

DIVISION OF ADMINISTRATION  
OFFICE OF COMMUNITY DEVELOPMENT  
INVOICE REVIEW



AGREED-UPON PROCEDURES REPORT  
ISSUED DECEMBER 3, 2008

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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

December 3, 2008

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

**PAUL RAINWATER, EXECUTIVE DIRECTOR**  
**OFFICE OF COMMUNITY DEVELOPMENT**  
**DIVISION OF ADMINISTRATION**  
Baton Rouge, Louisiana

We have performed the procedures enumerated below for ICF International (ICF) billings for the period October 1, 2007, through June 30, 2008, which were agreed to by your predecessor, as the executive director of the Office of Community Development (OCD), primarily to assist you in evaluating the validity of ICF's billings to the state. OCD management is responsible for approving ICF invoices. This agreed-upon procedures engagement was conducted in accordance with the 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. The sufficiency of these procedures is solely the responsibility of management of OCD. 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.

The procedures that we performed and our findings are as follows:

1. Procedure

Compared all ICF invoices to the contract guidelines to determine if they were submitted in accordance with the guidelines; had all the required signatures; were within the required time period; were supported by subcontractor invoices, time records, and receipts; and verified that the supporting documentation agreed with the invoices.

Finding

During the period, ICF billed OCD \$170,858,116 for labor; \$74,578,181 for unit costs; \$44,416,864 for other direct costs; \$3,213,846 for management fees; and \$4,729,982 for travel for a total of \$297,796,990. OCD paid ICF a total of \$293,792,513, leaving an unpaid balance of \$4,004,477.

ICF billed OCD for unit costs and other direct costs totaling \$2,420,649 in accordance with an amendment that had not been signed. During the application of our procedures the amendment was signed; therefore, we did not question these charges.

Management fees and travel were billed in accordance with the contract. However, we questioned charges for labor, unit costs, and other direct costs totaling \$14,192,908,<sup>1</sup> which are presented below. During the application of our procedures, ICF issued credits to OCD and submitted additional supporting documentation to resolve \$1,374,443 of the questioned costs. The unresolved questioned costs total \$12,784,937. However, subsequent to this reporting period, ICF provided additional documentation that may resolve some or all of these questioned costs.

Before January 9, 2008, OCD withheld payments on questioned costs that it determined to be unallowable. After that date, OCD began paying ICF's invoices in full with the understanding that ICF would issue credits to OCD for any unallowable questioned costs. Of the \$12,784,937 in unresolved questioned costs, OCD paid ICF a total of \$10,688,681. The remaining \$2,096,256 in unresolved questioned costs were not paid during this reporting period.

2. Procedure

Compared labor rates billed for ICF employees to labor rates specified in the contract.

Finding

No exceptions noted.

3. Procedure

Traced subcontractor employee hours billed by ICF to approved subcontractor invoices.

Finding

ICF did not provide sufficient documentation to support labor charges totaling \$1,872,124 and over billed \$229,195 for subcontractor labor. In addition, we questioned duplicate labor charges and excess markup totaling \$108,542. ICF issued credits to OCD totaling \$74,186 to resolve a portion of these questioned charges. The unresolved questioned costs total \$2,135,675.

4. Procedure

Verified that subcontractor employee hours were billed to OCD in accordance with the proper ICF labor classifications.

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<sup>1</sup> \$1,196,083 of the total questioned costs resulted from supplemental reviews of prior period billings.

Finding

ICF billed OCD \$526,649 for labor categories that are not included in the contract or amendments. On July 15, 2008, the Office of Contractual Review approved an amendment to OCD's contract with ICF that may resolve some or all of these questioned costs.

5. Procedure

Determined if subcontractor invoices included the approval signature of an ICF program manager.

Finding

No exceptions noted.

6. Procedure

Compared unit costs billed to the rates established in the contract.

Finding

ICF billed OCD \$1,989,926 for unit costs associated with tax parcel identification. Tax parcel identification numbers were uploaded to the data warehouse in May 2007; therefore, it is unclear why OCD is bearing the cost of this service.

ICF billed OCD \$1,341,025 for unit costs associated with Broker's Price Opinions (BPOs) with drive by. However, the contract, amendments, and related documentation do not include a charge for this service. The eighth amendment to OCD's contract with ICF, dated June 20, 2008, added pricing for BPOs with drive by with an effective date of January 1, 2007. The amendment resolved \$29,277 in questioned costs.

Subcontractors billed ICF for flood data determinations at rates of \$4 for an automated determination, \$16 for a manual determination, and \$0.15 for geo-coordinate data (i.e., latitude and longitude). ICF billed OCD \$8 for each service provided regardless of the classification, resulting in an excess markup of \$78,725.

ICF has not issued credits to OCD or submitted additional supporting documentation to resolve these questioned costs. Therefore, the unresolved questioned costs total \$3,380,399.

7. Procedure

Determined if unit costs billed were supported by subcontractor invoices.

Finding

ICF billed OCD \$388,547 for unit costs associated with repeated services provided for the same eGrant numbers. However, ICF did not provide justification of the need for these services; therefore, the repeated services appear to be duplicates. ICF issued credits to OCD totaling \$54,192 to resolve a portion of these questioned costs. The unresolved questioned costs total \$334,355.

ICF did not provide sufficient documentation to support unit costs totaling \$533,463. We also questioned excess markup and over billings totaling \$340,494. ICF issued credits to OCD totaling \$358,951 to resolve a portion of these questioned costs. The unresolved questioned costs total \$515,006.

8. Procedure

Determined if other direct costs billed were submitted with supporting invoices and/or receipts.

Finding

ICF did not provide sufficient documentation to support charges for other direct costs totaling \$1,039,963 and billed costs totaling \$700,570 that were not included in ICF's subcontracts. In addition, we questioned duplicate charges, over billings, and repeated services totaling \$3,772. ICF issued credits to OCD and provided additional supporting documentation to resolve \$59,148 of these questioned costs. The unresolved questioned costs total \$1,685,158.

ICF billed OCD for other direct costs totaling \$4,762,961 that appeared questionable, such as subcontractor over billings, travel, and cell phones. ICF also billed OCD for other direct costs totaling \$247,502 that were incurred during Phase I of the Road Home program. Based on the information submitted, we could not tell if the invoices had already been paid during Phase I. We also questioned sales tax markup totaling \$29,448. ICF issued credits to OCD and provided additional supporting documentation to resolve \$352,492 of these questioned costs. The unresolved questioned costs total \$4,687,419.

We were not engaged to and did not conduct an examination, the objective of which would be to express an opinion on OCD's compliance with federal and state regulations, OCD's internal control over compliance with federal and state regulations, or OCD'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 primarily for the information and use of OCD. However, by provisions of state law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Steve J. Theriot", is written over a light blue circular stamp.

Steve J. Theriot, CPA  
Legislative Auditor

DP:JM:sr

OCDRHIR08

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## Management's Response





**BOBBY JINDAL**  
GOVERNOR

**ANGELE DAVIS**  
COMMISSIONER OF ADMINISTRATION

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

November 21, 2008

Mr. Steve J. Theriot, CPA  
1600 North Third Street  
P.O. Box 94397  
Baton Rouge, LA 70804

Re: OCD/DRU Response to the Invoice Review  
Procedures for the nine months ending June 30, 2008

Dear Mr. Theriot:

The Office of Community Development (ODC), Division of Administration appreciates the opportunity to respond to the procedures and findings prepared by your office on the review identified above. Our analysis of the report found that it accurately summarizes items discussed with ICF and your staff at the weekly meetings to review ICF invoices and the LLA Finding of Review. There are, however, two areas that we feel need additional clarification.

The first area is the finding under Section 6 regarding tax parcel identification. OCD determined that not all tax parcel identifications were successfully uploaded to the data warehouse, thereby deeming the data warehouse unreliable. Tax parcel identifications are required at homeowner closings and therefore are considered a necessary charge.

Another finding under Section 6 addresses Broker's Price Opinions (BPO) with drive by. Amendment #8 became effective as of June 20, 2008 which included this service retroactively effective December 1, 2007. Therefore, this finding is moot.

The second area that needs clarification is the fact that after January 9, 2008 OCD began paying ICF invoices in full within seven days of receipt. The consequence of this change in procedure requires ICF, your staff and OCD staff to follow up and resolve all findings in a timely manner. Most findings are time consuming to clear, especially Shaw invoices. At this point, we feel most of such reported findings for insufficient documentation and questionable charges have been cleared up for the period ending June 30, 2008.

Mr. Steve J. Theriot  
November 21, 2008  
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We would like to thank your office for their hard work 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,

  
Paul Rainwater, Executive Director  
OCD/Disaster Recovery Unit

Cc: Tom Brennan  
Susan Pappan  
Steve Upton