

Role of the Auditor After a Disaster

Presented by:
Patrick Goldsmith

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Our Disaster Recovery Plan Goes Something Like This...



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Disaster Funding

CDBG - \$13.4 billion.
(\$11.5 billion for housing)

FEMA PA - \$6.7 billion obligated
(\$3.5 billion already paid)

FEMA IA - \$1.5 billion

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ROLE OF THE AUDITOR AFTER A DISASTER

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ENVIRONMENT AFTER STORM

- We were in unknown territory
 - Nation had never had disaster of this magnitude
 - Many FEMA regulations did not apply to our disaster

- Changing Personnel
 - State did not have staffing and resources to handle a disaster of this magnitude
 - FEMA hired many new employees to work with the state

- Rules Changed
 - Hard to get official FEMA stance on regulations
 - New FEMA employees often had different interpretation of standard and requirements

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LLA ASKED TO HELP

- Legislature wanted to know where the money was going and if spent wisely

- The feds and Louisiana legislature wanted accountability for funds

- State needed help developing process for the numerous new disaster programs

- State needed help monitoring sub recipients

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GAO Temporary Exemptions

- “Under these circumstances, there will be situations in which the public interest is best served if the government audit function is used in real time to promote accountability and control over public resources, prevent fraud, and evaluate whether government services are provided efficiently, effectively, and in compliance with laws and regulations”

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GAO Temporary Exemptions

- **Independence Standards**
 - Due to Katrina and Rita, auditors were temporarily exempt from certain independence requirements of *Government Auditing Standards* that prohibit or place restrictions on providing nonaudit services that involve performing management functions
 - The temporary exemption applies for financial statement audits of periods ending through September 30, 2006 and for performance audits and attestation engagements of activity through September 30, 2006.

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LLA Divisions Involved

- **It took an effort from all of our audit divisions to provide response to the hurricanes**

- Compliance Audit Division
- Financial Audit Division
- Performance Audit Division
- Recovery Assistance Division*

*We created the Recovery Assistance Division after the storms in response to all the recovery related work

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Recovery Assistance Division

- **Created due to the demand for recover related services. Our regular audit divisions could not keep up with disaster work and regular workload. We had requests from**
 - **Governor's Office of Homeland Security and Emergency Preparedness – FEMA Funds**
 - **Office of Community Development – HUD (CDBG) Funds**
- Division designed to provide financial related audit services

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Major Areas of Work

- FEMA Public Assistance
 - Proactively provided assistance to local government
 - Serve as extra resource to state OEP
 - Assisted state in review of reimbursement process
 - Helped coordinate with FEMA

- FEMA Individual Assistance
 - Objective reviewer - Audited FEMA data

- HUD CDBG Disaster Funds
 - Reviewed developing programs - numerous audits by LLA
 - Served as extra resource

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FEMA Public Assistance Work

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FEMA PUBLIC ASSISTANCE

Role: Proactive assistance to local governments and served as extra resource

- Coordinated interactions between FEMA, state, and local entities
 - First to contact locals after storm
 - Arranged meetings between FEMA, state and local entities
 - Created question and answer database
- Provided locals with copies of federal regulations
- Helped locals understand state reimbursement process
 - Clarified what regulations says is reimbursable
 - Explained documentation needed for support
 - Explained how to fill out state reimbursement forms

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FEMA PUBLIC ASSISTANCE

Role: Review Developing Reimbursement Process

- State was scared of FEMA. If done wrong, they would take money back
- Reviewed state's reimbursement process up front (as it was being developed) and made recommendations to ensure:
 - Consistent process
 - Efficient process
 - Appropriate documentation
 - Adequate review by state
- Reviewed reimbursement documentation sent to state for completeness
- Attended coordination meetings with FEMA and provided advisory services

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FEMA PUBLIC ASSISTANCE

Role: Help Coordinate Efforts With FEMA

- State had many questions for FEMA since regulations did not fit our disaster

- We attempted to facilitate communication between FEMA and the state
 - If FEMA was going to audit in future, we wanted to know criteria so that we could ensure things were done right up front

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FEMA Individual Assistance Work

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FEMA INDIVIDUAL ASSISTANCE

- FEMA administers the individual assistance program for Louisiana (determines eligibility and makes payments)
- Louisiana must reimburse FEMA for 25% of all individual assistance payments to Louisiana registrants
- Louisiana's bill from FEMA for 300,000 registrants was \$380 million (25% of \$1.5 billion in total payments to registrants)

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FEMA INDIVIDUAL ASSISTANCE

Role: Objective Reviewer

Louisiana Legislature passed law requiring LLA to review FEMA billings

- GAO work showed 16% in improper and potentially fraudulent payments in first few months of payments
- Louisiana tried for months to get support for FEMA payments and was denied access
 - First request was December 2005 and received first data in August of 2006

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FEMA INDIVIDUAL ASSISTANCE

Results of Review

- Reviewed sample of awards
- 88% of awards made to eligible applicants
- Total of \$59 million in questionable costs on state's bill
 - \$22 million of bill was for ineligible applicants
 - \$22 million of bill was for questionable applicants
 - \$15 million of bill was for questionable item

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HUD Community Development Block Grant Work

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CDBG FUNDS

Role: Reviewed Developing CDBG Programs and Serve As Extra Resource

- Audits of CDBG funded programs
 - Homeowner Assistance Program (11 audits)
 - Small Rental Program
 - Louisiana Land Trust
 - Business Recovery Grant and Loan Program
 - Workforce Development Program

- Agreed Upon Procedures
 - Reviewed contractor invoices for Homeowner assistance program
 - Reviewed eligibility and award amount for Homeowner Assistance Program

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CDBG FUNDS

Continuous Audits (Real Time Audits)

- Many CDBG programs were developed quickly to try and get money on the street
 - Allow errors and fix on back end

- Audited to ensure balance between quick payments and accountability (served as objective set of eyes)

- Audit programs as they are being developed to stop problems before they happen or before they get out of control
 - Reviewed policies and procedures as developed
 - Review business processes as developed
 - Make real-time recommendations

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CDBG FUNDS

Continuous Audit Results

- Audits served as extra resource for state to improve programs.
- Legislature and public received much needed information about the programs
- Audits helped improve processes
 - Early audits found no policies and procedures and inconsistent processes (applicants being treated differently)
- Encouraged state Grantee (Office of Community Development) to begin monitoring program

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CDBG FUNDS

Agreed Upon Procedures

- Road Home Contractor Invoice Review
- Road Home Applicant File Review
 - Helped fill resource gap by providing trained reviewers
 - Reviewed applicant case files (did right person get right amount of money)
- Business Recovery Grant and Loan Program
- Recovery Workforce Training Program

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Summary of LLA Roles After Disaster

- Proactive assistance
- Review developing processes and make real time recommendations
- Help with coordination
- Serve as extra resource
- Objective reviewer
- Objective and credible voice

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Questions?

For more information contact:

Patrick Goldsmith, Performance Audit
Manager, Louisiana Legislative Auditor's
Office

pgoldsmith@lla.state.la.us

1-225-339-3848

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