



# Audit Report



OIG-18-049

RESTORE ACT

St. Bernard Parish's Internal Control over Federal Awards

August 1, 2018

Office of  
Inspector General

Department of the Treasury

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## Abbreviations

CAO	Chief Administrative Officer
CAO Manual	<i>Chief Administrative Officer Policy, Procedure, and Practices Manual</i>
Clean Water Act	<i>Federal Water Pollution Control Act</i>
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
HMGP	Hazardous Mitigation Grants Program
MYIP	Multiyear Implementation Plan
OIG	Office of Inspector General
OMB	Office of Management and Budget
RESTORE Act	<i>Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012</i>

# Contents

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St. Bernard Parish Treasury Trust Fund Uniform Guidance	St. Bernard Parish, Louisiana Department of the Treasury Gulf Coast Restoration Trust Fund <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i>
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*The Department of the Treasury  
Office of Inspector General*

August 1, 2018

David A. Lebryk  
Fiscal Assistant Secretary

This report presents the results of our audit of St. Bernard Parish, Louisiana's (St. Bernard Parish) internal controls to administer grants under the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act).<sup>1</sup> We performed this audit as part of our ongoing oversight of programs and activities funded under the RESTORE Act. Our audit objective was to assess St. Bernard Parish's internal control over the administration of Federal awards in accordance with Federal laws, regulations, and the Department of the Treasury's (Treasury) grant application requirements. The scope of our audit comprised St. Bernard Parish's internal control in place during September 2014 through September 2017 as it related to the administration of Federal awards. Appendix 1 provides more detail of our audit objective, scope, and methodology.

## Results in Brief

In brief, we concluded that St. Bernard Parish had designed and implemented a system of internal control<sup>2</sup> to administer Federal Awards but did not maintain all controls in place as required by the Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance),<sup>3</sup> Treasury's *RESTORE Act Financial*

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<sup>1</sup> Pub. L. 112-141, 126 Stat. 588-607 (July 6, 2012)

<sup>2</sup> Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, "Internal control(s) means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) Effectiveness and efficiency of operations; (b) Reliability of reporting for internal and external use; and (c) Compliance with applicable laws and regulations."

<sup>3</sup> OMB's Uniform Guidance (2 CFR Part 200) became effective December 26, 2014.

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*Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions, and Treasury's RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance.* While we found no matters of concern involving St. Bernard Parish's controls to administer grants in the areas of budgeting, cash management, disbursements, financial reporting, inventory management, procurement, and performance monitoring, we noted two control deficiencies<sup>4</sup> in the area of program management. Specifically, grant time keeping was not consistently tracked and grant personnel had limited knowledge and experience to administer Federal awards and lacked Federal grant training. Accordingly, we recommend that the Fiscal Assistant Secretary considers St. Bernard Parish's control deficiencies over grant timekeeping and employees' lack of knowledge, experience, and training on Federal grants as part of Treasury's oversight and administration of St. Bernard Parish's awards. This consideration should also be part of Treasury's risk assessments required by the Uniform Guidance for future awards.

As part of our reporting process, we provided St. Bernard Parish management an opportunity to comment on a draft of this report. In a written response, St. Bernard Parish management acknowledged both findings. As to grant timekeeping, management stated that St. Bernard Parish is working diligently on educating and training its employees on the importance of time tracking, and the significance of following its grant time keeping policy. Management also noted that all time sheets are up-to-date and that the Director of Public Works does not complete grant time sheets as they are not seeking reimbursement for his salary. His position and duties will be monitored to determine if a change is required. St. Bernard Parish will continually review the timekeeping policy and procedures and update as needed. With respect to grant personnel's lack of knowledge, experience, and training on Federal grants, St. Bernard Parish management explained that the Grants Department was re-established with the new administration in 2016 as this department was considered important to the development of St. Bernard Parish. There was staff turnover which

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<sup>4</sup> Government Accountability Office (GAO), *Government Auditing Standards*, 6.21, "A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively." (GAO-12-331G; December 2011).

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delayed progress, but management expressed its commitment to continuing to develop and improve processes that will result in an efficient and effective department. Furthermore, management stated its dedication to educating all employees and encouraging them to search governmental or outside resources for additional training, and giving employees opportunities to excel and stay up-to-date on policies and procedures. The response also provided updates to the Grant Manager's and other grant personnel's training from 2016 through mid-June 2018 to include training provided by Treasury<sup>5</sup> and scheduled training on Uniform Guidance. It was also noted that the Grant Specialist was replaced by an internal employee with Federal grant experience. St. Bernard Parish's response is provided in its entirety in appendix 2 of this report.

We also provided a draft of this report with St. Bernard Parish management's response incorporated to Treasury management. In a written response, Treasury management agreed with the report findings. Treasury management further noted that it will consider St. Bernard Parish's control deficiencies over grant timekeeping and employees' lack of knowledge, experience, and training on Federal grants as part of Treasury's oversight and administration of their awards. This consideration also will be part of Treasury's risk assessments required by the Uniform Guidance for future St. Bernard Parish awards. We found that management's response meets the intent of our recommendation. Treasury management's response, in its entirety, is included as appendix 3 of this report.

## Background

### RESTORE Act

The RESTORE Act established the Gulf Coast Restoration Trust Fund (Trust Fund) within Treasury to provide funds for environmental and economic restoration of the Gulf Coast region that was damaged by the 2010 Deepwater Horizon oil spill. Deposits into the Trust Fund will be comprised of 80 percent of all

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<sup>5</sup> Reference to training provided by "Treasury OIG" in St. Bernard Parish's management response was training provided by Treasury's Office of Gulf Coast Restoration. OIG did not and does not provide training to entities subject to audit oversight.

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civil and administrative penalties paid after July 6, 2012, under the *Federal Water Pollution Control Act* (the Clean Water Act).<sup>6</sup> Treasury is responsible for administering grants made under the Direct Component of the Trust Fund.

Under the Direct Component, 35 percent of the Trust Fund will be made available to the Gulf Coast States (Alabama, Florida, Louisiana, Mississippi, and Texas) in equal shares in the form of grants for the purpose of economic and ecological restoration. For the State of Louisiana, 70 percent of the funds will be provided to the State and 30 percent will be provided to eligible coastal parishes<sup>7</sup> based on a formula described in the RESTORE Act. Under this component, each eligible applicant must prepare a Multiyear Implementation Plan (MYIP) before submitting an application for funding, unless it is applying for planning assistance funds to develop its MYIP. Direct Component funds can be spent on: (a) restoration and protection of the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast Region; (b) mitigation of damage to fish, wildlife, and natural resources; (c) implementation of a federally approved marine, coastal, or comprehensive conservation management plan, including fisheries monitoring; (d) workforce development and job creation; (e) improvements to or on state parks located in coastal areas affected by the Deepwater Horizon oil spill; (f) infrastructure projects benefitting the economy or ecological resources, including port infrastructure; (g) coastal flood protection and related infrastructure; (h) promotion of tourism in the Gulf Coast Region, including promotion of recreational fishing; (i) promotion of the consumption of seafood harvested from the Gulf Coast Region; (j) planning assistance; and (k) administrative costs. Details of the Trust Fund components are provided in appendix 4.

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<sup>6</sup> 33 U.S.C. § 1251 *et seq.*

<sup>7</sup> Coastal zone parishes means the parishes of Ascension, Assumption, Calcasieu, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, and Vermilion in the State of Louisiana.



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## St. Bernard Parish

St. Bernard Parish is located in the coastal zone, (as defined in section 304 of the *Coastal Zone Management Act of 1972*)<sup>8</sup> of the southeastern part of Louisiana and is eligible to receive a direct distribution of the State of Louisiana's Direct Component funds. St. Bernard Parish is estimated to receive \$10.8 million based on payments from Transocean defendants,<sup>9</sup> Anadarko Petroleum Corporation, and the BP Exploration & Production Inc. settlements.<sup>10</sup> Of this amount, approximately \$2.8 million has been made available<sup>11</sup> to St. Bernard Parish as of April 9, 2018.<sup>12</sup>

St. Bernard Parish is a local governmental subdivision which operates under a home rule charter<sup>13</sup> and is authorized to exercise any power and perform any function necessary, requisite, or proper for the management of its local affairs. The legislative power of the parish government is vested in the St. Bernard Parish Council, an elected body consisting of seven councilmen. The St. Bernard Parish also has an elected President who heads the executive branch. The President is the chief executive officer of the St. Bernard Parish Government and exercises general executive and administrative authority over all departments, offices, and agencies, with exceptions noted in the home rule charter.

During 2015 and 2016, St. Bernard Parish went through several organizational and leadership transitions. In 2015, the President lost his re-election bid. During the transition to the next administration, several management positions were left vacant. In November 2015, a new President was elected and took office on

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<sup>8</sup> 16 U.S.C. § 1453 as amended through Pub. L. No. 109-58, the Energy Policy Act of 2005.

<sup>9</sup> Transocean defendants include Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Holdings LLC, and Triton Asset Leasing GmbH.

<sup>10</sup> Treasury, *Projected BP Annual Deposits into The Gulf Coast Restoration Trust Fund Pursuant to the Consent Decree Accepted on April 4, 2016 by the Eastern Federal District Court of New Orleans* (Published September 2, 2016).

<sup>11</sup> The "amount made available" represents St. Bernard Parish's portion of the Trust Fund deposits from all penalty payments plus interest available for award, and not necessarily the amount awarded to date.

<sup>12</sup> Current Trust Fund allocations, including funds available and funds obligated or transferred by RESTORE Act component are publicly available on the U.S. Treasury Restore Act homepage: <https://www.treasury.gov/services/restore-act/Pages/home.aspx>

<sup>13</sup> "Home Rule Charter for St. Bernard Parish, Louisiana" (2016). The Louisiana State Constitution of 1974, Article VI, Local Government, Part 1, provides the structure and principles for the Home Rule Charter and Plans of Government.

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January 21, 2016. The new President hired staff for several key positions, to include: Chief Administrative Officer (CAO), Finance Director, Information Technology Director, and Public Works Director. The new administration also made organizational changes including hiring an Internal Auditor, creating the Coastal Affairs Department, and establishing the Grants Department. The Internal Auditor, who reports to both the CAO and the St. Bernard Parish Council, was hired to assess known deficiencies and internal controls. The Coastal Affairs Department is responsible for the project management of RESTORE Act grants, and the Grants Department which is a branch of the Finance Department, is responsible for administering all other aspects of St. Bernard Parish's awards, with the support of other parish personnel and outside consultants.

With the assistance of a consultant, St. Bernard Parish submitted its RESTORE Act planning assistance grant application to Treasury in January 2016, but then withdrew the application in April 2016. On May 30, 2017, Treasury approved St. Bernard Parish's submitted MYIP, which included four projects totaling \$1.9 million. In February 2018, Treasury awarded a total of \$1,055,750 to St. Bernard Parish for the "Paris Road Corridor" (\$824,000) and the "Nunez Community College Fisheries Workforce Development" (\$231,750) projects.

## Audit Results

As a Federal grant recipient, St. Bernard Parish must comply with requirements stipulated in the Uniform Guidance, which requires that a recipient "establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." The Uniform Guidance further requires that these internal control(s) should be in compliance with the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*.<sup>14</sup> Internal control requirements are further reaffirmed in Treasury's *RESTORE Act Financial*

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<sup>14</sup> GAO, *Standards for Internal Control in the Federal Government*, provides the overall framework for establishing and maintaining an effective internal control (GAO-14-704G; September 2014).

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*Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions and RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance.*

We concluded that St. Bernard Parish had designed and implemented a system of internal control to administer RESTORE Act grants in the areas of budgeting, cash management, disbursements, financial reporting, inventory management, procurement, and performance monitoring, but did not maintain all controls in place in the area of program management. Specifically, we noted the following two control deficiencies in program management related to inconsistent tracking of time charged to grants and grant personnel's limited knowledge and experience to administer Federal awards and lack of Federal grant training.

**Finding 1 Grant Time Keeping Was Not Tracked Consistently**

We found that St. Bernard Parish employees were inconsistent in tracking their time worked on grants, and as a result, did not fully comply with the Uniform Guidance related to time charged to Federal awards. While St. Bernard Parish had an overarching time keeping policy in its *Chief Administrative Officer Policy, Procedure, and Practices Manual* (CAO Manual),<sup>15</sup> it did not have a mechanism for employees to record time worked on grants. Prior to January 2017, employees were informally tracking time spent on grants using personal notebooks. After informing the Parish President and CAO about the Uniform Guidance requirements for recording time accurately, St. Bernard Parish implemented the "Grant Time and Attendance Weekly Report" in January 2017. However, as discussed below, employees did not consistently follow the requirement to complete this report.

The Uniform Guidance requires that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (1) be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (2) be incorporated into the official records of the non-

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<sup>15</sup> The *Chief Administrative Officer Policy, Procedure, and Practices Manual* is a summary document of requirements that St. Bernard Parish departments follow. Each department prepared and maintains their own departmental manual.

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Federal entity; (3) reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100 percent of compensated activities; and (4) support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

St. Bernard Parish addressed the Uniform Guidance requirements in its CAO Manual, as well as, implemented the "Grant Time and Attendance Weekly Report" in January 2017. St. Bernard Parish's CAO Manual requires the following:

- tracking the payroll and allocated costs charged to a specific grant account;
- ensuring all time charges are supported by timesheets that have been approved by the supervisor;
- tracking the payroll for employees who are working on a single award and attesting to the fact that the employee worked solely on that program for the period covered by the grant;
- verifying that salaries for employees working on multiple grants are supported by timesheets accounting for the total time worked and do not cross over multiple grants;
- calculating an indirect cost rate at two percent of project costs in the event that the rate is not specified in the award agreement; and
- verifying salaries of employees used for meeting match or cost share.

The "Grant Time and Attendance Weekly Report" is a time tracking spreadsheet that requires employees who work on grants to track time worked on a grant, time worked on other tasks, and time for holidays or leave. The employee signs the report and the supervisor and the director review and approve the report each week. In January 2017, the Grant Manager provided training on the "Grant Time and Attendance Weekly Report" to all employees working on grants.

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We reviewed the time tracking spreadsheet for the 31 personnel who worked on grants covering the period January 8, 2017 through May 7, 2017. We noted that 55 of the 537 required "Grant Time and Attendance Weekly Reports" (approximately 10 percent) were missing for 7 grant funded employees. This included the Director of Public Works who never turned in timesheets for time worked on grants for the entire period reviewed. When we inquired about the missing "Grant Time and Attendance Weekly Reports," the Grant Manager told us that training was provided and employees knew that timesheets were required, but some staff still did not do them. At the time of our audit, St. Bernard Parish did not have a federally negotiated indirect cost rate as it did not charge indirect costs to Federal awards.<sup>16</sup> Therefore, St. Bernard Parish had never used the indirect cost rate calculation of two percent of total project costs as noted in the CAO Manual. Officials told us that they will work with Federal awarding agencies to determine whether to charge indirect costs to Federal awards, and as such, determine the appropriate rate. It should be noted that St. Bernard Parish will have to comply with any Treasury terms and conditions in RESTORE Act awards related to indirect costs including the three percent cap on administrative costs. Accordingly, the parish may need to track time charged for other personnel in addition to grant-funded employees.

Without employees fully complying with St. Bernard Parish's time keeping policy and tracking procedures, there is no reasonable assurance that time charged to grants is accurate, allowable, and properly allocated. Furthermore, St. Bernard Parish will potentially lose the full benefit of funding under a grant if staff do not submit accurate time records as required. That is, St. Bernard Parish would be unable to request reimbursement under a grant without the time-keeping records of employees.

## **Finding 2 Grant Personnel Knowledge and Experience Was Limited and Federal Grant Training Was Lacking**

We found that the Grants Department personnel had limited knowledge and experience to administer Federal awards and lacked

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<sup>16</sup> In one case, indirect costs were charged to a non-RESTORE Act award, but the Federal awarding agency determined the indirect cost rate of one percent.

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Federal grant training. The Grants Department was created in January 2016 and was initially comprised of a Grant Manager and a contracted grant consultant. In April 2016, a new Grant Manager came onboard, and at the time of our interviews in May 2017, the Grants Department consisted of a Grant Manager, a Grant Specialist III, and a Grant Specialist I<sup>17</sup> who were selected by the CAO from existing St. Bernard Parish personnel. The CAO selected the Grant Manager and the Grant Specialist III based on their prior experience supporting the Federal Emergency Management Agency (FEMA) and the Hazardous Mitigation Grants Program (HMGP) grants. However, the Grant Manager's experience was limited to the close out of the FEMA grant and project management of the HMGP grant. The Grant Specialist III's experience was limited to tracking grant invoices only. The Grant Specialist I had no prior grant experience and the position was presented as a new opportunity. When we inquired of the CAO about training, it was noted that there was a lot of cross training parish-wide between directors and managers. According to Treasury's records, the Grant Manager had received two grants management classes, in April 2016 and July 2017. Nevertheless, when we interviewed the Grant Manager and two grant staff in May 2017, we were told that they had not received specialized Federal grants-related training and were not familiar with the Uniform Guidance.

Prior to establishing the Grants Department in January 2016, St. Bernard Parish relied on consulting firms to manage grants. The consultants submitted performance data on prior Federal awards and were responsible for monitoring compliance with laws and regulations. At the time of the audit, St. Bernard Parish still relied on consultants for their large grants.

According to GAO's *Standards for Internal Control in the Federal Government*, Principle 4, *Demonstrate Commitment to Competence*, management is responsible for establishing "expectations of competence for key roles to help the entity achieve its objectives. Competence is the qualification to carry out assigned responsibilities. It requires knowledge, skills, and abilities, which are gained largely from professional experience, training, and certifications." In addition, "personnel need to possess and

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<sup>17</sup> There was no Grant Specialist II position created when the Grants Department was expanded.

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maintain a level of competence that allows them to accomplish their assigned responsibilities, as well as understand the importance of effective internal control.”

In January 2017, the Grants Department developed the *St. Bernard Parish Government Policy and Procedure Guidelines for Grants Department*, which defines competency and performance standards for grant personnel. The guidelines require grant personnel to: (1) have the ability to interpret complex grant funding requirements, submissions, and budget projections; (2) have the ability to interpret Federal, state, and local government laws and regulations regarding grant administration; (3) have the ability to review the work of others to ensure conformance to standards; (4) maintain up-to-date knowledge and expertise in Federal, state, and local agencies’ regulations and policies; and (5) stay abreast of new laws and OMB guidance.

Without relevant experience and training on grants and managing Federal awards, St. Bernard Parish has an increased risk of misuse or misappropriation of Federal funds and the inability to ensure compliance with Federal laws and regulations.

### **Recommendation**

We recommend that the Fiscal Assistant Secretary considers St. Bernard Parish’s control deficiencies over grant timekeeping and employees’ lack of knowledge, experience, and training on Federal grants as part of Treasury’s oversight and administration of St. Bernard Parish’s awards. This consideration should also be part of Treasury’s risk assessments required by the Uniform Guidance for future awards.

### **Management Response**

Treasury management agreed with our report findings. In a written response, management noted that it will consider St. Bernard Parish’s control deficiencies over grant timekeeping and employees’ lack of knowledge, experience, and training on Federal grants as part of Treasury’s oversight and administration of their awards. This consideration also will be part of Treasury’s risk assessments required by the Uniform Guidance for future St. Bernard Parish

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awards. Treasury management's response, in its entirety, is included as appendix 3.

OIG Comment

Management's response meets the intent of our recommendation.

\* \* \* \* \*

We would like to extend our appreciation for the cooperation and courtesies extended to our staff during the audit. Major contributors to this report are listed in appendix 5. A distribution list for this report is provided as appendix 6. If you have any questions, please contact me at (202) 927-8782 or Eleanor Kang, Audit Manager, at (202) 927-8127.

/s/

Cecilia Howland  
Director, Gulf Coast Restoration Audits



As part of our oversight of programs, projects, and activities authorized by the *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act), we initiated an audit of St. Bernard Parish, Louisiana's (St. Bernard Parish) internal control to administer RESTORE Act grants. The objective of our audit was to assess St. Bernard Parish's internal control over the administration of Federal awards in accordance with Federal laws, regulations, and the Department of the Treasury's (Treasury) grant application requirements.

The scope of our audit comprised St. Bernard Parish's internal control in place during September 2014 through September 2017 as it related to the administration of Federal awards. This included policies, procedures, and practices with respect to St. Bernard Parish's key controls over budgeting, cash management, disbursements, financial reporting, inventory management, procurement, program management, and performance monitoring. The scope of our audit also included the grant time tracking spreadsheet that summarized 537 "Grant Time and Attendance Weekly Report[s]" for all 31 personnel who were eligible to charge time to grants during the period January 8, 2017 through May 7, 2017.

We contracted with Williams, Adley and Company-DC LLP, a certified independent public accounting firm, to assist us with the audit. However, this report and the conclusions therein are the responsibility of the Treasury Office of Inspector General. As such, we take responsibility for all work performed on our behalf.

To meet our audit objective, we performed the following procedures.

- We reviewed applicable Federal laws, regulations, and procedures as follows:
  - RESTORE Act, Pub. L. 112-141, July 6, 2012;
  - Treasury, *Regulations for the Gulf Coast Restoration Trust Fund Interim Final Rule*, 31 CFR Part 34, October 14, 2014 and *Regulations for the Gulf Coast Restoration Trust Fund Final Rule*, 31 CFR Part 34, February 12, 2016;

- Office of Management and Budget, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 2 CFR 200, December 26, 2014;
  - Treasury, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 2 CFR Part 1000, February 26, 2016;
  - Treasury, "RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions," January 2015;
  - Treasury, "RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance," August 2014; and
  - Government Accountability Office's *Standards for Internal Control in the Federal Government* (GAO-14-704G; September 10, 2014).
- We reviewed relevant documents related to St. Bernard Parish as follows:
    - Direct Component application for Federal financial assistance;
    - The RESTORE Act Operational Self-Assessments dated September 4, 2014, June 23, 2015, June 27, 2016, and August 21, 2017;
    - Audit reports in accordance with Office of Management and Budget's Circular A-133, Audits of States, Local Government and Non-Profit Organization for fiscal year 2012 through fiscal year 2016
    - "St. Bernard Parish Government Risk and Safety Assessment," dated May 2017;
    - "Grant Time and Attendance Weekly Reports" for the period January 8, 2017 through May 7, 2017; and
    - "Saint Bernard Parish Government 2016 Annual Internal Audit Plan."
  - We reviewed St. Bernard Parish's applicable policies and procedures as follows:
    - *St. Bernard Parish Government Chief Administrative Officer Policy, Procedure & Practices Manual*, March 2017;

- *St. Bernard Parish Government 2016 Finance Policy Manual;*
  - *St. Bernard Parish Government Department of Public Works Procurement Guidelines;*
  - *St. Bernard Parish Government Policy and Procedure Guidelines for Grants Department, January 2017;*
  - St. Bernard Parish Council, "Ordinance SBPC# 1847-01-17" (Personnel Plan), January 17, 2017; and
  - "Home Rule Charter for St. Bernard Parish, Louisiana" (2016).
- We performed walkthroughs of processes related to Federal grants administration for the purpose of assessing St. Bernard Parish's internal control. During the walkthroughs, we reviewed documentation to determine if processes were being followed as indicated by policies and procedures and in accordance with the Uniform Guidance. We performed walkthroughs of processes as follows including:
    - budgeting;
    - cash management;
    - disbursements;
    - financial reporting;
    - inventory management;
    - procurement;
    - program management; and
    - performance monitoring.

- We interviewed key St. Bernard Parish officials and staff as follows:
  - President
  - Chief Administrative Officer
  - Councilman Co-Chair
  - Finance Director
  - Assistant Finance Director
  - Director of Public Works
  - Coastal Affairs Director
  - Coastal Advisor
  - Grant Manager
  - Grant Specialist I
  - Grant Specialist III
  - Grant Consultant
  - Recovery Manager
  - Assistant Recovery Manager
  - Fixed Asset Accountant
  - Grant Accountant
  - Internal Auditor
  - Information Technology Manager

We conducted our field work between June 2015 and September 2017 at St. Bernard Parish's offices in Chalmette, Louisiana, and at the Treasury Office of Inspector General office in Washington, D.C.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 2  
St. Bernard Parish Management Response



*St. Bernard Parish Government*

8201 West Judge Perez Drive Chalmette, Louisiana, 70043  
(504) 278-4227 Fax (504) 278-4330  
www.sbp.net

**Guy McInnis**  
Parish President

June 14, 2018

Cecilia K. Howard, CIA  
Director, Gulf Coast Restoration Audits  
U. S. Department of the Treasury  
Office of Inspector General  
875 15<sup>th</sup> Street, NW  
Washington, DC 20005

RE: Draft Audit Report: St. Bernard Parish's Internal Control over Federal Awards

Dear Ms. Howland:

Thank you for the opportunity to review the above-referenced Audit Report draft on St. Bernard Parish's Internal Control over Federal Awards. St. Bernard Parish has reviewed the draft audit report performed as part of the Treasury's ongoing oversight of programs, projects and activities authorized by the RESTORE Act and would like to respond to the following findings:

Finding 1: Grant Time Keeping Was Not Tracked Consistently

St. Bernard is working diligently on educating and training its employees on the importance of time tracking and the significance of following our grant time keeping policy. We are currently up-to-date on all time sheets. It should be noted that our Director of Public Works does not complete grant time sheets as we are not seeking reimbursement for his salary. We will monitor his position and duties to determine if a change is required. We will continually review our policy and procedures and update as needed.

Finding 2: Grant Personnel Knowledge and Experience Was Limited and Federal Grant Training was Lacking

The Grants Department was re-established with the new administration as they saw the importance of this department to the development of St. Bernard Parish. Upon its inception, Parish Government encountered turnover which unfortunately delayed progress. However, we are committed to continuing to develop and improve processes that will result in an efficient and effective department. We are dedicated to continuing to educate all employees and will encourage them to search governmental or outside resources for any valuable opportunities for growth within their discipline. It is important to Parish Government that employees in every department are given the opportunity to excel and stay up-to-date on policies and procedures.

The Grant Manager has attended numerous Treasury OIG training sessions on the following dates: April 27<sup>th</sup> and 28<sup>th</sup>, 2016, July 18<sup>th</sup>, 2017 and June 11<sup>th</sup> and 12<sup>th</sup>, 2018. At each of these training sessions, the Grant Manager included various members of the Grants Department to accompany her. The Grant Manager and Grant Specialist are registered to attend a three-day conference, Southern Grants Forum in

Appendix 2  
St. Bernard Parish Management Response

New Orleans, to better understand the Uniform Grant Guidance. The Grant Manager will continue to strive to make the Grants Department a knowledgeable and useful tool for Parish Government.

The Grant Specialist that was employed during our audit has been replaced internally with an employee who has previous work experience on federal grants. We believe this internal transfer is better suited to help the Grants Department meet its goals.

We believe that the responses that we have outlined above in regards to your findings fully address your concerns. We look forward to continuing to work with the Department of the Treasury to ensure the implementation of the RESTORE Act is successful and a benefit to the citizens of St. Bernard Parish.

Sincerely,



Blair Ellinwood  
Finance Director  
St. Bernard Parish Government

cc: Guy S. McInnis, St. Bernard Parish President  
Ronald J. Alonzo, Jr., Chief Administrative Officer  
Melissia P. O'Neil, Grants Department Manager

Appendix 3  
Treasury Management Response



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

ASSISTANT SECRETARY

JUL 18 2018

Ms. Cecilia K. Howland  
Director, Gulf Coast Restoration Audits  
Office of Inspector General  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Ms. Howland,

Thank you for the opportunity to review and comment on the Office of the Inspector General's draft report (Report) relating to the audit of St. Bernard Parish, Louisiana's Internal Control over Federal Awards.

The Report concluded that St. Bernard Parish had designed and implemented a system of internal control to administer Federal Awards but did not maintain all controls in place as required by the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200 (Uniform Guidance), Treasury's RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions, and Treasury's RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance.

Treasury concurs with the Report's findings. The Office of the Fiscal Assistant Secretary will consider St. Bernard Parish's control deficiencies over grant timekeeping and employees' lack of knowledge, experience, and training on Federal grants as part of Treasury's oversight and administration of their awards. This consideration also will be part of Treasury's risk assessments required by the Uniform Guidance for future St. Bernard Parish awards.

We appreciate your work on the Report and value your feedback as the program moves forward.

Sincerely,

David A. Lebrýk  
Fiscal Assistant Secretary

The *Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act) established the Gulf Coast Restoration Trust Fund (Trust Fund) within the Department of the Treasury (Treasury) to provide funds for environmental and economic restoration of the Gulf Coast region that was damaged by the 2010 Deepwater Horizon oil spill. Deposits into the Trust Fund will comprise 80 percent of all civil and administrative penalties related to Deepwater Horizon paid under the *Federal Water Pollution Control Act* (Clean Water Act) after July 6, 2012.

#### Fund Sources

Approximately \$5.3 billion has been designated for the Trust Fund resulting from settlement agreements between the U.S. Department of Justice and the following parties:

- approximately \$4.4 billion plus interest from BP Exploration & Production Inc.<sup>18</sup>
- approximately \$800 million plus interest from the Transocean defendants<sup>19</sup>
- approximately \$127 million plus interest from Anadarko Petroleum Corporation<sup>20</sup>

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<sup>18</sup> A \$20.8 billion civil settlement between the Department of Justice and BP Exploration & Production Inc. was approved on April 4, 2016. Of this amount, \$4.4 billion will be deposited into the Trust Fund over 15 years. BP made the first Clean Water Act penalty payment to the Department of Justice on April 3, 2017, and 80 percent of that payment, or approximately \$303 million, was deposited in the Gulf Coast Restoration Trust Fund on April 10, 2017. A second payment of approximately \$152 million was deposited into the Trust Fund on April 9, 2018.

<sup>19</sup> On February 19, 2013, the civil settlement between the Department of Justice and Transocean defendants (Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Holdings LLC, and Triton Asset Leasing GmbH) was approved. Among other things in the settlement, the Transocean defendants paid a \$1 billion civil penalty plus interest in three installments. Of this amount, \$800 million plus interest was transferred to the Trust Fund; the final amount was deposited in the Trust Fund in February 2015.

<sup>20</sup> On December 16, 2015, the civil settlement between the Department of Justice and Anadarko Petroleum Corporation was approved. Anadarko agreed to civil penalties of \$159.5 million. Of this amount, approximately \$127 million was deposited in the Trust Fund in March 2016.



### RESTORE Act Components

The RESTORE Act allocates monies from the Trust Fund into the following five components.

- Direct Component – Treasury Administered
  - 35 percent is to be equally divided among the five Gulf Coast States for ecosystem restoration, economic development, and tourism promotion accordingly:
    - Louisiana – 30 percent to the coastal parishes based on an allocation formula and 70 percent to the state;
    - Florida – 75 percent to the counties most affected by the oil spill and 25 percent to the other counties based on an allocation formula;
    - Mississippi – 100 percent to the Department of Environmental Equality;
    - Alabama – 100 percent to the Alabama Gulf Coast Recovery Council; and
    - Texas – 100 percent to the Texas Governor’s Office;
- Comprehensive Plan Component – Gulf Coast Ecosystem Restoration Council Administered
  - 30 percent plus 50 percent of interest earned from Trust Fund investments is to be used for restoration activities under the Comprehensive Plan;
- Spill Impact Component – Gulf Coast Ecosystem Restoration Council Administered
  - 30 percent is to be divided among the five Gulf Coast States according to a formula to implement State Expenditure Plans, which require approval by the Council;
- National Oceanic and Atmospheric Administration’s RESTORE Act Science Program – National Oceanic and Atmospheric Administration Administered
  - 2.5 percent plus 25 percent of interest earned from Trust Fund investments is to be used for a science,

observation, monitoring, and technology program;  
and

- Centers of Excellence Research Grants Program – Treasury Administered
  - 2.5 percent plus 25 percent of interest earned from Trust Fund investments is to be used for research on the Gulf Coast Region.

#### Availability for St. Bernard Parish

St. Bernard Parish is estimated to receive \$10.8 million based on payments from Transocean defendants, Anadarko Petroleum Corporation, and the BP Exploration & Production Inc. settlements. As of April 9, 2018, the Trust Fund had received approximately \$1.4 billion, including related interest. Of that amount, approximately \$2.8 million has been made available to St. Bernard Parish under the Direct Component.<sup>21</sup>

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<sup>21</sup> Current Trust Fund allocations, including funds available and funds obligated or transferred by RESTORE Act component are publicly available on the U.S. Treasury Restore Act homepage: <https://www.treasury.gov/services/restore-act/Pages/home.aspx>

Appendix 5  
Major Contributors to This Report

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Eileen J. Kao, Audit Manager  
Dionne L. Smith, Auditor-in-Charge  
Usman Abbasi, Auditor  
Kevin Guishard, Referencer

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Under Secretary for Domestic Finance  
Fiscal Assistant Secretary  
Deputy Assistant Secretary, Fiscal Operations and Policy  
Director, Office of Grants and Asset Management  
Director, Office of Gulf Coast Restoration  
Office of the Deputy Chief Financial Officer, Risk and Control  
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**Office of Management and Budget**

OIG Budget Examiner

**State of Louisiana**

Legislative Auditor

**St. Bernard Parish**

Parish President

**United States Senate**

Committee on Finance  
Committee on Homeland Security and Governmental Affairs

**United States House of Representatives**

Committee on Oversight and Government Reform  
Committee on Ways and Means

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