



# Jefferson Parish, Jefferson, LA

## Community Development Block Grant and HOME Investment Partnerships Program Property Rehabilitation Program

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

**Audit Report Number: 2018-FW-1001  
January 29, 2018**





**To:** Cheryl Breaux, Director of Community Planning and Development, 6HD  
//signed//  
**From:** Kilah S. White, Regional Inspector General for Audit, 6AGA  
**Subject:** Jefferson Parish, Jefferson, LA, Did Not Always Properly Administer Its Rehabilitation Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of Jefferson Parish's property rehabilitation program funded with Community Development Block Grant and HOME Investment Partnerships program funds.

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 website. 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: 2017-FW-1001**

**Date: January 29, 2018**

**Jefferson Parish, Jefferson, LA, Did Not Always Properly Administer Its Rehabilitation Program**

## Highlights

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### What We Audited and Why

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We audited the Jefferson Parish Community Development Department in response to a citizen complaint and in accordance with our annual audit plan to review the U.S. Department of Housing and Urban Development's (HUD) community planning and development programs, including the Community Development Block Grant (CDBG) and HOME Investment Partnerships programs. Our objective was to determine whether the Parish (1) ensured that payments to contractors were supported, reasonable, and necessary and (2) properly monitored and ensured completion of the contractors' work in accordance with contract and HUD requirements for its CDBG- and HOME-funded property rehabilitation program.

### What We Found

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The complaint had merit. The Parish did not always administer its rehabilitation program in accordance with program requirements. Specifically, it did not always ensure that payments to contractors were eligible, supported, and reasonable as it made payments (1) for duplicate payments and overpayments, (2) for work not completed and excessive material costs, (3) without adequate invoice documentation or cost analyses for change orders, (4) without performing independent cost estimates before the bidding process, and (5) for properties not brought up to code. In addition, the Parish did not properly monitor and ensure completion of its contractors' work. This occurred because the Parish did not have adequate written policies and procedures, lacked adequate staffing levels, and its staff members were not always aware of their responsibilities. As a result, the Parish could not provide reasonable assurance to HUD that its program met its purpose or that it followed HUD and other requirements, putting more than \$216,000 in allocated HOME funds at risk of mismanagement. In addition, the Parish paid more than \$1 million in questioned costs, and left homeowners in unsafe and unsanitary living conditions.

### What We Recommend

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We recommend that HUD require the Parish to (1) develop and implement written procedures and take actions to ensure that it better spends more than \$216,000, (2) repay \$9,489, (3) support or repay more than \$1 million, (4) develop and implement written procedures and management controls, and (5) correct the deficiencies identified during the onsite inspections and in the remaining homes.

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# Background and Objective

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The Community Development Block Grant (CDBG) program was established by Title I of the Housing and Community Development Act of 1974, Public Law 93-383 as amended, 42 United States Code (U.S.C.) 530.1. Under the CDBG program, the U.S. Department of Housing and Urban Development (HUD) awards grants to State and local governments to aid in the development of viable urban communities. These grant funds are used to provide decent housing and suitable living environments and to expand economic opportunities, principally for persons of low and moderate income.

The HOME Investment Partnerships program is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act as amended. The program was designed to create decent, safe, and affordable housing for low-income households. HOME provides formula grants to States and localities that communities use – often in partnership with local nonprofit groups – to fund a wide range of activities, including building, buying, or rehabilitating affordable housing for rent or home ownership or providing direct rental assistance to low-income people.

CDBG and HOME funds are managed through HUD’s Integrated Disbursement and Information System (IDIS), which allows grantees to request their CDBG and HOME grant funding from HUD and report on what is accomplished with these funds.

The Jefferson Parish Community Development Department is located at 1221 Elmwood Park Boulevard, Suite 605, Jefferson, LA. The Parish is the third largest CDBG and HOME grant recipient in the State of Louisiana. The Parish is also the lead entity for the Jefferson HOME Consortium, made up of Jefferson Parish, the City of Kenner, and St. Charles Parish. Further, all municipalities in Jefferson Parish participate in both Jefferson Parish’s CDBG and HOME programs, with the exception of the City of Kenner, which administers and receives its own CDBG funds. The other incorporated municipalities of Jefferson Parish (Westwego, Gretna, Jean Lafitte, Harahan, and Grand Isle) have entered into cooperation agreements with the Jefferson Parish Community Development Department for the use of these funds.

Between October 2013 and September 2016, the Parish received more than \$7 million in CDBG funds and more than \$3 million in HOME funds from HUD. See the table below.

**CDBG and HOME funding allocated**

| Fiscal Year  | CDBG funds       | HOME funds       |
|--------------|------------------|------------------|
| 2014         | 2,540,193        | 1,216,814        |
| 2015         | 2,421,224        | 1,055,157        |
| 2016         | 2,445,970        | 1,145,332        |
| <b>Total</b> | <b>7,407,387</b> | <b>3,417,303</b> |

Of this amount, the Parish spent \$799,923 in CDBG funds and \$514,035 in HOME funds for its property rehabilitation program's contracts. The Parish's rehabilitation program offered home owners deferred grants of up to \$60,000 to bring existing single-family units up to all applicable electrical, mechanical, plumbing, and building codes and to the housing quality standards established by HUD.

In November 2016, we received a citizen complaint from a homeowner who received assistance through the Parish's property rehabilitation program. The complainant alleged that the Parish had not adequately addressed complaints regarding contractor performance and that the contractor (1) left the property infested with mold, (2) performed substandard work, and (3) charged the Parish for materials not used and work not completed.

Our audit objective was to determine whether the Parish (1) ensured that payments to contractors were supported, reasonable, and necessary and (2) properly monitored and ensured completion of the contractors' work in accordance with contract and HUD requirements for its CDBG- and HOME-funded property rehabilitation program.

# Results of Audit

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## **Finding: The Parish Did Not Always Administer Its Property Rehabilitation Program in Accordance With HUD Requirements**

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The Parish did not always administer its property rehabilitation program in accordance with program requirements. Specifically, it did not always ensure that payments to contractors were eligible, supported, and reasonable as it made payments (1) for duplicate payments and overpayments, (2) for work not completed and excessive material costs, (3) without adequate invoice documentation or cost analyses for change orders, (4) without performing independent cost estimates before the bidding process, and (5) for properties not brought up to code. In addition, the Parish did not properly monitor and ensure the proper completion of its contractors' work. This occurred because the Parish did not have adequate written policies and procedures, lacked adequate staffing levels, and its staff members were not always aware of their responsibilities. As a result, the Parish could not provide reasonable assurance to HUD that its program met its purpose or that it followed HUD and other requirements, putting more than \$216,000 in remaining allocated HOME funds at risk of mismanagement. In addition, the Parish paid more than \$1 million in questioned costs, and left homeowners in unsafe and unsanitary living conditions.

### **The Parish Did Not Always Ensure That Contract Payments Were Eligible, Supported, and Reasonable**

The Parish did not always ensure that contract payments were eligible, supported, and reasonable. Federal regulations required the Parish to

- (1) ensure that costs were necessary and reasonable for the allowance of costs;<sup>1</sup>
- (2) maintain supporting documentation for contract payments;<sup>2</sup>
- (3) perform a cost analysis for contract modifications, such as change orders, to ensure the reasonableness of costs;<sup>3</sup>
- (4) make independent cost estimates before receiving bids or proposals;<sup>4</sup> and
- (5) comply with all applicable local codes, rehabilitation standards, ordinances, and zoning requirements at the time of project completion for all housing constructed or rehabilitated with HOME funds.<sup>5</sup>

However, for 52 of 53 contract files reviewed, with payments totaling more than \$1 million, the Parish made payments

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<sup>1</sup> 2 CFR (Code of Federal Regulations) Part 225, appendix A, section (C)(1)

<sup>2</sup> 24 CFR 85.20 and 2 CFR 200.333

<sup>3</sup> 24 CFR 85.36(f)(1) and 2 CFR 200.323(a)

<sup>4</sup> 24 CFR 85.36(f)(1) and 2 CFR 200.323(a)

<sup>5</sup> 24 CFR 92.251(a)(1)

- for duplicate payments and overpayments to contractors, resulting in \$9,489 in ineligible costs and
- for work not completed and excessive material costs; without proper invoice documentation, cost analyses for change orders, and performing independent cost estimates before the bidding process; and for properties not brought up to code as required, resulting in more than \$1 million in unsupported costs.

See appendix C for details on all 52 contracts with deficiencies.

As an example of duplicate payments, a contractor's original contract, dated July 1, 2014, required the contractor to replace and relocate a hot water heater at a cost of \$475. The contractor then submitted a change order, dated August 29, 2014, to replace the same hot water heater, which the Parish approved, and it paid an additional \$390. Regarding overpayments, for one contractor the Parish paid \$365, although the invoices did not have any billable items for this amount.

For work not completed, one contractor did not install a new ground-fault circuit interrupter as required by the contract specifications, causing a health and safety hazard. See illustration 1.



Illustration 1: New ground-fault circuit interrupter not installed

For excessive material costs documented in the citizen complaint, a contractor billed the Parish for 252 cubic yards of sand and 15 pallets of sod for a program participant's backyard. However, based upon measurements of the backyard taken during our onsite inspection, the contractor should have billed the Parish for only 87 cubic yards and 7 pallets of sod. Therefore, the contractor billed the Parish for an estimated \$4,253 more than necessary.

For contract modifications, although the Parish's departmental inspector believed that some costs lacked reasonableness, the Parish did not conduct cost analyses to support the cost reasonableness of change orders for 50 contracts. When asked, the Parish's inspector stated that he did not verify the reasonableness of costs for change orders and only visibly verified that the work needed to be completed. The Parish inspector added that he sometimes entered the costs proposed by the contractor into the Parish's computer software system so that they could be

presented in a neat and formal manner. A review of the file documentation and change order costs listed in the computer software supported the Parish inspector's statements.

While the Parish conducted initial inspections of the properties to determine the work items needed to rehabilitate the properties, it did not adequately support that staff performed independent cost estimates before the bidding process for 32 contracts to support the cost reasonableness of work to be performed.

For its HOME-funded properties, the Parish could not support that the contractors brought 10 properties up to code as required. The code violations included but were not limited to open junction boxes, exposed electrical wiring, and unsecured breaker panels. For example, one property had electrical splices made outside the junction box, and had a missing interior cover for its heating, ventilation, and air conditioning disconnect. See illustration 2.



Illustration 2: Electrical splices made outside the junction box and missing interior cover of heating, ventilation, and air conditioning disconnect

Lastly, for 52 contract payment files reviewed, although required by the contracts and documented in its payment documentation, the Parish did not withhold a 10 percent retainage from the contractors. Instead it paid the full amount of each invoice, limiting the Parish's recourse if contractors did not meet the contract requirements.

### **The Parish Did Not Adequately Monitor Contractor Work Performance**

The Parish did not adequately monitor its contractors that performed work on homes under its property rehabilitation program. Federal regulations required the Parish to monitor its program activities to assure compliance with applicable Federal requirements and performance expectations.<sup>6</sup> In addition, local requirements prohibited the Parish from undertaking construction or reconstruction (alteration, repair, improvement, movement, or demolition) of any structure without obtaining a valid building permit from the Parish code enforcement department.<sup>7</sup> However, the Parish did not maintain sufficient documentation to support that it

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<sup>6</sup> 24 CFR 85.40(a) and 2 CFR 200.328(a)

<sup>7</sup> Jefferson Parish, Louisiana, Code of Ordinances, Chapter 8 - Buildings and Building Regulations, sec. 8-1-4(a)

followed these requirements. None of the 53 contract files reviewed included sufficient documentation to support that the Parish

- evaluated the rehabilitation work progress;
- verified the necessity for all work proposed in the change orders;
- ensured that contractors completed work before approving pay requests and making payments to contractors; and
- made a final inspection to ensure that contractors followed all approved rehabilitation principles, standards, and project specifications.

For example, the files did not always contain documentation, such as inspection reports or photographs, to support that the Parish conducted inspections. For files with inspection reports, the reports did not adequately detail the purpose of the site visit, work items viewed or evaluated, and an assessment of the contractors' compliance with the work writeups and rehabilitation principles and standards. For files with photographs, the photographs did not always have dates or include a written description of the purpose of the photograph, such as initial inspection, change order, pay request, or progress inspection.

In addition, for 10 HOME and 10 CDBG- funded contracts,<sup>8</sup> a review of the contract specifications in conjunction with onsite property inspections determined that the Parish did not meet requirements. Specifically,

- Contract specifications were ambiguous, outdated, and vague with respect to actual work requirements, quality of work, and materials to accomplish the repairs.
- Completed work items posed health and safety issues. For example, one contract required the contractor to remove old drywall from a hall closet and install new drywall. However, the onsite property inspection determined that the contractor installed the new drywall over the old and that the new drywall had started to form mold and mildew. Further, onsite observations noted that the area smelled of mold. In another example, a roof had water damage in a closet after the contractor repaired it. See illustration 3.
- The Parish did not use contract warranties when necessary. For one contract, instead of using either the contract or manufacturer's warranty to repair or replace two defective air-conditioning units, the Parish executed a new contract with a separate contractor to repair the units and incurred additional costs.
- Contractors did not complete appropriate change orders to add or remove work items from the contracts when necessary. For one contract, instead of the required vinyl flooring, the contractors installed ceramic tile flooring without a change order or adjustment in costs.
- Contractors used materials below the standard to cut costs. In some instances, contractors used plywood as base molding instead of actual base molding. In another instance, a contractor used pine wood and stained it to look like redwood instead of using actual redwood as required by the contract specifications. See illustration 4.

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<sup>8</sup> Ten HOME-funded contracts totaled \$324,096, and 10 CDBG-funded contracts totaled \$313,325.

- Contractors did not obtain appropriate permits as required by the Parish. Specifically, for 16 contracts reviewed, the contract file did not contain documentation to support that the contractors filed the necessary permit applications or obtained the necessary inspections.



Illustration 3: Mold and mildew identified on newly installed drywall and water damage closet after the roof was repaired



Illustration 4: Plywood used for base molding and pine frieze board with redwood stain used

Further, the Parish did not effectively address program participants' complaints. The Parish's policies and procedures required its housing rehabilitation supervisor, specialist, and housing counselors to investigate and resolve complaints in accordance with the complaint process. Additionally, the program manager was required to train and supervise the rehabilitation program staff. However, based upon a review of file documentation and interviews with 19 program participants, 14 expressed concerns with the contractors' work and performance. Of these 14,

- Three submitted written complaints to the Parish, which the Parish had not fully resolved.
- Three verbally complained to the Parish; however, the Parish did not have documentation for these complaints. For example, one participant stated that he expressed issues with the contractor's work to his housing counselor, but the Parish did not resolve his complaints.
- Eight had complaints but communicated the concerns to the contractor instead of the Parish. Although they did not communicate to the Parish, the contractor's work deficiencies should have been identified and resolved by the Parish during its monitoring inspections.

In addition, the Parish did not maintain complaint forms, a log of complaints received, actions taken, or the results of any action taken.

### **The Parish Did Not Have Adequate Written Procedures and Lacked Adequate Staffing Levels, and Its Staff Members Were Not Always Aware of Their Responsibilities**

The Parish did not have adequate written policies and procedures and lacked adequate staffing levels. The Parish's departmental policies and procedures had not been updated for 15 years and included positions that no longer existed. In addition, while the Parish's policy stated that it would investigate and resolve program participant complaints in accordance with the complaint process, this policy did not detail a step-by-step complaint process. Further, while some files included a complaint process document signed by the participants as part of the contract, the document was not consistently included as part of all rehabilitation contracts, and the Parish did not always follow this outlined process.

Regarding the staffing levels, the Parish relied on one departmental inspector to conduct reasonableness assessments for change orders, complete independent cost estimates, and perform monitoring for all of its rehabilitation work. According to the code enforcement department director, the Parish had also stopped using the code enforcement department to conduct inspections and relied on its departmental inspector to perform the task. In addition, based upon the job descriptions, the departmental inspector performed the duties of both the project coordinator and the housing rehabilitation specialist, putting the Parish at an increased risk of policy circumvention.

The Parish suspended its property rehabilitation program in January 2016 in an effort to hire additional staff, reestablish a relationship with the code enforcement department, and revise program policies and procedures. However, the Parish continued to be understaffed in comparison to the departmental organizational chart and policies. For example, key positions associated with the property rehabilitation program remained vacant, including the housing rehabilitation program manager position.

Further, the Parish's staff members were not always aware of their responsibilities regarding handling complaints and monitoring the contractors. Although the Parish's policies and procedures required the housing counselors to assist in the resolution of complaints, when asked, they stated that handling complaints was not a part of their job responsibilities.

Without adequate policies and procedures, adequate staffing levels, and an understanding of staff responsibilities related to contractor monitoring and handling participant complaints, the Parish could not ensure that contractors performed rehabilitation work in accordance with program requirements or provided safe and sanitary living conditions for program participants.

### **Conclusion**

Because the Parish did not have adequate written procedures and lacked adequate staffing levels and its staff members were not always aware of their responsibilities, it did not ensure that contract payments were eligible, supported, and reasonable and adequately monitor its contractors. As a result, the Parish could not provide reasonable assurance to HUD that its program met its purpose or that it followed HUD and other requirements, putting more than

\$216,000 in allocated HOME funds at risk of mismanagement. In addition, the Parish paid more than \$1 million in questioned costs, left homeowners in unsafe and unsanitary living conditions.

### **Recommendations**

We recommend that the Director of HUD's New Orleans Office of Community Planning and Development require the Parish to

- 1A. Develop and implement a HUD-approved written plan and procedures and take actions that will correct and prevent the deficiencies noted in the finding, improve program administration effectiveness, strengthen the control environment, ensure compliance with HUD regulations and its own policies and procedures, and ensure that it has the continuing capacity to carry out its HOME program activities as required. Implementing this recommendation should ensure that the \$216,663<sup>9</sup> in HOME funding allocated for the Parish's property rehabilitation program is better used.
- 1B. Repay its program from non-Federal funds for \$9,849 in payments made to contractors for duplicate payments and overpayments.
- 1C. Support or repay its program from non-Federal funds \$1,020,121 for payments made (1) for work that the contractor(s) did not perform and excessive material costs; (2) that lacked adequate supporting documentation for change orders, independent cost estimates, and invoice documentation; or (3) for the 10 HOME-funded rehabilitated homes not brought up to code.
- 1D. Establish and implement desk and onsite monitoring policies and procedures to ensure that documentation is maintained to support that (1) adequate supporting documentation for payments is filed, tracked, and maintained; (2) the necessity for all change orders is verified and reasonableness of the costs is assessed; (3) cost estimates are completed before the bidding process; (4) work is completed before pay requests are approved and payments are made to the contractor; and (5) contractors are properly monitored throughout the rehabilitation process, including progress and final inspections.
- 1E. Correct the property deficiencies identified during the onsite inspections related to the 20 contracts as applicable.
- 1F. Inspect the remaining 33 homes for compliance with the contract specifications and HUD requirements and correct deficiencies as applicable.
- 1G. Establish and implement complaint policies and procedures and ensure that its staff is aware of the procedures to ensure that participant complaints are properly handled in a timely manner.

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<sup>9</sup> See the Scope and Methodology section for the calculation of this amount.

- 1H. Review and adjust staffing levels as needed to ensure adequate coverage.
- 1I. Provide training to staff members to ensure that they are aware of policies and procedures and their responsibilities related to expenditures, monitoring, and addressing participant complaints.

# Scope and Methodology

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We performed our audit from May through November 2017 at the Parish's office located at 1221 Elmwood Park Boulevard, Suite 605, Jefferson, LA; our office in New Orleans, LA; and participants' homes for onsite inspections. The audit generally covered the period July 1, 2013, through April 30, 2017. We expanded our audit scope as determined necessary.

To meet the audit objective, we reviewed

- Relevant laws, regulations, and program guidance.
- HUD and Parish grant agreements.
- HUD's onsite review reports.
- IDIS reports PR02, PR05, and PR07.<sup>10</sup>
- The Parish's consolidated plans which covered years 2010 to 2017.
- The Parish's organizational structure and written policies for the rehabilitation program.
- The Parish's 2013, 2014, and 2015 single audit reports.
- The Parish's action plans.
- The Parish's files and documentation related to expenditures, contracting, onsite monitoring, and property inspections.

We also interviewed the Parish's and HUD's staff and program participants.

Using a universe of 53 (37 CDBG and 16 HOME) contracts,<sup>11</sup> with disbursements totaling \$1,313,958,<sup>12</sup> and contract payments between July 1, 2013, and April 30, 2017, we selected the following samples:

- For the expenditure and monitoring reviews, we selected a 100 percent sample of the 53 contracts to determine whether the Parish (1) ensured that costs were reasonable and obtained adequate supporting documentation for invoices submitted by contractors for rehabilitation expenditures and (2) properly monitored the rehabilitation work to ensure that contractors met the contract requirements under its rehabilitation program.
- For the onsite inspection review, using a nonstatistical sample, we selected 20 (10 CDBG and 10 HOME) contracts associated with 19 participant properties<sup>13</sup> totaling more than \$637,000<sup>14</sup> to determine whether the Parish ensured that the contractors completed

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<sup>10</sup> PR-02 – activities by program year and project, PR-05 – drawdown report by project and activity, and PR-07 – drawdown report by voucher number.

<sup>11</sup> These 53 contracts were associated with 10 actual contractors as some contractors had multiple contracts.

<sup>12</sup> The rehabilitation cost for the 53 contracts totaled more than \$1 million, including \$799,923 in CDBG funds for the 37 contracts and \$514,035 in HOME funds for the 16 contracts.

<sup>13</sup> One participant had two contracts funded with CDBG funds.

<sup>14</sup> CDBG contract payments totaled \$313,325, and HOME contract payments totaled \$324,096.

rehabilitation work in accordance with contract and HUD requirements for its CDBG- and HOME-funded rehabilitation programs. We selected these contracts based upon program participant availability for an onsite inspection.

Through a comparison of file documentation, HUD voucher data, and Parish payment data, we assessed the reliability of the computer-processed data regarding the contract payment amounts for the rehabilitation contracts and determined that the data were generally reliable. 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.

To determine the amount of funds to be put to better use, we used the Parish's HUD-approved 2015-2017 consolidated plan to determine the amount of HUD funding that the Parish planned to allocate toward its property rehabilitation program. According to the consolidated plan, the Parish budgeted \$216,663 in HUD HOME funds with a target date for completion of December 31, 2018.

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.

# 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 that program requirements are met.
- Reliability of data for accurately reporting in HUD reports.
- Compliance with applicable Federal requirements.

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 Parish did not have sufficient policies and procedures, lacked adequate staffing levels, and its staff members were not always aware of their responsibilities, as needed to ensure that payments to contractors were eligible, supported, and reasonable and that it adequately monitored its contractors (finding).

# Appendixes

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## Appendix A

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

| <b>Recommendation number</b> | <b>Ineligible 1/</b> | <b>Unsupported 2/</b> | <b>Funds to be put to better use 3/</b> |
|------------------------------|----------------------|-----------------------|---|
| 1A                           |                      |                       | \$216,663                               |
| 1B                           | \$9,849              |                       |   |
| 1C                           |                      | \$1,020,121           |   |
| <b>Total</b>                 | <b>9,849</b>         | <b>1,020,121</b>      | <b>216,663</b>                          |

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ 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.
- 3/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (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 Parish to develop and implement written policies and procedures and management controls and take actions that would correct and prevent the deficiencies noted in the finding would better ensure that the Parish spends its budgeted \$216,663 in HOME funds in accordance with the requirements for local building codes and housing property standards.

## Appendix B

### Auditee Comments and OIG Evaluation

#### Auditee Comments

Ref to OIG  
Evaluation

Comment 1



**Ref to OIG  
Evaluation**

**Auditee Comments**

Comment 2

Comment 3

BACKGROUND

The review by the United States Department of Housing and Urban Development, Office of Inspector General, Office of Audit, covered expenditures between October 2013 and September 2016 made by the Jefferson Parish Department of Community Development (JPDCD). From this review, there was only one (1) finding that the parish did not always administer its property rehabilitation program in accordance with HUD requirements. More specifically, the review found that (1) the parish did not always ensure that contract payments were eligible, supported, and reasonable, (2) the parish did not adequately monitor contractor work performance, and (3) the parish did not have adequate written procedures and lacked adequate staffing levels, and its staff members were not aware of their responsibilities.

This current review follows a previous review of the rehabilitation program conducted by the United States Department of Housing and Urban Development, Office of Inspector General, Office of Audit, which resulted in a report issued in September 2014. Consequently, as a result of the September 2014 review, the rehabilitation program was informally suspended and only those ongoing projects were completed, with the exception of the five (5) LRA Properties. This refutes the assertion that the program was suspended as of January 2016.

From the previous review, there was a finding that "the parish did not always maintain departmental supporting documentation showing that it (1) conducted a cost or price analysis, (2) performed an independent cost estimate, or (3) ensured full and open competition or justification otherwise. For the current review, there is a finding that the parish did not always ensure that contract payments were eligible, supported, and reasonable, similar to the previous audit finding in 2014. However, JPDCD disagrees with the current finding in that the last payment made to contractors on 11 of the files reviewed in the current review occurred during the previous audit review period of October 2011 and September 2013, and the last payment made to contractors for 31 of the files occurred prior to the issuance of the 2014 audit report. From the 2014 audit finding, HUD CPD accepted the documentation provided and cleared JPDCD of any repayment based upon similar documentation submitted during this review period. The acceptance and clearance by HUD CPD led JPDCD to believe that the documentation met HUD guidance and approval. Moreover, the use of the BESPEC estimating software was an independent estimate to the change orders submitted.

RECOMMENDATION RESPONSES

From the current review, several recommendations were made regarding the rehabilitation program for the Parish of Jefferson.

1A. Develop and implement a HUD-approved written plan and procedures and take actions that will correct and prevent the deficiencies noted in the finding, improve program administration effectiveness, strengthen the control environment, ensure compliance with HUD regulations and its own policies and procedures, and ensure that it has the continuing capacity to carry out its HOME program activities as required. Implementing this recommendation should ensure that the

**Ref to OIG  
Evaluation**

**Auditee Comments**

Comment 4

\$216,663<sup>9</sup> in HOME funding allocated for the Parish's property rehabilitation program is better used.

**JPDCD Response:** For the current \$216,663 JPDCD allocated for property rehabilitation, JPDCD has entered into a subrecipient agreement with the New Orleans Education League (NOEL) a nonprofit arm of the New Orleans Homebuilders Association to provide full project implementation services for owner occupied rehab projects. JPDCD, along with its technical assistance consultant, staff of the Inspection and Code Enforcement Department, and NOEL, have met to address previous concerns and have drafted policies and procedures for the rehabilitation program to ensure that (a) all work and materials meet the specifications of the scope of work listed in the in house estimate, (b) all materials used by the contractors are new by requiring receipts from the contractors before final payment, (c) inspections are taking place throughout the project in accordance with the building standards by the inspection department and HUD property standards by JPDCD staff, (d) all change order requests or invoices by the contractors are reviewed and an in house estimate is completed to determine cost reasonableness. The new Owner Occupied Rehabilitation Program policies and procedures are attached to this response.

Comment 5

1B. Repay its program from non-Federal funds for \$9,849 in payments made to contractors for duplicate payments and overpayments.

**JPDCD Response:** JPDCD and the Jefferson Parish Finance Staff review each invoice for accuracy and eligibility. JPDCD Accounting staff is working with the Parish Finance team to review each of the payments identified by HUD OIG, and will provide all documentation to HUD CPD to remove this finding.

1C. Support or repay its program from non-Federal funds \$1,020,431 for payments made (1) for work that the contractor(s) did not perform and excessive material costs; (2) that lacked adequate supporting documentation for change orders, independent cost estimates, and invoice documentation; or (3) for the 10 HOME funded rehabilitated homes not brought up to code.

**JPDCD Response:** The expenditure review of the files by the HUDOIG staff surveyed expenditures approximately totaling 1,313,308.

(1) Work that the contractor(s) did not perform and excessive material costs

Of the 53 files reviewed, the OIG inspector concluded that 17 files revealed that the contractors did not perform line items in the contract or that there were excessive material costs resulting in approximately \$19,605.91. JPDCD refutes this assertion based upon the attached invoices signed by the respective homeowners acknowledging that the line items were completed and the Final Acceptances of Building Contract indicating that the contractor had satisfactorily performed everything required of the contractor.

Comment 6

(2) Lacked adequate supporting documentation for change orders, independent cost estimates, and invoice documentation

Auditee Comments

Comment 7

*(a) Lacked adequate supporting documentation for change orders*

JPDCD Response: The review raised concerns that \$294,351 lacked supporting documentation. Since receiving the draft report, the Jefferson Parish Department of Community Development (JPDCD) has reviewed the files provided to the HUDOIG staff during their visit and files of former employees, and has located many of the missing documents. JPDCD staff understands that documentation of a cost analysis for every procurement action, including contract modifications, is required. Thus, please find attached to this report, the detailed estimates performed for change orders and the final approved change orders which reflect that the change order request was within the 15% of the estimate which was required by the policies and procedures. We believe that the supporting documentation provided will be sufficient documentation for the expenditure of federal funds and allay any concerns that payments were made that lacked supporting documentation.

Additionally, the expenditure review of the draft report also identified a documentation issue regarding contractors' retainage for 52 of 53 contracts. HUD OIG identified a concern that the expenditure listing supported that the contractor was paid the full amount and that no retainage was ever physically withheld and paid later. JPDCD uses the Parish's AS400 Financial Management System for accounting purposes. While it is true that the general ledger shows that the full amount was paid, when the certificates of payment are submitted to accounts payable, the retainage is withheld from each invoiced amount. To verify this process, JPDCD has attached transaction reports that document the retainage that was physically withheld from each invoice paid to the contractors and that the retainage was later paid. Based upon the attached documentation, JPDCD requests that this concerns raised in this recommendation be cleared.

*(b) Lack adequate supporting documentation for independent cost estimates*

JPDCD Response: The review of the files by the HUD OIG staff amounted to expenditures totaling 1,314,970.42, for which \$536,348.11 were deemed as unsupported costs. Of this amount, the OIG staff expressed concerns that in house estimates were not completed prior to the receipt of bids. Since receiving this report, JPDCD has reviewed the applicant files provided to the HUDOIG staff during their visit, files of former employees, and the RESPEC software database to locate documents which will allay concerns that in house costs estimates were not completed prior to the bidding process. JPDCD utilizes the RESPEC Software for all completing all in house Cost Estimates. In the instances where the original cost estimates were located within the RESPEC system, they were reprinted from the system. We have noted these estimates as "Duplicate Independent Estimate." The reprints will have a print date not reflective of the original date the estimate was complete. The attached files total \$453,636 and document that in house estimates were requested and completed prior to the bidding of the projects. Thus, the parish requests that this concern be cleared.

*(c) Lack of adequate supporting documentation for invoices*

Comment 8

**Ref to OIG  
Evaluation**

**Auditee Comments**

Comment 9

JPDCD Response: Of the 53 files reviewed, the HUDOIG staff concluded that six (6) files did not contain invoices resulting in approximately \$48,978. JPDCD refutes this assertion and attaches invoices totaling \$48,478. Thus, the parish requests that this concern be cleared.

(3) 10 HOME funded rehabilitated homes not brought up to code

Comment 10

JPDCD Response: Since receiving this report, JPDCD has reviewed the files provided to the OIG staff during their visit and databases of former employees to provide documentation that will allay concerns that the projects were not brought up to code. The parish refutes this assertion noting that five (5) properties were inspected by the parish inspector and Code Enforcement department (see attached permits). These permits certify that the properties were brought up to code. In most instances, the HUD OIG inspections were up to three years after the Certificate of Completion was issued. Many of the statements from the homeowners which HUD OIG included in their report referenced potential code issues which were not addressed by the program, or for issues not maintained by the applicants after the program completed their work. Therefore, any code issues found by the HUD OIG inspector may have occurred after the program completed the repairs to the home, and the program should not be held responsible for these claims. Additionally, please find invoices signed by all 10 homeowners indicating that the scope of work items were completed. Furthermore, 10 homeowners signed the Final Acceptances of Building Contract indicating that the contractor had satisfactorily performed everything required of the contractor.

1D. Establish and implement desk and onsite monitoring policies and procedures to ensure that documentation is maintained to support that (1) adequate supporting documentation for payments is filed, tracked, and maintained; (2) the necessity for all change orders is verified and reasonableness of the costs is assessed; (3) cost estimates are completed before the bidding process; (4) work is completed before pay requests are approved and payments are made to the contractor; and (5) contractors are properly monitored throughout the rehabilitation process, including progress and final inspections.

Comment 11

JPDCD Response: While the period of the review covered the time period of July 1, 2013 – April 30, 2017, all of the files reviewed were completed prior to the commencement of the Yenni Administration. Nonetheless, the Yenni Administration has taken the following corrective action to ensure that the rehabilitation program is in accordance with federal and HUD program requirements:

1-The JPDCD is working with the Electronic Information Systems Department (EIS) to ensure that all files are kept electronically in a database to ensure that all files are properly filed, tracked, and maintained prior to the closeout of the project. This project will be underway in 2018, and will streamline the record keeping process for JPDCD.

2-JPDCD has met with staff of the Inspection and Code Enforcement Department to ensure that all work paid for with rehabilitation funds are permitted and inspected by the Inspection department in accordance with the most recent adopted building standards. Consequently, the

**Ref to OIG  
Evaluation**

**Auditee Comments**

Comment 11

inspection department has assigned specific staff to ensure that all rehab projects have permits and inspections and that all subcontractors file under the original permit.

3-JPDCD has an executed agreement with the subrecipient, NOEL, administer the Owner-Occupied Rehab Program for FY 2017. Noel's Scope of work includes but is not limited to the monitoring of rehabilitation work, procurement of contractors, and conducting cost reasonableness, to ensure adequate staffing levels for proper expenditure of federal funds for the rehabilitation program.

4- As noted in the response to item 1A. JPDCD, along with its technical assistance consultant, staff of the Inspection and Code Enforcement Department, and the subrecipient, NOEL, have met to address previous concerns and have drafted policies and procedures for the rehabilitation program to ensure that (a) all work and materials meet the specifications of the scope of work listed in the in house estimate, (b) all materials used by the contractors are new by requiring receipts from the contractors before final payment, (c) inspections are taking place throughout the project in accordance with the building standards by the inspection department and HUD property standards by JPDCD staff, (d) all change order requests or invoices by the contractors are reviewed and an in house estimate is completed to determine cost reasonableness.

5-JPDCD, NOEL, and the staff members of the Jefferson Parish Inspection and Code Enforcement Department are holding monthly meetings to ensure that the projects are moving forward, are compliant, and to address any concerns on a timely basis.

1E. Correct the property deficiencies identified during the onsite inspections related to the 20 contracts as applicable.

Comment 12

JPDCD Response: As noted above, the HUD OIG completed inspections on properties where rehabilitation was completed by the parish up to three years prior. Therefore, there were many property deficiencies which may have occurred after the program warranty period, or were not part of the scope of repairs provided by the parish. JPDCD will meet with the Department of Inspection and Code Enforcement and review the deficiencies found by HUD OIG, and determine which repairs are necessary to correct.

1F. Inspect the remaining 33 homes for compliance with the contract specifications and HUD requirements and correct deficiencies as applicable.

Comment 13

JPDCD Response: All 33 applicants signed a Final Acceptances of Building Contract indicating that the contractor had satisfactorily performed everything required of the contractor. Furthermore, JPDCD addressed all claims received during the warranty period. JPDCD will work with the Department of Inspection and Code Enforcement and determine if additional inspections are necessary. Based on the responses received from the applicants, by the HUD OIG inspectors, JPDCD is cautious to complete additional inspections which will give homeowners the opportunity to request additional repairs which were outside of the scope or repairs due to lack of maintenance by the homeowner. JPDCD must ensure that they are appropriately managing the expectation of the homeowners. Furthermore, based on the annual allocations provided by HUD

Auditee Comments

Comment 14

and the expenditure deadlines set for each allocation, the parish cannot continue to allocate funds for constant inspections after the warranty period.

1G. Establish and implement complaint policies and procedures and ensure that its staff is aware of the procedures to ensure that participant complaints are properly handled in a timely manner.

**JPDCD Response:** The OIG staff interviewed 19 program participants regarding the parish complaint process. The OIG staff indicated that some of the participants availed themselves of the complaint process while other failed to do the same. The parish presents documentation that all program participants were provided with the parish complaint process and the parish should not be negatively viewed for those participants who failed to avail themselves of the process on how to make a complaint. Each applicant executed a Final Acceptance noting their acceptance of the work. Furthermore, after reviewing the numerous inspections provided by the HUDOIG which noted deficiencies which were due to lack of homeowner maintenance, the Parish cannot be held to applicants who determined their dissatisfaction three years after the completion of their job.

Nevertheless, JPDCD, NOEL, and the staff members of the Jefferson Parish Inspection and Code Enforcement Department are holding monthly meetings to ensure that the projects are moving forward, are compliant, and to address any concerns on a timely basis.

Additionally, the Yenni Administration has ensured that the updated Owner Occupied Rehabilitation Policies and procedure:in include da detailed complaint process. Each homeowner is given a copy of the policies and procedures prior to the commencement of their rehabilitation project.

A. Grievances

All grievances must be submitted in writing to the JPDCD HOME Program Manager. A grievance is defined as any misunderstanding, difference or dispute between the homeowner, contractor or JPDCD staff regarding any aspect of the Homeowner Rehabilitation Program. All complaints shall be addressed thoroughly through the procedure set forth below:

1. All grievances regarding a housing rehabilitation project shall first be discussed with all parties and attempted to be settled.
2. If a satisfactory settlement is not reached, the grievance shall be submitted in writing to the Housing Program Manager. The Manager will give full and fair consideration to the grievance as promptly as circumstances allow and shall render a fair and just decision in writing within fifteen (15) working days following the day the grievance was received.
3. If a satisfactory agreement is still not reached, the grievance must be appealed by the aggrieved party, via a written appeal to the Director of JPDCD, for consideration. The Director has ten fifteen (15) day from the time/date receipt of the grievance to review and discuss the grievance with the identified parties.

**Ref to OIG  
Evaluation**

**Auditee Comments**

Comment 15

1H. Review and adjust staffing levels as needed to ensure adequate coverage.

**JPDCD Response:** Since receiving this monitoring report, the JPDCD, Personnel Department, Personnel Board, and Yenni Administration have met on several occasions to bring forth HUDs concern regarding staff turnover, staff capacity, and low wages. As a result, the parish is working with the Personnel Board on up to three new hires for the JPDCD staff.

JPDCD is working with the Personnel Department to analyze current staff and job descriptions and make changes in the roles and responsibilities and positions to highlight the strengths of the current employees.

The Yenni Administration understands the importance of ensuring qualified individuals are on staff to manage federal funds, and is committed to continue to work with the Personnel Department and Personnel Board to seek qualified staff and offer suitable and competitive wages for all future hires for JPDCD. The parish is confident that the cross departmental efforts along with the continued capacity building efforts with in JPDCD will reduce the staff turnover rate and will encourage employee retainage moving forward.

Furthermore, JPDCD has an executed agreement with the subrecipient, NOEL, administer the Owner-Occupied Rehab Program for FY 2017. Noel's Scope of work includes but is not limited to monitoring of rehabilitation work, procurement of contractors, and conducting cost reasonableness, to ensure adequate staffing levels for proper expenditure of federal funds for the rehabilitation program.

1I. Provide training to staff members to ensure that they are aware of policies and procedures and their responsibilities related to expenditures, monitoring, and addressing participant complaints

**JPDCD Response:** Since the Yenni Administration took office in January of 2016, JPDCD has taken a proactive approach to ensuring all staff understand their roles and responsibilities in the department, and understand the requirements of the federal dollars which the department manages. JPDCD has provided trainings in the following subject areas: HOME Basics Training (a three-day training), HOME Rental Housing Development and Compliance Training, IDIS Training, Environmental Compliance, AFFH Fair Housing, CDBG Basics, Monitoring, Record Keeping, and Income Calculation. JPDCD will continue with planned quarterly trainings in 2018.

Comment 16

## OIG Evaluation of Auditee Comments

- Comment 1 The Parish stated that it has included detailed documentation that was questioned as unsupported, as well as corrective measures that will be implemented by the current administration. However, as noted throughout our evaluation, the Parish did not provide this additional documentation with its response. As such, we could not substantiate the Parish's statements and we stand by our original conclusions. The Parish will need to provide any additional supporting documentation to and work with HUD to resolve the finding and recommendations during the audit resolution process..
- Comment 2 The Parish stated that as a result of the HUD OIG's audit report issued in September 2014, it informally suspended its rehabilitation program, and completed only ongoing projects, with the exception of five LRA properties, which refutes the assertion that the program was suspended in January 2016. However, the Parish did not provide documentation to support that it informally suspended its rehabilitation program in or near September 2014 rather than January 2016, as stated during the audit. In addition, based upon contract documentation, the Parish executed homeowner rehabilitation contracts in October 2014 and September 2015, after the September 2014 audit report. Therefore, we could not substantiate the Parish's statement and we did not make any changes to the report.
- Comment 3 The Parish stated that the last payments for 11 of the sampled contracts were made within the review period of a prior HUD OIG audit report and that payments for another 31 contracts were made prior to that report's September 2014 issuance. The Parish further stated that HUD CPD reviewed and accepted file documentation regarding the September 2014 audit report and thus the Parish disagreed with the finding.
- We disagree. The review period for this current audit covered activities between July 2013 through April 2017 while the review period from the prior audit covered activities between October 1, 2011 through September 30, 2013. Our sample of 53 contract files during this current audit included only 5 contract files reviewed during the previous audit. We did not question the costs for the five contract files in the previous audit since the files included a cost analysis. However, during this current audit, the inspector admitted that he had not conducted the cost analyses and simply copied the contractors' proposed costs, thus resulting in questioning the costs as unsupported. As such, we stand by our original conclusions. The Parish will need to work with HUD to resolve the finding and recommendations during the audit resolution process.
- Comment 4 The Parish stated that it entered into a subrecipient agreement with a nonprofit to provide full project implementation services for owner occupied rehab projects; and that it had met to address previous concerns and drafted policies and procedures for the rehabilitation program. The Parish stated that it had attached

the new Owner Occupied Rehabilitation Program policies and procedures in its response.

We acknowledge the Parish for taking steps to address the issues identified in the audit report. However, the Parish did not provide documentation of its new policy with its response and we could not substantiate the Parish's statement. The Parish will need to provide final documentation to and work with HUD to resolve the finding and recommendations during the audit resolution process.

Comment 5 The Parish stated that it reviewed each invoice for accuracy and eligibility and that it will provide all documentation to HUD CPD to remove the finding. We acknowledge the Parish for taking steps to address the issues identified in the audit report. The Parish will need to provide final documentation to and work with HUD to resolve the finding and recommendations during the audit resolution process.

Comment 6 The Parish stated that it refuted the assertion that for 17 files reviewed contractors did not perform work and had excessive material costs based upon attached invoices signed by the homeowner acknowledging that the line items were completed and the Final Acceptances of Building Contract indicating that the contractor had satisfactorily performed everything required of the contractor.

We disagree. Signed invoices and contracts acceptance documents executed by the homeowners did not relieve the Parish, as HUD's grantee, of ensuring that the contractors' work was done properly and that grant funds were expended in accordance with the requirements. We cannot reasonably conclude that homeowners had the skill or ability to verify the proper completion of a contractor's work. In addition, the OIG onsite inspections supported its findings with property calculations, and detailed onsite observations with pictures, which were tested for compliance with HUD rules and regulations, Parish code requirements, and contract specifications requirements. Further, as stated in the report, the Parish did not adequately monitor its contractors throughout the contracting period and for the final inspection. Lastly, the Parish did not provide any additional documentation with its response to substantiate its statements. Therefore, we stand by our original conclusions. The Parish will need to provide the additional supporting documentation to and work with HUD to resolve the finding and recommendations during the audit resolution process

Comment 7 The Parish asserted that for \$294,351 it had reviewed the files and located many of the missing documents and that it withheld retainage from each invoiced amount. The Parish stated that it attached documents to its response to support its assertions. However, the Parish did not provide the documentation with its response. Therefore, we could not substantiate the Parish's assertions and we stand by our original conclusions. The Parish will need to provide the additional supporting documentation to and work with HUD to resolve the finding and recommendations during the audit resolution process.

- Comment 8 The Parish stated that it reviewed the applicant files and files of former employees to locate documents to allay concerns that in house cost estimates were not completed; and that it attached files totaling \$453,636 to document that in house cost estimates were requested and completed prior to the bidding of the projects. The Parish did not provide the documentation with its response. Therefore, we could not substantiate the Parish's assertions and we stand by our original conclusions. The Parish will need to provide the additional supporting documentation to and work with HUD to resolve the finding and recommendations during the audit resolution process.
- Comment 9 The Parish stated that it refuted the assertion that 6 files did not contain invoices resulting in \$48,978 of questioned costs and attached those invoices. The Parish did not provide the documentation with its response. Therefore, we could not substantiate the Parish's assertions and we stand by our original conclusions. The Parish will need to provide the additional supporting documentation to and work with HUD to resolve the finding and recommendations during the audit resolution process.
- Comment 10 The Parish refuted that five properties were not brought up to code as the properties were inspected by the Parish inspector and Code Enforcement department. The Parish stated that it attached permits which certified that the properties were brought up to code and that in most instances the HUD OIG inspections were up to three years after the Certificate of Completion was issued. The Parish further stated that any code issues found may have occurred after the program completed the repairs to the home and the program should not be held responsible for these claims. The Parish also stated that it attached invoices signed by the 10 homeowners that the scope of work item were completed and Final Acceptances of Building contract indicating that the contractor had satisfactorily performed everything required of the contractor.

We disagree. The Parish did not provide the requested permits during the audit, despite repeated requests, or with its response for the 10 properties in question. In addition, all items noted within the report and onsite inspection findings, were specifically based on contract line items that the contractor did not complete properly and not due to wear and tear. Further, signed invoices and contracts acceptance documents executed by the homeowners did not relieve the Parish, as HUD's grantee, of ensuring that the contractors' work was done properly and that grant funds were expended in accordance with the requirements. We cannot reasonably conclude that homeowners had the skill or ability to verify the proper completion of a contractor's work. Further, as stated in the report, the Parish did not adequately monitor its contractors throughout the contracting period and for the final inspection. Therefore, we stand by our original conclusions. The Parish will need to provide the additional supporting documentation to and work with HUD to resolve the finding and recommendations during the audit resolution process.

Comment 11 The Parish stated that it has taken various corrective actions to ensure that its rehabilitation program is in accordance with Federal and HUD program requirements. We acknowledge the Parish for taking steps to address the issues identified in the audit report. The Parish will need to provide final documentation to and work with HUD to resolve the finding and recommendations during the audit resolution process.

Comment 12 The Parish stated that HUD OIG completed inspections on properties where rehabilitation was completed by the Parish up to three years prior and many of the deficiencies may have occurred after the program warranty period or were not a part of the scope of repairs provided by the Parish. The Parish stated that it would meet and determine which repairs are necessary to correct.

We disagree. Our onsite property inspection took into account the timeframe to which contractors completed required work items. In addition, all items noted within the report and onsite inspection findings, were specifically based on contract line items that the contractor did not complete properly and not due to wear and tear. Therefore, we stand by our original conclusions. The Parish will need to work with HUD to resolve the finding and recommendations during the audit resolution process.

Comment 13 The Parish stated that its homeowners signed Final Acceptances of Building Contract indicating that the contractor had satisfactorily performed everything required of the contractor. The Parish also stated that it addressed all claims received during the warranty period, but will work with the Department of Inspection and Code Enforcement to determine if additional inspections are necessary. Further, the Parish stated that it must be cautious to complete additional repairs, ensure that it is appropriately managing the expectations of the homeowners, and that it could not continue to allocate funds for constant inspection after the warranty period.

Signed contracts acceptance documents executed by the homeowners did not relieve the Parish, as HUD's grantee, of ensuring that the contractors' work was done properly and that grant funds were expended in accordance with the requirements. We cannot reasonably conclude that homeowners had the skill or ability to verify the proper completion of a contractor's work. In addition, had the Parish properly monitored its contractors and program, we would not question the adequacy or eligibility of the completion of work items as detailed throughout the report. As such, we stand by our original conclusions. The Parish will need to work with HUD to resolve the finding and recommendations during the audit resolution process.

Comment 14 The Parish stated that it provided documentation, with its response, that all program participants were provided with the Parish complaint process and it should not be negatively viewed for participants who failed to avail themselves on the process on how to make a complaint. The Parish also stated that each applicant executed a Final Acceptance noting their acceptance of the work and

deficiencies noted by the HUD OIG were due to lack of homeowner maintenance which the Parish cannot be held to applicants who determined their dissatisfaction three years after the completion of their job.

We disagree. All participants did not execute a signed document related to the complaint process and the Parish did not provide any additional documentation with its response to support its statement. In addition, all items noted within the report and onsite inspection findings, were specifically based on contract line items that the contractor did not complete properly and not due to wear and tear. Further, signed invoices and contracts acceptance documents executed by the homeowners did not relieve the Parish, as HUD's grantee, of ensuring that the contractors' work was done properly and that grant funds were expended in accordance with the requirements. We cannot reasonably conclude that homeowners had the skill or ability to verify the proper completion of a contractor's work. Further, as stated in the report, the Parish did not adequately monitor its contractors throughout the contracting period and for the final inspection. Therefore, we stand by our original conclusions. The Parish will need to provide the additional supporting documentation to and work with HUD to resolve the finding and recommendations during the audit resolution process.

Comment 15 The Parish stated that since receiving this monitoring report, it is working with the Personnel Board on up to three new hires for the Parish staff and that it executed a subrecipient agreement to administer its Owner-Occupied Rehab Program for FY 2017.

We issued an audit report, not a monitoring report. We acknowledge the Parish for taking steps to address the issues identified in the audit report. The Parish will need to provide final documentation to and work with HUD to resolve the finding and this recommendation during the audit resolution process.

Comment 16 The Parish stated that since January 2016, it has taken a proactive approach to ensuring all staff understand their roles and responsibilities in the department and that it had provided training in various subjects areas and that it will continue the planned quarterly trainings in 2018. We acknowledge the Parish for taking steps to address the issues identified in the audit report. The Parish will need to provide final documentation to and work with HUD to resolve the finding and this recommendation during the audit resolution process

## Appendix C

### Contract File Issues

| Count | Contract number | Issues identified          |  |   |                         |                              |                                 | Questioned costs |             |
|-------|-----------------|----------------------------|--|---|-------------------------|------------------------------|---------------------------------|------------------|-------------|
|       |                 | Duplicate or over-payments | Excessive material costs or work not completed | No cost reasonableness assessment for change orders | Lacked adequate invoice | No independent cost estimate | Property not brought up to code | Ineligible       | Unsupported |
| 1     | 55-00014310     |                            | X  | X   | X                       | X                            | X                               |                  | \$40,108    |
| 2     | 55-14069        |                            | X  | X   | X                       | X                            |                                 |                  | \$57,197    |
| 3     | 55-00014487     | X                          |  | X   |                         | X                            | X                               | \$2,890          | \$31,566    |
| 4     | 55-13940        | X                          | X  | X   |                         | X                            |                                 | 500              | \$25,872    |
| 5     | 55-13985        | X                          | X  | X   |                         | X                            |                                 | 365              | \$22,265    |
| 6     | 55-13675        | X                          |  | X   |                         | X                            |                                 | 2,890            | \$52,417    |
| 7     | 55-13951        | X                          |  | X   |                         | X                            |                                 | 1,200            | \$36,100    |
| 8     | 55-13805        | X                          | X  | X   |                         |                              |                                 | 1,500            | \$15,820    |
| 9     | 55-00014637     |                            | X  | X   |                         |                              | X                               |                  | \$37,905    |
| 10    | 55-00014532     |                            | X  | X   |                         |                              | X                               |                  | \$31,670    |
| 11    | 55-00014533     |                            | X  | X   |                         |                              | X                               |                  | \$24,959    |
| 12    | 55-00012577     |                            | X  | X   |                         |                              | X                               |                  | \$30,995    |
| 13    | 55-13986        |                            | X  | X   |                         | X                            |                                 |                  | \$11,546    |
| 14    | 55-13444        |                            | X  | X   |                         | X                            |                                 |                  | \$29,917    |
| 15    | 55-14527        |                            | X  | X   |                         | X                            |                                 |                  | \$5,400     |
| 16    | 55-00014313     |                            |  | X   |                         | X                            | X                               |                  | \$54,691    |
| 17    | 55-00014486     |                            |  | X   |                         | X                            | X                               |                  | \$20,317    |
| 18    | 55-13953        |                            |  | X   | X                       | X                            |                                 |                  | \$40,474    |
| 19    | 55-14224        |                            |  | X   | X                       | X                            |                                 |                  | \$20,530    |
| 20    | 55-13356        | X                          |  | X   |                         |                              |                                 | 144              | \$5,170     |
| 21    | 55-00014360     |                            | X  | X   |                         |                              |                                 |                  | \$30,235    |
| 22    | 55-13357        |                            | X  | X   |                         |                              |                                 |                  | \$5,400     |
| 23    | 55-13952        |                            |  | X   |                         | X                            |                                 |                  | \$25,187    |
| 24    | 55-14229        |                            |  | X   |                         | X                            |                                 |                  | \$19,680    |
| 25    | 55-13543        |                            |  | X   |                         | X                            |                                 |                  | \$25,230    |

## Appendix C (continued)

### Contract File Issues

| Count         | Contract number | Issues identified          |  |   |                         |                              |                                 | Questioned costs |                  |
|---------------|-----------------|----------------------------|--|---|-------------------------|------------------------------|---------------------------------|------------------|------------------|
|               |                 | Duplicate or over-payments | Excessive material costs or work not completed | No cost reasonableness assessment for change orders | Lacked adequate invoice | No independent cost estimate | Property not brought up to code | Ineligible       | Unsupported      |
| 26            | 55-13987        |                            |  | X   |                         | X                            |                                 |                  | \$38,605         |
| 27            | 55-15287        |                            |  | X   |                         | X                            |                                 |                  | \$16,125         |
| 28            | 55-14118        |                            |  | X   |                         | X                            |                                 |                  | \$13,300         |
| 29            | 55-13781        |                            |  | X   |                         | X                            |                                 |                  | \$3,028          |
| 30            | 55-13782        |                            |  | X   |                         | X                            |                                 |                  | \$3,200          |
| 31            | 55-13722        |                            |  | X   |                         | X                            |                                 |                  | \$4,600          |
| 32            | 55-13682        |                            |  | X   |                         | X                            |                                 |                  | \$13,050         |
| 33            | 55-13783        |                            |  | X   |                         | X                            |                                 |                  | \$2,900          |
| 34            | 55-13984        |                            |  | X   |                         | X                            |                                 |                  | \$21,225         |
| 35            | 55-13988        |                            |  | X   |                         | X                            |                                 |                  | \$20,305         |
| 36            | 55-13349        |                            |  | X   |                         | X                            |                                 |                  | \$12,855         |
| 37            | 55-13349        |                            |  | X   |                         | X                            |                                 |                  | \$15,000         |
| 38            | 55-13348        |                            |  | X   |                         | X                            |                                 |                  | \$3,604          |
| 39            | 55-00012706     |                            |  | X   |                         | X                            |                                 |                  | \$38,056         |
| 40            | 55-00014485     |                            |  | X   | X                       |                              |                                 |                  | \$30,074         |
| 41            | 55-12761        |                            |  | X   | X                       |                              |                                 |                  | \$13,281         |
| 42            | 55-00014315     |                            |  | X   |                         |                              | X                               |                  | \$4,020          |
| 43            | 55-00014311     |                            |  | X   |                         |                              |                                 |                  | \$2,450          |
| 44            | 55-13354        |                            |  | X   |                         |                              |                                 |                  | \$5,432          |
| 45            | 55-13355        |                            |  | X   |                         |                              |                                 |                  | \$4,064          |
| 46            | 55-14361        |                            |  | X   |                         |                              |                                 |                  | \$6,150          |
| 47            | 55-00014317     |                            |  | X   |                         |                              |                                 |                  | \$8,365          |
| 48            | 55-00014314     |                            |  | X   |                         |                              |                                 |                  | \$980            |
| 49            | 55-13344        |                            |  | X   |                         |                              |                                 |                  | \$2,400          |
| 50            | 55-13347        |                            |  | X   |                         |                              |                                 |                  | \$3,170          |
| 51            | 55-00012736     |                            |  |   |                         |                              | X                               |                  | \$18,760         |
| 52            | 55-13346        |                            |  |   |                         | X                            |                                 |                  | \$14,473         |
| <b>Totals</b> |                 | <b>7</b>                   | <b>14</b>                                      | <b>50</b>   | <b>6</b>                | <b>32</b>                    | <b>10</b>                       | <b>9,489</b>     | <b>1,020,121</b> |