



**Jefferson Parish Community Development
Jefferson, LA**

Community Development Block Grant Program



Issue Date: September 30, 2014

Audit Report Number: 2014-FW-1007

TO: Cheryl S. Breaux,
Director, Office of Community Planning and Development, 6HD

FROM: //signed//
Gerald R. Kirkland
Regional Inspector General for Audit, 6AGA

SUBJECT: The Jefferson Parish, LA Department of Community Development Did Not Always Support Expenditures, Comply With Procurement Requirements, or Provide Adequate Oversight of Subrecipients

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Jefferson Parish's Community Development Block Grant (CDBG) program.

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 Web site. 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.



September 30, 2014

The Jefferson Parish, LA Department of Community Development Did Not Always Support Expenditures, Comply With Procurement Requirements, or Provide Adequate Oversight of Subrecipients

Highlights

Audit Report 2014-FW-1007

What We Audited and Why

We audited Jefferson Parish's Community Development Block Grant (CDBG) program as part of the Office of Inspector General's annual audit plan to review Community Development funds. The audit objective was to determine whether the Parish adequately supported and expended its program funds in accordance with Federal requirements.

What We Recommend

We recommend that the Director of HUD's New Orleans Office of Community Planning and Development require the Parish to (1) support or repay its CDBG program \$1.4 million from non-Federal funds, (2) implement written departmental expenditure, procurement, and monitoring procedures, (3) implement a departmental records management system for expenditures and national objective compliance, and (4) implement a departmental process to maintain and update the Parish's pre-qualified bidder's list.

What We Found

The Parish did not always (1) have documentation to support program expenditures, (2) comply with procurement requirements when procuring contractors for housing rehabilitation, and (3) provide adequate oversight for its subrecipients. These conditions occurred because the Parish (1) did not have updated written departmental procedures for its staff, adequate staffing levels, an efficient records management system, or complete written departmental procurement procedures; (2) relied on its subrecipient to maintain documentation to support its project without verifying the adequacy of the documentation; (3) did not ensure that staff was aware of the departmental monitoring policy; and (4) disregarded monitoring and agreement requirements. As a result, the Parish could not support that more than \$1.4 million of program costs were eligible, reasonable, or met a national objective. In addition, it increased the risk of fraud, waste, and abuse.

TABLE OF CONTENTS

Background and Objective	3
Results of Audit	
Finding 1: The Parish Did Not Always Have Documentation To Support Expenditures	4
Finding 2: The Parish Did Not Always Comply with Procurement Requirements	7
Finding 3: The Parish Did Not Always Provide Adequate Oversight for its Subrecipients	10
Scope and Methodology	13
Internal Controls	15
Appendixes	
A. Schedule of Questioned Costs	17
B. Auditee Comments and OIG's Evaluation	18
C. Questioned Housing Rehabilitation Contracts	27

BACKGROUND AND OBJECTIVE

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 5301. Under the CDBG program, the U. S. Department of Housing and Urban Development (HUD) provides grants to State and local governments to aid in the development of viable urban communities. Recipients are required to use grant funds to provide decent housing and suitable living environments and to expand economic opportunities, principally for persons of low and moderate income. In addition, each CDBG funded activity must meet one of three national objectives listed below:

- Benefit low- and moderate-income persons,
- Aid in preventing or eliminating slums or blight, or
- Address a need with a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community.

The Jefferson Parish Community Development Department administers its program using entitlement grants received from HUD to support the development of viable urban communities through decent housing, and expanding the economic opportunities of persons of low-moderate income. The Parish is the third largest CDBG grant fund recipient in the state of Louisiana. Between October 2011 and September 2013, the Parish received more than \$5 million in CDBG funds from HUD. According to the Parish, 100 percent of its funded activities met the low and moderate income national objective.

Activities implemented by the Parish included housing rehabilitation, public service, and public facilities and improvements or capital projects. Regarding its housing rehabilitation activities, the Parish conducted procurements for housing rehabilitation and lead abatement contractor services to rehabilitate properties for low-income households. For its public service activities, it used six subrecipients to implement various projects. For public facilities and improvements activities, it used contractors procured by the Parish's Purchasing Department.

Our objective was to determine whether the Parish adequately supported and expended its CDBG funds in accordance with federal requirements.

RESULTS OF AUDIT

Finding 1: The Parish Did Not Always Have Documentation to Support Expenditures

The Parish did not always have documentation to support program expenditures. Specifically, for five payment voucher expenditure files reviewed, the Parish did not always document invoices, time and attendance records, supporting journal entries, or proof that resulting payments were made to its contractors. This occurred because the Parish did not have (1) updated written departmental procedures for its staff, (2) adequate departmental staffing levels and (3) an efficient departmental records management system. As a result, the Parish could not support the use of more than \$1 million in CDBG funds.

The Parish Could Not Support More Than \$1 Million in Expenditures

A review of documentation in five payment voucher files, with payments totaling \$3,496,145, determined that the Parish did not always maintain support for its payments. Federal regulations required the Parish to adequately document costs and support its accounting records with source documentation.¹ In addition, the Parish's departmental expenditure policy² included pay request procedures which required it to (1) support non-payroll expenses with paid invoice or periodic bills for service; and if unavailable, a copy of the canceled check with a written description, and (2) support claims for salaries and wages with copies of attendance, gross pay, pay rate time hours worked, and payroll tax records. However, for the five files reviewed, the Parish did not have complete documentation to support \$1,039,105 in payments. See Table 1.

Table 1: Unsupported voucher payments

Payment voucher	Amount paid	Unsupported costs
1	\$732,200	\$268,380
2	469,461	21,227
3	896,671	276,045
4	757,532	242,426
5	640,281	231,027
Total	\$3,496,145	\$1,039,105

¹ 2 CFR 225 - Appendix A- C (1) (j) and 24 CFR 85.20 (b)(6)

² The Community Development Department policies.

For these payments, the Parish did not have invoices, time and attendance records, supporting journal entries, or documentation showing that payments were made to recipients. In addition, the Parish withdrew funds for retainage from HUD's Integrated Disbursement and Information System (IDIS)³ and withheld the retainage from its rehabilitation contractors' payments. Federal and State regulations required the Parish to remit retainage to contractors after the completion of work.⁴ However, as of February 2014, it had been 5 to 23 months since its rehabilitation contractors completed work, but the Parish could not provide evidence that it remitted the retainage. When asked about one of the contractors, the Parish stated that it forgot to pay the contractor.

Inadequate Expenditure Policy and Staff, and Inefficient Records Management System

The Parish did not have adequate departmental expenditure policies or staff to perform the accounting function, and did not have an efficient departmental records management system. Specifically, the Parish's departmental expenditure policy did not match its current staffing positions. These policies included descriptions of the staff positions and procedures for processing expenditures but were 15 years⁵ old and listed staff positions that no longer existed. For example, the policy included an internal auditor position and indicated that financial management was primarily the responsibility of the internal auditor, accountant supervisor, and the accountant. However, the internal auditor position was not listed on the Parish's departmental organizational chart, dated February 2014.

In addition, the Parish did not have adequate departmental staff to process its accounting transactions. Specifically, from 2005 through 2013, the Parish only had one departmental employee, an accounting supervisor, to process its accounting transactions. According to Parish departmental staff, since 2008, staffing levels have been reduced. Further, past positions no longer existed. Without adequate departmental staff, the Parish could not ensure that its expenditures were adequately reviewed and documented and that payments were processed in compliance with requirements. For example, during our review, the Parish was under a workout plan and was at risk of losing CDBG funding because it was not expending its funding in a timely manner and was not meeting HUD's required 1.5 percent expenditure timeliness test for the past two grant years.⁶

³ IDIS is the draw down and reporting system for the CDBG formula grant program. It allows grantees to request their grant funding from HUD and report on what is accomplished with these funds.

⁴ HUD's "Basically CDBG for Entitlements" course training manual, Chapter 16, section 16.1.3 Progress Payments and Louisiana Revised Statute 38:2248.

⁵ The Community Development Department policies were effective in 1999.

⁶ 24 CFR 570.902

Lastly, because the Parish had an inefficient departmental records management system, its payment voucher files were not readily accessible for audit review, as required.⁷ Specifically, because the Parish's departmental accounting supervisor did not maintain auditable documentation, the accounting supervisor had to obtain the documentation from other sources, including the program managers and the Parish's general Accounting Department.⁸ We made several requests to the Parish's departmental staff for supporting documentation, which took 3 weeks for it to provide. Further, the documentation provided was incomplete.

Conclusion

Because the Parish did not have updated written departmental expenditure policies for its current staff positions, adequate departmental staff levels, or an efficient departmental records management system, it spent more than \$1 million in program funds that it could not support.

Recommendations

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

- 1A. Support or repay its CDBG program \$1,039,105 from non-Federal funds for costs that lacked adequate supporting documentation.
- 1B. Implement updated written departmental procedures to ensure that it has adequate coverage for the processing of its expenditures.
- 1C. Implement a records management system for expenditures to ensure supporting documentation is maintained and readily accessible for audit.

⁷ 24 CFR 85.42 (e)(1) and 24 CFR 85.42 (b)(1).

⁸ The Parish has an Accounting Department which processes all payments for the Parish after the Parish reviews the supporting documentation.

Finding 2: The Parish Did Not Always Comply with Procurement Requirements

The Parish did not always comply with procurement requirements when procuring contractors for housing rehabilitation services. Specifically, a review of six housing rehabilitation contractor procurement files determined that for two, 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. In addition, the Parish did not always maintain (1) departmental records sufficient to detail the significant history of procurement, such as contractor selection or rejection, and the basis for the contract price, and (2) a current departmental pre-qualified bidders list. These conditions occurred because the Parish lacked complete written departmental procurement procedures. As a result, the Parish could not support that \$267,497 spent on 16 procured contracts for two contractors were cost reasonable.

The Parish Could Not Support \$267,497 in Contract Expenditures

A review of six housing rehabilitation contractor procurement files, with 43 associated contracts and payments totaling \$784,205, determined that the Parish did not always comply with procurement requirements. To support the cost reasonableness of contract payments, Federal regulations required the Parish to maintain documentation showing that it performed independent cost estimates and costs analyses,⁹ and ensured full and open competition, or provide justification for not doing so.¹⁰ However, for two contractors, with 16 associated contracts and payments totaling \$267,497 (See Appendix B), the Parish did not have departmental independent cost estimates, cost analyses, or justification for the lack of full and open competition. See Table 2.

Table 2: Procurement deficiencies

Contractor Name	Number of contracts/type	Total payments
Louisiana Services and Contracting Company (LASCO)	14 (lead abatement)	\$199,840
LASCO	1 (housing rehabilitation)	53,950
Prestige Facility Maintenance	1 (housing rehabilitation)	13,707
Total	16	\$267,497

⁹ 24 CFR 85.36(f) 1.

¹⁰ 24 CFR 85.36(c) 1.

According to the Parish, it did not perform a departmental cost estimate for any of the 14 LASCO lead abatement contracts because neither the staff nor its contracted inspector had experience in the lead abatement area and relied on the bid responses that came in for the procurements to establish a basis for contract price. However, of the 14 procured contracts, LASCO was the only contractor to bid on 12, showing no cost reasonableness review had been performed.

As related to full and open competition, the Parish's departmental lead abatement pre-qualified bidders list only included two contractors. When asked, the Parish indicated that LASCO was the only contractor willing to perform lead abatement and the replacement of exterior items, which was often needed for the CDBG housing rehabilitation activities. However, the Parish did not have departmental documentation to justify why it did not ensure full and open competition or seek other contractors in the event that only one bid had been received.¹¹

In addition to the departmental files lacking adequate documentation to support cost reasonableness, the files also lacked award letters showing contractor selection or rejection, and review that the contractors were not debarred, as required.¹² According to the Parish, it did not conduct departmental debarment reviews. The Parish stated that it maintained a departmental pre-qualified bidder's list. However, as of March 2014, the Parish had not advertised for prospective housing rehabilitation contractors for its departmental bidders list since December 2010 and could not recall when it last advertised for lead abatement contractors. Therefore, the listing was not current, as required.¹³

Incomplete Procurement Procedures

The Parish lacked complete written departmental procurement procedures to ensure that it conducted all required steps when procuring its housing rehabilitation contracts. The Parish provided departmental bid letting and opening procedures for the sealed bid procurement method. However, the policies did not have procedures for other procurement methods, requirements for updating its pre-qualified bidder's listing, procedures for debarment review, maintaining procurement records, or conducting cost or price analyses and independent cost estimates.

Conclusion

¹¹ 24 CFR 85.36(c)1
¹² 24 CFR 85.36(b) 9.
¹³ 24 CFR 85.36(c) 4.

Because the Parish did not have adequate departmental procurement procedures, it could not support that \$267,497 spent on 16 procured contracts for two contractors was cost reasonable.

Recommendations

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

- 2A. Support the cost reasonableness of the 16 contracts or repay \$267,497 to its CDBG program with non-Federal funds.
- 2B. Implement written departmental procedures that include all procurement requirements.
- 2C. Implement written departmental procedures to maintain and update its pre-qualified bidder's list.

Finding 3: The Parish Did Not Always Provide Adequate Oversight for its Subrecipients

The Parish did not always provide adequate oversight for its subrecipients. Specifically, the Parish did not always (1) have support showing that it met its national objective for projects carried out by its subrecipients, (2) monitor its subrecipients on a consistent basis, and (3) include all required elements in its subrecipient agreements. This occurred because the Parish (1) relied on its subrecipient to maintain documentation to support its projects without verifying the adequacy of the documentation, (2) did not ensure that departmental staff was aware of the departmental monitoring policy, and (3) disregarded departmental monitoring and agreement requirements. As a result, the Parish could not support that \$93,975 in CDBG funds expended on three projects met an eligible national objective and put CDBG funding at an increased risk for fraud, waste, and abuse.

The Parish Did Not Always Provide Adequate Oversight

The Parish did not always provide adequate oversight for its subrecipients. Federal regulations required the Parish to maintain evidence that each of its activities met one of three national objectives.¹⁴ However, the Parish could not always provide support that departmental activities carried out by its subrecipients met a national objective. Specifically, for three of the four activities reviewed, the subrecipients did not have adequate support that \$93,975 was spent to assist low and moderate income participants. As shown in Table 3, the documentation did not support the participants' income or the number of participants reported to HUD in the Parish's 2011 and 2012 Comprehensive Annual Performance and Evaluation Report (CAPER)¹⁵. See Table 3.

Table 3: Assisted persons reported in CAPER versus documentation

Activity	Total funding	Participants according to CAPERs	Participants according to subrecipients' files	Files with participants income documentation
New Hope Adopt a School	\$24,975	43	24	0
Responsibility House Supportive Housing	30,000	17	15	10
Healing Hearts Family Counseling	39,000	45	12	9
Total	\$93,975	105	51	19

¹⁴ CFR 570.200(a) (2).

¹⁵ CAPER is a report in which the Parish reports the accomplishments and progress made toward their consolidated plan goals for the prior year. The consolidated plan, which may have a duration of between 3 and 5 years, describes the jurisdiction's community development priorities and multiyear goals.

For example, regarding the Adopt a School activity, the subrecipient could only provide a list of names showing that it assisted 24 of the 43 participants and could not locate any supporting income documentation showing that the participants were low and moderate income.

The Parish Did Not Consistently Monitor Subrecipients and its Agreements Lacked Required Elements

Although required to monitor and assure compliance with Federal requirements,¹⁶ a review of the Parish's departmental monitoring activities for 12 subrecipients between October 2011 and September 2013, determined that it had not monitored 5. In addition, the subrecipient agreements for six did not include all required elements,¹⁷ such as a schedule for completing the work, provisions related to all Federal laws and regulations, how program income would be used, and reversion of assets requirements. Parish departmental staff agreed that, although required, it had not monitored some subrecipients consistently. However, although they had no formal monitoring report documented, it had indirectly monitored the subrecipients by reviewing expenditures or performing rehabilitation site visits.

The Parish Had Procedural and Internal Control Weaknesses

The Parish had departmental procedural and internal control weaknesses. Specifically, Parish departmental staff stated that it relied on its subrecipients to maintain documentation to support that a national objective was met. However, Table 3 above shows that the subrecipient had not maintained sufficient documentation. In addition, although the Parish provided a written departmental monitoring policy, departmental staff was not aware of the policy. Regarding the elements required in the subrecipient agreement, the Parish's departmental monitoring policy required it to review record-keeping, reporting and financial management, labor standards, fair housing and equal opportunity, acquisition and procurement requirements, and all other contractual requirements, during contract negotiations, to ensure that the subrecipient is informed of its duties and responsibilities under the terms of the agreement. After an agreement is signed, the policy required an annual monitoring review of these requirements. However, the policy did not require these elements be included in the written agreement, which is required by Federal regulations.

¹⁶ 24 CFR 85.40 (a).

¹⁷ 24 CFR 570.503(b).

Providing adequate oversight to subrecipients and ensuring that subrecipient agreements include all required elements would ensure that subrecipients maintain appropriate documentation, meet one of the national objectives, and follow all requirements. In addition, since the Parish used subrecipients to carry out some of its activities, the Parish should ensure that its staff is aware of its departmental monitoring policies and ensure that it adequately monitors subrecipients.

Conclusion

As a result of its departmental procedural and control weaknesses, the Parish could not support that \$93,975 of CDBG funds spent on three projects met an eligible national objective, and put its CDBG funding at an increased risk for fraud, waste, and abuse.

Recommendations

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

- 3A. Support the data reported in the CAPER regarding the three projects or repay to its CDBG program \$93,975 from non-Federal funds.
- 3B. Implement departmental procedures that ensure that adequate documentation is maintained to support that funds are used to meet a national objective.
- 3C. Implement written departmental monitoring procedures and controls to ensure that staff periodically monitors subrecipients, to include ensuring that subrecipients maintain adequate records.
- 3D. Implement written departmental procedures to ensure all required elements are included in subrecipient agreements.

SCOPE AND METHODOLOGY

We conducted our audit at the Parish's office in Jefferson, LA, and the HUD Office of Inspector General's (OIG) office in New Orleans, LA, between February and August 2014. Our audit scope covered the Parish's CDBG program for the period October 1, 2011, through September 30, 2013. We expanded the scope as necessary to accomplish our audit objective.

To accomplish our objective, we

- Reviewed relevant laws, regulations, and program guidance.
- Reviewed the Parish's organizational structure and written policies for the program.
- Reviewed the Parish's audit reports, HUD monitoring reports, grant agreements, and action plans.
- Interviewed Parish staff.
- Reviewed the Parish's national objectives, financial management system, administrative expenditures, and program income.
- Reviewed the Parish's subrecipient agreements, monitoring documentation, procurement files, and program expenditures.

Using a universe of 11 IDIS drawdowns, totaling \$5,956,817 as of September 30, 2013, we selected a non-statistical sample of five vouchers with the highest dollar value, totaling \$3,496,145, to review at least 50 percent of the funding within the audit scope. We performed a complete expenditure file review for the sampled drawdowns to determine whether the Parish adequately supported and expended its program funds. Through the file reviews, we assessed the reliability of the computer-processed data and determined that the data were generally reliable.

Using a universe of 14 housing rehabilitation contractors, with a total of 52 contracts¹⁸ and expenditures totaling \$1,004,134 as of September 30, 2013, we selected a non-statistical random sample of 6 contractors with 43 contracts to determine whether the Parish adequately procured its contracts and ensured that its expenditures to those contractors were reasonable and necessary. These contracts were procured directly by the Parish's Community Development Department. We did not assess any computer-processed data regarding the procurement review because we did not rely heavily on computer data to conduct this review.

Using a universe of 13 projects from the 2011 CAPER and 8 projects from the 2012 CAPER, we selected a sample of two projects from each CAPER. We reviewed the support for the data reported in the CAPER for the projects to determine whether the Parish ensured compliance with its national objectives. We did not assess any computer-processed data regarding the national objective compliance review because we did not rely heavily on computer data to conduct this review.

¹⁸ Some entities had multiple contracts during the audit period.

We reviewed the Parish's monitoring files and associated agreements for its 12 subrecipients that administered 15 activities to determine whether the Parish monitored them and included all required elements in the associated subrecipient agreements. We did not assess any computer-processed data regarding the monitoring and agreement reviews because we did not rely on it.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

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 objectives:

- Effectiveness and efficiency of operations: Policies and procedures in place to reasonably ensure that program activities were conducted in accordance with applicable laws and regulations. Specifically, policies and procedures intended to ensure that the Parish complied with Federal regulations in administering its CDBG program.
- Relevance and reliability of information: Policies and procedures in place to reasonably ensure that expenditure and procurement errors were reduced, and that subrecipient oversight was provided.
- Compliance with applicable laws, regulations: Policies and procedures in place to reasonably ensure that appropriate expenditure documentation was obtained and maintained, it conducted all required steps when procuring contracts, and it provided adequate oversight to its subrecipients.

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 Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Parish did not have adequate written departmental accounting procedures and file management systems in place to ensure that the appropriate documentation was obtained and maintained. (Finding 1)
- The Parish did not have adequate departmental staffing levels to ensure that the expenditures were adequately reviewed and filed. (Finding 1)
- The Parish did not have adequate written departmental procurement procedures to ensure that it conducted all required steps when procuring contracts. (Finding 2)
- The Parish did not provide adequate departmental oversight to its subrecipients to ensure that they (1) were monitored consistently, (2) included all required elements in the subrecipient agreements, and maintained documentation to support their projects. (Finding 3)

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Unsupported 1/
1A	\$1,039,105
2A	267,497
3A	<u>93,975</u>
Total	<u>\$1,400,577</u>

- 1/ 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.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

 WWW.JEFFPARISH.NET	JEFFERSON PARISH DEPARTMENT OF COMMUNITY DEVELOPMENT
JOHN F. YOUNG, JR. PARISH PRESIDENT September 19, 2014	DETROICH D. HEBERT DIRECTOR
U. S. Department of Housing and Urban Development Attn: Ms. Tracey Carney, CPA, CFE Assistant Regional Inspector General for Audit New Orleans Field Office Hale Boggs Federal Building 500 Poydras Street, 11th Floor New Orleans, LA 70130-3099	
Re: Draft Report, Jefferson Parish, LA Department of Community Development Did Not Always Support Expenditures, Comply with Procurement Requirements, or Provide Adequate Oversight of Subrecipients.	
Dear Mr. Kirkland:	
Thank you for your draft report dated September 10, 2014 detailing the recent audit of Jefferson Parish Community Development Block Grant (CDBG) for the period of October 1, 2011 to September 30, 2013. We appreciate your comments and recommendations. The attachments to this letter provide the Parish's response to this draft report.	
The findings of this draft report do concern us, thus we plan to address each issue in detail. However, we are pleased, but not surprised, that no ineligible or unallowable costs were found as the Parish is dedicated to administrating all of our federal programs, and particularly the HUD programs, in strict accordance to all applicable requirements. We contend that the program is operated within the parameters of the federal requirements with processes and procedures to eliminate fraud, waste or abuse.	
We are requesting that these response be seriously considered before the issuance of the final report as we feel we can document all costs and eliminate all concerns.	
Sincerely,  DETROICH D. HEBERT, Director Community Development Department	
Attachments: Overall Observations and Comments, Response to Findings Nos. 1, 2, and 3	
Cc:  Gerald Kirkland Cheryl S. Breaux Deborah G. Cage Darryl Ward	
JOSEPH S. YENNI BLDG - 1221 ELMWOOD PARK BLVD - SUITE 605 - JEFFERSON, LOUISIANA 70123 - OFFICE 504.736.6262	

Overall Observations and Comments:

We appreciate any recommendations that could result in improvements towards documentation and efficiency. All such recommendations and findings as listed in this draft report will be taken into consideration to improve our ability to better respond to in-depth audits while continuing our service to Jefferson Parish residents.

However, to clarify the majority of the findings have only one of the perceived deficiencies, (i.e. either inadequate documentation or inadequate procurement requirements or inadequate oversight of subrecipients), with the provision of insufficient documents to justify expenditures, comprising the greater part of the findings, i.e. the documentation was not readily available within the department.

Comment 1

The Parish's Accounting Department is the primary depository of these documents which is physically located in Gretna, LA, approximately twelve miles from where the Jefferson Parish Department of Community Development (JPCD) is located. JPCD did not have staff available (as concurred by the auditor) to manually search for the documents in this system while concurrently having to continue to manage and administer on going funded activities. It is important to note that during the time frame of the audit, JPCD staff did meet the CDBG timeliness goals with the expenditure of over 4.3 million in funds. Also, during the time frame, several other audits were in progress (State CDBG, State ESG, Federal ESG, etc.), as well as internal OIG requests and public information requests, all requiring extensive time to produce the documentation requested.. The same staff members were required to supply most of the required documents.

Comment 1

We acknowledge that the parish's accounting system may need improvements for the retrieval of the documents, but JPCD cannot independently establish new procedures (cost prohibitive as well as not allowable under its Parish Code of Ordinance or Charter). A more detailed discussion of this issue is found in Finding No. 1.

Comment 1

In summary, the Department of Community Development is not an entity of itself; it is in fact a part of Jefferson Parish, therefore it does not duplicate parish procedures, but will supplement these procedures to implement any federal requirements not normally required with parish funding. Any in-house producers are simply a part of the Parish's procedures, particularly regarding accounting and procurement.

Comment 2

Also worth mentioning is the fact that the Parish Accounting system has been audited at least annually for "regular" accounting purposes, and more for special programs, with the result that there was not any findings regarding its failure to adhere to the requirements of A-133.

Further information regarding the recommendation to implement written processes for expenditure procurement and monitoring procedures are addressed in each of the Findings below.

Finding No. 1:

- Support or Repay its CDBG program \$1.4 million from non-federal funds

We contend that no payments were made that did not have the necessary documentation. The findings regarding insufficient documentation for payments is the result of the fact that most of these documents are kept in the main accounting department of Parish, and have to be manually researched and copied. This time consuming task resulted in our inability to provide timely, complete documentation.

In addition, JPCD will appoint one person who will directly be responsible for supplying the remainder of the needed support documentation for the expenditure. It is anticipated that all of these support documentation should be available no later than December 31, 2014, but our goal is to have it completed by October 31, 2014.

Comment 3

In the meantime, we are attaching, via the use of a zip drive, the required documentation that should clear up approximately 40% of the questioned cost.

Comment 4

We concur with the statement that the department did not have adequate staffing levels especially when considering the increased work load necessary with the addition of approximately \$75 million in additional funding (three hurricane disaster grants, as well as the ARRA funding) during the time being audited. To help rectify the problem, within the last two years one Account Clerk was hired who was later promoted to Accountant, while another Account Clerk was hired. An additional Accountant is currently being hired to assist with the Disaster programs which will assist in alleviating the current staff.

Comment 5

We disagree that no accounting procedures are in place and we are attaching the current procedures; however, a review of these processes and procedures will be undertaken with other pertinent staff and departments. The Director of Community Development has already initiated a meeting on this subject with the Accounting Department. JPCD has instituted a policy (since late 2013) whereby all supporting documentation is scanned and filed electronically. This process should ease the retrieval of expenditure support documents. Concurrently, the department is establishing electronic files for each project which will have all of these scanned documents available for easier retrieval. Simultaneously, we will work with the accounting department to institute a method whereby the department will be able to receive an electronic copy of the cancelled check for each item purchased/expensed. Lastly, we have issued a Request for Proposals to provide Technical Assistance to JPCD which will include a review of existing processes and procedures and drafting those that do not exist.

Comment 4

Comment 4

Perceived and real problems associated with in-house accounting for preparing and completing draws in IDIS has already been changed to a process whereupon the program manager will make the request to do the draw down to assure consistency with HUD requirements for a draw within 120 days. Accounting will then prepare the draw and will include all supporting documentation and place all of the support documentation in a separate electronic file for draws which shall be kept chronologically. Accounting staff will notify the program manager of the IDIS voucher

number, date and amount with this to be scanned by the program manager into the electronic project file.

Comment 4

Also being considered as an additional safeguard to prevent draws for which there has not been a payment, projects with retainages may be funded only up to the amount without the retainage.

Another consideration is the appointment of a project manager for administrative and other such program delivery cost (presently it is done by the chief accountant) to assure that draws will have the required documentation. This person will work with the payroll clerk and therefore, for each payment and subsequent draw, time and attendance, hourly wages, and other required documentation for salaries and supplies will be under one person and shall be electronically filed as well as keep hard copies of each transaction.

Finding No. 2:

- **Process to maintain and update the Parish's pre-qualified bidder's list**

Comment 6

The current process was approved as a result of meetings with HUD, JPCD and Purchasing staff approximately 15 years ago. Therefore, the procurement requirements used by the in house Rehab staff was one that was mandated by HUD and received the concurrence from the Parish's legal and purchasing departments. It was established to assure a faster response for completing rehabs in a cost efficient manner. This HUD approved process proved especially useful after Hurricane Katrina due to the unavailability of many contractors. Using this process, we have solicited additional bidders to add to the list on several occasions. The Jefferson Parish Council also approved this process.

Comment 6

More recently, JPCD has been working with the Parish Purchasing Department and Parish Attorney's Office to update our in-house process for the procurement of the pre-bidders list. At a recent presentation by JPCD to the Purchasing Department and the Parish Attorney's Office in August 2014, staff brought the departments up to date on the current process. The Department is therefore, working with its Purchasing department (it is now waiting on its recommendations). Once received, new procedures will be written and supplied to the local HUD office.

Comment 6

While the auditor was here, in May, another solicitation of the lead contractor was undertaken by staff through an advertisement for three weeks in local newspapers. The office did not receive any responses. Therefore, we are seeking best practices and other avenues to increase possible participation from the private market.

Comment 3

We are attaching the analysis done for this purpose – previous analyses are in our files. It is evident from these efforts that JPCD did more than due diligence to increase competition and provide reasonable costs for the services.

Comment 6

The use of RESPEC as a software estimating program assures that bids are within a specific cost ranges. Unfortunately in regards to the Lead Based Paint requirements (where there is no software for this estimation), the Parish relies on a price analysis performed by a certified lead inspector. The nature and technicality of these lead requirements to include not only the abatement itself, but also the removal and disposal requirements made the knowledge more

Comment 6

specialized. In the past, CD had a staff of qualified lead inspectors and risk assessors who have retired or did not return after the storm. The staff member that is presently responsible for housing rehab project is scheduled to attend class in October of this year with the anticipation of obtaining a lead inspector certification. The advertisements for bidders, copies of notification of bid let sent by e-mail that was sent in addition to regular mail in an effort to increase participation.

Comment 3

Comment 6

Therefore, we request that finding No. 2 be cleared at this time.

Finding No. 3:

- **The Parish did not always provide adequate oversight for its subrecipients**

Comment 3

We have supplied the necessary supporting documentation for all of the subrecipient, except New Hope CDC who is declaring that the files were given to the former director (and we cannot locate these files). We have requested a notarized statement from the subrecipient. This is expected in the near future. This was necessary as the site (school) where this program was conducted closed very shortly after the end of the program, by the Jefferson Parish School Board. Thus, it was necessary that the subrecipient quickly move all files. He made the decision to bring them directly to JPCD.

Comment 7

This program was geared towards troubled and at-risk youth. It was located in a severely low income neighborhood (with low/mod population of over 65% and a poverty rate of 40%) and served very low income students. These students who were selected for the New Hope program were deemed some of the most challenged within the population of an already disadvantaged population of students. These student were economically, academically, socially, psychologically disadvantaged youth.

Comment 7

Therefore, JPCD could have met the low/mod criteria by documenting the nature and location of the program, (as opposed to income verification) and the program would have met the requirements. The number of client's recorded as 19 in the draft was the number from a roster that the school board provided, unfortunately, this roster was for only one of the sessions, not all of them done under this program. Therefore, we were unable to get the entire list.

Comment 7

The use of subrecipients to maintain documentation supporting income and national compliance has been an established procedure since the implementation of the program with the requirements that five years (more than the required three years) after the completion of the program was due to the lack of storage capacity. The Parish also demands that, should the subrecipients not be able to comply with this requirement, they notify the JPCD for our obtaining of the files. New subrecipient monitoring procedures will have a section for the monitor to address where the files are stored, with documentation to include photos, location, and certification.

**Comment 7
Comment 3**

Therefore, we did not disregard monitoring and agreement requirements. All subs are monitored continuously throughout the year with one on-site visit. We are attaching copies of the process, monitoring letters and other support documentation. Due to the nature and location of the New Hope program and due to the previously supplied documentation for the other subrecipients, this

Comment 7

has proven that all of the clients served were indeed eligible and the national objective was met in all cases.

Therefore we request that finding No. 3 be cleared at this time.

OIG Evaluation of Auditee Comments

Comment 1 The Parish asserted that it (1) did not have departmental staff available to manually search for the documentation, (2) had several other audits during the same timeframe where departmental staff were required to supply documents, (3) cannot independently establish new departmental procedures, but acknowledged that its accounting system may need improvements for the retrieval of documents, and (4) is not an entity of itself and does not duplicate Parish procedures.

According to its CDBG grant agreement with HUD, the Parish was required to comply with all applicable laws and regulations in distributing funds provided under the agreement. This included having documentation pertinent to the grant available for audit review. Having a lack of departmental staff and several ongoing audits simultaneously did not relieve the Parish of this responsibility. In addition, as discussed in finding one, during our audit, the Parish provided departmental policies and procedures, which included staff roles and responsibilities and expenditure procedures. Therefore, to assert that the Parish cannot independently establish departmental procedures and that it is not an entity of itself is contradictory to the departmental policy provided during the audit and its statements in the response related to departmental processes it is implementing. Therefore, we stand by our original conclusions and recommendations.

Comment 2 The Parish stated that it had been audited at least annually for “regular” accounting purposes, and for more special programs, with the result that there were not any findings regarding its failure to adhere to the requirements of A-133. We audited the Parish’s departmental controls and processes over the CDBG program rather than regular accounting purposes. In addition, OIG conducts independent audits and the conclusions reached by other audit entities may differ due to various factors, including potential differences in the scope of the review. As such, we stand by our original conclusions.

Comment 3 With its written response, the Parish provided additional documentation in an effort to support questioned costs related to the (1) five voucher files reviewed, (2) cost reasonableness for two of its contractors as well as bid advertisements and debarment reviews conducted outside of our audit period, and (3) projects administered by its subrecipients required to meet the low-to moderate income national objective. We initially requested documentation in March 2014, and then notified the Parish on multiple occasions thereafter that the documentation had not been provided. Additionally, the documentation is voluminous. Thus, we did not assess its validity or adequacy. The Parish will need to provide the documentation to HUD for its review during the audit resolution process. We did not include the documents in this report, but they are available for review upon request. We did not make any revisions to the report based on the documentation.

Comment 4 The Parish concurred that it did not have adequate departmental staffing levels and indicated that it hired additional staff. It stated that it has instituted a departmental policy, whereby all supporting documentation is scanned and filed electronically in an effort to ease the retrieval of expenditure support documents. The Parish also stated that it has instituted a process where its departmental staff will make drawdown requests to assure consistency with HUD requirements for drawdowns within 120 days, maintain documentation, and considered other processes and procedures to improve its drawdown process. We acknowledge the Parish's efforts towards resolving these weaknesses.

Comment 5 The Parish disagreed that no accounting procedures were in place and stated that it provided its current procedures with the response. Our report did not conclude that there were no accounting procedures in place, but that the Parish did not have an adequate departmental expenditure policy. In addition, the additional support documentation provided with the response did not include the current procedures. Therefore, we stand by our original conclusion.

Comment 6 Regarding its procurement processes, the Parish asserted that the departmental procurement procedures used by its staff was mandated by HUD and received concurrence from the Parish's Legal and Purchasing Departments. It also stated that it had recently been working to update its in-house process for procurement of the pre-bidder's list and planned to develop new procedures as well as seek best practices to increase participation from the private market. Based upon these efforts the Parish asserted that it did more than due diligence to increase competition and provide reasonable costs for the services. The Parish further explained that the Parish relied on price analyses performed by a certified lead inspector but these inspectors or risk assessors have retired or did not return after the storm. Thus, the staff member presently in charge of housing rehabilitation is anticipated to obtain a lead inspector certification in October of this year. Based upon these comments, the Parish requested that finding 2 be cleared.

While we acknowledge the Parish's efforts, the Parish has not yet (1) revised its departmental procurement policies to ensure all procurement requirements outlined in 24 CFR 85.36 are met, (2) updated its departmental pre-bidder's list, and (3) obtained specialized departmental staff to conduct cost reasonableness analyses for lead inspections. Therefore, we did not clear the finding and stand by our original conclusions and recommendations.

Comment 7 The Parish stated that the Adopt a School program was located in a severely low income neighborhood and was geared toward troubled and at risk youth who were economically, academically, socially, and psychologically disadvantaged. It asserted that it could have met the low-mod criteria by documenting the nature and location of the program as opposed to income verification and the program would have met the requirements. However, based upon (1) conversations with the departmental staff, (2) its 2011 CAPER, and (3) the subrecipient agreement(s) requirements, income verification was the means of determining the low to

moderate income status for this program and not its nature and location. Thus, supporting income verification documentation should have been obtained and maintained.

In addition, the Parish asserted that it did not disregard departmental monitoring and agreement requirements and that all subrecipients are monitored continuously throughout the year with one onsite visit. It attached copies of the process, monitoring letters and other support documentation with its response. However, this documentation was the same documentation provided during the audit, which was deemed insufficient. In addition, some monitoring letters were outside the scope of the audit. The Parish did not provide any documentation supporting that it did not disregard the subrecipient agreement requirements. Based upon the previously supplied documentation for the other subrecipients, the Parish asserted that it had proven that it had met all of the requirements and requested that finding 3 be cleared.

Due to the deficiencies that remain, as explained in the previous paragraphs, we did not clear the finding and stand by our original conclusions and recommendations.

Appendix C

QUESTIONED HOUSING REHABILITATION CONTRACTS

Contractor	Contract start date	Contract end date	Amount awarded	Amount questioned
LASCO (lead abatement contracts)	6/27/2013	9/1/2013	\$ 37,985	\$37,985
	3/22/2012	4/21/2012	1,795	1,795
	3/22/2012	4/21/2012	7,070	7,070
	5/13/2013	7/1/2013	22,270	22,270
	4/23/2012	6/26/2012	1,140	1,140
	5/13/2013	6/13/2013	975	975
	9/24/2012	10/24/2012	34,282	34,282
	3/26/2012	4/25/2012	23,178	23,178
	9/24/2012	11/23/2012	32,606	32,606
	3/1/2013	4/30/2013	1,390	1,390
	8/22/2013	10/27/2013	2,195	2,195
	4/18/2012	5/24/2012	3,285	2,956
	10/11/2013	11/16/2013	2,095	2,095
	9/24/2012	10/24/2012	29,903	29,903
LASCO (housing rehabilitation contract)	5/18/2011	11/19/2011	53,950	53,950
Prestige Facility Maintenance Service (housing rehabilitation contract)	2/6/2012	12/22/2012	13,707	13,707
Total			\$267,826	\$267,497