

RESPONSE TO LEGISLATIVE AUDITORS COMPLIANCE AUDIT
July 14, 2008

STATEMENT BY JAMES LEE WITT ASSOCIATES

We commend the Legislative Auditors for the accuracy of the facts in their analysis. James Lee Witt Associates believes that certain elements of the report are not fully explained or put in context, which could leave the reader with mistaken impressions about the services provided by James Lee Witt Associates.

We are pleased that the Audit commends James Lee Witt Associates for their work performance in which they state that JLWA performed an admirable job of responding to the disasters. The report focused on improvements that can be made within the State of Louisiana framework and are not directed at the work conducted by James Lee Witt Associates. The report further states that improvements had already been in place within 12 months of the disaster. Additionally, we are pleased that the Legislative Audit supports the previous claims by James Lee Witt Associates that the relationship between JLWA and its contractors are appropriate as well as the fees charged for the services, which were pre-approved by FEMA and the State on many levels

James Lee Witt Associates continues to assist the State of Louisiana in developing their capacity to respond effectively to disasters and doing this JLWA has been able to do the work well below the industry standard mark up, which was not mentioned in the report but was supported by a number of submissions to the Legislative Auditor's office.

BACKGROUND

The Louisiana Legislative Auditor publicly released a Compliance Audit on July 14, 2008 in which they determined the propriety of certain financial transactions.

The Compliance Audit presents the findings and recommendations as well as management's response. The Compliance Audit is intended primarily for the information and use of management of GOHSEP (Governor's Office of Homeland Security and Emergency Preparedness).

The purpose of the review was to determine whether GOHSEP acquired needed specialized labor for its recovery efforts following Hurricane Katrina and Rita in the most cost effective manner and to identify measures that should be taken to prepare for any future major disasters.

The Legislative Auditors Compliance Audit stated that the GOHSEP management staff and James Lee Witt Associates performed an admirable job of responding to disasters, however the audit did state that it appears that GOHSEP could take advantage of alternative contracting methods and potentially realize substantial cost savings in future

disaster management efforts. These cost savings could not have been achieved during this current situation and we believe that the reports findings should have concluded at the point because there is no way to calculate possible cost savings if the mechanism wasn't in place to hire labor in the first place. It is James Lee Witt Associates belief that is more conceivable that the State's costs to do the same work would have been considerably more, but again, we don't believe that the State can accurately calculate cost savings in this situation.

With this said, at the time of Hurricanes Katrina and Rita, the Legislative Compliance Audit points out that there was no budget authority or management capacity to conduct any labor transactions on its own and therefore had to rely on the work of contractor James Lee Witt Associates.

Also included in the Compliance Audit was that the relationship between James Lee Witt Associates and its subcontractors was appropriate based on a 2006 Louisiana Board of Ethics ruling.

In terms of loss of cost savings to the State, James Lee Witt Associates is assisting the State, as it was always the intention, to put in place the capacity to have trained, qualified and active staff on the State payroll who can do this type of work in future disasters. However, in terms of a catastrophic disaster of this magnitude it is not likely that any State, Louisiana or other, would ever have the adequate staff for response to this type of disaster. The audit's management response points out that within 12 months of Hurricane Katrina and Rita that most of the recommendations of the Legislative Auditors makes today were already underway with the assistance of James Lee Witt Associates.

While the conclusion of this Compliance Audit states that while cost savings was being addressed, at the time of Hurricane Katrina, the State of Louisiana did not possess the legislative authority to contract directly for the labor, therefore no cost savings were possible at that time.

The management response in the Compliance Audit highlights that the actual cost of administering the public assistance program, which was being reviewed, has been extraordinarily low by any standard or comparison. They continued to point out that while the State of Louisiana was conducting life saving activities, while a substantial amount of the community was under water, it was a clear intent of the Governor's staff to get the best possible help for the citizens and local governments engaged as quickly as possible.

In summary, the management response states that adequate resources were not in place at the time of Hurricane Katrina and Rita for agencies such as LOHSEP.

Based on previous stories written about the contract between the State of Louisiana and James Lee Witt Associates it is important to point out:

What the Legislative Auditors Compliance Audit did not say in their audit is important to point out.

The audit does not state that any improper relationship between James Lee Witt Associates and subcontractors existed.

The audit does not state that the costs for the services of James Lee Witt Associates were in any way inappropriate.

The audit does not state that there were any overcharges or inappropriate payments made to James Lee Witt Associates.

The audit does not state that the selection of James Lee Witt Associates as a sole source emergency contract was inappropriate.