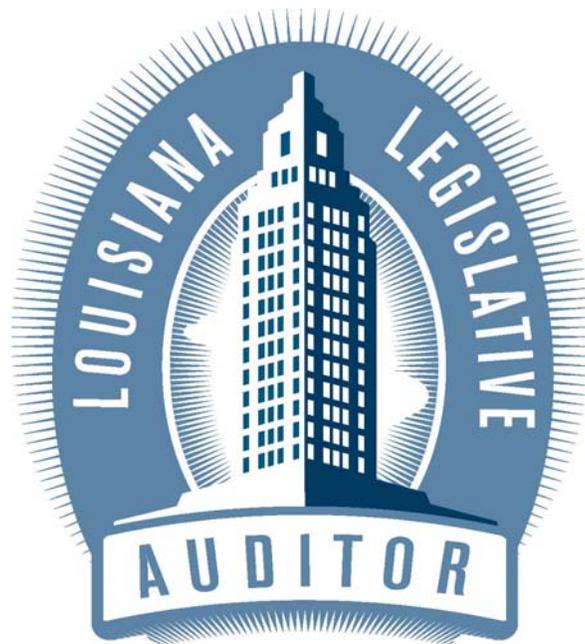


DIVISION OF ADMINISTRATION
OFFICE OF COMMUNITY DEVELOPMENT
ROAD HOME PROGRAM
CONTRACTOR INVOICE REVIEW
JANUARY 2010 THROUGH JUNE 2010



AGREED-UPON PROCEDURES REPORT
ISSUED JANUARY 12, 2011

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Five copies of this public document were produced at an approximate cost of \$14.60. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3369 or Report ID No. 52100006 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Administration Manager, at 225-339-3800.

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We performed agreed-upon procedures to assist the Office of Community Development - Disaster Recovery Unit (OCD-DRU) in evaluating the completeness and accuracy of documentation submitted by OCD-DRU's contractors for payment under the Road Home Program. For the period January 1, 2010, through June 30, 2010, we reviewed invoices totaling \$37,802,787 for labor charges, unit costs, and other direct costs. We noted exceptions totaling \$2,810,282. During the application of our procedures, the contractors submitted additional information and issued credits to resolve \$1,024,400 of the exceptions. Also, OCD-DRU withheld payments of \$93,192 and amended two contracts that resolved \$184,977 of the exceptions. The remaining unresolved exceptions for this period total \$1,507,713.

In addition, the contractors submitted additional information and issued credits to resolve \$942,360 of the \$1,275,624 in unresolved exceptions we previously noted for the period September 1, 2008, through December 31, 2009. The remaining unresolved exceptions for that period total \$333,264. The remaining unresolved exceptions for both periods (September 1, 2008, through June 30, 2010) total \$1,840,977.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 29, 2010

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

STACY BONNAFFONS, ACTING EXECUTIVE DIRECTOR
OFFICE OF COMMUNITY DEVELOPMENT
DIVISION OF ADMINISTRATION
Baton Rouge, Louisiana

We performed the procedures enumerated below, which were agreed to by the Office of Community Development-Disaster Recovery Unit (OCD-DRU) management, solely to assist OCD-DRU management in evaluating the completeness and accuracy of documentation submitted by OCD-DRU's contractors for payment under the Road Home Program during the period January 1, 2010, through June 30, 2010. OCD-DRU management is responsible for the day-to-day operations of the Road Home Program.

This agreed-upon procedures engagement was conducted in accordance with the applicable attestation standards established by the American Institute of Certified Public Accountants and the applicable attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. The sufficiency of these procedures is solely the responsibility of OCD-DRU management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

A summary of the exceptions for this period noted during our review of the labor, unit cost, and direct cost billings is as follows:

Exception Type	Exception Amount	Additional Documentation Provided by Contractor	Credit Issued by Contractor	Amount Withheld by OCD	Amount Resolved by Contract Amendment	Remaining Exceptions
Labor						
Incorrect Rate Billed	\$751,624	(\$8,925)	(\$23)	(\$84,479)	\$0	\$658,197
Insufficient Documentation	836,277	(684,718)	(19,392)	0	0	132,167
Labor Subtotal	1,587,901	(693,643)	(19,415)	(84,479)	0	790,364

ROAD HOME PROGRAM - INVOICE REVIEW - JANUARY 1, 2010 - JUNE 30, 2010 _____

Exception Type	Exception Amount	Additional Documentation Provided by Contractor	Credit Issued by Contractor	Amount Withheld by OCD	Amount Resolved by Contract Amendment	Remaining Exceptions
Unit Costs						
Incorrect Rate Billed	\$318,654	(\$8,790)	(\$1,936)	(\$1,153)	(\$184,977)	\$121,798
Insufficient Documentation	620,407	(121,601)	(435)	0	0	498,371
Repeated Services	18,117	0	(1,040)	0	0	17,077
Unit Costs Subtotal	957,178	(130,391)	(3,411)	(1,153)	(184,977)	637,246
Direct Costs						
Incorrect Rate Billed	35,678	(11,845)	(3,149)	(87)	0	20,597
Insufficient Documentation	229,525	(162,490)	(56)	(7,473)	0	59,506
Direct Costs Subtotal	265,203	(174,335)	(3,205)	(7,560)	0	80,103
Total	\$2,810,282	(\$998,369)	(\$26,031)	(\$93,192)	(\$184,977)	\$1,507,713

Background

OCD-DRU, within the Division of Administration, is the state agency responsible for the administration of federal disaster recovery funds allocated to Louisiana after hurricanes Katrina and Rita. OCD-DRU and the Louisiana Recovery Authority (LRA) were tasked with developing programs to administer these funds, including the Road Home Program (RHP), which is designed to provide compensation to Louisiana homeowners affected by the hurricanes for the damage to their homes.

OCD-DRU contracted with ICF International as the prime contractor for the RHP. That contract expired in June 2009. OCD-DRU then contracted with HGI Catastrophe Services, LLC, effective March 20, 2009, and with ACS State and Local Solutions, Inc., effective March 27, 2009, as the prime contractors for the RHP Homeowner Assistance Program and the RHP Small Rental Property Program, respectively, to complete processing on all open applications, disburse grant award funds to qualified applicants, and close out all applications and associated activities.

OCD-DRU also hired the following contractors to provide support services:

- CGI Technologies and Solutions, Inc. - Information technology (IT) services
- Reznick Group, P.C. - Staff augmentation, consulting services
- Salvaggio, Teal and Associates (STA) - Staff augmentation, IT services
- STR Grants, LLC - System support and professional services
- Housing and Development Services, Inc. (HDS) - System support and services

Our procedures and results are as follows:

PROCEDURE: For all labor charges billed, compare the labor rates billed to the labor rates specified in the contracts between OCD-DRU and HGI, ACS, CGI, Reznick, STA, or other contractors as may be identified by OCD-DRU during the engagement period (hereafter collectively referred to as contractors).

RESULT: During the period, OCD-DRU's contractors submitted invoices totaling \$32,650,376 for labor charges. Of that total, \$751,624 was not billed in accordance with the rates specified in the contracts. After our initial review, the contractors provided additional documentation to support \$8,925 of the exceptions and issued credits of \$23. Also, OCD withheld payment of \$84,479. The remaining unresolved exceptions total \$658,197.

PROCEDURE: For all labor charges billed, review 100% of the supporting documentation for completeness, accuracy, and compliance with applicable federal and state regulations and program policies.

RESULT: Of the \$32,650,376 billed for labor, the contractors did not provide sufficient documentation to support charges totaling \$836,277. After our initial review, the contractors provided additional documentation to support \$684,718 of the exceptions and issued credits of \$19,392. The remaining unresolved exceptions total \$132,167.

PROCEDURE: For all unit costs billed, compare the rates billed to the rates specified in the contracts between OCD-DRU and its contractors.

RESULT: During the period, OCD-DRU's contractors submitted invoices totaling \$4,628,178 for unit costs. Of that total, \$318,654 was not billed in accordance with the rates specified in the contracts. After our initial review, the contractors provided additional documentation to support \$8,790 of the exceptions and issued credits of \$1,936. Also, OCD withheld payment of \$1,153 and amended two of its contracts that resolved \$184,977 of exceptions. The remaining unresolved exceptions total \$121,798.

PROCEDURE: For a sample of unit costs billed, review 100% of the supporting documentation for completeness, accuracy, and compliance with applicable federal and state regulations and program policies.

RESULT: During this reporting period, we reviewed 100% of the supporting documentation for all unit costs billed because the contractors did not ensure that all supporting documentation was submitted with the invoices to the Road Home Program. The contractors did not provide sufficient documentation to support \$620,407 of the unit costs. After our initial review, the contractors provided additional documentation to support

\$121,601 of the exceptions and issued credits of \$435. The remaining unresolved exceptions total \$498,371.

PROCEDURE: Quarterly, accumulate unit costs billed per unit type, identify any repeated services per applicant, and determine if the need for the repeated services is reasonable and documented.

RESULT: We accumulated the unit costs (e.g., appraisals, closings, title searches, exams, closings, and secondary disbursements) that two contractors billed from inception of OCD-DRU's contracts through June 30, 2010, which total \$7,991,204. We identified exceptions totaling \$18,117 for which the need for the repeated services did not appear to be reasonable or was not clearly documented. After our initial review, the contractors issued credits of \$1,040. The remaining unresolved exceptions total \$17,077.

In addition, the contractors did not provide the information needed to determine whether the following units costing \$270,735 were repeated services:

- 2 owner/occupant unit closings
- 1 rental unit closing
- 551 title exam updates
- 673 title search updates

We cannot provide any assurance that these services were not repeated or if they were repeated, that the need for the repeated services is reasonable and documented. Had we been provided the unit information, the repeated services procedure may have had a different result.

PROCEDURE: For all other direct costs billed, compare the costs billed to the costs specified in the contracts between OCD-DRU and its contractors and for those costs that are not specified in the contract, determine if the State Project Manager provided written authorization to incur the costs.

RESULT: During the period, OCD-DRU's contractors submitted invoices totaling \$524,234 for other direct costs. Of that total, \$35,678 was not authorized in the contracts or was not pre-approved by OCD as required by the contracts. After our initial review, the contractors provided additional documentation to support \$11,845 of the exceptions and issued credits of \$3,149. Also, OCD withheld payment of \$87. The remaining unresolved exceptions total \$20,597.

PROCEDURE: For all other direct costs billed, review 100% of the supporting documentation for completeness, accuracy, and compliance with applicable Federal and State regulations and program policies.

RESULT: The contractors did not provide sufficient documentation to support \$229,525 of the other direct costs. After our initial review, the contractors provided additional documentation to support \$162,490 and issued credits of \$56. Also, OCD withheld payment of \$7,473. The remaining unresolved exceptions total \$59,506.

We were not engaged to and did not conduct an audit, the objective of which would be to express an opinion, on OCD-DRU's compliance with Federal and State regulations, OCD-DRU's internal controls over compliance with federal and state regulations, or OCD-DRU's financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended solely for the information and use of OCD-DRU management and the Louisiana Legislature and is not intended to and should not be used by anyone other than those parties. By provision of state law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

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Management's Response



BOBBY JINDAL
GOVERNOR

PAUL RAINWATER
COMMISSIONER OF ADMINISTRATION

State of Louisiana
Division of Administration
Office of Community Development
Disaster Recovery Unit

December 29, 2010

Mr. Daryl G. Purpera, CPA, CFE
1600 North Third Street
Baton Rouge, LA 70804

Re: OCD/DRU Response to Road Home Program Invoice Review
Procedures for the period of January 2010 – June 2010

Dear Mr. Purpera,

The Office of Community Development OCD, Division of Administration appreciates the opportunity to respond to the procedures and findings prepared by your office regarding the review of the Road Home Program contractors' invoices. Our analysis of the report finds that it accurately summarizes items discussed with the contractors and your staff.

We are in general agreement with the findings of the report. OCD staff is in the process of analyzing each finding and currently has cleared an additional \$235,664 in unresolved exceptions. We will continue to work with the contractors to come to an agreeable solution between all parties.

We wish to thank your office for taking on this assignment. Your staff has shown remarkable professionalism and diligence in working through many difficult issues. Your services are greatly appreciated by the Division of Administration.

Sincerely yours,

A handwritten signature in cursive script that reads "Thomas Brennan".

Thomas Brennan, Executive Deputy Director
Disaster Recovery Unit

cc. Ms. Susan Pappan
Mr. Steve Upton