



Homeland
Security

October 26, 2005

MEMORANDUM FOR: Scott Wells
Deputy Federal Coordinating Officer
Joint Field Office, Baton Rouge, Louisiana

Tonda L. Hadley

FROM: Tonda L. Hadley
Director, Dallas Field Office of Audits

SUBJECT: *Changes in State of Louisiana Compensation Policies*
Report Number DD 03-06

The purpose of this memorandum is to inform you of our concerns regarding two recent changes in State of Louisiana compensation policies. The two new policies authorize increased compensation to State employees performing work related to Hurricane Katrina. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A, subsection C.1 (e), states that, to be allowable under federal awards, costs must be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit. Accordingly, the increased costs resulting from the State's two new policies are not eligible for reimbursement under any of FEMA's disaster grant programs.

General Circular No. 001622¹ authorizes State agencies, at their discretion, to increase wages for classified positions up to \$15 per hour for work directly related to the Hurricane Katrina disaster. Because the majority of State employees occupy classified positions, the potential for increased costs is significant. General Circular No. 001623² authorizes State agencies to compensate all of their employees for overtime at one-and-one-half times their regular rate of pay. Because many State employees who were exempt from Fair Labor Standards Act overtime provisions previously received only their regular rate of pay for overtime, this policy also significantly increases the potential for increased costs.

We recommend that the Deputy Federal Coordinating Officer for FEMA Disaster Number DR-1603-LA notify FEMA and State personnel responsible for preparing and reviewing project worksheets that the increased costs resulting from the State's two new policies are not eligible for reimbursement under any of FEMA's disaster grant programs.

¹ State of Louisiana, Department of State Civil Service, General Circular No. 001622, dated September 16, 2005, *Flexible Special Pay for Classified Positions for Work Related to Hurricane Katrina*.

² State of Louisiana, Department of State Civil Service, General Circular No. 001623, dated September 16, 2005, *Hurricane Katrina – Special Leave and Overtime*.

Please advise me by October 28, 2005, of the actions taken or planned to implement the recommendation, including target completion dates for any planned actions. If you have questions concerning this report, please call me a (940) 465-4019.

cc: Principal Federal Officer
Deputy Principal Federal Officer
Finance & Administrative Section Chief/Comptroller, Joint Field Office
Chief of Staff, Joint Field Office
Louisiana State Coordinating Officer
Louisiana State Inspector General
Louisiana Legislative Auditor