



# Audit Report



OIG-20-029

**GULF COAST RESTORATION**

**Jefferson Parish's Internal Control Over  
Federal Awards**

March 18, 2020

**Office of Inspector General  
Department of the Treasury**

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## Abbreviations

COSO	Committee of Sponsoring Organizations of the Treadway Commission
Direct Component Guidance	<i>RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance</i>
GAO	Government Accountability Office
Green Book	<i>Standards for Internal Control in the Federal Government</i>
Jefferson Parish	Jefferson Parish, Louisiana
MYIP	Multiyear Implementation Plan
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>

Terms and Conditions

*RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions*

Treasury

Department of the Treasury

Uniform Guidance

*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200)*



# Audit Report

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March 18, 2020

David A. Lebryk  
Fiscal Assistant Secretary

This report presents the results of our audit of Jefferson Parish, Louisiana's (Jefferson Parish) internal control 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 Jefferson 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 Jefferson Parish's internal control in place during the period September 2014 through November 2018 as it related to the administration of Federal awards. This includes controls in place over budgeting, cash management, disbursements, financial reporting, equipment management, procurement, and performance monitoring. Appendix 1 provides more detail of our audit objective, scope, and methodology.

## Results in Brief

In brief, we found that Jefferson Parish's system of internal control did not include an entity-wide risk assessment to identify and manage organizational risks. We concluded that Jefferson Parish had designed and implemented internal controls<sup>2</sup> to administer

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

<sup>2</sup> 2 CFR §200.61 "*Internal controls* 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."

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Federal awards in the areas of budgeting, cash management, financial reporting, and performance monitoring as required by the Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 2 CFR Part 200 (Uniform Guidance),<sup>3</sup> Treasury's *RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions* (Terms and Conditions), and Treasury's *RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance* (Direct Component Guidance). However, Jefferson Parish had not yet designed and implemented controls in the areas of disbursements (i.e. grant timekeeping), equipment management, and procurement as of November 2018. Among other things, these areas lacked policies and procedures for (1) tracking and allocating employee time charged to RESTORE Act grants; (2) maintaining records to manage federally-funded equipment; and (3) ensuring compliance with Treasury's conflict of interest requirements. If left uncorrected, these control deficiencies may impact Jefferson Parish's ability to administer RESTORE Act grants responsibly and in accordance with all Federal requirements once funds are awarded.

Accordingly, we recommend that the Fiscal Assistant Secretary ensures that the deficiencies identified in Jefferson Parish's controls over Federal awards are considered as part of Treasury's oversight of future awards as well as risk assessments of Jefferson Parish as required by the Uniform Guidance.

As part of our reporting process, we provided Jefferson Parish management an opportunity to comment on a draft of this report. In a written response, Jefferson Parish management acknowledged the report's findings and anticipates that they will be addressed prior to the adoption of an updated Coastal Master Plan.<sup>4</sup> Regarding the lack of an entity-wide risk assessment, management reiterated that Jefferson Parish undertakes an entity-wide risk assessment through the Internal Audit function. Management

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

<sup>4</sup> The Coastal Master Plan is a broader coastal restoration plan developed by Jefferson Parish which seeks to leverage all potential sources of funding (local, State, and Federal) to develop and prioritize coastal restoration projects within the Parish.

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acknowledged COSO's<sup>5</sup> requirement for a management driven entity-wide risk assessment and noted that Jefferson Parish was undertaking such an assessment including the creation of a risk assessment process and procedure in compliance with COSO, the Green Book,<sup>6</sup> and Uniform Guidance §200.303, *Internal Control*. It is Jefferson Parish's goal to conclude this management driven entity-wide risk assessment prior to the receipt of RESTORE Act funds.

In response to the lack of sufficient controls to administer RESTORE Act grants, Jefferson Parish management replied to each area noted in the audit report. Specific to tracking and allocating time charged to RESTORE Act grants, management responded that all grant departments in Jefferson Parish follow Federal guidelines including employee certifications for the time spent working within specific grant projects. However, prior to the allocation of payroll and related benefits to a RESTORE Act grant, the Jefferson Parish Coastal Management Department<sup>7</sup> will implement a payroll policy and procedure related to RESTORE Act grants to ensure compliance with all related laws and regulations. For maintaining records to manage Federally-funded equipment, Jefferson Parish management noted that to date, no assets have been purchased with RESTORE Act funds, and therefore, the Asset Accountant could not "produce a list of assets purchased." Management further noted that Jefferson Parish will update its fixed asset policies to specify the information that must be captured for any asset purchased with Federal funds, and document the requirement and process for performing an inventory. Additionally, Jefferson Parish will memorialize its procedures for producing an inventory of federally funded equipment for ease of reference. To address noncompliance with Treasury's conflict of interest requirements, management stated that a conflict of interest form in compliance with the August 2017 version of Treasury's Terms and Conditions will be secured in all RESTORE Act projects. A policy and procedure will be developed to ensure conflict of interest forms are secured and signed by all required parties. Jefferson Parish management's response, in its entirety, is provided as appendix 2.

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<sup>5</sup> Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control—Integrated Framework*, (Deloitte & Touche, LLP)

<sup>6</sup> GAO, *Standards for Internal Control in the Federal Government* (September 2014).

<sup>7</sup> Formerly known as the "Coastal Zone Management Department."

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After incorporating Jefferson Parish’s response, we provided a draft of this report to Treasury management for comment. In a written response, Treasury management acknowledged the report’s conclusions and concurred with the findings. Management also responded that although Treasury has not yet awarded any RESTORE Act grants to Jefferson Parish, Treasury will consider the internal control deficiencies identified, as part of Treasury’s risk assessments for any future Jefferson Parish awards. Treasury management’s response in its entirety is provided as appendix 3.

## 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 civil and administrative penalties paid after July 6, 2012, under the *Federal Water Pollution Control Act* (the Clean Water Act).<sup>8</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 based on a formula prescribed in the RESTORE Act.<sup>9</sup> Under the Direct Component, each eligible applicant must prepare a Multiyear Implementation Plan (MYIP) before submitting an application for funding, unless it is applying for planning assistance to develop its MYIP. Direct Component funds can be spent on: (a)

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<sup>8</sup> 33 U.S.C. §1251 *et seq.*

<sup>9</sup> Coastal zone parishes refer to the parishes of Ascension, Assumption, Calcasieu, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, Jefferson, 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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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. Additional details of the RESTORE Act and Trust Fund components are provided in appendix 4.

### Jefferson Parish

Jefferson Parish is located in the coastal zone, (as defined in section 304 of the Coastal Zone Management Act of 1972)<sup>10</sup> of the southeastern part of Louisiana and is eligible to receive a direct distribution of the State of Louisiana's Direct Component funds.

Jefferson Parish's organizational structure is comprised of elected officials including the Parish President and the Parish Council. The Parish President carries out the policies adopted by the Parish Council which serves as the legislative body of Jefferson Parish.<sup>11</sup> Jefferson Parish's Coastal Management Department is responsible for project management of RESTORE Act grants with administrative support provided by the Jefferson Parish Public Safety Grants and Administration Department.

Jefferson Parish is expected to receive an estimated \$13.3 million based on payments from Transocean defendants, Anadarko Petroleum Corporation, and the BP Exploration & Production Inc.

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<sup>10</sup> 16 U.S.C. §1453 as amended through Pub. L. No. 109-58, the Energy Policy Act of 2005.

<sup>11</sup> As chief administrative officer, the Parish President supervises all Parish operations except for the offices of the Jefferson Parish Sheriff, Clerk of Court, Assessor, Coroner, District Attorney, and the Public School Board. These agencies are legally separate from the Parish Council. The council, composed of two councilmembers at large and five district councilmembers, levies taxes, special assessments, service charges, and license fees.

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settlements. As of October 1, 2019, approximately \$4.3 million was designated for Jefferson Parish. As of December 2019, Treasury had not awarded any RESTORE Act grants to Jefferson Parish.

Jefferson Parish developed a MYIP which was accepted by Treasury on August 17, 2017. The MYIP listed the Bayside Segmentation project valued at approximately \$3 million.

## Audit Results

We found that Jefferson Parish's system of internal control did not include an entity-wide risk assessment to identify and manage organizational risks. We concluded that Jefferson Parish had designed and implemented internal controls to administer Federal awards in the areas of budgeting, cash management, financial reporting, and performance monitoring as required by the Uniform Guidance, Treasury's Terms and Conditions, and the Direct Component Guidance. However, Jefferson Parish had not yet designed and implemented controls in the areas of disbursements (i.e. grant timekeeping), equipment management, and procurement as of November 2018. Among other things, these areas lacked policies and procedures for (1) tracking and allocating employee time charged to RESTORE Act grants; (2) maintaining records to manage federally-funded equipment; and (3) ensuring compliance with Treasury's conflict of interest requirements. If left uncorrected, these control deficiencies may impact Jefferson Parish's ability to administer RESTORE Act grants responsibly and in accordance with all Federal requirements once funds are awarded.

As a Federal grant recipient, Jefferson Parish must comply with requirements stipulated in the Uniform Guidance, which require 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."<sup>12</sup> These internal control requirements are

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<sup>12</sup> 2 CFR §200.303(a)

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further reaffirmed in Treasury's Terms and Conditions<sup>13</sup> and Direct Component Guidance.<sup>14</sup>

**Finding 1                      Jefferson Parish Did Not Conduct an Entity-wide Risk Assessment**

Jefferson Parish management had not conducted an entity-wide risk assessment, which consists of identifying overall organizational risks, including but not limited to the administration of Federal awards, the entity's risk tolerances, and risk responses. Uniform Guidance §200.303 - *Internal Control* requires that in addition to establishing and maintaining effective internal control that: "These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)." The Green Book further defines risk management components and key principles and concepts. A key risk management concept in the Green Book is that having established an effective control environment, management assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. In assessing these risks, management: (1) defines objectives and risk tolerances, (2) identifies, analyzes and responds to risks, (3) assesses fraud risks, and (4) identifies, analyzes and responds to changes.

In Jefferson Parish's June 2017 operational self-assessment submitted to Treasury, *RESTORE Act Direct Component and Centers of Excellence Research Grants Program Operational Self-Assessment*, the former Jefferson Parish Director of Accounting asserted that (1) internal control was in compliance with Green Book and COSO's "Internal Control Integrated Framework;" (2) there was a formalized internal control program and risk assessment methodology for managing and monitoring operational and financial risks that is periodically tested and updated as

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<sup>13</sup> Treasury *RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions* (August 2017).

<sup>14</sup> Treasury *RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance* (August 2014).

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needed; and (3) the organization maintained a formalized compliance program for managing and monitoring risks associated with regulatory compliance.

We found that Jefferson Parish management was unable to support its 2017 self-assessment related to having established a formalized internal control program and risk assessment methodology for managing and monitoring operational and financial risks. Management was also unable to support that a compliance program for managing and monitoring risks associated with regulatory compliance had been formalized. As such, Jefferson Parish was not in full compliance with Uniform Guidance and the Green Book.

When we inquired as to the lack of a formalized internal control program, Jefferson Parish management asserted that the annual risk assessments performed by the Internal Audit Department and the Jefferson Parish Office of Inspector General, as part of their audit planning processes, were sufficient risk management strategies. In either case, these risk assessments do not meet Jefferson Parish management's responsibility to identify and respond to risks in accordance with Uniform Guidance and the Green Book. Even the Internal Audit Department stated in its *Internal Audit Risk Assessment and Annual Work Plan for Fiscal Year 2018*<sup>15</sup> that it does not provide coverage for all Jefferson Parish activities and cautioned that the executive staff and directors understand the limitations of the audit coverage and the risks they assume in unaudited areas. The plan concluded that it is not intended to address or provide complete coverage for all activities or system risks.

We communicated to Jefferson Parish officials that these organizations do not have governance authority which is a key element in developing and managing a risk management process. The lack of an overall entity-wide risk assessment leaves Jefferson Parish susceptible to mismanagement and/or misappropriation of Federal funds and vulnerable to potential fraud in grant programs that may affect the suitability for receiving Federal awards.

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<sup>15</sup> Jefferson Parish's fiscal year is January 1 through December 31.

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**Finding 2****Jefferson Parish Lacked Sufficient Controls to Administer RESTORE Act Grants**

As part of our assessment of internal control, we reviewed policies and procedures and performed walkthroughs of processes to determine whether controls were designed and implemented to ensure compliance with the requirements of the Uniform Guidance and Treasury's Terms and Conditions. We found that Jefferson Parish had not yet designed and implemented controls in the areas of disbursements (i.e. grant timekeeping), equipment management, and procurement as of November 2018. Furthermore, Jefferson Parish lacked policies and procedures for (1) tracking and allocating employee time charged to RESTORE Act grants; (2) maintaining records to manage federally-funded equipment; and (3) ensuring compliance with Treasury's conflict of interest requirements.

**Tracking and Allocating Time Charged to RESTORE Act Grants**

The payroll and timekeeping system used by employees in Jefferson Parish's Coastal Management Department and Public Safety Grants and Administration Department did not have the capability to record hours worked by project in order to track and allocate direct labor costs to a RESTORE Act grant project. Furthermore, Jefferson Parish lacked a methodology for allocating employee labor cost to RESTORE Act grants.

While no RESTORE Act funds were expended within the scope of this audit, the Jefferson Parish's Coastal Management Department and Public Safety Grants and Administration Department recognized limitations in its existing payroll and timekeeping processes. Management had stated that it was considering a past practice of manual timekeeping using Excel spreadsheets to track time spent and allocate labor costs to RESTORE Act grants. Tracked labor costs would be charged to the RESTORE Act grant via accounting entries. The proposed process would allow management to comply with the provisions of Uniform Guidance 2 CFR §200.430(i) – *Standards for Documentation of Personal Expenses*, which states "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the

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charges are accurate, allowable, and properly allocated.” However, a manual timekeeping process was not in place at the completion of our fieldwork.

Jefferson Parish management had not developed and implemented timekeeping policies and procedures to address tracking and allocating employee time charged to RESTORE Act grants. Without Federal grant timekeeping policies and procedures, Jefferson Parish management cannot ensure that staff are adequately and consistently trained. This may increase the risk of misuse or misappropriation of Federal funds and the inability to ensure compliance with Federal laws and regulations.

#### Maintaining Records to Manage Federally-Funded Equipment

Jefferson Parish did not have a process to produce equipment records that comply with the data/information requirements set forth by Uniform Guidance 2 CFR §200.313 – *Equipment*. Additionally, documented policy and procedures were lacking to ensure that periodic physical inventory for equipment is performed and reconciled with equipment records.

Jefferson Parish’s Accounting Department has primary responsibility for asset management. Both the accounting (IBM Application System 400 (AS-400)) and asset management (Asset Information Management System (AIMS)) systems are used to record and manage assets. In January 2018, we requested a list of property records for equipment procured using Federal funds. The Asset Accountant was unfamiliar as to how to readily identify federally-funded equipment or produce a list, as different data elements are housed in the different systems. In November 2018, the recently appointed Accounting Director asserted that the existing information systems were capable of determining the funding source of a fixed asset and that a custom query could be run that should produce the required information. However, Jefferson Parish did not demonstrate this capability, and there were no policies and procedures for managing federally-funded equipment.

Per Uniform Guidance 200.313(d) *Management Requirements*– (1) “Property records must be maintained that include a description of the property, a serial number or other identification number, the

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source of funding for the property, including the Federal Award Identification Number (FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.”

Furthermore, Jefferson Parish had not yet conducted a physical inventory of property purchased with Federal funds, and did not have a written policy and procedures to ensure that a physical inventory of equipment takes place periodically. As required by 2 CFR §200.313(d) *Management Requirements– (2)*, “A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years”.

Incomplete or missing property records could hinder Jefferson Parish’s ability to properly account for and track assets purchased with Federal funds. Inadequate physical inventory procedures increase the likelihood of erroneous inventory data, and increase the risk of misappropriation, loss, damage, or theft of federally-funded equipment.

#### Noncompliance with Treasury’s Conflict of Interest Requirements

Jefferson Parish’s procurement and subaward policies and procedures did not require the completion and maintenance of signed conflict of interest forms for every contract and subaward to be issued under RESTORE Act grants. At the time of fieldwork completion, Jefferson Parish was developing a process to comply with this additional requirement mandated by Treasury.

Jefferson Parish procurement officials were unaware of the records retention requirements in the August 2017 version of Treasury’s Terms and Conditions which requires that a recipient must retain all records pertinent to RESTORE Act grants. The term “records” includes but is not limited to copies of contracts and all documents related to contracts and subawards; including all signed conflict of

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interest forms for each contract and subaward issued by the recipient under Treasury issued RESTORE Act grants.<sup>16</sup>

Potential conflicts of interest may not be properly identified and/or disclosed, which may create the appearance of impropriety and compromise the integrity of Jefferson Parish management as a whole. Furthermore, potential conflicts of interest create exposure to the risk that Federal funds are not used as intended and/or misappropriated.

### **Recommendation**

We recommend that the Fiscal Assistant Secretary ensures that deficiencies identified in Jefferson Parish's controls over Federal awards are considered as part of Treasury's oversight of future awards as well as risk assessments of Jefferson Parish as required by the Uniform Guidance.

### **Management Response**

In a written response, Treasury management acknowledged the report's conclusions and concurred with the findings. Management also responded that although Treasury has not yet awarded any RESTORE Act grants to Jefferson Parish, Treasury will consider the internal control deficiencies identified, as part of Treasury's risk assessments for any future Jefferson Parish awards. Treasury management's response in its entirety is provided as appendix 3.

### **Office of Inspector General Comment**

Management's response meets the intent of our recommendation.

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<sup>16</sup> Treasury, *RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions* (August 2017).



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We appreciate the courtesies and cooperation extended by your staff as we inquired about these matters. 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, you may contact me at (202) 927-8782 or Jeffrey Hawkins, Audit Manager at (202) 927-9648.

/s/  
Cecilia K. Howland  
Director, Financial Assistance and International Program Audits

## Appendix 1: Objective, Scope, and Methodology

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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 Jefferson Parish, Louisiana's (Jefferson Parish) internal control to administer RESTORE Act grants. The objective of our audit was to assess Jefferson 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 Jefferson Parish's internal control in place during the period September 2014 through November 2018 as it related to the administration of Federal awards. This included policies, procedures, and practices with respect to Jefferson Parish's key controls over budgeting, cash management, disbursements, financial reporting, equipment management, procurement, and performance monitoring.

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 accomplish these objectives, we performed the following procedures.

- We reviewed applicable Federal laws, regulations, and procedures including:
  - 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*

## Appendix 1: Objective, Scope, and Methodology

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- Requirements for Federal Awards*, 2 CFR Part 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”, versions dated January 2015, August 2017, and December 2018;
  - Treasury, “RESTORE Act Direct Component Guidance and Application to Receive Federal Financial Assistance”, August 2014; and
  - Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 10, 2014.
- We reviewed relevant documents related to Jefferson Parish including:
  - *The RESTORE Act Operational Self-Assessment(s)* dated September 10, 2014; June 4, 2015; June 15, 2016; and June 30, 2017;
  - Audit reports in accordance with Office of Management and Budget’s Circular No. A-133, *Audits of States, Local Government and Non-Profit Organization*, for fiscal year 2014 through fiscal year 2017;
  - Jefferson Parish’s *Internal Audit Risk Assessment and Annual Work Plan for Fiscal Year 2018*; and
  - Jefferson Parish Office of Inspector General’s *2016 Annual Report*.
- We reviewed Jefferson Parish’s applicable policies and procedures as follows:
  - *Administrative Management Policies* (August 11, 2017);
  - *Department of Community Development Policies and Procedures Manual*, Version 2.0 (December 2016);
  - *Personnel Rules of The Classified Service*, Ordinance No. 4074 (Amended October 4, 2017);

## Appendix 1: Objective, Scope, and Methodology

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- *Jefferson Parish Community Action Programs Policy and Procedure, Cost Principles and Allowability* (April 3, 2017);
- *Jefferson Parish Capital Outlay Procedures, Non-Construction Expenditures* (December 31, 2016);
- *Purchasing Department Procurement Manual* (December 2016); and
- "Grants Internal Memo;" dated 2016.
- We conducted interviews with key Jefferson Parish staff and officials in the following departments:
  - Accounting;
  - Purchasing;
  - Coastal Management;
  - Public Safety Grants and Administration; and
  - Internal Audit.
- We performed walkthroughs of processes to identify controls over Federal awards for the purpose of assessing Jefferson Parish's internal control. During our walkthroughs, we observed demonstrations of transaction processing and reviewed documentation to determine whether controls were designed and implemented in accordance with Uniform Guidance. We performed walkthroughs of the following processes:
  - Budgeting;
  - Cash Management;
  - Disbursements;
  - Financial Reporting;
  - Equipment Management;
  - Procurement; and
  - Performance Monitoring.

We conducted our field work between June 2015 and November 2018 at Jefferson Parish offices in Gretna, Louisiana and at the Treasury Office of Inspector General 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

## Appendix 1: Objective, Scope, and Methodology

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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: Jefferson Parish Management Response



### JEFFERSON PARISH DEPARTMENT OF ACCOUNTING

CYNTHIA LEE SHENG  
PARISH PRESIDENT

MADISON C. MARTIN, MBA, CPA  
DIRECTOR

January 10, 2020

Cecilia K. Howland, CIA  
Director, Financial Assistance and International Program Audits  
Office of Inspector General  
U.S. Department of the Treasury  
1500 Pennsylvania Ave, NW  
Washington, DC 20220

RE: Draft Audit Report: Jefferson Parish's Internal Control Over Federal Awards, Dated December 6, 2019 ("Draft Audit Report")

Dear Ms. Howland;

Thank you for the opportunity to review the Draft Audit Report. It is our understanding the Draft Audit Report is performed as part of the Treasury's ongoing oversight of programs, projects, and activities related to the RESTORE Act and is provided to the Fiscal Assistant Secretary, Department of the Treasury, to ensure the deficiencies identified in this Draft Report "are considered as part of Treasury's oversight of awards", See Audit Report, Results in Brief, Page 2. It is imperative to note, Jefferson Parish has neither received nor utilized or expended any RESTORE Act funds. No public funds are presently at risk as no funds have been received. It is anticipated the Findings as contained in the Draft Audit Report will be addressed prior to the adoption of an updated Coastal Master Plan.

Our responses to the two (2) Findings contained in the Draft Audit Report are below.

Finding 1: Jefferson Parish Did Not Conduct an Entity-wide Risk Assessment

RESPONSE:

Jefferson Parish undertakes an entity-wide risk assessment through its Internal Audit function. Notwithstanding, it is our understanding COSO also requires an additional management driven entity-wide risk assessment "to identify

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## Appendix 2: Jefferson Parish Management Response

and respond to risks in accordance with Uniform Guidance and the Green Book”, See Draft Audit Report, Finding 1, P. 6, including: defining objectives and risk tolerances; identifying, analyzing, and responding to risks; assessing fraud risks; and, identifying, analyzing and responding to changes. Jefferson Parish is in the process of undertaking such an entity-wide risk assessment including the creation of a risk assessment process and procedure in compliance with COSO and the Green Book in compliance with Uniform Guidance §200.303- *Internal Control*. It is the goal of Jefferson Parish to conclude this management driven entity-wide risk assessment prior to the receipt of RESTORE Act funds.

### Finding 2: Jefferson Parish Lacked Sufficient Controls to Administer RESTORE Act Grants

#### RESPONSE

Within the Draft Audit Report it is “concluded that Jefferson Parish had designed and implemented internal controls to administer Federal awards in the areas of budgeting, cash management, financial reporting, and performance monitoring as required by the Uniform Guidance, Treasury’s Terms and Conditions, and the Direct Component Guidance”. See Draft Audit Report, Audit Results, Page 5.

The Draft Audit Report further provides three areas identified as lacking sufficient controls: Tracking and Allocating Time Charged to RESTORE Act Grants, Maintaining Records to Manage Federally-Funded Equipment, and Noncompliance with Treasury’s Conflict of Interest Requirements. Specific response to each specific area follows:

#### A. Tracking and Allocating Time Charged to RESTORE Act Grants

Jefferson Parish utilizes an electronic timekeeping system so that payroll and related benefits of an employee are coded specifically to the grant(s) on which that employee worked. This electronic timekeeping system includes several internal control safeguards, e.g., biometrics, employee certifications for time worked, and unique user ID’s and passcodes. Further, all Grant departments follow the Federal Guidelines including but not limited to employee certifications for the time spent working within specific grant projects. In addition, prior to any allocation of payroll and related benefits to a RESTORE Act grant, the Jefferson Parish Coastal Management Department will implement a payroll policy and procedure related to RESTORE Act Grants to ensure compliance with all related laws and regulations.

#### B. Maintaining Records to Manage Federally-Funded Equipment

The Draft Audit Report provides “Jefferson Parish did not have a process to produce equipment records that comply with the data/information requirements set forth by Uniform Guidance 2 CFR §200.313 – *Equipment*.” In fact, Jefferson Parish’s asset system does comply with 2 CFR §200.13. No assets have been purchased with RESTORE Act funds and therefore the Asset Accountant could not “produce a list” of assets purchased with RESTORE Act funds. Jefferson Parish will update its fixed asset policies to specify the information that must be captured for any asset purchased with Federal Funds, and document the requirement and process for performing an inventory. Additionally, Jefferson Parish will memorialize its procedures for producing an inventory of federally funded equipment for ease of reference. It is important to note the AIMS and AS 400

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## Appendix 2: Jefferson Parish Management Response

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systems are complimentary with asset information housed in both systems. The AIMS application provides an interface to extract information from the AS 400.

### C. Noncompliance with Treasury's Conflict of Interest Requirements

The Draft Audit Report provides, "Jefferson Parish's procurement and subaward policies and procedures did not require the completion and maintenance of signed conflict of interest forms for every contract and subaward issued under RESTORE Act grants." Notwithstanding that the RESTORE Act Terms and Conditions do not explicitly require the use of conflict of interest forms, it is the position of the Office of the Inspector General, Department of the Treasury, that the August 2017 version of the Treasury's Terms and Conditions "requires that a recipient must retain all records pertinent to RESTORE Act grants....including all signed conflict of interest forms for each contract and subaward issued by the recipient under Treasury issued RESTORE Act grants."

A conflict of interest form in compliance with the August 2017 version of the Treasury's Terms and Conditions will be secured in all RESTORE Act projects. A related policy and procedure to ensure such conflict of interest forms are secured and signed by all required parties will be conected.

Should you have questions or concerns, please let us know. Thank you.

Sincerely



Madison Martin, MBA, CPA  
Director of Accounting  
Jefferson Parish Government

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## Appendix 3: Treasury Management Response



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

MAR 5 2020

Ms. Cecilia K. Howland  
Director, Financial Assistance and International Program 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 entitled *Jefferson Parish's Internal Control over Federal Awards* (Report). The Report assesses Jefferson Parish's internal control to administer RESTORE Act grants in accordance with Federal laws, regulations, and the Department of the Treasury's (Treasury) grant application requirements.

Treasury is pleased that the Report concluded that Jefferson Parish had designed and implemented internal controls to administer Federal awards in the areas of budgeting, cash management, financial reporting, and performance monitoring 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*. The Report also found that Jefferson Parish's system of internal control did not include an entity-wide risk assessment to identify and manage organizational risks, and Jefferson Parish had not yet designed and implemented internal controls to administer Federal awards in the areas of disbursements (*i.e.*, grant timekeeping), equipment management, and procurement.

Treasury concurs with the Report's findings. Although Treasury has not yet awarded any RESTORE Act grants to Jefferson Parish, Treasury will consider the items identified in the Report as part of Treasury's risk assessments required by the Uniform Guidance for any future Jefferson Parish awards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "D. Lebryk", written over a horizontal line.

David A. Lebryk  
Fiscal Assistant Secretary

## Appendix 4: Background on the Gulf Coast Restoration Trust Fund

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*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.

### Trust 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>17</sup>
- approximately \$800 million plus interest from the Transocean defendants<sup>18</sup>
- approximately \$127 million plus interest from Anadarko Petroleum Corporation<sup>19</sup>

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<sup>17</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 Exploration & Production Inc. 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 into the Trust Fund on April 10, 2017. Subsequent annual payments of approximately \$152 million and approximately \$303 million were deposited into the Trust Fund on April 9, 2018 and on April 9, 2019 respectively.

<sup>18</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>19</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.

## Appendix 4: Background on the Gulf Coast Restoration Trust Fund

### 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
    - Texas – 100 percent to the State of Texas, Office of the Governor
- 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 requires approval by the Gulf Coast Ecosystem Restoration 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

## Appendix 4: Background on the Gulf Coast Restoration Trust Fund

- 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 of Direct Component Funds for Jefferson Parish

Jefferson Parish is expected to receive an estimated \$13.3 million based on payments from Transocean defendants, Anadarko Petroleum Corporation, and the BP Exploration & Production Inc. settlements.<sup>20</sup> As of October 1, 2019, the Trust Fund had received approximately \$1.7 billion, including related interest. Of that amount, approximately \$4.3 million has been designated for Jefferson Parish under the Direct Component.<sup>21</sup>

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<sup>20</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>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://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/restore-act>

## **Appendix 5: Major Contributors to This Report**

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Jeffrey Hawkins, Audit Manager  
Lawrence Gonzalez, Auditor-in-Charge  
Victoria Granville, Auditor  
Kevin Guishard, Referencer

## **Appendix 6: Report Distribution**

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### **Department of the Treasury**

Secretary  
Deputy Secretary  
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  
Group  
Office of Strategic Planning and Performance Improvement

### **Office of Management and Budget**

OIG Budget Examiner

### **State of Louisiana**

Legislative Auditor

### **Jefferson Parish**

Parish President

### **U.S. Senate**

Committee on Finance  
Committee on Homeland Security and Governmental Affairs

### **U.S. House of Representatives**

Committee on Oversight and Reform  
Committee on Ways and Means

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Access Treasury OIG reports and other information online:

[www.treasury.gov/about/organizational-structure/ig](http://www.treasury.gov/about/organizational-structure/ig)