters.

FINDING: We identified 35 reimbursement requests where \$577,713 (5.04%) of work was not within the approved scope of the project.

Through our subsequent analysis of reimbursement requests from the current and prior reporting periods, we noted that the sub-grantees provided approved amended scopes of work to support \$163,719 of the exceptions noted for out of scope expenses.

PROCEDURE: We confirmed that the requested amount is supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, HUD settlement statements, appraisals, elevation certificates, duplication of benefits verifications, engineer plans, inspection photographs, or other applicable documentation.

FINDING: We identified 59 reimbursement requests where \$6,040,435 (52.69%) worth of expenses were not supported by sufficient documentation.

Through our subsequent analyses of reimbursement requests from the current and prior reporting periods, we noted that GOHSEP either reduced the requested amount or the sub-grantees provided sufficient documentation to support \$5,714,262 of the exceptions noted for lack of support.

PROCEDURE: We confirmed that contracts and purchases totaling more than \$10,000 per vendor per calendar year comply with applicable federal and state procurement requirements.

FINDING: We identified 84 reimbursement requests where we could not confirm if applicable procurement guidelines had been followed for purchases totaling \$4,797,120 (41.85%).

Through our subsequent analysis of reimbursement requests from the current and prior reporting periods, we noted that GOHSEP either reduced the requested amount or the sub-grantees provided additional documentation to support \$237,550 of the exceptions noted for unsupported procurement.

PROCEDURE: We confirmed that the work reflected in the reimbursement request complies with applicable FEMA regulations and guidance.

FINDING: As a result of this procedure, we identified seven reimbursement requests where we could not confirm if work totaling \$48,175 (0.42%) complied with FEMA regulations and guidance.

Through our subsequent analysis of reimbursement requests from the current and prior reporting periods, we noted that GOHSEP either reduced the requested amount or the sub-grantees provided additional documentation to support to resolve \$5,000 of the exceptions noted as ineligible.

PROCEDURE: We confirmed that the Request for Reimbursement is mathematically accurate.

FINDING: As a result of this procedure, we did not identify any reimbursement requests that contained errors.

PROCEDURE: We accumulated total exceptions and the amount resolved during our analysis of reimbursement requests.

FINDING: During the period of March 31, 2008, through June 30, 2017, we analyzed expense reimbursements totaling \$992,881,210. We noted exceptions totaling \$261,538,115 (26.34%). GOHSEP has worked with the sub-grantees to resolve \$140,950,866 (53.89%) of the exception amount.

TECHNICAL ASSISTANCE CONTRACTOR INVOICE REVIEW

During the period January 1, 2017, through June 30, 2017, GOHSEP had technical assistance contracts with GCR Inc. and CB&I to assist GOHSEP management with the administration of the HM program. We evaluated two contractor invoices totaling \$190,696 submitted to GOHSEP by the contractors.

PROCEDURE: We confirmed that the technical assistance contractor invoices were supported by contracts, subcontractor invoices, time records, and receipts.

FINDING: We did not note any exceptions.

We were not engaged to and did not conduct an examination, the objective of which would be to express an opinion on documentation submitted by sub-grantees to support reimbursement of expenses eligible for funding through the HM program or on GOHSEP's compliance with 2 CFR part 200 and 44 CFR parts 13 and 206. 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

DGP/aa

GOHSEP-HM JAN-JUNE 2017

BACKGROUND

The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) is the state agency responsible for responding to, and helping the state recover from, all natural and man-made emergencies and reducing the loss of life and property through an all-hazards emergency management program of prevention, mitigation, preparedness, response, and recovery. One of the programs GOSHEP uses to accomplish its mission is the Hazard Mitigation (HM) program. The HM program assists local governments with funding cost-effective actions that reduce the risk of property damage while simultaneously reducing reliance on federal disaster funds.

Hazard mitigation projects are intended to strengthen facilities and communities, making them less vulnerable to future disaster impacts. Examples of typical mitigation activities include:

- Elevating flood-prone structures – physically raising an existing structure above the base flood elevation;
- Acquiring flood-prone structures – purchasing structures and converting the land to green space in perpetuity;
- Localized drainage improvements – reducing localized flooding by increasing drainage capacity;
- Safe-room construction – providing immediate, nearby life-safety protection against either tornado or hurricane winds; and
- Wind retrofitting structures – hardening the envelope of a structure to protect against high winds. The envelope is the shell of the structure (including the doors, roof covering, windows, and walls) that maintains a dry, heated, or cooled indoor environment.

Sub-grantees submit reimbursement requests and supporting documentation to GOHSEP for payment through the HM program. Our engagement with GOHSEP requires the Louisiana Legislative Auditor's (LLA) document review team to confirm the completeness and accuracy of documentation submitted by GOHSEP contractors and sub-grantees.

GOHSEP's documentation review process begins when sub-grantees submit reimbursement requests and supporting documentation. The GOHSEP disaster recovery specialists review the requests and gather any additional documentation deemed necessary to fully support them. The disaster recovery specialists document the results of their reviews on requests for advance or reimbursement and then submit the forms and all supporting documentation to the team leads. After the team leads review the requests for advance or reimbursement and all supporting documentation, they submit them to the LLA document review team to be reviewed under our agreed-upon procedures engagement.

The LLA document review team analyzes the requests and supporting documentation to confirm the completeness and accuracy of documentation submitted by sub-grantees under the Hazard Mitigation program. Unsupported costs are considered exceptions and are reported.

The LLA document review team also documents exceptions in findings of review that are presented to GOHSEP management. When exceptions are noted, the requests and supporting documentation are returned to the GOHSEP disaster recovery specialists. GOHSEP management decides whether to correct the exceptions or fund the requests. If GOHSEP management decides to correct the exceptions, the disaster recovery specialists gather additional documentation to correct them. Then, LLA's document review team analyzes the additional documentation following the same agreed-upon procedures as the initial reviews. This process allows GOHSEP the opportunity to correct exceptions prior to final payment, thus eliminating questioned costs.

The LLA document review team analyzes contractor invoices for completeness and accuracy for the following contractors:

- GCR Inc., who is tasked with assisting the state in closing out grant programs.
- CB&I, whose primary tasks are assisting the state in delivering the HM program and assisting sub-grantees in maximizing grant opportunities. Specific contract responsibilities include providing program guidance, assisting sub-grantees in preparing and reviewing project worksheets, and analyzing information and documentation to assist in resolving problems.

Appendix A

Management's Response

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

JOHN BEL EDWARDS
GOVERNOR



JAMES B. WASKOM
DIRECTOR

September 29 2017

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

RE: Draft Hazard Mitigation – Agreed Upon Procedures
Hazard Mitigation Program – January 1, 2017 through June 30, 2017

Dear Mr. Purpera:

We have received and thoroughly reviewed the draft report compiled by the Legislative Auditor's Recovery Assistance Division reviewing the State's Hazard Mitigation Grant Program (HMGP) for the first half of 2017 (January 1, 2017 through June 30, 2017). We appreciate the insight and guidance provided in this draft report.

GOHSEP takes great pride in the administration of the State's Hazard Mitigation Grant Program and in the work accomplished by our HMGP team. In the first six months of 2017 HMGP staff processed \$79,844,334 in mitigation dollars to vulnerable parishes in our State.

We take the exceptions noted in the report seriously and strive to administer this program in a conscientious manner. In an effort to support our staff and the proper administration of the program, we will address the identified shortfalls. One method we will use to address the issues identified is to share these reports with our management group to assist them in identifying new training opportunities for HMGP staff. Training and education remain a top priority for GOHSEP and these reports are instrumental in assisting us in ensuring that both internal and external stakeholders are receiving proper guidance.

GOHSEP has made improvements to program mechanisms to address many of the questioned items found within your report. The HMGP staff has made improvements to the documentation checklists and has worked to identify training needs within the section to address any deficiencies. In an effort to maximize the resources currently available,

management is also utilizing experienced team members to mentor inexperienced team members in an effort to minimize any potential errors or oversights.

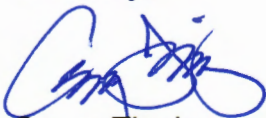
As to the largest percentage of unresolved findings, which pertain to Procurement, GOHSEP has been providing increased support to HMGP participants through outreach by the SALs and GOHSEP Legal staff. Additionally, HMGP staff has been in ongoing conversations with FEMA to clarify some of the findings related to procurement. GOHSEP and FEMA have agreed that when FEMA reviews a project, cost reasonableness is determined along with approval. GOHSEP is awaiting a written response from FEMA to this effect. It is anticipated that this resolution will allow GOHSEP to reduce these findings in the future as well as resolve past findings.

While not addressed in this report, we are proactively taking steps to formulate a plan with your team to resolve questioned costs on projects that have been closed by FEMA. We anticipate this plan will include a review and determination made as to whether or not there was an issue with any of the costs as a part of FEMA's closeout review.

The GOHSEP HM review process requires that exceptions with which management concurs are required to be addressed before payment or project closeout. GOHSEP has worked and continues to work to address all questioned costs and have realized a high success rate using the information your staff provides to remedy any outstanding issues.

Thank you again for your review, insight and assistance as we improve our processes to ultimately achieve our goals of 100% accuracy in the administration of the HM Program.

Sincerely,



Casey Tingle
Assistant Deputy Director - Hazard Mitigation

CT:ttw