

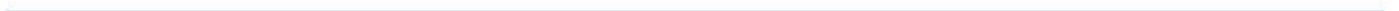


# St. John the Baptist Parish, State of Louisiana's Subrecipient

## Community Development Block Grant Disaster Recovery Assistance Funds

**Office of Audit, Region 6  
Fort Worth, TX**

**Audit Report Number: 2016-FW-1006  
August 31, 2016**





**To:** Stanley Gimont, Director, Office of Block Grant Assistance, DGBPI

**From:** //signed//  
Kilah S. White, Acting Regional Inspector General for Audit, 6AGA

**Subject:** The State of Louisiana's Subrecipient Did Not Always Comply With Its Agreement and HUD Requirements When Administering Its Disaster Assistance Programs

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the State of Louisiana's subrecipient's compliance with its agreement with the State and HUD requirements when implementing its disaster assistance programs.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 817-978-9309.



**Audit Report Number: 2016-FW-1006**

**Date: August 31, 2016**

**The State of Louisiana's Subrecipient Did Not Always Comply With Its Agreement and HUD Requirements When Administering Its Disaster Assistance Programs**

## Highlights

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### What We Audited and Why

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We audited the State of Louisiana, Office of Community Development's disaster assistance programs, administered by the State's subrecipient, St. John the Baptist Parish, as part of our annual audit plan to review disaster assistance programs under the 2013 Disaster Relief Appropriations Act. Our objective was to determine whether the Parish, as the State's subrecipient, met the requirements of its agreement with the State and followed U.S. Department of Housing and Urban Development (HUD) requirements related to its program participant, procurement, and expenditure activities when administering its disaster assistance programs.

### What We Found

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The Parish, as the State's subrecipient, did not always meet the requirements of its agreement and follow HUD requirements when administering its disaster assistance programs, as it (1) did not always ensure that its contractor had adequate documentation to support the eligibility of disaster assistance program participants, (2) violated procurement requirements when it did not perform an independent cost estimate for one contract, and (3) did not maintain detailed information regarding time worked on disaster projects to support salary expenditures. This condition occurred because the State's onsite reviews did not address all program areas and its administrative manual did not include guidance for all contract types. In addition, the Parish did not have consistent program policies, understand procurement requirements, and have adequate procurement and written expenditure policies. As a result, the State could not provide reasonable assurance to HUD that the Parish would properly administer and spend Community Development Block Grant disaster assistance funds in accordance with requirements, putting at least \$5.3 million obligated for the disaster assistance programs at risk of mismanagement, and paid more than \$1.5 million in questioned costs.

### What We Recommend

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We recommend that HUD require the State to develop and implement written procedures and actions that would correct and prevent the deficiencies outlined in the finding to better ensure that the Parish spends at least \$5.3 million in accordance with requirements. We also recommend that HUD require the State to (1) ensure that the Parish supports program participant eligibility, review the remaining 293 program participant files for eligibility, and support or

repay more than \$1.5 million, (2) provide assistance to the Parish on procurement requirements, and (3) review the Parish's procurement and expenditure policies for adequacy.

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# Background and Objective

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The Disaster Relief Appropriations Act of 2013,<sup>1</sup> made available \$15.18 billion in Community Development Block Grant (CDBG) funds for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization. The Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974 required use of these funds in the most impacted and distressed areas affected by disasters that occurred during calendar years 2011, 2012, and 2013. On May 29, 2013, through Federal Register, Volume 78, Number 103, HUD made more than \$106 million available for Louisiana for Hurricane Isaac<sup>2</sup> disaster recovery. Of that amount, the U.S. Department of Housing and Urban Development (HUD) allocated more than \$66 million to the State of Louisiana's Office of Community Development, the grantee, to help the areas hardest hit by the hurricane. The Federal regulations required the State to submit an action plan detailing its proposed use of funds<sup>3</sup> and allowed the State, as the grantee, to use subrecipients to carry out eligible activities but held the State legally and financially accountable for the use of all funds and responsible for providing adequate technical assistance to subrecipients to ensure timely, compliant, and effective use of funds.<sup>4</sup>

The State awarded more than \$32 million to St. John the Baptist Parish, Laplace, LA, one of the most impacted parishes in Louisiana. The State executed an agreement with the Parish on May 29, 2013. In the agreement, the State required the Parish to comply with 24 CFR (Code of Federal Regulations) Part 85 and 2 CFR Part 225.<sup>5</sup>

The State's action plan, dated November 28, 2014, stated that the Parish would (1) administer the demolition and clearance, homeowner rehabilitation, home-buyer assistance, housing elevation, and small rental rehabilitation programs in response to Hurricane Isaac and (2) identify eligible households and coordinate all aspects of administering the programs, including applicant intake, case management, and construction work as applicable. To assist in implementing these programs, the Parish executed contracts for grant management, intake, inspection, and title services. As of December 31, 2015, the Parish had spent more than \$2.4 million in administration and project delivery costs on these programs.

Our objective was to determine whether the Parish, as the State's subrecipient, met the requirements of its agreement with the State and followed HUD requirements related to its program participant, procurement, and expenditure activities when administering its disaster assistance programs.

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<sup>1</sup> Public law 113-2, dated January 29, 2013, Title X, chapter 9, initially authorized \$16 billion. On March 1, 2013, the President issued a sequestration order under section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended (2 U.S.C.(United States Code) 901a), and reduced funding to \$15.18 billion.

<sup>2</sup> Hurricane Isaac made landfall in Louisiana on August 28, 2012.

<sup>3</sup> 78 Federal Register 43 (March 5, 2013), section VI(a)(13)

<sup>4</sup> 78 Federal Register 43 (March 5, 2013), section VI(a)(1)(a)(12)

<sup>5</sup> Section IV(A) and (B)

# Results of Audit

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## **Finding: The Parish, as the State's Subrecipient, Did Not Always Comply With Its Agreement and HUD Requirements**

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The Parish, as the State's subrecipient, did not always meet the requirements of its agreement and follow HUD requirements when administering its disaster assistance programs. Specifically, it (1) did not always ensure that its contractor had adequate documentation to support the eligibility of disaster assistance program participants, (2) violated procurement requirements when it did not perform an independent cost estimate for one contract, and (3) did not maintain detailed information regarding time worked on disaster projects to support salary expenditures. This condition occurred because the State's onsite reviews did not address all program areas and its administrative manual did not include guidance for all contract types. In addition, the Parish did not have consistent program policies, understand procurement requirements, and have adequate procurement and written expenditure policies. As a result, the State could not provide reasonable assurance to HUD that the Parish would properly administer and spend CDBG disaster assistance funds in accordance with requirements, putting at least \$5,365,327 obligated for the disaster assistance programs<sup>6</sup> at risk of mismanagement. In addition, the Parish paid more than \$1.5 million in questioned costs.

### **Documentation Did Not Support Participant Eligibility**

The Parish did not always ensure that its contractor maintained documentation supporting that program participants met the eligibility requirements under its homeowner rehabilitation, housing elevation, and home-buyer assistance programs. The Parish's agreement<sup>7</sup> with the State required it to maintain all records used to determine eligibility for disaster assistance. To meet this requirement, the Parish developed written policies and procedures outlining eligibility and documentation requirements but hired an intake contractor to gather the documentation and make eligibility determinations. For eligibility, the Parish required the following:

- Income reverification – Under its home-ownership rehabilitation<sup>8</sup> and housing elevation programs,<sup>9</sup> the Parish required reverification of income after 6 months and after 4 months under its home-buyer assistance program.<sup>10</sup>
- Low- to moderate-income limits – The Parish established the maximum low- to moderate-income limits using HUD's median income limits for the Parish. Program participants who exceeded the maximum gross income were not eligible for the programs.<sup>11</sup>
- Income documentation – The Parish required income verification for all adult household members who were 18 years of age or older<sup>12</sup> and accepted documentation, such as check stubs, tax returns, Social Security benefits, retirement, alimony, and unemployment statements.
- Property ownership – If the original property owner died, the Parish required that an heir have documentation of a judgment of possession showing legal possession of the property, which had to be issued before executing agreements associated with this program.<sup>13</sup>

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<sup>6</sup> We derived this amount by using HUD’s financial summary report as of July 8, 2016. See the Scope and Methodology section.

<sup>7</sup> Section IV(C)(1)(c)

<sup>8</sup> Homeowner rehabilitation policies and procedures, v.1.2, section C - income requirements

<sup>9</sup> Housing elevation program policies and procedures, v.1.2, section C - income requirements

<sup>10</sup> Home-buyer assistance program policies and procedures, v.1.2, section C - income requirements

<sup>11</sup> Homeowner rehabilitation policies and procedures, v.1.2, and housing elevation program policies and procedures; v.1.2, section C - income requirements

<sup>12</sup> Homeowner rehabilitation policies and procedures, v.1.2, section C - income requirements

<sup>13</sup> Homeowner rehabilitation policies and procedures, v.1.2, section C - ownership and occupancy requirements

- **Flood insurance** – Program participants who received compensation for prior disasters were required to have had flood insurance at the time of the disaster.<sup>14</sup> Participants, who received compensation from previous disasters and did not have flood insurance at the time of sustaining damages, were not eligible for assistance.

However, of 32 participant files reviewed for the homeowner rehabilitation, housing elevation, home-buyer assistance, and small rehabilitation programs, 28 (88 percent) did not contain documentation<sup>15</sup> showing income reverifications to support the eligibility of program participants as required. These 28 included 18 under the homeowner rehabilitation, 2 under the housing elevation, and 8 under the home-buyer assistance programs. In addition, of the 28, 12 also either exceeded the low- to moderate-income limits, did not have adequate income documentation, lacked income verifications for all adult household members, did not have adequate documentation to support property ownership, or did not have flood insurance, in violation of the eligibility requirements. See appendix C for details on the issues identified.

The Parish stated that it, along with its contractors, planned to perform income reverifications before beginning construction on the participant properties. However, this process did not comply with the program policies, and although the Parish had not disbursed funds to program participants, the lack of required documentation could allow disbursement of disaster assistance funds to persons not eligible to participate in the program.

#### **The Parish Did Not Comply With Procurement Requirements**

The Parish did not always comply with procurement requirements when procuring for contract services. The Parish procured for grant management and applicant intake services. Regulations at 24 CFR 85.36(f)(1) and the agreement<sup>16</sup> required the Parish to perform independent cost estimates before receiving bids or proposals for every procurement to support the reasonableness of contract costs. However, a review of documentation in two procurement files for its grant management and intake contractors determined that the Parish did not have documentation showing that it performed an independent cost estimate before receiving bids or proposals for its grant management contract. Therefore, the Parish could not support the cost reasonableness of more than \$1.5 million paid to this contractor.

#### **The Parish Did Not Adequately Support Salary Payments**

The Parish did not always support its salary payments with detailed information regarding time worked on specific disaster projects. The agreement required the Parish to maintain financial records, which adequately identified and accounted for all costs under the agreement; ensure the proper accounting for all project funds; and follow all State policies and procedures.<sup>17</sup> The State's administrative manual<sup>18</sup> and certification of time allocation form required the Parish to document a breakdown of the actual number of hours that employees worked on each disaster assistance program. However, a review of five disbursements determined that the Parish did not maintain adequate documentation for four disbursements to a temporary employee totaling \$37,450. Specifically, the file documentation listed only the total hours worked, without a breakdown of the number of hours worked on each disaster assistance program. Without detailing the actual hours worked per program, we could not verify the accuracy of the amounts billed to each disaster assistance program.

### **The State's Onsite Reviews Did Not Address All Program Areas and Its Manual Did Not Include Guidance For All Contract Types**

Although the State conducted five onsite reviews between December 2013 and July 2015<sup>19</sup>, providing assistance to the Parish, the reviews did not address all program areas. For example, the State's report on its July 2015 onsite review showed that the State reviewed files and policies for the home-buyer assistance program; however, the reviews did not evidence that the files or policies for the homeowner rehabilitation, housing elevation, or small rental programs were reviewed. In addition, its January 2015 onsite review report showed that the State informed the Parish that procurement files should reflect the entire procurement process in sequential order and expressed the need for a cost analysis; however, the reviews did not address the need for an independent cost estimate. Further, none of the reviews indicated that the Parish's procurement or financial policies were reviewed.

In addition, the State's administrative manual addressed the requirement for independent cost estimates for construction, architecture, engineering, and infrastructure contracts but did not include guidance for other contract types, such as grant management services.

### **The Parish Did Not Have Consistent Program Policies, Understand Procurement Requirements, or Have Adequate Policies**

The Parish did not have consistent disaster assistance program policies, understand procurement requirements, or have an adequate procurement policy or a written expenditure policy.

#### *The Parish Did Not Have Consistent Program Policies*

In addition to disregarding the disaster assistance program requirements, the Parish's disaster assistance program policies did not have consistent requirements throughout the policy. These policies also contradicted the Parish's document checklist and income calculation worksheet used to check eligibility. For example, the homeowner rehabilitation and elevation program policies stated that the Parish intended to assist homeowners above the low- to moderate-income standards. However, other portions of the policies, as well as the forms within the participant files, showed that participants who exceeded the low- to moderate-income maximum were not eligible for the programs. In another example, in the Parish's home-buyer assistance program<sup>20</sup> policy, one section required documentation of the last three consecutive check stubs, while another section required check stubs for the last 3 consecutive months. With these types of discrepancies, the Parish could not maintain consistent documentation within the file and ensure the proper documentation of program participant eligibility.

#### *The Parish Did Not Understand Procurement Requirements or Have an Adequate Procurement Policy*

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<sup>14</sup> Homeowner rehabilitation policies and procedures, v.1.2, section D

<sup>15</sup> This information was based upon documentation included in the files as of March 2016.

<sup>16</sup> Section IV(A) and (D)

<sup>17</sup> Section IV(C)(1)(g)

<sup>18</sup> Section 5 - financial management, 9.3

<sup>19</sup> We reviewed the State's assistance activities that occurred between January 2013 and December 2015.

<sup>20</sup> Home-buyer assistance program policies and procedures, v.1.2, section C - income requirements and section J - application intake process

The Parish provided a fee comparison document after it received bids, which listed all of the bid amounts for bid proposal responses, and believed that this document served as an independent cost estimate. The Parish's grant administrator also stated that based upon the Parish's understanding, the bid amounts received in response to the request for proposals were sufficient to meet the independent cost estimate requirement. Thus, the Parish misunderstood the requirements.

In addition, the Parish's agreement<sup>21</sup> with the State required it to comply with 24 CFR 85.36, and the State's administrative manual<sup>22</sup> required the Parish to ensure that its procurement policy included all activities and requirements under the 2013 Disaster Relief Appropriations Act. However, when the Parish executed the procurements (discussed above) between April 2013 and October 2014, its written procurement policy did not cover activities under the Act. The Parish amended its written procurement policy and adopted it in March 2016 to cover activities under the Act. However, the policy did not include the requirement to perform an independent cost estimate before receiving bids or proposals for every procurement.

#### *The Parish Did Not Have a Written Expenditure Policy*

In addition to following Federal and State expenditure requirements, the agreement<sup>23</sup> required the Parish to have financial controls. However, when it drew down funds for the salary expenditures between March and November 2015, the Parish did not have written expenditure policies and procedures. The Parish adopted a financial management policy in March 2016. However, the policy did not address employee timesheet documentation requirements for employees paid from CDBG disaster assistance funding or include requirements to ensure compliance with the State's administrative manual and certification of time allocation form when applicable.

### **Conclusion**

The State's onsite reviews did not address all program areas, and its manual did not include guidance for all contract types. Further, the Parish did not have consistent disaster assistance program policies, understand procurement requirements, and have adequate written procurement and expenditure policies. Therefore, the Parish, as the State's subrecipient, did not always have documentation to support program participant eligibility and that it followed procurement and expenditure requirements. As a result of these deficiencies, the State could not provide reasonable assurance to HUD that the Parish could spend its disaster funding for eligible and necessary purposes, putting at least \$5.3 million at risk of mismanagement, and could not support more than \$1.5 million in CDBG disaster assistance expenditures.

### **Recommendations**

We recommend that the Director of HUD's Office of Block Grant Assistance require the State to

- 1A. Develop and implement written procedures and actions that would correct and prevent the deficiencies outlined in the finding to ensure that the Parish

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<sup>21</sup> Section IV(D)

<sup>22</sup> Section 6 - procurement methods and contractual requirements, 3.0

<sup>23</sup> Appendix A, Hurricane Isaac grantee statement of assurances and certifications, number 40

adequately supports program participant eligibility. The written procedures and actions should include but not be limited to (1) reviewing and amending the Parish's program policies, documentation checklist, and income calculation worksheet to ensure the consistency of file documentation and eligibility determinations; (2) providing training and assistance to the Parish and its contractors regarding program participant eligibility determinations and documentation requirements; and (3) conducting a final file review before disbursing funds on behalf of program participants to ensure that files have complete documentation, appropriate follow-ups are conducted, and the participant remains eligible for disaster assistance. Implementing this recommendation should better ensure that the Parish spends at least \$5,365,327 in CDBG disaster assistance funds obligated for its disaster assistance programs in accordance with requirements.

- 1B. Ensure that the Parish obtains additional documentation to support eligibility for the 28 program participant files that did not have adequate documentation to support program eligibility or amend the eligibility determination.
- 1C. Ensure that the Parish reviews the remaining 293 program participant files for its homeowner rehabilitation, housing elevation, home-buyer assistance, and small rental rehabilitation programs to ensure that documentation complies with HUD and program requirements and to support the eligibility determinations.
- 1D. Ensure that the Parish supports the cost reasonableness of the grant management contract or repay \$1,534,629 to its CDBG disaster assistance program from non-Federal funds.
- 1E. Provide assistance to the Parish regarding procurement requirements to ensure compliance with requirements for future procurement activities related to CDBG disaster assistance contracts.
- 1F. Review and evaluate the Parish's procurement policy to ensure compliance with 24 CFR 85.36 requirements and that the Parish amends its procurement policy to include clear language requiring that its staff perform independent cost estimates before receiving bids or proposals for every procurement.
- 1G. Ensure that the Parish provides documentation detailing the number of hours worked for each disaster assistance program or repay \$37,450 to its CDBG disaster assistance program from non-Federal funds.
- 1H. Review the Parish's written financial management policy for compliance with HUD and program requirements and ensure that the Parish amends its policy to incorporate requirements to comply with State policy when applicable.

# Scope and Methodology

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We conducted our audit at the State's office in Baton Rouge, LA, the Parish's office in Laplace, LA, and the HUD Office of Inspector General's (OIG) offices in New Orleans and Baton Rouge, LA, between January and June 2016. Our audit scope generally covered the State's CDBG disaster assistance programs for the period January 29, 2013, through December 31, 2015. We expanded the scope as necessary to accomplish our audit objective.

To accomplish our objective, we reviewed

- Relevant laws, regulations, and program guidance.
- HUD and State grant agreement(s) and State and Parish agreements and amendments.
- HUD monitoring reports, State site visit and technical assistance review reports, and a Parish contract monitoring report.
- The State's and Parish's organizational structure and written policies for the programs.
- The State's action plans.
- The Parish's 2013 and 2014 audit reports.
- The Parish's program participant, procurement, and expenditure files.
- The Parish's budgets, recovery proposal, and project applications.

We also interviewed HUD, State, and Parish staff.

For the program participant file review, using nonstatistical random sampling, we selected 32<sup>24</sup> of 325 program participants approved to receive disaster assistance for the homeowner rehabilitation, elevation, home-buyer assistance, and small rental rehabilitation programs. We randomly selected 10 percent of the universe, which included 10 percent of program participants determined to be eligible for each of the programs, to ensure that we reviewed an equal percentage of files from each program. Based on our method of selection, the results of our review apply only to the selected items and must not be projected to the portion of the population that we did not test. We reviewed the files to determine whether the Parish maintained documentation supporting that program participants met the eligibility requirements for disaster assistance. We did not assess the reliability of computer-processed data regarding the participant eligibility review because we relied on computer data to a limited extent to conduct this review.

For the procurement file review, using nonstatistical sampling, we selected two contracts, with disbursements totaling nearly \$3 million, using a universe of eight disaster assistance contracts awarded between March 2013 and July 2015 and disbursements of more than \$3.4 million as of April 8, 2016. We selected these contracts based upon contracts with the highest award amounts and disbursements.<sup>25</sup> Although this approach did not allow us to project the results of the sample

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<sup>24</sup> 18 homeowner rehabilitation, 2 elevation, 10 home-buyer assistance, and 2 small rental rehabilitation

<sup>25</sup> The Parish had not disbursed funds for three of the eight contracts.

to the population, it was sufficient to meet the audit objective. We reviewed the procurement files to determine whether the Parish maintained adequate documentation to support compliance with its agreement and procurement requirements. Through the file reviews, we assessed the reliability of the computer-processed data regarding the disbursed amounts for the procured contracts and determined that the data were generally reliable.

For the expenditure file review, using nonstatistical sampling, we selected 5 line items associated with 5 vouchers (1 line item for each voucher) totaling \$776,058 from a universe of 17 drawdowns (with 27 total line items) with disbursements totaling more than \$2.4 million. We selected these expenditures based upon the second highest line item disbursement amount under the Parish’s homeowner rehabilitation, housing elevation, small rental rehabilitation, home-buyer assistance, and demolition programs. Although this approach did not allow us to project the results of the sample to the population, it was sufficient to meet the audit objective. We reviewed the files to determine whether the Parish complied with its agreement and expenditure documentation requirements. Through the file reviews, we assessed the reliability of the computer-processed data for the disbursed amounts and determined that the data were generally reliable.

To determine the amount of funds to be put to better use, we used the HUD Disaster Recovery Grant Reporting (DRGR) system<sup>26</sup> grant funds financial summary report as of July 8, 2016. We identified the projects related to the homeowner rehabilitation, housing elevation, and housing assistance programs and obtained the remaining amount of obligated funds available. The funds available amount represented the funds available for disbursement to program participants who were impacted by Hurricane Isaac (see table).

**Table: DRGR grant funds financial summary report – activity level by project**

<b>Parish program</b>	<b>Funds available</b>
Homeowner rehabilitation	\$3,800,425
Housing elevation	677,067
Housing assistance	887,835
<b>Totals</b>	<b>5,365,327</b>

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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<sup>26</sup> A HUD CDBG disaster recovery program system, used by the State to draw down funds and submit action plans and quarterly performance reports. HUD uses the data to review funded activities, prepare reports to Congress, and monitor program compliance.

# Internal Controls

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objective:

- Effectiveness and efficiency of policies and procedures used to ensure compliance with the 2013 Disaster Relief Appropriations Act CDBG disaster assistance grant,
- Relevance and reliability of data concerning the CDBG disaster assistance expenditures, and
- Compliance with applicable Federal laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## **Significant Deficiency**

Based on our review, we believe that the following item is a significant deficiency:

- The State's onsite reviews did not address all program areas, and the State's administrative manual did not cover all contract types. In addition, the Parish, as the State's subrecipient, did not have consistent disaster assistance program policies, understand procurement requirements, or have an adequate procurement policy or a written expenditure policy (finding).

# Appendixes

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## Appendix A

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### Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Unsupported 1/	Funds to be put to better use 2/
1A		\$5,365,327
1D	\$1,534,629	
1G	37,450	
<b>Totals</b>	<b>1,572,079</b>	<b>5,365,327</b>

- 1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, requiring the State to develop and implement written procedures and actions that would correct and prevent the deficiencies outlined in the finding would better ensure that the Parish spends at least \$5.3 million in CDBG disaster assistance funds obligated for the Parish's disaster assistance program in accordance with requirements.

## Appendix B

### Auditee Comments and OIG's Evaluation

<b>Office of Community Development</b> <b>Disaster Recovery Unit</b> <b>State of Louisiana</b> Division of Administration		
JOHN BEL EDWARDS Governor		JAY DARDENNE Commissioner of Administration
<p>August 19, 2016</p> <p>Kilah White Acting Regional Inspector General for Audit U.S. Department of Housing and Urban Development Office of Inspector General 819 Taylor Street, Suite 13A09 Fort Worth, TX 76102</p> <p><b>RE: Updated Response to HUD Regional Inspector General for Audit Report dated August 5, 2016</b></p> <p>Dear Ms. White:</p> <p>The Division of Administration, Office of Community Development, Disaster Recovery Unit is providing this letter in response to the HUD Office of Inspector General Audit Draft Report, issued August 5, 2016 regarding the HUD OIG Audit of St. John the Baptist Parish. The report had eight recommendations which are as follows:</p> <p><b>HUD Recommended Corrective Action:</b></p> <p>1A Develop and implement written procedures and actions that would correct and prevent the deficiencies outlined in the finding to ensure that the Parish adequately supports program participant eligibility. The written procedures actions should include but not be limited to:</p> <ul style="list-style-type: none"><li>1) reviewing and amending the Parish's program policies, documentation checklist, and income calculation worksheet to ensure the consistency of file documentation and eligibility determinations;</li><li>2) providing training and assistance to the Parish and its contractors regarding program participant eligibility determinations and documentation requirements' and</li><li>3) conducting a final file review before disbursing funds on behalf of program participants to ensure that files have complete documentation appropriate follow-ups are conducted, and the participant remains eligible for disaster assistance.</li></ul> <p>Implementing this recommendation should better ensure that the Parish spends at least \$5.3 million in CDBG disaster assistance funds obligated for its disaster assistance programs in accordance with requirements.</p> <p>1B Ensure that the Parish obtains additional documentation to support eligibility for the 28 program participant files that did not have adequate documentation to support program eligibility or amend the eligibility determination.</p>		
<small>P.O. Box 94095 D Baton Rouge, Louisiana 70804-9095 D (225) 219-9600 D 1-800-272-3587 D Fax (225) 219-9605 An Equal Opportunity Employer</small>		

Ms. Kilah White  
August 19, 2016  
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- 1C Ensure that the Parish reviews the remaining 293 program participant files for its homeowner rehabilitation, housing elevation, home-buyer assistance, and small rental rehabilitation programs to ensure that documentation complies with HUD and program requirements and to support the eligibility determinations.
- 1D Ensure that the Parish supports the cost reasonableness of the grant management contract or repay \$1,534,629 to its CDBG disaster assistance program from non-Federal funds.
- 1E Provide assistance to the Parish regarding procurement requirements to ensure compliance with requirements for future procurement activities related to CDBG disaster assistance contracts.
- 1F Review and evaluate the Parish's procurement policy to ensure compliance with 24 CFR 85.36 requirements and that the Parish amends its procurement policy to include clear language requiring that its staff perform independent cost estimates before receiving bids or proposals for every procurement.
- 1G Ensure that the Parish provides documentation detailing the number of hours worked for each disaster assistance program or repay \$37,450 to its CDBG disaster assistance program from non-Federal funds.
- 1H Review the Parish's written financial management policy for compliance with HUD and program requirements and ensure that the Parish amends its policy to incorporate requirements to comply with State policy when applicable.

***OCD-DRU Response for HUD Recommendations 1A:***

OCD-DRU has provided technical assistance to the Parish regarding eligibility for its housing program participants. The Parish has amended its housing program policies and procedures to include the following:

*Re-verification of income will not be required until the applicant's/tenant's file is ready to be reviewed for the construction process and 6 months have passed from the last income verification.*

OCD-DRU is reviewing the Parish's program policies, documentation checklist, and income calculation worksheet to ensure the consistency of the file documentation and eligibility determinations.

Comment 1

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**Comment 1** *OCD-DRU Response for HUD Recommendations 1B:*  
The Parish has updated all program participant files, including the 28 files identified by OIG, for the homeowner rehabilitation, housing elevation, home-buyer assistance, and small rental rehabilitation programs to ensure that documentation complies with HUD and program requirements to support eligibility determinations. OCD-DRU has reviewed the Parish's efforts in updating these files and finds them in order.

**Comment 1** *OCD-DRU Response for HUD Recommendations 1C:*  
The Parish has updated all program participant files for the homeowner rehabilitation, housing elevation, home-buyer assistance, and small rental rehabilitation programs to ensure that documentation complies with HUD and program requirements to support eligibility determinations. OCD-DRU has reviewed the Parish's efforts in updating these files and finds them in order.

**Comment 1** *OCD-DRU Response for HUD Recommendations 1D:*  
The Parish has already provided their support for the cost reasonableness of the grant management contract, and the Parish will prepare an independent cost analysis based on previous grant management contracts and other resources to support the market rate for similar services.  
  
Once the Parish completes the independent cost analysis, OCD-DRU will review the results and compare it with similar contracts it has in place to ensure independence.

**Comment 1** *OCD-DRU Response for HUD Recommendations 1E:*  
OCD-DRU has provided technical assistance to the Parish regarding its procurement requirements to ensure compliance with the requirements for future procurement activities related to CDBG disaster assistance contracts. OCD-DRU will continue to provide technical assistance before and during other procurement actions by the Parish.

**Comment 1** *OCD-DRU Response for HUD Recommendations 1F:*  
The Parish has amended its procurement policy and procedures to ensure compliance with 24 CFR 85.36 and to include clear language requiring that its staff perform independent cost estimates before receiving bids or proposals for every procurement.

**Comment 1** *OCD-DRU Response for HUD Recommendations 1G:*  
The Parish has reviewed the Weekly Work Status Reports for the employee involved. The report lists the detailed activity for each day which can be identified by program. OCD-DRU is providing technical assistance to the Parish to determine the breakdown of the actual number of hours that the employee worked on each disaster assistance program. Since the employee's time is dedicated to one of four disaster recovery programs, the Parish may have to re-submit its draw request to reflect the correct billings among the various programs.

**Comment 1** *OCD-DRU Response for HUD Recommendations 1H:*  
OCD-DRU has provided technical assistance to the Parish regarding its financial management policies for compliance with HUD and program requirements and the Parish has amended its

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policy to incorporate requirements to comply with State policy. OCD-DRU will review the amendments to ensure compliance

Comment 1 OCD-DRU will continue to work with the Parish and provide any technical assistance as we address these recommendations identified by the OIG

Many thanks to you and your staff for the continued counsel and technical assistance related to these matters. As always, should you have any questions or require additional information, please do not hesitate to notify me.

Sincerely



Patrick W. Forbes, P.E.  
Executive Director  
Office of Community Development

cc:

Desiree Honoré Thomas  
Marsha Guedry

## **OIG Evaluation of Auditee Comments**

### **Comment 1**

We appreciate the State's efforts to address the issues identified in the report. The State will need to provide evidence to HUD of actions taken toward correcting the identified issues, and work with HUD to continue to resolve the remaining issues and satisfy the recommendations in the report.

## Appendix C

### Participant Eligibility Review Results<sup>27</sup>

#### Homeowner rehabilitation program

Sample number	Issues identified
1	The file did not contain documentation showing (1) a reverification of income, required in October 2015; (2) that the participant met the low- to moderate-income requirement, as the documented income exceeded the threshold for a five-person household (although the contractor determined that the participant was ineligible, the Parish made this participant eligible); (3) income verification for the participant's spouse; and (4) adequate income documentation, as it had 2 months' worth of pay stubs instead of the required 3 months.
2	The file did not contain documentation showing (1) a reverification of income, required in September 2015 and March 2016, and (2) verification of income for the participant's spouse.
3	The file did not contain documentation showing a reverification of income, required in August 2015 and February 2016.
4	The file did not contain documentation showing (1) a reverification of income, required in October 2015; (2) that the participant met the low- to moderate-income requirement, as the documented income appeared to have exceeded the threshold for a three-person household; and (3) adequate income documentation, as the file did not have documentation for income identified on the income calculation worksheet and for one household member, only 1 paystub was provided for one of the businesses where they worked, rather than the amount required.
5	The file did not contain documentation showing a reverification of income, required in September 2015 and March 2016.
6	The file did not contain documentation showing a reverification of income, required in July 2015 and January 2016.
7	The file did not contain documentation showing (1) a reverification of income, required in August 2015 and February 2016, and (2) property ownership, since the original property owner died and the file did not contain documentation of a judgment of possession supporting that the participant currently owned the property.
8	The file did not contain documentation showing a reverification of income, required in October 2015.
9	The file did not contain documentation showing a reverification of income, required in October 2015.
10	The file did not contain documentation showing (1) a reverification of income, required in October 2015, and (2) a verification of income for the participant's spouse.
11	The file did not contain documentation showing a reverification of income, required in October 2015.
12	The file did not contain documentation showing a reverification of income, required in October 2015.
13	The file did not contain documentation showing (1) a reverification of income, required in February 2016, and (2) the participant had flood insurance and had received previous disaster assistance.
14	The file did not contain documentation showing a reverification of income, required in October 2015.
15	The file did not contain documentation showing a reverification of income, required in October 2015.
16	The file did not contain documentation showing (1) a reverification of income, required in October 2015, and (2) that the participant met the low- to moderate-income requirement, as the documented income exceeded the threshold for a two-person household. (Although the contractor determined that the participant was ineligible, the Parish made this participant eligible.)
17	The file did not contain documentation showing (1) a reverification of income, required in October 2015; (2) that the participant met the low- to moderate-income requirement, as the documented income exceeded the threshold for a four-person household (although the contractor determined that the participant was ineligible, the Parish made this participant eligible); and (3) verification of income for two adult household members.
18	The file did not contain documentation showing a reverification of income, required in June and December 2015.

<sup>27</sup> These results were based upon documentation included in the files as of March 2016.

### Home-buyer assistance program

Sample number	Issues identified
1	The file did not contain documentation showing a reverification of income, required in April, August, and December 2015.
2	The file did not contain documentation showing a reverification of income, required in November 2015 and March 2016.
3	The file did not contain documentation showing a reverification of income, required in November 2015 and March 2016.
4	The file did not contain documentation showing (1) a reverification of income, required in July and November 2015 and March 2016, and (2) adequate income documentation, as although the income calculation worksheet was dated March 2016, the pay stub dates ranged from November to December 2014 and, thus, were not for the last 3 consecutive months as required.
5	The file did not contain documentation showing (1) a reverification of income, required in April, August, and December 2015, and (2) adequate income documentation, as although the income calculation worksheet was dated December 8, 2014, the pay stub dates ranged from November to December 2014 and, thus, were not for the last 3 consecutive months as required.
6	None
7	The file did not have documentation showing a reverification of income, required in June and October 2015 and February 2016.
8	The file did not contain documentation showing a reverification of income, required in June and October 2015 and February 2016.
9	The file did not contain documentation showing (1) a reverification of income, required in May and September 2015 and January 2016, and (2) adequate income documentation, as although the income calculation worksheet was dated January 27, 2015, the pay stub dates ranged from December 2014 to January 2015 and, thus, were not for the last 3 consecutive months as required.
10	None

### Housing elevation program

Sample number	Issues identified
1	The file did not contain documentation showing (1) a reverification of income, required in September 2015, and (2) that the participant met the low- to moderate-income requirement, as the documented income exceeded the threshold for a one-person household. (Although the contractor determined that the participant was ineligible due to exceeding the maximum income limit, the Parish made this participant eligible for disbursement.)
2	The file did not contain documentation showing a reverification of income, required in October 2015.

### Small rental rehabilitation program

Sample number	Issue(s) identified
1	None
2	None