

STATE OF LOUISIANA

OFFICE OF STATE INSPECTOR GENERAL



HURRICANES KATRINA AND RITA FEMA PROJECT WORKSHEET REVIEWS

Date Released:

March 16, 2007

File No. 2-06-0001

STATE OF LOUISIANA

OFFICE OF STATE INSPECTOR GENERAL



HURRICANES KATRINA AND RITA FEMA PROJECT WORKSHEET REVIEWS

Sharon B. Robinson, CPA
State Inspector General

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Approved by:
Governor Kathleen Babineaux Blanco

February 12, 2007

File No. 2-06-0001

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State of Louisiana
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COMMISSIONER OF ADMINISTRATION

February 12, 2007

Honorable Kathleen Babineaux Blanco
Governor of the State of Louisiana
P.O. Box 94004
Baton Rouge, LA 70804-9004

Re: Case No. 2-06-0001

Dear Governor Blanco:

This report is a summary of our review of FEMA Project Worksheets (PW's). Included in the report are several concerns identified during our review of PW's that may affect FEMA reimbursements, and if not addressed, may affect the outcome of future audits and lead to disallowances.

We provided a draft of the report to Governor's Office of Homeland Security and Emergency Preparedness. Their written response is included as Appendix A.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sharon B. Robinson".

Sharon B. Robinson, CPA
State Inspector General

SBR/CS

Enclosure

Executive Summary

Following Hurricanes Katrina and Rita, Governor Kathleen B. Blanco directed and authorized the Office of State Inspector General to monitor transactions of state departments and agencies conducted outside the scope of regulatory statutes, orders, rules, and regulations to ensure that those transactions were directly related to the emergencies, and were prudently and appropriately handled. Governor Blanco issued the directives through Executive Order KBB 2005-27 on September 3, 2005 and KBB 2005-66 on October 18, 2005.

Consequently, the Office of State Inspector General committed its staff to assisting the then Louisiana Office of Homeland Security and Emergency Preparedness by assisting executive branch state departments and related agencies. The staff provided guidance on Federal Emergency Management Assistance (FEMA) regulations and reviewed FEMA Project Worksheets (PW's) and the related supporting documentation.

Our objective was to ensure that transactions of executive branch state departments and related agencies were appropriate and complied with FEMA regulations, while assisting them in maximizing eligible reimbursements from FEMA.

Summary of Project Worksheet Reviews

- Our staff reviewed 127 PW's from 22 executive branch state departments and related agencies.
- As of August 31, 2006, FEMA has obligated \$709,114,814 for PW's reviewed to be reimbursed to state departments and agencies, which includes administrative allowances for costs related to processing the transactions.
- As of August 31, 2006, state departments and agencies have received \$192,706,611 in expenditure reimbursements on the PW's reviewed for costs directly related to the emergency transaction.
- In addition, state departments and agencies received administrative allowances of \$1,237,204 to cover administrative costs related to processing the transactions for a total reimbursement of \$193,943,815.

HURRICANES KATRINA AND RITA
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- The \$192,706,611 in expenditures were reimbursed for the following categories of emergency work:
 - Debris Removal (Category A) totaled \$42,880,171
 - Emergency Protective Measures (Category B) totaled \$148,660,094
 - Permanent Repair of Roads and Bridges (Category C) totaled \$208,568
 - Permanent Repair of Building and Equipment (Category E) totaled \$957,778

- We also identified some concerns that could affect FEMA reimbursements. These concerns are as follows:
 - Documentation for advanced funds did not always meet requirements.
 - Public Assistance funds were used to reimburse a subgrantee for expenditures that are the responsibility of another federal agency.
 - Some documentation for significant expenditures may not stand up to an audit.

Background

On August 29, 2005, Hurricane Katrina struck Louisiana, quickly followed by Hurricane Rita on September 24, 2005, causing massive destruction throughout the southern part of the state. The imminent emergency prompted Governor Blanco to declare a state of emergency prior to landfall of each hurricane through Proclamation 48 KBB 2005 and Proclamation 53 KBB 2005.

Following the hurricanes, Governor Blanco issued emergency procedures for conducting state business through Executive Orders KBB 2005-27 and KBB 2005-66. These executive orders directed the State Inspector General to monitor transactions of executive branch state departments and related agencies, which were directly related to the emergencies.

In addition, President Bush declared areas in Louisiana destroyed by the hurricanes major disaster areas. As part of the federal government's response to major disasters declared by the President, FEMA's Public Assistance Program, authorized by the Robert T. Stafford Disaster Relief and Emergency Assistance Act, issues grants to reimburse applicants for eligible work required as a direct result of the declared major disaster. In Louisiana, the Public Assistance Program is administered by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), and is the program grantee.

Shortly after Hurricane Katrina, the Office of State Inspector General joined the then Louisiana Office of Homeland Security and Emergency Preparedness (now Governor's Office of Homeland Security and Emergency Preparedness or GOHSEP) and the Office of Legislative Auditor to develop a plan to review and monitor expenditures and reimbursements related to the Public Assistance Program.

Work required as a result of the declared disaster is grouped into projects. Applicants working with Public Assistance Coordinators are responsible for developing projects to address disaster related needs. The PW is used to develop eligible projects for reimbursement, and to record the following information:

- Pre-disaster description of the facility and its condition
- The scope of eligible work for the project, including cause of damage, dimensions of damage, and work necessary to repair the damage
- Estimated or actual costs necessary to complete the work
- Special considerations associated with the project, such as insurance and hazard mitigation

HURRICANES KATRINA AND RITA
FEMA PROJECT WORKSHEET REVIEWS

FEMA has divided disaster related work into seven Categories of Work. The first two categories (A and B) are considered emergency work and the remaining categories (C through G) are considered permanent work. The categories are listed as follows:

- Category A, Debris Removal – Clearance of trees, woody debris, building wreckage, and other disaster-related debris deposited on public property.
- Category B, Emergency Protective Measures – Measures taken before, during, and after a disaster to save lives, protect public health and safety, and protect improved public and private property.
- Category C, Roads and Bridges – Repair of roads and bridges, and associated features.
- Category D, Water Control Facilities - Repair of irrigation systems, drainage channels, and pumping facilities.
- Category E, Buildings and Equipment – Repair or replacement of buildings, including their contents and systems, and heavy equipment and vehicles.
- Category F, Utilities – Repair of water treatment and delivery systems, power generation facilities and distribution lines, and sewage collection and treatment facilities.
- Category G, Parks, Recreational Facilities, and Other Items – Repair and restoration of parks, playgrounds, pools, cemeteries and beaches.

FEMA provides an administrative allowance to grantees and subgrantees to meet the cost of administering the grant. The allowance is calculated differently for grantees and subgrantees, and covers different costs for each. The administrative allowance for grantees covers overtime, per diem and travel for State employees who participate in the administration of public assistance grants. The administrative allowance for subgrantees covers direct and indirect costs incurred in requesting, obtaining, and administering public assistance.

Scope and Methodology

From September 2005, through August 2006, our staff assisted executive branch state departments and related agencies by providing guidance on FEMA regulations, and reviewing transactions directly related to emergency-situations caused by hurricanes Katrina and Rita. This project is not an audit, and therefore, does not conform to the standards and principles that we would have followed had it been an audit.

In addition, seven auditors from the Department of Revenue and Taxation assisted our staff with the review. The review of transactions consisted of reviewing PW's, and examining supporting documentation of the PW's to ensure that costs were reasonable and in compliance with FEMA regulations. Documents examined included narratives and interviews justifying costs involved, bids for contracts, contracts, invoices, inventory records, payroll records, and other documentation, we may have considered necessary.

In addition, our staff provided other assistance by reviewing documentation unrelated to specific PW's.

HURRICANES KATRINA AND RITA
FEMA PROJECT WORKSHEET REVIEWS

Status Of Project Worksheets Reviewed

The following tables are a compilation of the PW's reviewed by department, and their reimbursement status as of August 31, 2006.

Number of PW's Reviewed for each State Department or Agency:

State Department or Agency	Number of PW's Reviewed
Department of Agriculture and Forestry	3
Department of Environmental Quality	2
Department of Health and Hospitals	3
Department of Natural Resources	1
Department of Public Safety and Corrections, Corrections Services	7
Department of Public Safety and Corrections, Public Safety Services	17
Department of Public Safety and Corrections, Youth Services	7
Department of Social Services	13
Department of Transportation and Development	44
Department of Wildlife and Fisheries	3
Division of Administration	4
Governor's Office of Elderly Affairs	1
Governor's Office of Financial Institutions	1
Governor's Office of Homeland Security and Emergency Preparedness	2
Governor's Office of Rural Development	2
Louisiana Housing Finance Agency	1
Louisiana Military Department	1
Louisiana Stadium and Exposition District	2
Office of Student Financial Assistance	1
Office of the Attorney General	3
Office of the Governor	4
Secretary of State	5
Total PW's Reviewed from the 22 State Departments and Agencies	127

HURRICANES KATRINA AND RITA
FEMA PROJECT WORKSHEET REVIEWS

Amount FEMA has Obligated for Reimbursement on PW's Reviewed for each State Department or Agency as of August 31, 2006:

The amount obligated by FEMA is the estimated payment to the applicant upon review and approval of the PW.

State Department or Agency	Federal Share Obligated +	Administrative Allowance =	Total Federal Obligation
Dept. of Agriculture and Forestry	\$14,732,830.26	\$143,607.22	\$14,876,437.48
Dept. of Environmental Quality	\$63,526,108.72	\$346,682.13	\$63,872,790.85
Dept. of Health and Hospitals	\$356,509,342.00	\$1,854,546.71	\$358,363,888.71
Dept. of Natural Resources	\$27,344.31	\$820.33	\$28,164.64
Dept. of Public Safety and Corrections, Corrections Services	\$29,613,500.79	\$202,302.44	\$29,815,803.23
Dept. of Public Safety and Corrections, Public Safety Services	\$17,929,458.99	\$126,296.17	\$18,055,755.16
Dept. of Public Safety and Corrections, Youth Services	\$813,862.21	\$17,277.24	\$831,139.45
Dept. of Social Services	\$8,963,332.16	\$88,437.66	\$9,051,769.82
Dept. of Transportation and Development	\$53,153,474.39	\$329,942.56	\$53,483,416.95
Dept. of Wildlife and Fisheries	\$2,362,090.96	\$34,620.91	\$2,396,711.87
Division of Administration	\$166,508.80	\$4,330.18	\$170,838.98
Governor's Office of Elderly Affairs	\$6,039.44	\$181.18	\$6,220.62
Governor's Office of Financial Institutions	\$39,602.35	\$1,188.07	\$40,790.42
Governor's Office of Homeland Security and Emergency Preparedness	\$87,011,126.77	\$471,055.63	\$87,482,182.40
Governor's Office of Rural Development	\$0.00	\$0.00	\$0.00
Louisiana Housing Finance Agency	\$1,749,156.00	\$28,491.56	\$1,777,647.56
Louisiana Military Department	\$66,884,296.89	\$370,421.48	\$67,254,718.37
Louisiana Stadium and Exposition District	\$448,198.42	(\$10,003.78)	\$438,194.64

HURRICANES KATRINA AND RITA
FEMA PROJECT WORKSHEET REVIEWS

State Department or Agency	Federal Share Obligated +	Administrative Allowance =	Total Federal Obligation
Office of Student Financial Assistance	\$5,769.59	\$173.09	\$5,942.68
Office of the Attorney General	\$64,958.06	\$1,785.90	\$66,743.96
Office of the Governor	\$6,520.37	\$195.61	\$6,715.98
Secretary of State	\$1,066,302.90	\$22,637.56	\$1,088,940.46
Total for all PW's Reviewed	\$705,079,824.38	\$4,034,989.85	\$709,114,814.23

Source: The Louisiana Public Assistance Database

Note: A negative administrative allowance totaling \$12,244.77 is listed in the Louisiana Public Assistance database on a PW reviewed by our office for the Louisiana Stadium and Exposition District. This amount is believed to offset administrative allowances obligated for other PW's not reviewed by our office. As of August 31, 2006, the Louisiana Stadium and Exposition District had not received reimbursement for any of its PW's.

HURRICANES KATRINA AND RITA
FEMA PROJECT WORKSHEET REVIEWS

**Amount FEMA has Reimbursed on PW's Reviewed for each State
Department or Agency as of August 31, 2006:**

State Department or Agency	Administrative Allowance Reimbursed	Expenditures Reimbursed	Total Amount Reimbursed
Dept. of Agriculture and Forestry	\$123,737.22	\$11,766,172.34	\$11,889,909.56
Dept. of Environmental Quality	\$0.00	\$0.00	\$0.00
Dept. of Health and Hospitals	\$50,121.43	\$9,984,015.00	\$10,034,136.43
Dept. of Natural Resources	\$820.33	\$27,344.31	\$28,164.64
Dept. of Public Safety and Corrections, Corrections Services	\$126,095.04	\$20,232,047.80	\$20,358,142.84
Dept. of Public Safety and Corrections, Public Safety Services	\$78,641.00	\$8,528,201.79	\$8,606,842.79
Dept. of Public Safety and Corrections, Youth Services	\$1,848.23	\$61,607.83	\$63,456.06
Dept. of Social Services	\$34,709.00	\$3,156,872.03	\$3,191,581.03
Dept. of Transportation and Development	\$273,663.86	\$44,835,205.35	\$45,108,869.21
Dept. of Wildlife and Fisheries	\$23,371.49	\$1,237,148.73	\$1,260,520.22
Division of Administration	\$1,269.01	\$45,619.49	\$46,888.50
Governor's Office of Elderly Affairs	\$181.18	\$6,039.44	\$6,220.62
Governor's Office of Financial Institutions	\$1,188.07	\$39,602.35	\$40,790.42
Governor's Office of Homeland Security and Emergency Preparedness	\$327,980.13	\$62,213,661.63	\$62,541,641.76
Governor's Office of Rural Development	\$0.00	\$0.00	\$0.00
Louisiana Housing Finance Agency	\$11,232.50	\$689,586.27	\$700,818.77
Louisiana Stadium and Exposition District	\$0.00	\$0.00	\$0.00
Louisiana Military Department	\$159,835.57	\$28,860,339.26	\$29,020,174.83
Office of Student Financial Assistance	\$173.09	\$5,769.59	\$5,942.68
Office of the Attorney General	\$1,785.90	\$64,958.06	\$66,743.96
Office of the Governor	\$195.61	\$6,520.37	\$6,715.98
Secretary of State	\$20,355.72	\$945,899.00	\$966,254.72
Total for All PW's Reviewed	\$1,237,204.38	\$192,706,610.64	\$193,943,815.02

Source: The Louisiana Public Assistance Database

HURRICANES KATRINA AND RITA
FEMA PROJECT WORKSHEET REVIEWS

**Amount FEMA has Reimbursed on PW's Reviewed for each
Category as of August 31, 2006:**

State Department or Agency	Federal and Administrative Obligation	Administrative Allowance Reimbursed	Expenditures Reimbursed	Total Amount Reimbursed
Dept. of Environmental Quality	\$63,872,790.85	\$0.00	\$0.00	\$0.00
Dept. of Public Safety and Corrections, Public Safety Services	\$3,867,469.90	\$0.00	\$0.00	\$0.00
Dept. of Social Services	\$311,331.96	\$0.00	\$0.00	\$0.00
Dept. of Transportation and Development	\$49,371,760.61	\$256,092.46	\$42,880,170.57	\$43,136,263.03
Dept. of Wildlife and Fisheries	\$151,707.05	\$0.00	\$0.00	\$0.00
Subtotal Category A	\$117,575,060.37	\$256,092.46	\$42,880,170.57	\$43,136,263.03
Dept. of Agriculture and Forestry	\$14,876,437.48	\$123,737.22	\$11,766,172.34	\$11,889,909.56
Dept. of Health and Hospitals	\$358,363,888.71	\$50,121.43	\$9,984,015.00	\$10,034,136.43
Dept. of Natural Resources	\$28,164.64	\$820.33	\$27,344.31	\$28,164.64
Dept. of Public Safety and Corrections, Corrections Services	\$29,815,803.23	\$126,095.04	\$20,232,047.80	\$20,358,142.84
Dept. of Public Safety and Corrections, Public Safety Services	\$13,503,200.26	\$78,641.00	\$8,528,201.79	\$8,606,842.79
Dept. of Public Safety and Corrections, Youth Services	\$831,139.45	\$1,848.23	\$61,607.83	\$63,456.06
Dept. of Social Services	\$6,308,834.95	\$34,709.00	\$3,156,872.03	\$3,191,581.03
Dept. of Transportation and Development	\$2,537,637.71	\$13,850.88	\$1,734,587.59	\$1,748,438.47
Dept. of Wildlife and Fisheries	\$2,245,004.82	\$23,371.49	\$1,237,148.73	\$1,260,520.22
Division of Administration	\$170,838.98	\$1,269.01	\$45,619.49	\$46,888.50
Governor's Office of Elderly Affairs	\$6,220.62	\$181.18	\$6,039.44	\$6,220.62
Governor's Office of Financial Institutions	\$40,790.42	\$1,188.07	\$39,602.35	\$40,790.42
Governor's Office of Homeland Security and Emergency Preparedness	\$87,482,182.40	\$327,980.13	\$62,213,661.63	\$62,541,641.76

HURRICANES KATRINA AND RITA
FEMA PROJECT WORKSHEET REVIEWS

State Department or Agency	Federal and Administrative Obligation	Administrative Allowance Reimbursed	Expenditures Reimbursed	Total Amount Reimbursed
Governor's Office of Rural Development	\$0.00	\$0.00	\$0.00	\$0.00
Louisiana Housing Finance Agency	\$1,777,647.56	\$11,232.50	\$689,586.27	\$700,818.77
Louisiana Stadium and Exposition District	\$438,194.64	\$0.00	\$0.00	\$0.00
Louisiana Military Department	\$67,254,718.37	\$159,835.57	\$28,860,339.26	\$29,020,174.83
Office of Student Financial Assistance	\$5,942.68	\$173.09	\$5,769.59	\$5,942.68
Office of the Attorney General	\$66,743.96	\$1,785.90	\$64,958.06	\$66,743.96
Office of the Governor	\$6,715.98	\$195.61	\$6,520.37	\$6,715.98
Subtotal Category B	\$585,760,106.86	\$957,035.68	\$148,660,093.88	\$149,617,129.56
Dept. of Transportation and Development	\$1,361,643.73	\$3,588.53	\$208,567.82	\$212,156.35
Subtotal Category C	\$1,361,643.73	\$3,588.53	\$208,567.82	\$212,156.35
Dept. of Transportation and Development	\$121,630.77	\$0.00	\$0.00	\$0.00
Subtotal Category D	\$121,630.77	\$0.00	\$0.00	\$0.00
Dept. of Public Safety and Corrections, Public Safety Services	\$685,085.00	\$0.00	\$0.00	\$0.00
Dept. of Social Services	\$2,431,602.91	\$0.00	\$0.00	\$0.00
Dept. of Transportation and Development	\$90,744.13	\$131.99	\$11,879.37	\$12,011.36
Secretary of State	\$1,088,940.46	\$20,355.72	\$945,899.00	\$966,254.72
Subtotal Category E	\$4,296,372.50	\$20,487.71	\$957,778.37	\$978,266.08
Total for all PW's Reviewed	\$709,114,814.23	\$1,237,204.38	\$192,706,610.64	\$193,943,815.02

Source: The Louisiana Public Assistance Database

Note: PW's were not reviewed for Categories F and G.

Ongoing Concerns

During our review of PW's, several concerns were identified that affect FEMA reimbursements, and if not addressed, may affect the outcome of future audits and lead to disallowances (i.e., FEMA could seek to recover the funds).

Advances

One concern relates to the advancement of funds to the Department of Social Services, and the Department of Public Safety and Corrections, Public Safety Services. Shortly after the disasters, GOHSEP advanced public assistance funds to state departments and agencies for some of the PW's reviewed by our office. GOHSEP has since received documentation supporting the advanced funds from all state departments and agencies, with the exception of expenditures submitted by the Department of Social Services and the Department of Public Safety and Corrections, Public Safety Services.

The Department of Social Services submitted documentation of expenses to meet its advanced funds. However, GOHSEP rejected the payroll documentation, because the Department of Social Services did not use a format acceptable by both GOHSEP and FEMA. GOHSEP will not reimburse funds to the Department of Social Services for any other PW's, until expenditures have been submitted in an acceptable format and meet the advanced amount. The Department of Social Services has not done so.

The Department of Public Safety and Corrections, Public Safety Services submitted expenditures to meet its advancement. However, GOHSEP rejected a portion of the expenditures it considered ineligible for reimbursement. FEMA has since de-obligated \$95,944 of the original amount advanced, because of the ineligible expenditures. Public Safety Services now owes FEMA the de-obligated amount. Public Safety Services has not paid FEMA the \$95,944, nor has GOHSEP reduced reimbursements from other PW's to recoup the amount owed.

Improper Reimbursements

Another concern relates to \$27.6 million reimbursed to the Louisiana Military Department from FEMA. This reimbursement may be the responsibility of the U.S. Department of Defense. Following the hurricanes, President Bush called the National Guard to active federal service under 32 U.S.C. §102. Upon doing so, payroll and supplies purchased for the National Guard from

Louisiana and other states ordered into disaster relief operations, became the responsibility of the U.S. Department of Defense.

The U.S. Department of Defense assigns a Property and Fiscal Officer to each state. Funds to cover payroll and supply expenditures are administered to each state through its Property and Fiscal Officer assigned to that state. However, the Property and Fiscal Officer for Louisiana only received funds to cover payroll, but not supplies.

Therefore, the Louisiana Military Department included expenditures for supplies in its \$67.2 million FEMA PW. Of the \$29 million reimbursed by FEMA, \$27.6 million was for supplies that should be paid by the U.S. Department of Defense. The Louisiana Military Department is currently seeking reimbursement from the U.S. Department of Defense for these supplies, and upon receipt, intends to reimburse FEMA.

Insufficient Documentation and Errors

Issues related to insufficient documentation and incorrect calculations to support reimbursed expenditures are of concern on PW's for the Department of Health and Hospitals totaling \$356,509,342.00, and the Department of Agriculture and Forestry totaling \$14,732,830.26. If not addressed, these PW's may have difficulties withstanding possible future audits, which could lead to possible disallowances.

During our review of PW's for the Department of Health and Hospitals, we found numerous instances of payroll expenses for overtime, which were unsupported by timesheets and incorrectly calculated. We also found numerous instances of expenditures for travel, supplies, and other purchases, which were either unsupported by invoices or not justified as a reasonable expense with appropriate documentation.

PW's reviewed for the Department of Agriculture and Forestry included expenditures incurred supplying fuel and equipment from many different vendors for various relief operations associated with Hurricanes Katrina and Rita. We reviewed nearly \$10 million in invoices from the various vendors. The documentation reviewed did not always sufficiently support charges for fuel and delivery. In addition, some of the delivery charges seem excessive. Furthermore, the documentation insufficiently supported delivery dates, locations, and deliverables, such as labor and equipment.

Our office is also concerned with issues related to payroll expenditures on a PW submitted by the Division of Administration (DOA). Although, the DOA submitted the expenditures in an acceptable FEMA format, GOHSEP rejected the expenditures, because the DOA did not schedule the expenditures in the format required by GOHSEP. GOHSEP will not reimburse the DOA for these expenditures, until submitted in GOHSEP's required format. The DOA has not done so.

Finally, issues related to two contracts on PW's submitted by the Louisiana Stadium and Exposition District are of concern. The Louisiana Stadium and Exposition District entered into one time and materials contract with Munters Corporation and another with Summit Environmental without performing cost benefit analyses as recommended by FEMA. The contract with Munters includes cost plus language, but did not include a "not to exceed" clause required by FEMA. In addition, costs on the Summit Environmental contract have exceeded the contract amount. However, the Louisiana Stadium and Exposition District could not produce an amended contract.

APPENDIX A

GOHSEP Response



KATHLEEN BABINEAUX BLANCO
GOVERNOR

State of Louisiana

GOVERNOR'S OFFICE OF HOMELAND SECURITY AND EMERGENCY PREPAREDNESS

PERRY JEFF SMITH, JR., CPA
COLONEL (RETIRED)
ACTING DIRECTOR

February 8, 2007

Sharon B. Robinson, CPA
State Inspector General
Office of the State Inspector General
Post Office Box 94095
Baton Rouge, LA 70804-9095

Re: FEMA Project Worksheet Review Report

Dear Ms. Robinson:

I have received your report dated January 8, 2007, in reference to the FEMA Project Worksheet Review completed by your office. I want to thank you for granting our agency the extension of time because of the ongoing activities.

I have read the report and have asked my staff for review and comment. I appreciate the opportunity to respond to the concerns of your office as outlined in the report.

Management Response

The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) appreciates the efforts and the report of the Inspector General. It was recognized from the beginning that the disbursement of billions of Federal dollars would require extra measures to protect the state of Louisiana from future de-obligations by FEMA. It was this same concern, as shared in your report about documentation, that directed GOHSEP leadership to partner with the State Inspector General's Office, the Louisiana Legislative Auditor's Office, the FEMA OIG and the Office of the Attorney General of Louisiana. Regulation 44 CFR says that the documentation/accountability is the responsibility of the applicant. GOHSEP leadership realizes that at the end of the day it will be the State of Louisiana who will be held accountable for documentation and support of payments. GOHSEP has ongoing measures in place to insure that the concerns you have are handled in an efficient manner. We would appreciate any assistance the Inspector General's office can provide as ongoing visits and reviews are being made to State agencies.

GOHSEP has reviewed each of the items in the report and provides answers to the individual concerns below. Each item in the Ongoing Concerns section will be described in summary fashion and the response and/or action being taken will be provided.

ONGOING CONCERNS

ADVANCES

Concern: Advancement of funds in the Department of Social Services and the Department of Public Safety and Corrections shortly after the disaster occurred. The concern was that the Department of Social Services submitted expenses in a format not acceptable to FEMA or to GOHSEP. Funds were advanced and proper documentation has not been received to validate the total payment.

Response:

If more documentation is not provided, it is possible funds may be de-obligated when future audits are conducted. The account is on hold, and the grant manager has communicated the need for required documentation in order to release any future funds.

Concern: Advancement of funds in the Department of Social Services and the Department of Public Safety and Corrections shortly after the disaster occurred. The concern is a \$95,944.00 de-obligation for ineligible expenses by the Department of Public Safety and Corrections which has not been reimbursed to FEMA.

Response:

Notes are recorded in LA PA.COM advising DPSC that GOHSEP will deduct the de-obligated \$95,944.00 from a future payment to satisfy the de-obligation.

Concern: \$27.6 million reimbursed to the Louisiana Military Department from FEMA. This reimbursement may be the responsibility of the U.S. Department of Defense. The Louisiana Military Department included expenditures for supplies in its \$67.2 million dollar PW. Of the \$29 million reimbursed by FEMA, \$27.6 million was for supplies that should have been paid by DOD.

Response:

The State Military Department has been requested to furnish information as to what the funds covered, and if any of the funds were used for troop items or supplies. If the items purchases were for troop support, FEMA could possibly request that the State Military Department return funds that were used for ineligible items. However, it is not uncommon for the Louisiana National Guard to purchase items to meet civilian needs. If this should be the case, then the monies spent on items not in support of troops and troop movements would be eligible. The Louisiana Military Department has been instructed to return any ineligible funds received to FEMA. The grant manger is in contact with Colonel J. Catalanotte to ensure the reimbursement is made to FEMA. A meeting has

been scheduled with the USPFPO to discuss why payment from the Department of Defense has not been received.

INSUFFICIENT DOCUMENTATION AND ERRORS

Concern: Department of Health and Hospitals - It was discovered that numerous instances of payroll expense had been claimed which did not have supporting timesheets. It was also found that the time was calculated incorrectly. Numerous instances of expenditures for travel, supplies and other purchases were either unsupported by invoices or not justified as a reasonable expense.

Response:

The Grant Manager (GM) is aware of the issues concerning payroll and overtime as well as the lack of supporting documentation. She has reviewed documentation and made adjustments to reflect the eligible amounts. To date, the payroll related expenses under PW 71 and 121 total \$6,044,724.16.

Concern: Project Worksheets reviewed for the Department of Agriculture and Forestry included expenditures incurred supplying fuel and equipment from many different vendors during Hurricanes Katrina and Rita. The documentation reviewed did not always sufficiently support charges for fuel and delivery. In addition some of the delivery charges seem excessive. Documentation insufficiently supported delivery dates, locations and deliverables, such as labor and equipment.

Response:

The Department of Agriculture and Forestry has been asked to provide additional supporting documentation. Worthy of note is that this appears to be between the periods of November 2005 and December 2005. Agriculture and Forestry has been advised of the absolute need for this documentation in order to prevent any de-obligation of funds or deductions from future payments. If more documentation is not provided, it is possible funds may be de-obligated when future audits are conducted

Concern: Our Office is concerned with issues related to payroll expenditures. The Division submitted the expenditures in an acceptable FEMA format; GOHSEP rejected the expenditures because DOA did not schedule the expenditures in the format required by GOHSEP.

Sharon B. Robinson, CPA

February 8, 2007

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Response:

The Division of Administration was not paid for Force Account Labor. DOA Force Account Labor spreadsheets were received, but a payroll ledger has been requested by the GM to compare with spreadsheets before claim for reimbursement is processed.

Concern: Two contracts on PW's submitted by the Louisiana Stadium and Exposition District. The Louisiana Stadium and Exposition District entered into a one-time and materials contract with Munters Corporation, and another with Summit Environmental without performing cost benefit analysis as recommended by FEMA. The contract with Munters includes cost plus language, but did not include a "not to exceed" clause as required by FEMA. In addition, costs on the Summit Environmental contract have exceeded the contract amount. However, the Louisiana Stadium and Exposition District could not produce an amended contract.

Response:

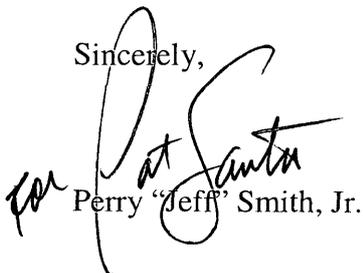
If more documentation is not provided, it is possible funds may be de-obligated when future audits are conducted. A copy of Munters contract is on file. PW #1271 was issued to La. Stadium and Exposition District in the amount of \$1,522,579.76. A version was written to de-obligate this PW because it is a state owned building. A PW has been rewritten to the Office of Facility Planning & Control (PW 8682). Expenses are in review by GM.

A copy of the Summit Environmental contract is on file. The expenses have not been reviewed to process PW#1991. GM is in the process of addressing this project worksheet.

Thank you for providing this review of the Agency's handling of disbursement of FEMA grant monies to other state agencies.

If you have any questions, please feel free to contact me or our Internal Auditor, George Schmidt, at 225-925-7345.

Sincerely,

A handwritten signature in black ink, appearing to read "Perry 'Jeff' Smith, Jr.", with a large, stylized flourish above the name.

PJS:cs

This public document was published at a total cost of \$ 153.28. Thirty-three copies of this public document were published in this first printing at a cost of \$ 153.28. The total cost of all printings of this document, including reprints is \$ 153.28. This document was published by the Office of State Inspector General, State of Louisiana, Post Office Box 94095, 224 Florida Street, Suite 303, Baton Rouge, LA 70804-9095 to report its findings under authority of LSA-R.S. 39:7-8. This material was printed in accordance with the standards for printing by state agencies established pursuant to LSA - R.S. 43:31.

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