

Office of the Legislative Auditor

Disaster Recovery Efforts

Emergency Period

- Verbal Contracts for Hundreds of Thousands of Dollars
 - No description of deliverables
 - No public procurement
 - State bid law ignored
 - Federal procurement regulations violated
- Reasonable Cost - The Fall Back Position
 - Defining reasonable cost post Hurricane Katrina
 - Defining reasonable cost post Hurricane Rita
- Expedited Project Worksheets
 - Poor scope of work development
 - Some costs are written into scope specific project worksheets
 - Reconciling costs
- Force Account Labor
 - Defining what is allowable
 - Not specified in the regulations

Infrastructure Rebuilding

- Volume of Work
 - Many times only one bidder
 - Compliance with State law but not Federal code
 - Cost analysis
- Proceeding With Work Without Conducting a Cost Analysis
- Change Orders Are Issued Prior to State and FEMA Approval
 - May not be within scope
- Project Improvements are Included Without State and FEMA Approval
 - May not meet the requirements for an alternate or improved project

Contracts

- Pre-disaster Contracts
 - Extended without public procurement
 - Cost reasonableness questionable
 - Lack of cost analysis
- Dormant Contracts
 - Revived and amended to cover post disaster work
- Professional Services Contracts
 - compliant with State law
 - non-compliant with Federal regulations
- State and Federal Procurement Issues
 - Cost reasonableness questionable

Governor's Office of Homeland Security and Emergency Preparedness Report

- Issued August 22, 2007
- Technical Assistance Contractor Invoice Review
 - \$141,000 questioned cost
 - Travel, duplicate charges, and unrelated expenses
 - Identified prior to payment
 - Contractor reduced invoices
- Project Worksheet Documentation Review
 - 987 expense review forms totaling \$340 mil reviewed
 - 826 expense review forms had no significant deficiencies
 - 161 expense review forms were returned to grant administrators for additional information or further clarification
 - \$16 mil in potential questioned costs

Office of Community Development Reports

■ Travel

- Issued June 13, 2007
- Period from June 12, 2006 through December 31, 2006
- Fixed price contract
- \$770,000 more paid than incurred
- \$62,000 in questioned costs

■ ICF Invoice Review

- Issued September 5, 2007
- Period from January 23, 2007 through June 30, 2007
- \$240,000 in unsupported cost - OCD did not pay
- OCD renegotiating labor and unit price mark-up
- Homeowner program \$12 mil over budget but other programs \$47 mil under budget
- \$98,000 net over billing for contract labor
 - primarily a mapping issue
 - not paid by OCD
- \$1.1 mil in questioned other direct costs
- \$876,000 deemed appropriate

Office of Community Development Report (continued)

- Homeowner's Program
 - Issued September 5, 2007
 - Seeks answers 2 questions
 - Did the right people get funding
 - Was the award amount correct
 - The right people got the money
 - 5 instances where multiple owners identified but not given opportunity to accept or deny offer
 - Some incorrect award amounts
 - Reliance on data in warehouse while ignoring applicant provided data in accordance with policy
 - Errors in determining eligibility - additional compensation grant

Role of Performance Audit with Road Home Program

- Pre-audit advisory services related to Road Home policies
- Continuous audit services during Road Home program implementation
 - Identify problems early on and make recommendations to correct
 - Tried to follow processes in order in which they occurred (fast pace, legislative requests)
 - Worked in conjunction with OCD monitoring staff to develop audit plans

Housing Assistance Centers

March 2007

- Objective 1 : Were centers conducting activities consistently?
 - Centers performed QA/QC activities inconsistently or not at all
 - No observation of advisor interviews
 - No review of applicant information input into eGrants

- Objective 2: Were centers providing sufficient information to homeowners?
 - Centers did not always provide sufficient information on program
 - Performance goal of one hour
 - Advisors were not updated effectively on policy changes

- OCD agreed with all 6 recommendations and directed ICF to implement by April 1st.

ICF Contract and Deliverables

May 2007

- Legislative request
- Primarily information report on contract deliverables, costs, and the use of subcontractors
- During course of work developed audit objective on OCD oversight of 750 deliverables
 - Found that OCD was not reviewing and making a decision on deliverables timely
 - 84% of deliverables did not have decision documented; OCD reduced to 24%
 - Recommended better process to manage deliverables- OCD appointed a person to administer

Analysis of Road Home Shortfall (May 2007)

- Legislative request
- Asked to estimate the number of pending applicants, amount needed for those applicants, and the shortfall
- Found shortfall to be about \$5 billion
 - Assumes 112,377 applicants will be eligible and average award is \$78,900
- Currently, shortfall estimated to be from \$4 to \$6 billion
 - Assumes 162,721 applicants will be eligible and average award is \$71,371

Policy Change Process (June 2007)

- Legislative request
- As of October, there have been approximately 200 proposed policy changes. We reviewed 83 in detail.
- Objective: How many policy changes approved and implemented?
 - Could not determine because 71% of change forms were not signed; no criteria for who approves, no tracking of status
- Objective: What was the documented cost impact of the policy changes?
 - Could not determine because 88% of the forms did not contain cost impact information
- OCD did not have sufficient oversight – no one person to administer entire process
- OCD agreed with most of the 8 recommendations

Resolution Process

(July 2007)

- Objective 1: Does ICF have an effective process to ensure cases are resolved consistently and accurately?
 - Not an effective process because no policies and procedures for advisors to use and no review of cases
- Objective 2: How many homeowners are in resolution, how long have they been there, and what are the reasons they are there?
 - Could not determine because resolution data was not reliable (blank fields, invalid applicant numbers, erroneous dates)
- Objective 3: Are homeowners satisfied with this process?
 - Surveyed 30 homeowners and found 71% dissatisfied with the process primarily because of how long the process took and the lack of information on the status of their case
- OCD agreed with the 8 recommendations

Pre-Closing Process (July 2007)

- Objective 1: Does the pre-closing process ensure that files are complete and accurate?
 - Does not always ensure that files are ready to be closed because errors were still found
 - Deltha found that 15% of files could not be forwarded to closing
 - First American found that 12% of files had issues
 - Primary issues related to missing documentation or errors with additional compensation grant calculation
 - Errors persisted because of various reasons
 - No analysis to determine cause of errors
 - Quota of 400 files per day resulted in less thorough reviews
 - Insufficient procedures
 - QA review not always completed
- OCD agreed with all 6 recommendations

Low-to-Moderate Income Review (September 2007)

- Requested by OCD to determine how ICF was calculating LMI
- Found that ICF was not calculating LMI according to OCD's expectations
 - ICF including only those applicants who were eligible for the ACG because income documentation was required
 - OCD wanted to include all self-certified applicants which would increase disbursement by \$75 million and increase the state's percentage.

Upcoming Audits

- Review of eligibility for additional compensation grant (ACG)
- Review of the reliability of data reported by ICF in its weekly pipeline (status) report
- Review of ICF reviews and addresses issues with home evaluations
- Follow-up review of resolution data

Overall Themes

- Simultaneous development and implementation of the program
 - Numerous policy changes difficult for program, employees, and applicants
 - Lack of time and historical knowledge to develop policies and procedures
- Speed of program
 - Pressure to meet performance goals
 - Controls that were put in place at the beginning of the program were often cut out in order to meet goals
 - Philosophy of getting people to closing and fixing errors on the back end

QUESTIONS?