



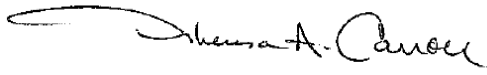
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MEMORANDUM NO.
2009-AO-1802

July 31, 2009

MEMORANDUM FOR: Nelson R. Bregon, General Deputy Assistant Secretary, D


for

FROM: Rose Capalungan, Regional Inspector General for Audit, GAH

SUBJECT: The State of Mississippi Generally Ensured That Applicants Were Eligible under Phase II of Its Homeowner Assistance Program

INTRODUCTION

We audited the State of Mississippi's (State) administration of the \$5.058 billion in Community Development Block Grant (CDBG) disaster recovery funds provided to the State in the aftermath of Hurricane Katrina. The State allocated \$2.2 billion to help homeowners recover from Hurricane Katrina.

We initiated the audit as part of our examination of relief efforts provided by the federal government in the aftermath of Hurricane Katrina. Our audit objective was to determine whether the State ensured that applicants were eligible to receive disbursements under Phase II of its Homeowner Assistance Program (Program).

METHODOLOGY AND SCOPE

We performed our audit work between December 17, 2008, and June 16, 2009. We conducted our audit at the State's Disaster Recovery Division in Clinton, Mississippi, and the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General in Jackson, Mississippi.

Our review covered the period December 2006 through December 2008. To achieve our objective, we used the electronic data received from the State's Program Phase II disbursement database to select a statistical sample of 69 grants for review. Based upon the data, a total universe of 5,928 grants, totaling more than \$400 million, were funded between May 31, 2007, and December 24, 2008. We reviewed the scanned documentation for each of the 69 grants to

determine whether the grant applicant met the eligibility requirements as established in the State's policies. Through our file review, we determined that the grant data were generally reliable.

In addition to the file reviews, we

- Reviewed the HUD-approved action plans, grant agreements between HUD and the State, Program written policies and procedures, the contract executed between the State and Reznick Mississippi LLC and subsequent amendments, the *Code of Federal Regulations*, and other applicable legal authorities relevant to the CDBG disaster recovery grants;
- Reviewed reports issued by the Mississippi Office of State Auditor, HUD, and the Mississippi Development Authority; and
- Interviewed State officials, staff, and key personnel involved in the administration of the Program.

BACKGROUND

One of the State's recovery efforts is the implementation of the Program. Phase II of the Program provides compensation, up to a maximum of \$100,000, to homeowners who had suffered damage to their primary residence as of August 29, 2005, from Hurricane Katrina. After certain deductions, homeowners have complete discretion in the use of the compensation grant, as allowable by state and federal law, as they work through their personal disaster recovery situations.

To be eligible for Phase II of the Program, applicants must have

- Owned and occupied a home as a primary residence on August 29, 2005;
- Owned a home located in Hancock, Harrison, Jackson, or Pearl River Counties in Mississippi;
- Owned a home that received flood surge damage as a result of Hurricane Katrina; and
- 2006 household income at or below 120 percent of area median income.

In addition, only one application per home is allowed.

RESULTS OF REVIEW

Except for a few minor issues related to documentation, the State generally ensured that applicants were eligible to receive disbursements under Phase II of the Program. Therefore, we did not have any findings. The State agreed with the report and indicated it would not provide written comments.

RECOMMENDATIONS

As this report has no findings, there are no recommendations.