

APPENDIX E

HUD Monitoring Conclusions

State of Louisiana

Certification Checklist

Prepared by
Louisiana Office of Community Development/Disaster Recovery Unit



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

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OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

MAR 13 2007

Ms. Susan Elkins
Executive Director
Louisiana Office of Community Development
Claiborne Building
P.O. Box 94095
Baton Rouge, LA 70804-9095

Dear Ms. Elkins:

Thank you for the time you and your staff spent with HUD representatives during September 2006, and January 2007, management reviews of the State of Louisiana's \$6.2 billion and \$4.2 billion disaster supplemental appropriations under the Community Development Block Grant (CDBG) program. Based on these reviews, HUD is hereby submitting the enclosed report to the state's designated Program Administrator, the Office of Community Development. Please note that a report on the environmental portion of the management review will be sent under separate cover letter.

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The enclosed report identifies two finding and four concerns from the September 2006 review. Both of the findings and three of the four concerns have been satisfactorily resolved. No findings and one concern, extending and expanding upon the outstanding concern from September 2006, were identified in the January 2007 review.

If you have additional information that is relevant to our monitoring conclusions and not discussed during the monitoring review, or comments on the substance of the enclosed report, please submit them to the Department in writing within 45 days of the date of this letter.

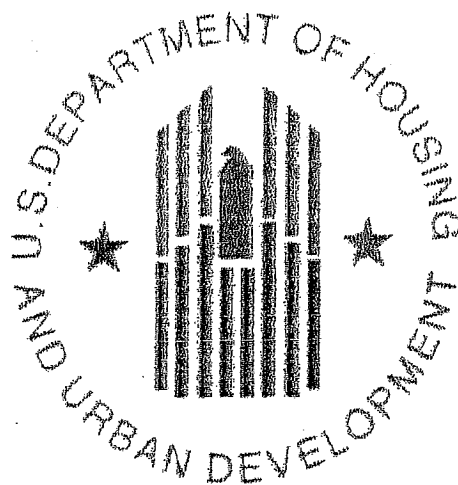
We are appreciative of the difficult work you and your office are engaged in and commend you for your efforts.

Sincerely,

Clifford Taffet, Acting Director
Disaster Recovery and Special Issues Division

Enclosure

U.S. Department of Housing & Urban Development
Management Review Report
Louisiana Office of Community Development
Louisiana Recovery Administration



Community Development Block Grant
Supplemental Disaster Funds
State of Louisiana
B-06-DG-22-0001

INTRODUCTION

HUD conducts management reviews, in conjunction with monitoring visits, to ensure that its programs and related Federal crosscutting requirements are carried out efficiently, effectively, and in compliance with applicable laws, regulations, and established policy. Just as importantly, these reviews are intended to assist grantees in improving their performance, developing or increasing capacity and augmenting their management and technical skills. A management review is not limited to a one-time evaluation but is meant to be an ongoing process that assesses the quality of a grantee's performance over a period of time and requires effective communication and cooperation between Federal, state and local partners.

From January 8-11, 2007, HUD staff conducted an on-site review of the State of Louisiana's management of the disaster supplemental appropriation of Community Development Block Grant (CDBG) funds. This report presents the results of this monitoring review and also discusses the results of the first HUD monitoring review conducted on September 25-29, 2006.

SCOPE OF REVIEW

The following areas of grant management requirements under the CDBG regulations applicable to supplemental funding for disaster recovery in the Gulf were reviewed:

- The State's Monitoring Processes
- Duplication of Benefit Reviews
- Homeowner Application Review and Eligibility
- Financial Management Systems
 - Accounting Systems
 - Internal Controls
- Procurement
- Subrecipient and Contractor Management Systems
- Overall Management
- Environment

The January 8 -11, 2007, team included Jessie Handforth Kome, Community Planning and Development Specialist; Jeanie Smith, Acting Assistant Director, Disaster Recovery and Special Issues Division; Rahaf Kaylani, Financial Management Specialist; Janine Cuneo, Community Planning and Development Specialist; Simon Gerson, Program Analyst; Ed Girovasi, Procurement Advisor, all with the Office of Community Planning and Development; Theresa J. Fretwell, Environmental Specialist, Region II; and Tina Powell, Environmental Specialist, Region VI. Jessie Handforth Kome, Jeanie Smith, and Jan Opper (via phone) conducted the formal exit meeting held on January 11, 2007.

In addition, Anna Maria Farias, Deputy Assistant Secretary for Grant Programs, and Richard Kennedy, Director, Office of Block Grant Assistance, both with the Office of Community Planning and Development, participated in the review on Thursday morning, January 11, 2007, and briefed Suzie Elkins, Executive Director, Office of Community Development, State of Louisiana on the results of the review.

The September 25-29, 2006 review team included Jan Opper, Director, Disaster Recovery and Special Issues Division; Jessie Handforth Kome, Community Planning and Development Specialist; Sue Miller, Senior Advisor; Nancy Lesakowski, Community Planning and Development Specialist; Jeanie Smith, Community Planning and Development Specialist; Janine Cuneo, Community Planning and Development Specialist; Rahaf Kaylani, Financial Management Specialist, Debbie Key, Community Planning Development Specialist, all with the Office of Community Planning and Development; Alan Joles, Community Planning and Development Director, Minneapolis Office; and Lester Berman, Environmental Protection Specialist, Region VI. Jan Opper, Director, Disaster Recovery and Special Issues Division, conducted the formal exit meeting held on September 29, 2006.

In addition, Anna Maria Farias, Deputy Assistant Secretary for Grant Programs, Community Planning and Development and Otto Banks, Policy Advisor to Deputy Assistant Secretary Farias, Community Planning and Development participated in the review on Wednesday, September 27, 2006.

SUMMARY OF RESULTS AND CONCLUSIONS

Monitoring reviews may result in the identification of findings, concerns or exemplary practices. A finding is a deficiency in program performance based on a statutory, regulatory or program requirement for which sanctions or other corrective actions are authorized. A concern is a deficiency in program performance not based on a statutory, regulatory or other program requirement. A concern about program design or operations, while in and of itself is not a finding, could, if not corrected, result in noncompliance with a statutory, regulatory or program requirement.

The September 2006 review resulted in two findings and four concerns. Both findings have now been cleared. During the January review, HUD re-examined the four concerns identified in September and all but one has been satisfactorily addressed. HUD's January 2007 review has no findings and one concern. Summaries of the background and status of HUD's reviews and conclusions are provided below under the appropriate area reviews.

HUD is available to discuss the results of this review or to provide technical assistance, if requested. Please address any outstanding issues in writing to Cliff Taffet, Acting Director, Disaster Recovery and Special Issues Division within 45 days of the date of this report. Correspondence should be sent to the U.S. Department of Housing and Urban Development, Headquarters, 451 7th Street SW, Room 7164, Washington DC

20410. Electronic submissions should be sent to the following mailbox:
Disaster_Recovery@hud.gov.

AREAS REVIEWED

This section of the report will provide a brief summary of the program areas selected by HUD for review. The four major areas are the Road Home Housing Programs, Financial Management, Overall Management and Administration, and Environmental.

THE ROAD HOME HOUSING PROGRAMS

The Road Home Housing Programs developed by the state of Louisiana have several goals:

- a. Provide compensation to homeowners for damages to their homes related to Hurricane Katrina and Hurricane Rita;
- b. Help restore the homes of owners who want to return to Louisiana;
- c. Provide affordable rental housing opportunities for displaced residents; and
- d. Provide housing for the return of critical workforce.

During the September 2006 review, HUD reviewers focused on the Homeowners Compensation Program and, in particular, the pilot program policies and applications. The Road Home Housing Program is operated primarily by ICF, under contract with the State of Louisiana. The pilot program includes approximately 420 applicants with a total of 13 applications closed at the time of review. HUD reviewed the 13 closed applications with specific attention to the eight files with closing documents. Although the review did not include a detailed evaluation of a sample of the entire pilot program, reviewers conducted an evaluation of the pilot program databases, concentrating on the following areas:

- application review
- eligibility
- assessment of damages
- covenants and closings
- monitoring
- processes and procedures to insure non-duplication of benefits
- grant calculations

During the January review, HUD reviewers continued their focus on the Homeowners Compensation Program and, particularly, the Home Evaluation Process. HUD staff interviewed several Road Home Team members to evaluate the policies and procedures as they relate to the compensation program. Subsequently, HUD staff applied those policies and procedures to a review of 21 applicant files. The 21 applicant files included: nine files, all from the Pilot Program, that have gone to closing and checks

disbursed to the disbursement account as of 12-15-06; seven files that are "in the pipeline" as of 12-15-06; four files with option letters created as of 12-15-06; and one file with zero dollar amount award as of 12-15-06.

Finding One: Failure to provide acceptable access to records (September 2006)

Condition: Full access to files and records was not provided for HUD reviewers.

Criteria: 24 CFR 570.490(c)(1) Access to records states "representatives of HUD, the Inspector General, and the General Accounting Office shall have access to all books, accounts, records, reports, files, and other papers, or property pertaining to the administrations, receipt and use of CDBG funds and necessary to facilitate such reviews and audits." The State of Louisiana included in the ICF contract as Paragraph 9.0, Right to Audit (in accordance with 24 CFR 85.36 (i)(10)) the following: "The State legislative auditor, federal auditors and internal auditors of the Division of Administration, or other so designated by the Commissioner, shall have the options to audit all accounts directly pertaining to the Contract for a period of five (5) years from the date of the last payment made under this contract. Records shall be made available during normal working hours for this purpose."

Corrective Action: (September 2006) The state has committed to ensure the full and complete cooperation of its contractors and will provide HUD with needed access to files and records in accordance with program requirements.

Status: During the January visit, records were readily available. HUD's access to computer systems was provided through logins for Janine Cuneo, Simon Gerson, and other HUD team members. Access to the ICF portal remains available. ICF had a point of contact available to us at all time. The contact was prompt in getting any information, files, both paper and computer access, answering questions, and getting knowledgeable people to work with us on special issues. Based on the follow-up visit of January 8/11, 2007, Finding #1 – Failure to provide access to records is **cleared**.

Finding Two: Failure to follow state Action Plan; Federal Register Notice 71 FR Page 34455, Waivers And Alternative Requirements (September 2006)

Condition: File documentation did not support compliance with program standards.

A. Owner-Occupied Primary Residency Eligibility (September 2006)

Households for the 13 closed files did not self-certify that they were owner-occupied, primary residences.

B. FEMA Eligibility (September 2006)

According to the action plan, the homeowner must have registered with FEMA and the home must be categorized by FEMA as "destroyed" or having suffered "major" damage.

ICF found the determination of the category of “severe” or “major” damage problematic on several levels and therefore is in the process of devising a system to interpret this categorization. Of the 13 closed files, only three confirmed severe or major damage to the property through the approved method. Therefore, in addition to not meeting the primary residency eligibility, the majority of cases closed to date did not meet damage eligibility.

Criteria: As stated in the Federal Register Notice, 71 FR 34455, Waivers and Alternative Requirements, (3) Compensation for loss of housing – the grantee must undertake any compensation activity in accordance with the state’s approved action plan and published program design.

Page 6 of the Proposed Substantial Changes and Clarifications to Action Plan No.1, Item 2.2, Eligibility for Homeowner Assistance states the following eligibility criteria for homeowner assistance:

- Homeowner must be able to prove occupancy of the property as the primary residence, prior to August 25, 2005.
- A home must be single-unit or double-unit structure.
- Owner must have registered for FEMA individual assistance and FEMA must have categorized the home as having been “destroyed” or having suffered “major” damage.

Corrective Action (Conditions A and B): (September 2006) The state must conform to its original published program design regarding the area of eligibility or follow the appropriate procedures to amend the action plan immediately.

Status (Condition A): For the owner-occupied, primary residency eligibility issue, ICF’s records demonstrate that self-certification is being performed by the homeowner on each post-pilot file reviewed as well as on back-up verification of eligibility for pilot participants. Client files that we reviewed now include owner verification checkmarks on the formal file backed up by verification documents. As of the January 2007 review, based on the documentation above, this section of the finding is considered **cleared**.

Status (Condition B): The State of Louisiana submitted to HUD Amendment 7 on November 30, 2006. (Amendment 7 was determined by the state to be a non-substantial amendment requiring only HUD notification.) On page 6 of Amendment 7, the following statement was included: “In certain cases, owners may not have been able to register with FEMA or an owner may have registered with FEMA but the FEMA records do not reflect their registration. These homeowners may still be eligible for assistance if the damage to their home meets the FEMA damage classification as destroyed or suffering major damage as a result of the storm and are verified by the state through alternative means.” HUD is satisfied that the files reviewed are consistent with this clarification. As of the January 2007 review, based on the documentation above, this section of the finding is considered **cleared**.

Concern One: Documentation for Income Eligibility and Determination
(September 2006)

Condition: Program participants were asked to self-certify their income. The application asked for the “anticipated household income” with no reference to “annual” or the year 2006. According to the Homeowner Assistance Program manual, Chapter 5: Initial Advisory meeting (page 5-9, dated August 28, 2006), the applicant *must provide an estimate of 2006 total household income*. In the manual, total household income is defined as *annual income of all adult household members and imputed income from assets equal to two percent of the cash value of household assets*. In addition version 3.1 dated September 20, 2006, states in various parts of the manual that the income verification procedures are still under development.

Criteria: Federal Register Notice, 71 FR 7668, Applicable Rules, Statutes, Waivers and Alternative Requirements 2. Overall benefit waiver and alternative requirement states that the requirement of “70 percent of funds are for activities that benefit low-and moderate income persons are waived to stipulate that at least 50 percent of disaster recovery grant funds are for activities that principally benefit low and moderate income persons”. Therefore, documentation of income eligibility must be done effectively and consistently during the grant process.

Status: This concern is **satisfied** based on use of the standard form now used by the Road Home Program dated October 23, 2006 entitled: “Applicant Income Information Form for CDBG Reporting.”

Concern Two: Version Control *(September 2006)*

Condition: HUD reviewers were unable to ascertain which version of the Road Home Program was in place when applications were being processed during the pilot.

Status: Handbooks, Procedures and Guidelines are now posted on the Road Home Portal with appropriate version identification. This concern is **satisfied**.

Concern Three: Closing Documents *(September 2006)*

Condition: Closing documents contained inconsistencies. Reviewers had access to eight ‘pilot’ files with all the necessary closing documents. First, three files did not contain the Office of Community Development (OCD) signatures on the Final Declaration of Covenants. An additional file was not notarized. With the signing of the Final Declaration of Covenants, the homeowner agrees to the following requirements:

- Remain an owner-occupant for three years after final disbursement;
- Maintain homeowner’s insurance and, if required, flood insurance on the property;
- Comply with code requirements; and,

- Comply with advisory-base flood elevation requirements if the property sustained 51 percent or more damage.

Furthermore, HUD found an additional four files that did not have OCD's signature on the Subrogation Agreements. This agreement requires the owner to assign the State of Louisiana the rights to any payments that have been received or may be received as a result of storm-related structural damage, not already included in the calculation of assistance.

HUD is requesting that OCD and ICF staff ensure all required signatures on official and legal documents are obtained and records of these maintained.

Status: During the January 2007 review, OCD staff informed HUD that they would implement a systematic process to ensure that required signatures are found on all closing documents. Validation of closing documents will be a regular risk category for HUD visits in the future. Based on OCD's commitment to implement a systematic process, this concern is **satisfied**.

Concern Four: Evaluation Procedures *(September 2006 and January 2007)*

Condition: During September 2006 review, HUD inspected the 13 closed 'pilot' files and found numerous errors and discrepancies regarding home evaluations, including the following:

- No date of actual inspection, only the date of scheduled inspection was reported in the spreadsheet or on the evaluation
- No signature of the inspector was on the evaluations
- No verification that the homeowners who wished to be at the home during the inspection were actually present.

During the January 2007 review, HUD found ICF to have a robust Quality Assurance/Quality Control (QA/QC) process which tracks the work order from submission to the time the application is ready for calculation. However, data integrity issues, such as misplaced or missing digits and incorrect coding, have hampered the functioning of the home evaluation process. Several managers interviewed by HUD staff noted a decline in the frequency of data integrity issues in the QA/QC process, pointing to an effective feedback mechanism up the QA/QC process.

Furthermore, HUD found a discrepancy in communication and tracking in the home evaluation process (in relation to the ICF QA/QC system and the four subcontractors), which poses a high risk to the integrity of the home evaluations. Without proper documentation, the evaluations process is subject to issues of inconsistency, excessive evaluator discretion, and possible evaluator fraud.

During the course of the program, the process has gone through three iterations: (1) manual; (2) automated QA/QC in conjunction with manual; and (3) automated QA/QC.

In the initial manual phase of the home evaluation QA/QC process (which includes a review of closed out files), HUD observed numerous errors and discrepancies. The processes that led to these errors and discrepancies have been corrected in the subsequent phases of the home evaluation QA/QC process; yet, errors and discrepancies remain in early files because policy changes were not retroactive.

The current version of the home evaluation QA/QC process is automated. If a data inconsistency or omission is identified via the automated QA/QC system, the home evaluation document is returned to the subcontractor responsible for the evaluation for correction. In some of the files that applied the automated QA/QC procedures, the subcontractor made changes to files with minimal notation as to why changes were made.

HUD staff interviewed a subcontractor to examine his communication process with ICF regarding the QA/QC process. However, the subcontractor responded that ICF did not require their home evaluation subcontractors to document the reasons for changes to the home evaluation document. This discrepancy illustrates the inconsistent communication and tracking in the home evaluation process.

As an example, ICF had difficulty providing HUD staff with a complete history of an applicant (in relation to the home evaluations process) during the September 2006 and January 2007 reviews, and subsequent weeks thereafter. HUD defines a 'complete history' as a record inclusive of the following: (1) issues identified for action on an applicant's housing evaluation; (2) actions taken or not taken in response to particular issues; and (3) an explanation of why the action or non-action was taken.

Status: This concern remains open. HUD will continue to monitor this issue going forward.

FINANCIAL MANAGEMENT

The purpose of the financial management review is to assess the adequacy of the systems and controls that the Louisiana Recovery Authority (hereafter LRA) and the Office of Community Development (OCD) have in place to account for the receipt and disbursement of the subject disaster recovery funds. HUD reviewed the Office of Finance and Support Services' Integrated Statewide Information Systems (ISIS) as well as financial control systems, testing financial data and other selected items in the following areas:

- Financial Management
- Financial Reporting
- Internal Controls
- Source Documentation/Allowable Costs
- Cash Management
- Program Income
- Procurement Requirements

- Cost Allocability

As part of the financial management review, HUD reviewers held interviews with the Office of Finance and Support Services staff.

Financial Management/Financial Reporting (*September 2006*)

Federal regulations at 24 CFR 370.489(d) require state grantees to establish fiscal and administrative requirements for expending and accounting for grant funds. Systems must be sufficient to ensure that funds are used in compliance with all applicable statutory and regulatory requirements, and are spent for reasonable and necessary costs of operating programs. States may choose, but are not required, to follow 24 CFR Part 85.20, which provides additional guidance on standards, fiscal controls and procedures for maintaining acceptable financial management systems. LRA/OCD continues to use its own written procedures for basic financial operations. LRA/OCD maintains records that effectively distinguish the source and application of funds for activities assisted by grant funds. The state has not adopted 24 CFR Part 85 for its financial base.

HUD's review and financial analysis of the above yielded no findings of noncompliance, in accordance with the aforementioned regulation.

Internal Control (*September 2006*)

Effective controls must be maintained for all grant and sub-grant assets to ensure that they are properly safeguarded and used solely for authorized purposes. Typical control system elements include written financial procedures, timely financial disbursements, clearly defined job responsibilities, required approval authority for significant transactions, separation of duties, oversight of receivables and loan/grant servicing and physical access/security policies for assets.

Our review of the bills/invoices and charges to the HDG had a notation or indication that a particular bill was approved and coded to identify the fund to be charged. All invoices approved for payment evidenced signatory authorization by the financial manager (Steven Green) for the Disaster Recovery Unit. Once paid, all bills were marked or stamped "PAID". In addition, interviews with LRA staff members (Marianne Patin, Belinda Olivier and Diane Brown), confirmed the presence of clearly defined job responsibilities, necessary approval authority for significant transactions, oversight of receivables and loan/grant servicing and physical access/security policies for assets and separation of job duties.

Source Documentation/Allowable Costs (*September 2006*)

HUD staff reviewed a selection of costs applicable to the Hurricane Katrina disaster recovery program to determine cost allowability under program regulations at 24 CFR 570.489(a), applicable waivers and OMB Circular A-87 – "Cost Principles for States, Local and Indian Tribal Governments". OMB Circular A-87 requires that costs charged to federal awards be necessary, reasonable, allowable under program regulations and other authorities, allocable to federally funded activities and adequately documented.

Indirect costs must be charged to a federal award under terms agreed to in a federally approved indirect cost plan.

The review in this area was to determine if adequate source documentation was available to support DHRI expenditures and that the costs were eligible and allowable under the grant regulations.

Our examination entailed the review of Letter of Credit Vouchers 101000008 through 101000090 (27 separate transactions). Source documentation was available to support all transactions that were reviewed related to the HDG. No instances of unallowable costs were identified.

Cash Management *(September 2006)*

HUD reviewed source documentation to determine if the drawdown of funds from the state's letter of credit account with U.S. Treasury was made in a manner that minimized the time elapsing between the transfer of funds from the Treasury and disbursement of funds by the state to contractors, vendors, etc., in accordance with Treasury regulations at 31 CFR Part 205.

HUD's review did not identify instances of non-compliance.

Program Income *(September 2006)*

As of the HUD visit, the state had not earned any program income from grant activities.

Procurement Requirements *(September 2006)*

This review covered the procurement procedures used by the state and the procurement actions undertaken by Louisiana's Office of Community Development (OCD) to carry out the Road Home program.

Generally, the CDBG program regulations do not authorize a state to directly carry out eligible activities. However, HUD is authorized by statute to waive statutory and regulatory requirements and specify alternative requirements to address damage in a Presidentially-declared disaster area. A Notice published in the *Federal Register* on February 13, 2006, waived the requirements at 42 U.S.C. 5306 "to the extent necessary to allow the state to use its disaster recovery grant allocation directly to carry out state-administered activities eligible under this Notice." As a result, the State of Louisiana may carry out eligible activities, "subject to state law, by the recipient through its employees, or through procurement contracts, or through loans or grants under agreements with subrecipients, or by one or more entities that are designated by the chief executive officer of the State."

Although the above-referenced waiver allows Louisiana to carry out activities through procurement contracts, as entitlement grantees may do, the waiver did not impose alternative requirements related to procurement. Therefore, the state is still subject to the requirements at 24 CFR 570.489(g) to follow state procurement policies and procedures (and does not require that a state's procurement policies and procedures conform with the

procurement standards in 24 CFR 85.36). Louisiana state law specifically identifies certain instances in which contracts may be awarded without competitive negotiation or bidding. Those are: professional or personal services contracts for any amount, consulting services contracts less than \$50,000, and social services contracts meeting certain statutory requirements.

LRA is a state planning and coordinating body created to plan for the recovery and rebuilding of Louisiana after Hurricanes Katrina and Rita. During the September review, HUD examined several sole-source consulting contracts for less than \$50,000 awarded by LRA and paid with CDBG funds. While on site, HUD was provided with the state statutory provision that exempts these contracts from competition. Based on this information, the award of these contracts without competition is allowable. However, the appropriation language adopted by Congress for the disaster recovery funding provides that sole-source procurements must be reported to Congress on a quarterly basis. OCD concurred that these contracts would need to be reported to Congress in accordance with this provision.

The state's procedures include, but are not limited to, a contract administration system that ensures contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders; a written code of standards and conduct governing employees engaged in the award and administration of contracts; awards are to be made to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement; protest procedures are in place; and inclusion of a clear and accurate description of the technical requirements for the material, product or service to be procured, but excluding features that unduly restrict competition. In addition, the state's procurement methods are consistent with the methods of procurement identified at 24 CFR 85.36(d), although the state's threshold for small purchases is \$25,000, well under the \$100,000 threshold currently allowed by Federal regulations.

Procurement Requirements *(January 2007)*

A limited sample of contract, subcontract and related documents were reviewed in LRA offices on January 8-9, 2007.

The state had awarded a major contract to ICF Emergency Management Services, LLC to serve as Louisiana's Road Home Manager. The ICF contract has a maximum value of \$756 million; over half that total (\$381 million) has been sub-awarded to 23 subcontractors. Of the 23, most are valued under \$10 million. There are three subcontractors with major programmatic roles: First American Title Insurance Company of Louisiana; Shaw Environmental, Inc.; and Quadel Consulting.

These contracts will be the subject of future HUD monitoring reviews.

OVERALL MANAGEMENT AND ADMINISTRATION

HUD reviews overall management to ensure that the grantee establishes and maintains day-to-day control over its grant activities. The goals of this control are to: 1) achieve program disaster recovery and community development goals; 2) efficiently and effectively manage the people and organizations carrying out grant activities; and 3) document clearly to HUD and to citizens how all funds have been or will be used. The requirements for a state grantee are at 24 CFR 570.480(c), 570.482(a), and 570.489(d), and largely pertain to state program choices and documentation of compliance. Since Louisiana is operating its program under waivers that allow it to act directly, HUD reviewers applied entitlement monitoring standards.

This review primarily focused on management and internal audit in the context of an overall visit focus on the homeowner assistance program. The state has tourism, economic development, code enforcement, and rental housing programs already underway or about to launch. Later reviews will cover these areas.

The state's internal audit and quality assurance functions for the Road Home Programs occur in two primary places. First, the Legislative Auditors (LA) Office has established a disaster recovery division. Auditors in this division review financial performance and compliance information. Initially, they had been functioning in an advisory role during program design, providing pre-audit suggestions related to documenting eligibility requirements and other areas. They have since developed, and are implementing an initial Audit plan that calls for the publication of audits for the legislature and general public.

Second, the Road Home Manager (ICF) has installed a quality assurance/quality control effort. This unit monitors program documentation and performance, providing documentation to the LA and DRU reviewers. Additionally, LA provides an additional financial control under a cooperative endeavor agreement with OCD. The LA reviews ICF billings for the Homeowner Program prior to payment using KPMG Fraud Analytics and other methods.

HUD recognizes that management of these programs and the successful recovery of the storm-damaged region is of historic proportion. The staffs of the Louisiana Recovery Authority, the Office of Community Development, the Disaster Recovery Unit, the Legislative Auditors, and the Road Home Program Team have made progress in establishing the systems necessary to deliver services to the people of Louisiana. The review team particularly thanks Ms. Suzie Elkins and her staff in OCD for the assistance and cooperation they provided during the review. HUD looks forward to continuing to work with the state in partnership during the life of these grants and remains committed to help in expediting the delivery of essential assistance to eligible residents and businesses in Louisiana.

ENVIRONMENTAL

The results of the environmental review conducted in September 2006 and subsequently in January 2007 will be conveyed to the state in a separate report.

