



Issue Date December 19, 2007
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Audit Report Number: 2008-AO-1001
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TO: Nelson Bregon, General Deputy Assistant Secretary, D  
*Rose Capalungan*  
FROM: Rose Capalungan, Regional Inspector General for Audit, GAH  
SUBJECT: State of Louisiana, Baton Rouge, Louisiana, Road Home Program,  
ICF Did Not Always Provide Contract Deliverables as Required

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the State of Louisiana's (State) Road Home program (Road Home) housing manager's performance under a contract worth more than \$750 million. The State is a Community Development Block Grant (CDBG) disaster recovery grantee under the Department of Defense Appropriations Act of 2006.

We initiated the audit in conjunction with the Office of Inspector General (OIG) Gulf Coast Region's audit plan and examination of relief efforts provided by the federal government in the aftermath of Hurricanes Katrina and Rita. Our objective was to determine whether the Road Home housing manager, ICF Emergency Management Services (ICF), provided contract deliverables in accordance with the terms and conditions of its contract with the State.

### **What We Found**

The State's Road Home housing manager, ICF, did not always provide contract deliverables in accordance with the terms and conditions of its contract with the State, thereby causing the State to reject the deliverables. Specifically, the State rejected 6 of 80 deliverables provided by ICF. Of the six rejected deliverables, the homeowner management information system deliverable was most critical, since it was the core processing mechanism needed for the progress of the homeowner assistance program. This condition occurred because of many State-

imposed program changes, ICF's incapacity to adopt those changes by delivery dates defined by contract, and the State's lack of an adequate monitoring system to ensure that ICF provided contract deliverables by their due dates. Collectively, the management information system, in conjunction with the State's perpetual modification requirements to the system, and inadequate monitoring of system modification requirements during phase 1, contributed to delaying the distribution of grants to eligible homeowners.

### **What We Recommend**

We recommend that the U.S. Department of Housing and Urban Development's (HUD) General Deputy Assistant Secretary for Community Planning and Development require the State to set realistic goals for ICF, taking timely appropriate action against ICF when performance problems arise as stipulated by the contract; and verify whether the State adequately implemented its new monitoring policies and procedures.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

### **Auditee's Response**

We provided a draft report to the State's and HUD's staff on November 6, 2007. We conducted an exit conference with the State and HUD on November 14, 2007.

We asked for and State's Office of Community Development executive director provided written comments on the draft report on November 21, 2007. The State disagrees with the report's conclusions. The complete text of the State's written response, along with our evaluation of that response, can be found in appendix A of this report.

# TABLE OF CONTENTS

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Background and Objective	4
Results of Audit	
Finding 1: ICF Did Not Always Provide Contract Deliverables in Accordance with Its Contract with the State	5
Scope and Methodology	12
Internal Controls	13
Appendix	
A. Auditee Comments and OIG's Evaluation	15

## **BACKGROUND AND OBJECTIVE**

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On December 23, 2005, Congress approved a \$29 billion package of Gulf Coast hurricane relief. The package included \$11.5 billion for the supplemental Community Development Block Grant (CDBG) program and a provision that no single state could receive more than 54 percent of each allocation within the package. The U.S. Department of Housing and Urban Development (HUD) awarded the full 54 percent of its \$11.5 billion hurricane relief allocation to the State of Louisiana (State), resulting in a \$6.2 billion award. HUD authorized the State to begin use of these funds on May 9, 2006. On June 15, 2006, Congress approved an additional \$4.2 billion for the State for a combined total of \$10.4 billion.

The State's Division of Administration is the central management and administrative support agency for the State. The Disaster Recovery Unit within the Division of Administration's Office of Community Development (OCD) is responsible for administering the use of the supplemental CDBG funds. The Louisiana Recovery Authority is the planning and coordinating body for the recovery and rebuilding of the State of Louisiana. The Disaster Recovery Unit, in conjunction with the Louisiana Recovery Authority, develops action plans outlining the programs and methods the State uses to distribute the supplemental CDBG funds. HUD must approve the action plans before the supplemental CDBG funds are available to be disbursed.

With approval from the Louisiana legislature, the governor, the Louisiana Recovery Authority, and the Disaster Recovery Unit created the Louisiana Road Home program (Road Home), which encompasses a number of programs designed to assist property owners in rebuilding as part of recovery efforts. The State has allocated more than \$6.3 billion in CDBG disaster recovery funds to the homeowner assistance program, one of the Road Home programs, which provides a compensation grant capped at \$150,000 per eligible homeowner.

The State executed a contract with ICF Emergency Management Services (ICF), effective June 12, 2006, to serve as the Road Home housing manager, acting as the State's agent. Being the Road Home housing manager, ICF was required by the State to provide certain deliverables, including the homeowner management information system deliverable, as part of its implementation of the Road Home program.

Our objective was to determine whether the Road Home housing manager, ICF, provided contract deliverables in accordance with the terms and conditions of its contract with the State.

## RESULTS OF AUDIT

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### Finding 1: ICF Did Not Always Provide Contract Deliverables in Accordance with Its Contract with the State

The State's Road Home housing manager, ICF, did not always provide contract deliverables in accordance with the terms and conditions of its contract with the State, thereby causing the State to reject the deliverables. Specifically, the State rejected 6 of 80 deliverables provided by ICF. Of the six rejected deliverables, the homeowner management information system deliverable was most critical, since it was the core processing mechanism needed for the progress of the homeowner assistance program. This condition occurred because of many State-imposed program changes, ICF's incapacity to adopt those changes by delivery dates defined by contract, and the State's lack of an adequate monitoring system to ensure that ICF provided deliverables by their due dates. Collectively, the management information system, in conjunction with the State's perpetual modification requirements to the system and inadequate monitoring of system modification requirements during phase 1, contributed to delaying the distribution of grants to eligible homeowners.

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#### State and Contract Requirements

According to its HUD-approved action plan, the State was required to implement the Road Home program to assist property owners in rebuilding, as part of recovery efforts in the aftermath of Hurricanes Katrina and Rita.

To assist in the Road Home program's implementation, the State executed a contract with ICF to serve as the Road Home program's housing manager. Under the terms and conditions of the contract, effective June 12, 2006, the State required ICF to provide a number of deliverables on scheduled target dates, including the homeowner management information system.

#### Contract Deliverables

ICF provided deliverables by their target dates, but the deliverables were not always completed in accordance with the terms and conditions of the contract. In turn, the State would reject the deliverables. The State required ICF to provide 80 deliverables between June 12, 2006, and January 31, 2007. The State had the option to codify each deliverable according to its status category (defined in the table below)

### Description of deliverable review results

Status category	Definition
<i>Approved</i>	No further action necessary by either party (Office of Community Development /ICF)
<i>Rejected – requires clarification</i>	Rejected by OCD and requires further explanation by ICF before review and approval
<i>Delay approved</i>	Postponed; request for delay approved by OCD; updates to be determined
<i>Pending delivery</i>	Awaiting delivery to OCD
<i>Report (annually)</i>	Does not require approval; will be reported on an annual basis; must be accepted by management
<i>Report (quarterly)</i>	Does not require approval; will be reported on a quarterly basis; must be accepted by management
<i>Report (monthly)</i>	Does not require approval; will be reported on a monthly basis; will be accepted by management at discussion meeting
<i>Report (weekly)</i>	Does not require approval; will be reported on a weekly basis; must be accepted by management
<i>Delivered – request approval</i>	Deliverable delivered by ICF, requesting approval by OCD
<i>Pending – request State action</i>	Deliverable awaiting delivery, requiring State action before approval
<i>Pending – request federal action</i>	Deliverable awaiting delivery, requiring federal action before approval
<i>Pending – request clarification</i>	Ready for delivery, but a decision still needs to be made about the program
<i>Delay requested</i>	Postponement requested by ICF; status cannot be reported; changes are being made within the program
<i>Revised delivered</i>	“Rejected requires clarification” has been responded to, and an explanation has been given by ICF

By April 27, 2007, of the 80 deliverables,

- Six were rejected, requiring clarification;
- 52 were approved;<sup>1</sup>
- One was required quarterly;
- 10 were pending, requiring State action;
- Five were delivered;
- Five were delayed;<sup>2</sup> and
- One revision was delivered.

<sup>1</sup> Forty-two deliverables were approved without comments, and 10 were approved with comments.

<sup>2</sup> The State had approved the delay of two of these deliverables.

The six deliverables that were rejected, requiring clarification, included the homeowner management information system, fully functional; small rental assistance program Web site, approved/online; update to appeals process; ombudsman procedures and policy; data dictionary for all programs; and controls assessment interim report.

### **Most Critical Deliverable**

Of those six deliverables that remained in rejected status, the management information system deliverable was the most critical, since it was the core processing mechanism needed for the progress of the homeowner assistance program.

The homeowner management information system provides a record of source for data collection, data entry and verification, award calculation and option letter generation, reverification, compliance review and approval, closing, and filing (data/record maintenance). ICF planned to support the management information system by using a preexisting program called eGrantsPlus. The homeowner assistance application process through the management information system was as follows:

- Data collection - Homeowners would submit an application and supporting documentation at one of the housing assistance centers;
- Data entry and verification - Once the application was submitted and entered into eGrantsPlus, it would be verified using data and/or information (such as flood plane, appraisal, Small Business Administration) from a third party;
- Award calculation and generation of option letters - After verification, a compensation award would be calculated, and eGrantsPlus would generate an option letter offering the homeowner three options;
- Reverification - When a response was received from the homeowner, the application would be submitted back through eGrantsPlus, and a reverification of the data would be performed according to the option chosen;
- Compliance review and approval - After the data reverification process, the information would be sent to the State for a compliance review and approval of the compensation award amount;
- Closing - Once the State completed its review and approval, the closing agent would schedule the closing, and the State would issue a check for the approved compensation award amount; and
- Data/record maintenance - After the closing was completed, the closing documents would be stored in an electronic file via eGrantsPlus.

## **Management Information System Not Provided in Accordance with Contract**

ICF did not provide the management information system in accordance with the terms and conditions of its contract with the State. The State required the full functionality of the management information system deliverable by August 29, 2006. However, when ICF submitted the deliverable, the State rejected it, requiring clarification because the system was not complete. Thus, the system was not completed in accordance with contractual requirements.

Phase 1 of the contract, the “start-up” of the homeowner assistance program, ran from June 12 through October 11, 2006. October 12, 2006, was the date scheduled for the beginning of phase 2 and the full-scale operation of the homeowner assistance program. At the time phase 1 ended, ICF had not provided a fully functional management information system. This deliverable remained in rejected status because it was not fully functional. Consequently, the full-scale operation of the homeowner assistance program was delayed because the homeowner management information system was not fully functional.

The State provided additional time for ICF to complete the management information system via contract amendment. In its third amendment to the contract,<sup>3</sup> the State amended the target date for the management information system deliverable to November 15, 2006. However, when ICF submitted the deliverable, the State again rejected it.

## **Benefit Calculations and Awards Possibly Delayed**

Because ICF did not provide the management information system in accordance with the contract target date, the distribution of grants to homeowners was possibly delayed. By October 16, 2006, 68,860 displaced hurricane victims had applied for relief through the homeowner assistance program. The number of applicants had increased to 78,382 by November 16, 2006. However, of the 78,382 applicants, only 5,770 (or 7 percent) benefits had been calculated and only 32 (less than 1 percent) homeowners had received awards. A fully functional or at least a “more” functional management information system probably would have allowed a greater number of benefits to be calculated and awards to be made by November 16.

More than five months after the amended due date, ICF had not provided a management information system deliverable in accordance with contractual terms as established and amended. In the State’s April 26, 2007, review of the

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<sup>3</sup> Effective October 12, 2006.



deliverable, it rejected the management information system deliverable again because it was not fully functional. State officials said the management information system lacked electronic transfer capabilities that were required by the original contract. By April 26, 2007, the number of applicants had jumped to 129,369, only 69,025 (or 53 percent) benefits had been calculated, and only 11,392 (or 9 percent) homeowners had received awards. Again, a fully functional or at least a “more” functional management information system probably would have allowed a greater number of benefits to be calculated and awards to be made.

### **Lack of Monitoring Documentation and Corrective Action**

Despite ICF’s inadequate performance evidenced by its repeated missed delivery of a fully functional management information system, the State did not require specific written corrective action plans or penalize ICF when it did not provide deliverables (to include the management information system) in accordance with the terms and conditions of the contract.

State officials said that there were a number of State-required policy changes to the program, and it would have been difficult to penalize ICF with all of the changes it required ICF to make to the program. The State claimed that its policy change demands contributed to ICF’s inability to deliver a fully functional management information system; however, the first documented policy change of record was September 29, 2006, a full month after the system was supposed to have been fully functional. Even though the State and ICF indicated that meetings and telephone conferences were regularly held, it could not provide written documentation of those meetings or written action plans that addressed ICF’s corrective actions to deliver a fully functional system.

### **Adequate Monitoring System Lacking**

The State, as HUD’s grantee, was responsible for compliance with federal requirements. HUD also required the State to establish and implement monitoring processes to ensure that program requirements were met. Specifically, the State was required to take steps to avoid or mitigate occurrences of mismanagement, especially with respect to accountability. However, the State did not have an adequate monitoring system in place.

During phase 1, the State only had one staff person to receive, review, and approve and/or disapprove deliverables. That staff person also had duties as the financial manager. In addition, the State did not have a fully operational staff until the end of 2006. Further, as reported by the Louisiana legislative auditor’s

office,<sup>4</sup> the State did not have an adequate system in place to ensure that deliverables were reviewed and accepted or rejected in a timely manner. The Louisiana legislative auditor's office<sup>5</sup> further reported that the State did not have anyone to oversee the entire policy change process and relied wholly on ICF to effectively manage this process and track the status and approvals of policy changes.

Therefore, the State did not have the needed staff or an adequate monitoring system in place to evaluate the adequacy of ICF's performance. Consequently, the State could not provide ICF with sufficient guidance, make an informed determination of at what stage of development the deliverables should have been, define any activity to compensate for inadequate performance, or enforce any action necessary against ICF when it did not produce deliverables in accordance with the contract terms and conditions.

### **Progress and Improvements**

The homeowner assistance program has progressed. As of August 2, 2007, 112,722 benefits had been calculated, and awards had been made to 39,747 homeowners. In addition, the State has made a number of improvements to its monitoring processes and procedures that include a performance measurement plan with objective and measurable performance parameters, along with corresponding incentives and penalties. The State has

- Hired additional staff - More than 10 additional monitoring staff persons were hired;
- Drafted policies and procedures - Written monitoring policies and procedures were drafted;
- Designated staff to track deliverables - The designated staff tracks the receipt of deliverables, ensures that deliverables are reviewed and approved within 20 days of receipt, and ensures that ICF responds to rejected deliverables within 20 days;
- Developed a performance plan - The fourth amendment to the contract requires ICF to follow a performance measurement plan on a quarterly basis, including performance credits for noncompliance;<sup>6</sup>
- Designated staff to monitor policy changes - Two administrators were designated to oversee the review of policy changes, coordinate those changes for each program area, and hold weekly meetings related to the policy changes; and
- Developed a process to track policy changes - The new process tracks policy changes by program area and requires ICF to submit all policy changes to

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<sup>4</sup> Louisiana Legislative Auditor (LLA) Road Home Program ICF Contract and Deliverables Audit Report, dated May 30, 2007.

<sup>5</sup> LLA Road Home Program Review of Policy Change Approval Process Audit Report, dated June 13, 2007.

<sup>6</sup> The amendment was effective March 15, 2007, and the performance plan was effective April 13, 2007.

the State for its review and approval. The policy change process also involves a weekly meeting of the State, the Louisiana Recovery Authority, and ICF to discuss the proposed changes.<sup>7</sup>

## Conclusion

If the State had an adequate monitoring system in place at the inception of the contract, it could have better assisted ICF in providing the deliverables in accordance with the terms and conditions of the contract, and the homeowner program might have been further along in its progress. Moreover, there probably would have been a greater number of grants distributed to eligible recipients.

To ensure that the progress of the homeowner assistance program continues, the State must ensure that it sets realistic goals for ICF, taking timely appropriate action against ICF when performance problems arise, as stipulated by the contract, and adequately implement its new monitoring policies and procedures.

## Recommendations

We recommend that HUD's General Deputy Assistant Secretary for Community Planning and Development

- 1A. Require the State to set realistic goals for ICF and take timely appropriate action against ICF when performance problems arise, as stipulated by the contract.
- 1B. Verify whether the State has adequately implemented its new monitoring policies and procedures.

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<sup>7</sup> The weekly meetings are also attended by representatives from the State House of Representatives and the State Senate.

## SCOPE AND METHODOLOGY

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We performed our audit work between December 2006 and September 2007.

We conducted our fieldwork at the HUD Office of Inspector General (OIG) New Orleans, Louisiana, field office and the State's Office of Community Development Disaster Recovery Unit and ICF in Baton Rouge, Louisiana.

To accomplish our objectives, we reviewed the HUD-approved action plan and amendments, the contract executed between the State and ICF and later amendments, the *Code of Federal Regulations*, waivers, and other applicable legal authorities relevant to the CDBG disaster recovery grants. We also reviewed reports issued by the Louisiana legislative auditor's office, invoices and supporting documentation, and the status and requirements for the management information system deliverable. Further, we interviewed State officials and staff and key personnel of the Louisiana Recovery Authority and ICF.

Our audit period covered February 1 through November 30, 2006. We expanded this period as necessary. We conducted the audit in accordance with generally accepted government auditing standards.

# INTERNAL CONTROLS

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Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting,
- Compliance with applicable laws and regulations, and
- Safeguarding resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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## Relevant Internal Controls

We determined the following internal controls were relevant to our audit objective:

- Program operations - Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data - Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with laws and regulations - Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

A significant weakness exists if internal controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

## Significant Weakness

Based on our review, we believe the following item is a significant weakness:

- Because the State did not have an adequate monitoring system in place, the State's Road Home housing manager, ICF, did not always provide contract deliverables in accordance with the terms and conditions of its contract (finding 1).

# APPENDIX

## Appendix A

### AUDITEE COMMENTS AND OIG'S EVALUATION

#### Ref to OIG Evaluation

#### Auditee Comments



KATHLEEN BABINEAUX BLANCO  
GOVERNOR

*State of Louisiana*  
DIVISION OF ADMINISTRATION  
OFFICE OF COMMUNITY DEVELOPMENT  
DISASTER RECOVERY UNIT

JERRY LUKE LEBLANC  
COMMISSIONER OF ADMINISTRATION

November 21, 2007

Ms. Rose Capalungan  
Regional Inspector General for Audit  
Gulf Coast Region Office of the Inspector General for Audit  
Hale Boggs Federal Building  
500 Poydras Street, 11<sup>th</sup> Floor  
New Orleans LA 70130

Re: Audit of Louisiana's Road Home  
Contractor Contract Deliverables Audit  
2008-AO-1001, November 6, 2007

Dear Ms. Capalungan:

This letter is in response to the recent audit performed by the Office of Inspector General in the U.S. Department of Housing and Urban Development on contract deliverables for the Louisiana Road Home program. This program is administered by the Office of Community Development [OCD], with the assistance of ICF International, our contractor.

The general conclusion of the audit is that OCD did not have an adequate monitoring system in place at the inception of the ICF contract, and it further concludes that a monitoring system probably would have resulted in greater progress in the homeowner program and "there probably would have been a greater number of grants distributed to eligible recipients"

OCD believes this conclusion is incorrect, that a review and monitoring system did exist, as acknowledged in the OIG report which stated that eighty [80] separate program deliverables were reviewed, of which six [6] were rejected in part or whole. A major point made in the OIG report is the assertion that the failure of ICF to develop a fully functional MIS may be the reason for a delay in distributing funds to homeowners. This statement is repeated several times throughout the report, but is offered without any supporting documentation and, as such, represents an opinion at best, if not an ill-conceived speculation usually not found in an audit report. As a measure of counterpoint, the Road Home program, as of November 17, 2007—a period of just over a year from program startup—awarded over 4.5 billion dollars [\$4,500,000,000] to over 70,000 homeowners to rebuild. This clearly indicates that the MIS is functional. By comparison, the national CDBG program, distributes a similar amount yearly through 1200 local government units.

The OIG report makes two recommendations. The first of these is for HUD to require the State to set realistic goals for ICF and take timely appropriate action when performance

301 MAIN STREET, SUITE 600 • ONE AMERICAN PLACE • BATON ROUGE, LA 70801  
(225) 219-9600 • 1-866-272-3597 • Fax (225) 219-9605  
AN EQUAL OPPORTUNITY EMPLOYER

Comment 1

Comment 2

Ms. Rose Capalungan  
November 21, 2007  
page 2

**Comment 3**

problems exist, as stipulated in the contract. Attached to this letter is the Fourth Amendment to the contract which does exactly that. OCD also provided you with documentation of the meetings held with ICF and also a summary of all the policy decisions made which impacted the delivery of a fully functional Management Information System.

**Comment 4**

**Comment 1**

A second recommendation for HUD is that they verify whether the State has adequately implemented its new monitoring policies and procedures. We believe this to be an inaccurate conclusion and contend that a monitoring system was in place, and that it was clearly documented that OCD staff reviewed ICF deliverables and acted on them.

**Comment 5**

OCD also questions whether a CDBG regulation of statute is the basis for your finding, since none is cited.

A program of this nature and magnitude has never before been undertaken, so there were no comparable programs from which to draw upon for development. The initial staff was hired based on years of experience in managing and monitoring federal and state programs, especially CDBG. During the development of the pilot and regular programs, to include the development of the MIS, monitoring became, and still is, a nearly daily function. Each step along the way, new ideas were presented and tested. New procedures were developed and tested. Policies had to be and still are being developed, implemented, reviewed and changed to find ways to make the program fully functional and able to address the needs as effectively and efficiently as possible. Contract deliverables, of which the contract has over 700, began and still are being delivered. The priority for the development of the MIS was to be able to calculate benefits for each homeowner, with other aspects of the system left to mature as the program matured.


Monitoring of all of these activities was handled in face to face meetings, hammering out the details and immediately beginning implementation. Over time processes were and still are being developed to formally manage these activities. The audit clearly identifies some of the improvements that have occurred to enhance monitoring of these activities that were not able to be implemented early on. They came about only as a result of the maturing of the program and the recognition that too many outside variables were being injected into the program at a very rapid pace. This is especially critical to understand because the contract with ICF has been significantly advanced from its originally approved schedule of activities. As a result of external demands to speed up delivery of compensation, these demands have impacted severely the ability to develop consistent processes for implementation and management. While the OCD and ICF have been able to settle into many management and monitoring processes, the environment continues to change, and management and monitoring procedures are constantly being reviewed and revised to adjust to external demands.



Ms. Rose Capalungan  
November 21, 2007  
page 3

The Office of Community Development appreciates the efforts of the Inspector General to assist in Louisiana disaster recovery efforts.

Sincerely Yours,

  
Susan Elkins *for*  
Executive Director

SE/TB:jp

Enclosure

c: Thomas Brennan  
Michael Taylor  
Mike Spletto  
Steven Green

**STATE OF LOUISIANA/ICF ROAD HOME CONTRACT**

Performance Measurement Plan

For the Period: 2007, 3<sup>rd</sup> and 4<sup>th</sup> Quarters

Pursuant to Section 1.2.3.1 of the OCD/ICF contract dated June 30, 2006, as amended by the Fourth Amendment dated March 15, 2007, OCD and ICF hereby agree to the following performance measures for the 3 and 4<sup>th</sup> Quarters of 2007.

The performance credit amount is defined as funds OCD will withhold from ICF and hereinafter referred to as "Performance Credit". Performance Credits will be assessed for each of the below performance measure categories, in the amount assigned for such category.

For Performance Credits which are triggered on a monthly basis (numbers 3, 4 and 5b), the Performance Credit amount will be determined based on the statistics as of 12:01 a.m. on the first day of the following month. One-time Performance Credits (numbers 1, 2, and 5a) shall be based on statistics as of 12:01 a.m. on the day following the specified date in the performance measure. ICF and OCD will agree in advance on the form and timing of the documentation.

If necessary, target adjustments will be made when changes in program policies are made (as approved through the Change Control Board [CCB] or otherwise as provided in the Contract); changes in scope, direction, budget, or program funding are made; changes in contract terms are enacted; or force majeure events occur. Force majeure events include preparation for severe weather events regardless of whether or not the weather event occurs.

As used below, "valid, eligible, and active homeowner applications" means those applications represented on the Governor's daily activity report as "Applications Available for Calculation".

**Performances Goals**

**Performance Measure 1:** : By December 31, 2007, ICF shall issue award letters to a minimum of 85% of all valid, eligible, and active homeowner applicants who applied by the July 31, 2007 deadline and have had an appointment at a Housing Assistance Center on or before October 31<sup>st</sup>, 2007. For each percentage point below 85% by which ICF does not meet Performance Measure 1, a Performance Credit shall be issued at the rate of \$50,000.00 per percentage point below 85%. The maximum penalty under this Performance Measure is \$1,000,000.00.

**Performance Measure 2:** By December 31, 2007, conduct closings on a minimum of 85% of all valid, eligible, and active applications for homeowners who have returned completed Benefit Selection Forms for Option 1 and 75% of all homeowners who have returned a completed Benefit Selection Form for Options 2 and 3. Each homeowner to be counted within these goals, must have accepted their benefit amount by October 31, 2007 and have no ownership impediments. For each percentage point below the respective goal by which ICF does not meet Performance Measure 2, a Performance Credit shall be issued at the rate of \$50,000.00 per percentage point. The maximum penalty under this Performance Measure is \$1,000,000.00.

Any resolution file that is delayed due to an impending policy decision or which the state agrees with ICF to put on hold, will not be considered to be opened for purposes of this Performance Measure until the policy decision has been made, the action taken, or the hold removed and communicated to ICF in accordance with the terms of the Contract.

Signed this 31 day of July, 2007

**Office of Community Development**

By Thomas Brennan  
Thomas Brennan, Deputy Executive Director

**ICF Emergency Management Services, LLC**

By Kenneth B. Koloky  
Printed Name Kenneth B. Koloky  
Title Executive Vice President

**OIG Evaluation of Auditee Comments**

**Comment 1** OCD believes the conclusion that it did not have an adequate monitoring system in place at the inception of the contract is incorrect and inaccurate as a review and monitoring system did exist. We agree that a review and monitoring system existed, but we maintain that it was inadequate at the contract’s inception. As explained in the finding, during phase 1 of the contract, the State had only one person assigned to monitor deliverables, and that person also worked as a financial manager. Further, the Louisiana legislative auditor’s office previously reported that the State did not have an adequate system in place to ensure that deliverables were reviewed and accepted or rejected in a timely manner.

**Comment 2** OCD further states that the finding does not offer any support for the assertion that ICF’s failure to develop a fully functional MIS may be the reason for a delay in distributing funds to homeowners. We disagree. Our report states that even though the system was to be fully functional on the extended contract date of November 15, 2006, on November 16, only 5,770 (or 7 percent) of 78,382 applicants had their benefits calculated, and only 32 (less than 1 percent) homeowners had received awards. Further, the system calculator, eGrants Plus, used to calculate benefits was run “side by side” with a manual system. ICF staff informed us the full implementation of the system calculator occurred on October 30, 2006, and the impact of the manual system can clearly be seen by the increase in verifications that occurred after its discontinuation as documented in the following table.

	Applications received	Applications in verification	Verified & benefit calculated	Closed
<b>October 10-15, 2006</b>	68,860	10,082	247	13
<b>October 17-23, 2006</b>	73,353	13,131	297	15
<b>October 24-30, 2006</b>	77,281	15,695	486	17
<b>October 31-November 6, 2006</b>	78,695	19,356	1,721	20
<b>November 6-9, 2006</b>	75,724 *	21,444	3,119	25
<b>November 10-16, 2006</b>	78,382	26,197	5,770	32
<b>November 17-23, 2006</b>	80,587	30,258	8,981	44

\* - Drop is due to the removal of duplicates.

**Comment 3** OCD indicates that the fourth amendment of the contract addresses the first recommendation. We disagree. The amendment provided by OCD deals with performance goals tied to processing applications and closings, which were needed. However, these goals do not address contract deliverables such as the management information system, which are still needed.

**Comment 4** OCD indicated it provided documentation of meetings held with ICF and that it clearly documented that the deliverables were reviewed and acted upon. We

agree that deliverables were reviewed and rejected, but OCD's documentation of the reasons for rejection and actions needed was vague. For example, the December 13 2006, rejection of the management information system in the deliverables matrix stated, "Rejected – Requires Clarification," and the April 24, 2007, rejection merely stated, "System is still not fully functional." In addition, in interviews, OCD stated it held weekly meetings with ICF, but it did not maintain meeting minutes. Further, OCD did provide a document listing its concerns, prepared for the October 31, 2006, weekly meeting, which stated, "OCD staff is concerned about when the MIS will become operational and want a full, frank, and honest assessment of the issues and problems encountered with its deployment." However, we did not find where such an assessment was documented.

**Comment 5** OCD questioned whether a CDBG regulation or statute was the basis of the finding as none was cited. The purpose of this audit was not to determine whether the contract complied with CDBG regulations, and, thus, they are not referenced in the report. Instead, this audit's objective was to determine whether ICF provided contract deliverables in accordance with the terms and conditions of its contract with the State.