



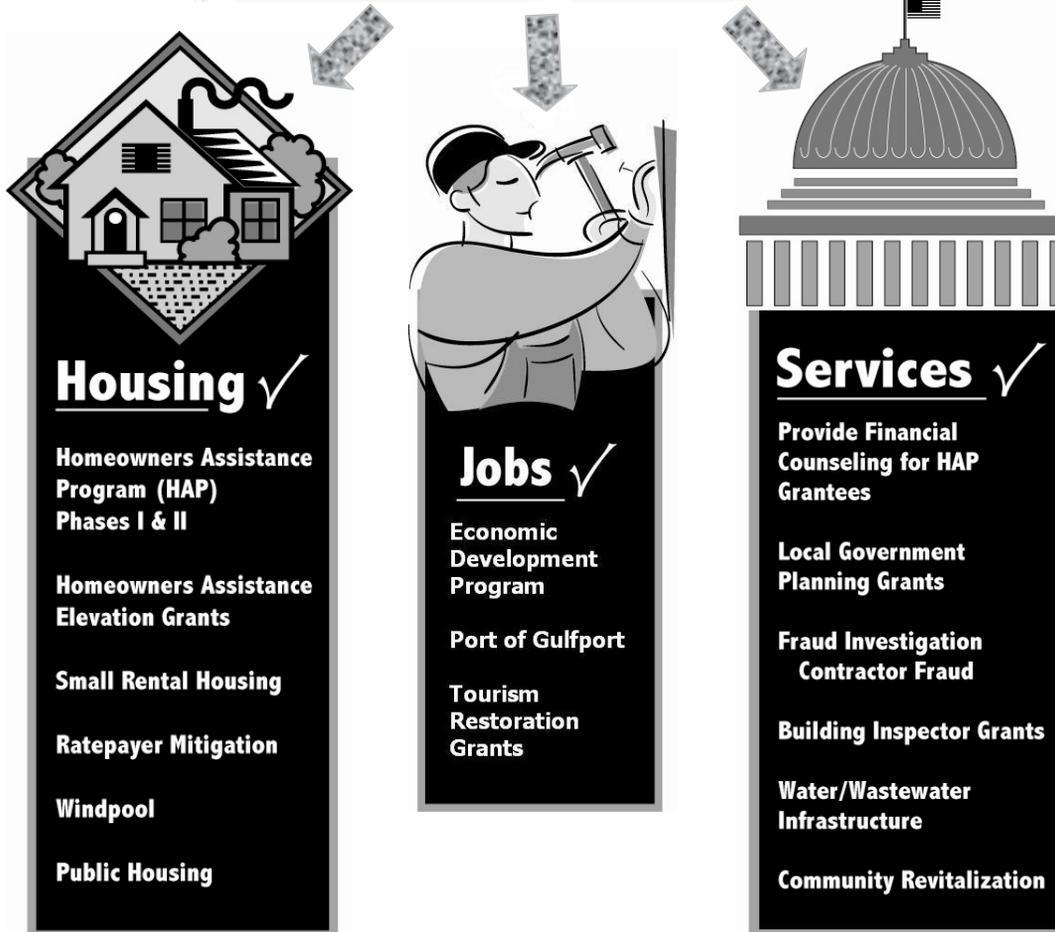
Mississippi Development Authority CDBG Disaster Recovery Program

**Presentation to the
2007 Katrina Audit Forum**

October 10. 2007

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Housing ✓

**Homeowners Assistance
Program (HAP)
Phases I & II**

→ \$2.25 Billion

**Homeowners Assistance
Elevation Grants**

→ \$250 Million

Small Rental Housing

→ \$262.5 Million

Public Housing

→ \$105 Million

Ratepayer Mitigation

→ \$360 Million

Windpool

→ \$80 Million

\$3.31 Billion



Jobs ✓

**Economic
Development
Program**

→ \$335 Million

Port of Gulfport

→ \$600 Million

**Tourism
Restoration
Grants**

→ \$5 Million

\$940 Million





	Phase I	Phase II	Total
Applications	19,807	7,704	27,511
DNQ	(2,647)	0	(2,647)
Rollover	(801)	801	0
Total Application	16,359	8,505	24,864
Approved	15,651	2,952	18,603
Paid	13,970	1,551	15,521
Total	\$1,010,993,113	\$109,322,280	\$1,120,315,393
Applicants <= 120% AMI	52%	100%	
Applicants <= 100% AMI	42%	91%	
Applicants <= 80% AMI	32%	82%	

*2,625 Phase I applicants may be eligible for supplemental grant in Phase II



Quality Management Program

Consist of 3 Primary Activities:

1. Quality Assurance
2. Quality Control
3. Fraud Prevention and Detection



Fraud Prevention and Detection

1. Research and Communication of Suspected Fraud Incidents
2. Assessment of Internal Controls
3. Establishment of Sound Processes to Limit Possible Exposure



Fraud Prevention and Detection- SAS 99 Responsibility for Fraud Detection

- ✓ Professional Skepticism
- ✓ Discussion Among Engagement Personnel
- ✓ Communications About Potential Fraud Risks
- ✓ Make Inquiries
- ✓ Fraud Risk Factors
- ✓ Identification and Assessment of Fraud Risks
- ✓ Link Between Identified Risks of Material Misstatement Due to Fraud and Actions Taken to Mitigate or Limit Risks
- ✓ Required Risk Assessments
- ✓ Response to Risk Assessments
- ✓ Addressing Specific Accounts or Classes of Transactions
- ✓ Risks of Management Override of Controls
- ✓ Retrospective Review of Accounting Estimates
- ✓ Business Rationale for Unusual Transactions
- ✓ Evaluating Engagement Evidence
- ✓ Misstatements that May be Fraud
- ✓ Communicating Fraud Occurrences
- ✓ Documentations



Quality Assurance

Defined:

- Planned systematic set of activities performed to ensure that variances in processes are clearly identified and assessed.
- Processes are improved to fulfill customer, product, or service maker requirements.
- Planned and systematic set of activities to ensure that requirements are clearly established and the defined process complies with these requirements.



Quality Assurance

- Cornerstone of our HAP Governance Model
- Assures seamless alignment between:**
 - Program's Policy**
 - Procedures**
 - Systems**
- Assure the success of the various processes
- Efficient and effective grant application and administration process**
 - Evaluation of processes
 - Effectiveness of processes
 - Identification and mitigation of risks to success
 - Assuring reliability and integrity of financial reporting



Quality Assurance

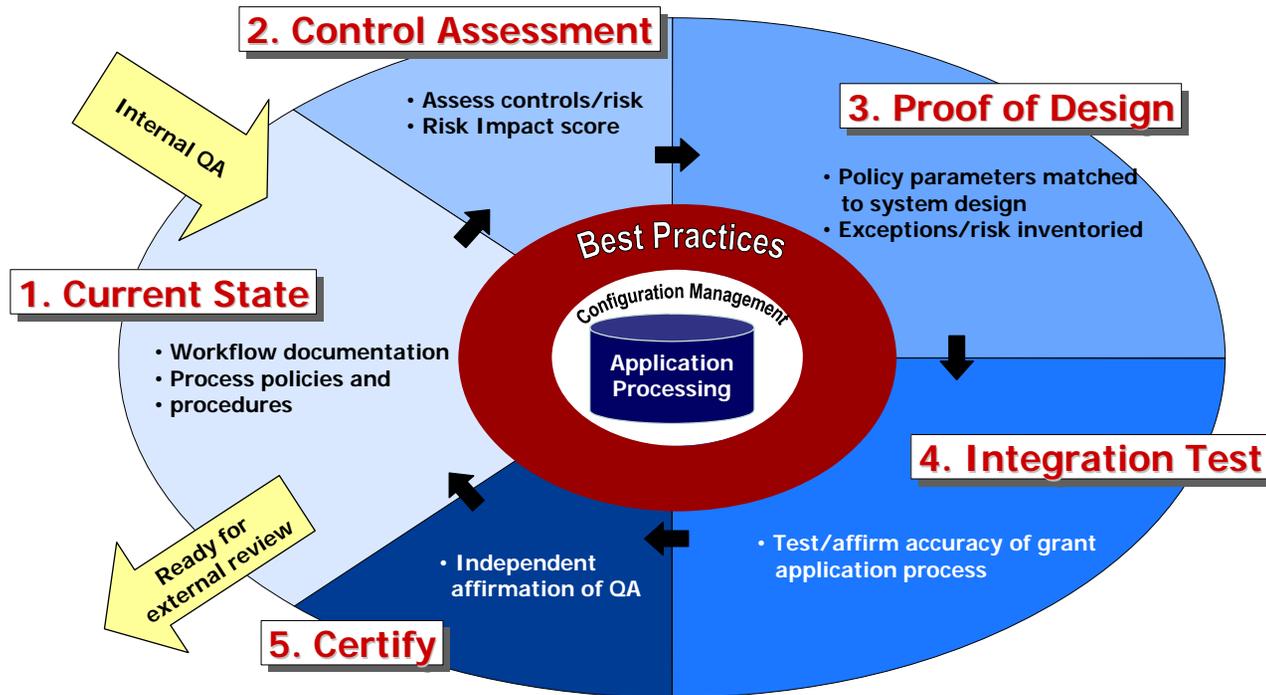
Encompass 5 Key Areas:

1. Current State Review
 2. Control Risk and Assessment
 3. Proof of Design
 4. Integration Testing
 5. Certification
- ❖ Quality Assurance Team
 - ❖ Independent Third Party Certification of QA



Quality Assurance

(QA) Quality Assurance: The RoadMap





Quality Control

- Issue Identification
- Issue Resolution
- Issue Tracking
- Reporting Results of QA Findings
- Internal Notifications by Verification Teams
- Self-Initiated Queries



Quality Control

- ❑ Quality is achieved by:
 - Ensuring work is done correctly the first time.
 - Focusing on preventing problems or errors rather than reacting to them.
 - Qualified individuals performing work functions.
 - Providing proper training of personnel and personnel remain current on skills.
- ❑ Quality is controlled by:
 - Adequate planning, coordination and clear direction
- ❑ Quality is verified through:
 - Checking, reviewing and monitoring work activities.



Quality Control

- Establish a Total Quality System that works towards:
 - ❑ Preventing errors from occurring
 - ❑ Detecting and corrects errors (as early as possible)
 - ❑ Continuous quality improvement



Quality Control Department

Internal Audit

- Confirm “manual” process to execute grants met policy requirements
- Confirm automated system to execute grants met policy requirements
- Test on an ongoing basis, individual grant applications, conduct walkthrough of all conclusions made about its data for verification
- Test on an ongoing basis, individual grant applications, conduct walkthrough of its notification and closing process
- Test on an ongoing basis, individual grant applications, conduct walkthrough of its check distribution and close-out process



Fraud Prevention and Detection Process

- Protocol for Communication of Suspected Fraud Incidents, Waste and Abuse
- Office of the State Auditor
- Fraud Response Policies and Procedures
- Call Center Suspected Fraud Initial Report
- Suspected Fraud Incidental Initial Contact Report
- Fraud Incident Report
- Fraud Communication Process
- Fraud Data Process Flow



Information Technology Audit Report

❖ Assure that HAP's IT assets are:

- Appropriately and accurately documented
- Provide sufficient and adequate controls for their management
- Provide accuracy in and congruence with established policy, process and procedures for grant application processing and administration.

❖ 4 Focus Areas:

- Baseline: Grant application processing and support
- Policy: Ensure congruence with policy
- Accuracy: IT assets are functioning properly
- Governance: IT assets well managed and changes are properly effectuated



Phase II

- ❖ Focus is low-mod income individuals
- ❖ Inside and outside flood zone
- ❖ Financial counseling component
- ❖ Ensure housing stock is replenished
- ❖ More oversight and monitoring



Program Highlights

Total Applications	19,743
Total Grants Paid	13,890
Value of Grants Paid	\$ 1,004,425,316



Background

- August 29, 2005 – Hurricane Katrina
- Damage to MS Gulf Coast estimated \$125 billion
- FEMA estimates 65,380 MS homes damaged or destroyed
- Replacement of Housing is the Governor's top priority in rebuilding MS Gulf Coast
- Initially, \$11.5 billion made available to MS, LA, AL, FL, TX through HUD's CDBG Program



Project History

- ❑ Reznick was awarded contract February 1, 2006
- ❑ First program for insured homes outside flood zone
- ❑ Program and policy was not approved by HUD
- ❑ SOW was vague
- ❑ Design-build project



HUD Approved Homeowner Assistance Program

3 Key Policies:

1. Grant Program Requirements
2. Methodology for Calculating Grant Amounts
3. Grant and Covenant Agreement Provisions



Program Purpose and Problem Addressed

- ❑ To provide a one-time grant of up to \$150,000
- ❑ To those who suffered flood damage to their primary residence from Hurricane Katrina
- ❑ Insurance companies claim flood damage vs wind damage
- ❑ Residence relied on FEMA maps
- ❑ Did not need flood insurance



In Exchange for the Grant

A qualifying homeowner must agree to place a covenant on their property (that establishes for current and future owners):

- Obtain and maintain flood insurance
- Rebuild and repair in accordance with applicable codes and local ordinances
- If rebuilding, elevate to FEMA flood elevations
- Comply with HUD's Manufactured Housing Code



Usage of Funds

- Compensation Grant
- After certain deductions, the homeowner has complete discretion of the use of grant funds, as allowable by State and Federal law, as they work through their **personal disaster recovery situation.**



Qualifications – Must Meet all Five

1. Homeowner owned and occupied their home on August 29, 2005
2. Home was located in Harrison, Hancock, Jackson or Pearl River Counties, MS
3. Home was primary residence
4. Homeowner maintained insurance on the property
5. Home was located outside the pre-Katrina designated flood zone on August 29, 2005 and received flood damage



Program and Project Goals

- Right amount
- Right hands
- Expeditious manner
- Compliance with policy guidelines
- Customer centric focus
- Zero tolerance for fraud, waste and abuse



HAP Environment

- Unique and challenging environment
- Significant time constraints, policy approved April 3rd, Service Centers open April 17th
- Providing citizen service
- Ongoing changes to key policy drivers that shape operations and IT infrastructure support
- Nimble operations
- Management and control is critical to assure accuracy and integrity at all times, while not impeding responsiveness to day-to-day operations.



Intergovernmental Cooperation

- State of Mississippi (MDA, OSA)
- HUD
- SBA
- FEMA
- County Governments



Planning

- Fast-track design-build
- Finalize policy
- Design a web-based application
- Find space for application service centers
- Design service centers
- Hire and train employees
- Design a grant calculation system
- Build a verification systems
- Design a secure repository for 3rd party data
- Establish a call center
- Communication plans
- PR campaign
- Develop grant and closing documents
- Develop operational policies and procedures
- IT – hosting, software, hardware, communications, security



Operational Flow and Ongoing Checks and Balances

- ❖ Phase 1- Application Intake
- ❖ Phase 2- Verification
- ❖ Phase 3 – Grant Approval
- ❖ Phase 4 – Notifications
- ❖ Phase 5 – Issue Resolution
- ❖ Phase 6 – Payment Prep
- ❖ Phase 7 – Payment Process
- ❖ Phase 8 – Subrogation
- ❖ Phase 9 –
Accounting/Reporting



Phase 1- Application Intake

- Call Center – Reservations to ensure good customer experience.
- Service Center – Applications taken, scanning center, identity check, fraud prevention.
- Systems Infrastructure – Protection of applicant data was Number 1 concern.
- Data Sources – Protection of information through the use of secure FTP sites.



Phase 2 - Verification

- ✓ Owner Occupancy
- ✓ County
- ✓ Outside Flood Zone
- ✓ Flood Damage
- ✓ Insurance Active
- ✓ Insurable Value
- ✓ Percent Damaged
- ✓ Damage Assessment
- ✓ FEMA Proceeds
- ✓ Insurance Proceeds
- ✓ SBA Proceeds
- ✓ Other Liens on Home
- ✓ Deed Holders Names
- ✓ Name of First Lien Holder
- ✓ Closing Agent Identified
- ✓ Subordination Documents
- ✓ Affidavits
- ✓ Identity Checks
- ✓ Office of Foreign Asset Control (OFAC)



Phase 3 - eGrants Approval, Truth Tables, Exception in Track Studio

- ❖ Eligible
- ❖ Ineligible
- ❖ Fraud
- ❖ Missing Data Elements and Issue Tracking
- ❖ 60 categories of exceptions
 - Death Certificates
 - Power of Attorney
 - Mailing Address



Phase 4 - Notifications

- Missing Information
- Closing Letter (to Applicant)
- Closing Package (to Agent)
- DNQ (to applicant)



Phase 5 - Issue Resolution

- Calculation Disputes
- Subordination Documents
- Closings
- Appeals



Phase 6 – Payment Preparation

- Approval of Closing
- Stafford Act – Duplication of Benefits
- FEMA Proceeds
- Insurance Proceeds (all)
- SBA Proceeds
- Other Liens on Home
- Deed Holders Names
- Name of Check Recipient
- Circleback



Phase 7 – Payment Processing

- Approval
- Transmission
- Confirmation



Phase 8 – Subrogation

- Further analysis
- Class action suits
- Updated policy
- Updated systems



Phase 9 – Accounting and Reporting

- Implement a financial management system
- Reconcile original and supplemental grants
- Reconcile subrogation payments
- Program reconciliation with dept of finance and admin
- Reconcile withholdings (SBA, Ad Valorem, State Taxes)
- Update policy