



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

March 29, 2013

MEMORANDUM NO:
2013-IE-0803

Memorandum

TO: Stanley Gimont
Director, Office of Block Grant Assistance Program, DGB

//signed//

FROM: Donna M. Hawkins
Acting Director, Inspections and Evaluations Division, GAH

SUBJECT: Follow-up of the Inspections and Evaluations Division on Its Inspection of the State of Louisiana's Road Home Elevation Incentive Program Homeowner Compliance (IED-09-002, March 2010)

INTRODUCTION

We completed a follow-up review regarding our recommendations made to the U.S. Department of Housing Urban and Development's (HUD) Office of Community Planning and Development (CPD) pertaining to our inspection of the State of Louisiana's Road Home Elevation Incentive program, IED-09-002, issued in March 2010. We initiated this review as part of our annual work plan.

The objective of the review was to determine whether the State of Louisiana had implemented the four recommendations in our March 2010 report. One recommendation was addressed and closed at issuance of the report. During this follow-up review, we agreed to close two additional recommendations based on the documentation provided by CPD and the State. For the remaining recommendation regarding the recovery of \$3.8 million awarded to 158 noncompliant homeowners, documentation showed that the State had recovered only approximately \$200,900 of the award funds.

As of August 31, 2012, the State's documentation showed that a total of 24,042 homeowners either were noncompliant, including those that had not elevated their homes; were nonresponsive; or did not provide sufficient supporting documentation. Therefore, the State did not have conclusive evidence that the \$698.5 million in Community Development Block Grant (CDBG) disaster recovery funds had been used to elevate homes. Consequently, this recommendation remains open and has been revised based on our follow-up review due to the increased noncompliance among homeowners who received elevation grants.

METHODOLOGY AND SCOPE

We performed our review at the HUD Office of Inspector General's (OIG) New York regional office of CPD's and the State's documentation from March through August 2012.

We interviewed CPD's Office of Block Grant Assistance-Disaster Recovery and Special Issues Division Assistant Director and staff to determine their efforts to require the State to implement the three recommendations in our March 2010 report. We interviewed the deputy director of the State's Office of Community Development-Disaster Recovery Unit to determine measures taken to implement the three recommendations. We reviewed documentation provided by HUD's Disaster Recovery and Special Issues Division and the State's Disaster Recovery Unit covering the period from the March 2010 report to August 31, 2012, pertaining to the actions taken by the State to implement the recommendations and the current status of the home elevation program. We relied on CPD's and the State's review of the documentation. Therefore, we did not test the results identified in the documentation, nor did we conduct physical inspections.

We conducted this review in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

BACKGROUND

On December 23, 2005, Congress approved a \$29 billion package of Gulf Coast hurricane relief funds. The package included \$11.5 billion for CDBG disaster recovery-funded programs, which are administered by CPD's Office of Block Grant Assistance-Disaster Recovery and Special Issues Division. The package included a provision that no single State could receive more than 54 percent of each allocation within the package. HUD awarded the full 54 percent of its \$11.5 billion hurricane relief allocation to Louisiana, resulting in a \$6.2 billion award. In June 2006, Congress approved an additional \$4.2 billion for housing in Louisiana, fully funding the State's Road Home program. The Road Home program has disbursed \$8.96 billion to eligible homeowners, of which \$940.5 million funded the State's Road Home Elevation Incentive program.

The CDBG disaster recovery funds were authorized by Congress under supplemental appropriations laws,¹ which authorized HUD's Secretary to modify various statutes and regulations that could impede the prompt implementation of disaster relief programs and allow States to design and implement their own disaster relief programs. Upon request from the State receiving disaster recovery CDBG funds, the Secretary could waive certain Federal statutes and regulations. The Federal Register, Vol. 71, No. 114, issued June 14, 2006, states:

Compensation for disaster-related losses or housing incentives to resettle in Louisiana. The state plans to provide compensation to certain homeowners whose homes were damaged during the covered disasters, if the homeowners agree to meet the stipulations of the published program design. The state may also offer disaster recovery or mitigation housing incentives to promote housing development or resettlement in particular

¹ Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006, P.L. 109-148, December 30, 2005

geographic areas. The Department is waiving the 1974 Act and associated regulations to make these uses of grant funds eligible.

The State's Office of Community Development and the Louisiana Recovery Authority, an advisory board, developed the Road Home program in 2006 to assist homeowners with the costs of repairing properties damaged by Hurricanes Katrina and Rita. Through the Road Home Elevation Incentive award, it offered an eligible applicant a CDBG disaster recovery-funded grant of up to \$30,000 in return for a binding incentive agreement to elevate and reoccupy the home the owner lived in at the time of the hurricanes and to use it as the owner's primary residence within 3 years of signing the grant agreement.

In addition to the CDBG disaster recovery funds for the Road Home Elevation Incentive program, the State was approved to receive supplemental funding for elevation activities through the Federal Emergency Management Agency's (FEMA) Hazard Mitigation Grant Program. The State provided up to \$100,000 in program funds (based on actual construction costs) to eligible homeowners to elevate their homes to comply with, at a minimum, the required FEMA elevation height for the area. Unlike the Road Home elevation grant, elevation costs were paid on a reimbursable basis, and inspections were required before final payments would be disbursed.

Through the Road Home Elevation Incentive agreement, the State compensated certain homeowners whose homes were damaged during the covered disasters. By accepting a Road Home Elevation Incentive grant, the homeowner agreed to

- Comply with applicable elevation requirements,
- Comply with building and manufactured housing codes, and
- Maintain homeowner and flood insurance.

Further, the Elevation Incentive agreement specifically stated that if the homeowner did not elevate his or her home within 3 years of the signed agreement, the owner must repay the full grant amount to the State. ***The grant amounts awarded to the eligible homeowners were disbursed in one lump sum directly to the homeowner upon signing the binding agreement.***

RESULTS OF REVIEW

In our March 2010 report, we made four recommendations. We agreed to close three of the recommendations cited in our March 2010 report (see appendix A for additional details). The remaining recommendation required the State to enforce program remedies for noncompliance as stated in the binding grant agreements, starting with recovery of the \$3.8 million in grant funds from 158 noncompliant homeowners in our sample. Specifically, the report stated that 158 of our sample of 199 homeowners had not elevated their homes.

In response to our 2010 report, the State conducted site visits to 100 percent of the 199 homeowners included in our sample. As of December 2011, the State had determined that there were 149 noncompliant homeowners who had not elevated their homes. Thus, at the time of the site visits, only 50 homes had been elevated. The State conducted phone interviews with 52 noncompliant homeowners, who provided reasons, such as money and contractor issues, for not

elevating their homes. Despite the low compliance rate, the State reported that 187 homeowners had returned to their homes.

As of April 27, 2012, only 18 of these noncompliant homeowners had returned grant funds, either in full or in part, to the State. Grant recoveries from the 18 homeowners totaled approximately \$200,900.

Based on our recommendation, the State also performed a review of its Road Home elevation grant recipients who had reached their 3-year compliance period. As of August 31, 2012, the State's review documented that 24,042 homeowners, who received \$698.5 million in CDBG disaster recovery funds, either were noncompliant, including those who had not elevated their homes; were nonresponsive; or did not provide sufficient documentation. Therefore, this recommendation remains open and has been revised based on our follow-up review due to the increased noncompliance among homeowners who received elevation grants.

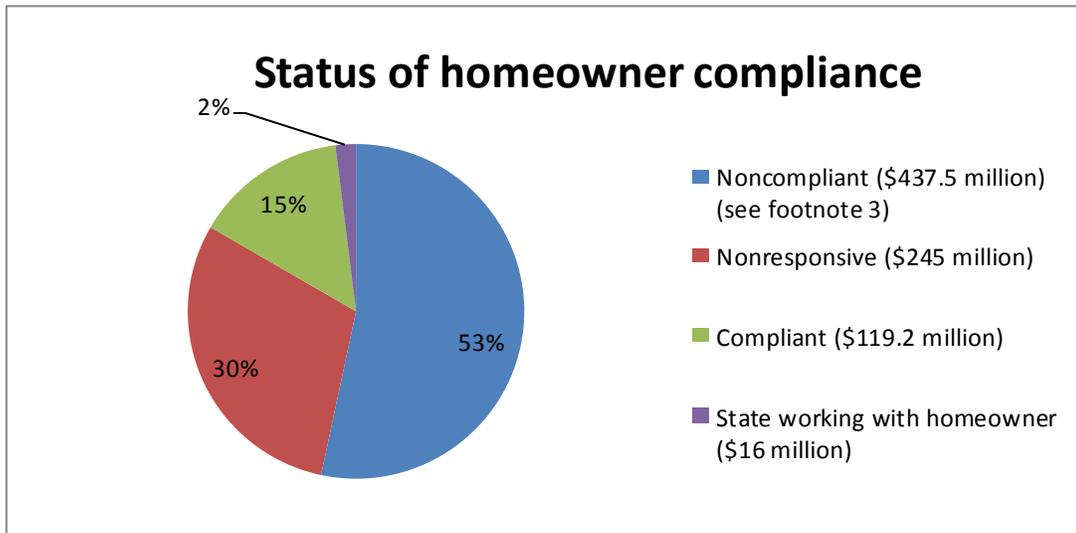
High Homeowner Noncompliance and Low Recovery of Grant Funds

We reviewed the documents provided by CPD and the State. Based on the State's documents, as of August 31, 2012, the State had distributed \$940.5 million in elevation grant funds to 32,319 homeowners, with an average grant amount of \$29,100. The 3-year compliance period had expired for 28,188 (or 87 percent of all program participants) homeowners. These homeowners received \$817.7 million.

The State mailed a monitoring survey to all homeowners whose compliance period had expired. Based on the surveys received as of August 31, 2012, the State determined that only 4,132 homeowners, who received \$119.2 million, had complied with their grant agreements and elevated their homes in compliance with program requirements. The State determined that another 15,027 responding homeowners were noncompliant with one or more of the grant agreement requirements. These noncompliant homeowners received \$437.5 million in elevation grant funds. The State received an additional 553 surveys from homeowners who responded as complying but did not provide the necessary documentation to support that they had elevated their homes. These 553 homeowners received \$16 million in elevation grants. The remaining 8,462 homeowners did not respond to the State's survey.² These homeowners received \$245 million in grant funds. The State informed us that it would contact the noncompliant homeowners to determine whether their homes had been elevated by the fall of 2012.

The following chart shows the status of homeowner compliance for those who reached the required 3-year period and the amount of funds received as of August 31, 2012.

² There is a difference of 14 homeowners between the total number of homeowners who received the State's monitoring survey (28,188) and the sum of the homeowners who responded and those who did not (28,174). According to a State official, 14 represents the number of homeowners who more recently received the survey and were given 30 days to respond. Since the 30 days had not yet passed, the State did not consider these homeowners as nonresponsive.



Overall, the State had attempted to collect funds from the noncompliant homeowners. The State indicated that, as of August 31, 2012, it had collected about \$2.73 million³ from 490 Road Home program participants. All of the funds were recovered through homeowner repayments and the State’s collections process. Of these 490 homeowners, 374 had repaid amounts identified for recovery, while another 116 continued making payments to the State’s Office of Attorney General. Except for the \$200,900, the State was unable to identify how much of the remaining funds was solely related to Elevation Incentive grantees.

Although the State’s outreach and education efforts had been positive, they had not resulted in substantially greater compliance or a higher rate of grant fund recovery. The elevation agreement signed by each homeowner requires elevation of the home to a specified level, and if it does not meet or exceed that level within 3 years from date of the agreement, the entire amount of the grant must be repaid to the State.

Considering the high incidence of noncompliance by homeowners, who received more than \$437 million in Federal funds, CPD and the State should consider alternative payment methods and controls for any future disbursements of disaster recovery CDBG funds, which would ensure greater grantee compliance.

After our review, the State provided additional information concerning the Road Home Elevation Incentive grantees who also participated in its Hazard Mitigation Grant Program. As of September 30, 2012, there were 5,303 homeowners, whose 3-year compliance period had expired, who received funding from both programs. Of these homeowners, 1,064, who were once identified as noncompliant or having inadequate documentation, had elevated their homes. Based on the \$30,000 incentive grant maximum, at most, these newly elevation-compliant

³ The \$2.73 million includes the approximately \$200,900 recovered from the 18 noncompliant elevation homeowners. Therefore, we adjusted the \$437.5 million noncompliant amount to \$437.3 million to reflect the \$200,900 recovered by the State from its Elevation Incentive grantees.

homeowners would have received an estimated \$31.9 million in Elevation Incentive grant funds. Although, we recognized the State's continued efforts, we have not adjusted our recommendations based on the information reported after August 31, 2012.

RECOMMENDATIONS

We recommend that HUD's Office of Community Planning and Development require the State of Louisiana to

- 1A Enforce program remedies for noncompliance as stated in grant agreements, starting with the recovery of \$437.3 million in elevation grant funds from the 15,027 homeowners who did not elevate their homes within 3 years of the grant agreement date and the State had not collected any of the funds.
- 1B Determine whether the 8,462 homeowners who did not respond to its monitoring survey used the \$245 million in elevation grant funds to elevate their homes. If not, the State should recover these funds from the noncompliant homeowners.
- 1C Obtain documentation to validate whether the 553 homeowners, who received \$16 million in grant funds, elevated their homes. If not, the State should recover these funds from the noncompliant homeowners.
- 1D Enforce its grant review and recovery procedures to ensure that homeowners comply with the terms of their elevation grant agreements.
- 1E Reimburse the uncollectible elevation grant funds from non-Federal funds.

APPENDIXES

Appendix A

IMPLEMENTATION OF RECOMMENDATIONS

In our March 2010 report, we made four recommendations. Specifically, we recommended that CPD require the State to

1. Coordinate efforts with HUD to address and reduce the incidence of noncompliance in the Road Home Elevation Incentive program.
2. Ensure that monitoring of elevation grants provides adequate coverage to specifically identify compliant and noncompliant recipients (the State's present sampling method provides the ability to determine with confidence what percentage of homeowners have not elevated, but it will not identify them individually).
3. Identify and advise all elevation grant recipients who have yet to meet the terms of their grant agreements of their obligation to either elevate their property or return grant funds to the State.
4. Enforce the program remedies for noncompliance as set out in the elevation grant agreements, starting with recovery, where warranted, of the \$3.8 million in grant funds from the 158 noncompliant homeowners in our sample.

Recommendation 1 was satisfactorily addressed and closed at the time our office issued the March 2010 report. Based on our current review, we consider that CPD and the State took adequate corrective actions to close recommendations 2 and 3.

We reviewed the documentation provided by the State indicating that it had established various protocols and procedures to adequately monitor homeowners who received HUD funds to elevate their homes and identify homeowners who had not complied with the program requirements. The State developed a monitoring and compliance plan and is now monitoring 100 percent of the participating homeowners as opposed to using a statistical sample to project the compliance rate as it previously did. The State also implemented steps to instruct noncompliant homeowners of their responsibilities under the grant agreement. These steps included onsite visits to the homeowners, mailing monitoring and compliance packets to all homeowners who had reached the end of the 3-year compliance period, and conducting many outreach sessions. Based upon the information that we reviewed and the corrective actions taken by CPD and the State, we are closing recommendations 2 and 3 upon issuance of this report.

In response to recommendation 4, the State indicated that it was enforcing program requirements to recover grant funds from homeowners who had violated the terms of their grant agreement and ICF, the contractor who administered the program before April of 2009. The deputy director of the State's Office of Community Development-Disaster Recovery Unit also informed us that the State was using its Office of Attorney General to collect grant funds from noncompliant homeowners.

However, our review disclosed that 24,042 homeowners, who received approximately \$698.5 million in CDBG disaster recovery funds, were noncompliant, including those that had not elevated their homes; were nonresponsive; or did not provide sufficient documentation. Therefore, the State did not have conclusive evidence that these homes had been elevated. As a result, recommendation 4 remains open and has been revised based on our follow-up review due to the increased noncompliance among homeowners who received elevation grants.

Appendix B

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported 2/
1A	\$437,312,837	
1B		\$245,010,416
1C		<u>16,020,577</u>
Total	\$437,312,837	\$261,030,993

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ 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 C

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

 OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT	<p>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, DC 20410-7000</p> <p>MAR 26 2013</p>
MEMORANDUM FOR:	Donna M. Hawkins, Acting Director Inspections and Evaluations Division, GAH
FROM:	Yolanda Chávez, Deputy Assistant Secretary for Grant Programs, DG 
SUBJECT:	Draft Audit Report: Road Home Elevation Incentive Award (RHEI) IED-09-002, March 2010

The Office of Community Planning and Development (CPD) reviewed the draft report and appreciates the collaboration of the Office of the Inspector General (OIG) in its evaluation of the Louisiana Road Home Elevation Grant Program. Since the draft was issued, CPD provided informal comments on the draft and the OIG conducted an exit conference with the State of Louisiana on the audit. It is CPD's understanding that the OIG is considering the information from the State. CPD's comments herein account for any discussions or changes since the draft was issued.

The Department is committed to ensuring the State completes this activity in compliance with the Community Development Block Grant (CDBG) requirements and consistent with its action plan. The State will be required to complete its compliance efforts in a timely manner and HUD will provide appropriate sanctions for non-compliance. CPD would like to reiterate that CDBG disaster recovery grantees are required to maintain sufficient documentation to demonstrate activity eligibility, national objective compliance, and consistency with its disaster recovery action plan.

Additionally, grantees must establish monitoring policies and procedures for oversight of CDBG disaster recovery activities. To address a beneficiary's non-compliance with the grantee's CDBG disaster recovery program, grantees must have adequate recovery policies and procedures in place to recover any ineligible or unsupported costs.

The Department appreciates OIG's attention to this significant investment in the State of Louisiana for the long-term recovery of its citizens and communities.

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Comment 1



BOBBY JINDAL
GOVERNOR

KRISTY H. NICHOLS
COMMISSIONER OF ADMINISTRATION

State of Louisiana
Division of Administration
Office of Community Development
Disaster Recovery Unit

March 27, 2013

Donna M. Hawkins, Acting Director
Office of Audit, Inspections and Evaluations Division
U.S. Department of Housing and Urban Development
451 7th Street, SW., Room 8170
Washington, D.C. 20410-7000

RE: Follow-up of the Inspections and Evaluations Division on Its Inspection of the State of Louisiana's Road Home Elevation Incentive Program Homeowner Compliance (IED-09-002, March 2010)

Dear Ms. Hawkins:

This letter serves as continued correspondence to the U.S. Department of Housing and Urban Development, Office of Inspector General, Inspections and Evaluations Division, (HUD-OIG) on its inspection of the State of Louisiana's Road Home Elevation Incentive Program Homeowner Compliance Report, IED-09-002 dated March 2010. More specifically, this correspondence addresses HUD-OIG's Memorandum NO: 2013-IE-0803, dated March 22, 2013, reporting the results of its follow-up review.

The objective of this HUD-OIG follow-up review was to determine whether the State of Louisiana had implemented the four recommendations contained in the March 2010 report. The Louisiana Office of Community Development, Disaster Recovery Unit (OCD/DRU) is pleased the HUD-OIG acknowledged that one recommendation had been addressed and closed at issuance of the March 2010 report and has agreed, based on the documentation provided during this follow-up review by both HUD Office of Community Planning and Development (CPD) and OCD/DRU to close two additional recommendations. Therefore, one recommendation contained in the March 2010 report remains open. This recommendation required OCD/DRU to enforce the program remedies for noncompliance as set out in the elevation grant agreements starting with recovery, where warranted, of the \$3.8 million in grant funds from the 158 noncompliant homeowners in the audit sample. Since the March 2010 report, OCD/DRU has continued to monitor its Road Home Elevation Incentive (RHEI) grant recipients who have reached their three year compliance period. HUD-CPD provided documents that OCD/DRU had prepared for HUD-CPD to the HUD-OIG, showing that as of August 31, 2012, the State had distributed \$940.5 million in RHEI grant funds to 32,319 homeowners, of which, 28,188 homeowners who received \$817.7 million had reached the three year compliance period. HUD-OIG concluded

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from this documentation that a total of 24,042 homeowners, who received \$698.5 million in CDBG disaster recovery funds, either, did not elevate their homes, were noncompliant, nonresponsive, or did not provide sufficient documentation to support that they had elevated their homes. Therefore, HUD-OIG has elected not to close this one remaining recommendation and has adjusted the recommendation to reflect the increased noncompliance among homeowners who received elevation grants.

OCD/DRU and HUD-CPD are aware that some of the 24,042 homeowners who have reached their three year compliance period have not elevated their homes. However, rather than immediately embarking on the process of recapturing funds from all applicants who do not currently have all required compliance documentation in their files, OCD/DRU believes it is prudent to bring more applicants into compliance through ongoing file completion, elevation activities, and working with HUD to approve and implement Action Plan Amendments, reserving grant recovery for those applicants who cannot achieve compliance through these or other means.

It is critical to consider that the Road Home was designed using a CDBG compensation model rather than a housing rehabilitation model. Road Home Action Plan Amendment (APA) 14 specifically states, "Elevation compensation up to a maximum of \$30,000 may be awarded to compensate a homeowner for the loss of equity caused by the higher flood elevation standards for new construction and rebuilding." The compensation model provides eligible homeowners with a grant for uncompensated property losses to their damaged address rather than tying funding to a specific construction related activity. While a goal of the compensation model is to ensure that any rebuilt properties are safer from future losses, the basis of the award is compensation for damage or loss of value which resulted from Hurricanes Katrina and/or Rita. The RHEI was provided as compensation funding to homeowners based on the probability that local jurisdictions would be imposing increased elevation standards. In consideration for compensation of their losses, homeowners agreed their homes would be occupied and compliant with codes as enforced by local jurisdictions within three years. Funding specifically for housing rehabilitation and/or home elevation activities would follow the housing rehabilitation model and would have required a more extensive environmental review process. The RHEI covenant requirements are additive to the language in APA 14, providing OCD/DRU and HUD-CPD with an avenue to define the terms and conditions for reclassifying RHEI disbursements where homeowners received insufficient compensation/incentives to elevate their homes.

Comment 3

HUD issued guidance in November 2011 stipulating that the state may look at a homeowner's unmet needs or a change in circumstances when determining how to move forward with verifying the homeowner's compliance with program requirements. Through this guidance, HUD recognized the opportunities for creation of additional unmet needs and provided guidelines as follow:

"Long-term recovery is a process; however, disaster recovery needs are calculated at points in time. As a result, a subsequent change in circumstances can affect need. If, after needs are initially calculated and/or a CDBG award has been made, an applicant for CDBG disaster recovery assistance can demonstrate a change in circumstances, such as vandalism, contractor fraud, increase in the cost of materials

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and/or labor, a change in local zoning law or building code, or subsequent damage to a home partially repaired, the grantee may subsequently reevaluate the calculation of the award by taking into account the increased need."

These guidelines allow and encourage the State to continue working with HUD to establish clear unmet needs policies, and that process is ongoing. OCD/DRU will be submitting, very shortly, proposed Action Plan Amendments that will serve to bring more homeowners into compliance with program requirements, getting people home and eliminating blight in our communities, the primary objectives of the program. It is not the intention of OCD/DRU to prematurely send a file to recovery for recapture of funds, as the State agrees with HUD in recognizing that long term recovery is a process with many challenges that Louisiana residents face even after being awarded a grant. OCD/DRU continues to work with HUD to identify unmet needs to affect many of these RHEI applicants' compliance.

In light of the above discussion, the number of homeowners HUD-OIG considers being noncompliant, requiring OCD/DRU to seek recapture of RHEI funds will ultimately be greatly reduced and it would be premature to seek reimbursement of these funds from homeowners prior to implementation of these unmet needs tools.

Presented below are additional comments OCD/DRU wishes to make in regard to statements contained in the March 22, 2013 Memorandum or to provide additional clarification.

OCD/DRU did mail a monitoring summary to all 28,188 homeowners whose three year compliance period had expired. It was confirmed from the information returned that 4,132 homeowners who received \$119.2 million, did in fact, comply with their grant agreements and elevated their homes in compliance with program requirements.

Comment 4

The Memorandum states that another 15,027 responding homeowners were noncompliant with one or more of the grant agreement requirements and these noncompliant homeowners received \$437.5 million in elevation grant funds. OCD/DRU takes exception to these statements. Other than these homeowners' not providing documentation to the State to support their compliance, as required in the agreement, many in all likelihood have elevated their home but have not yet provided adequate compliance documentation to the program. OCD/DRU currently considers these applicants as nonresponsive, not noncompliant.

The Memorandum states that OCD/DRU received an additional 553 surveys from homeowners who responded as complying but did not provide the necessary documentation to support that they had elevated their homes. These 553 homeowners received \$16 million in elevation grants. OCD/DRU does not consider this population of homeowners as noncompliant since staff is providing ongoing assistance to these homeowners in order for them to provide acceptable documentation to the program to substantiate elevation compliance.

The Memorandum states that the remaining 8,426 homeowners who received \$245 million in grant funds did not respond to the State's survey. Again, OCD/DRU considers these

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homeowners nonresponsive, not noncompliant, until a final determination as to compliance is made.

The HUD-OIG was provided documentation demonstrating that to date 7,682 RHEI properties have received field reviews or Hazard Mitigation Grant Program (HMGP) inspections for progress with their elevation grant. Of those that received field reviews, it can be documented that 87 percent have rebuilt and reoccupied their homes. In addition, postal and utility data have provided documentation that 13,376 of those homeowners who are reported as "noncompliant/nonresponsive" have likely rebuilt their homes.

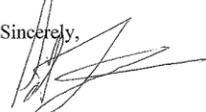
At the time of the HUD-OIG's follow-up review 7,045 homeowners who received RHEI were participating in the HMGP to achieve compliance. OCD/DRU expects that 7,000 to 8,000 homeowners who received RHEI will become compliant as a result of HMGP.

Comment 4

With regard to the five HUD-OIG recommendations contained in the Memorandum, OCD/DRU will continue its ongoing recovery processes with respect to non-compliant homeowners. OCD/DRU will also continue to work with HUD-CPD in implementing corrective actions and modifying program requirements to bring more homeowners who received RHEI funds into compliance with program requirements. As program modifications are fully developed, approved by HUD-CPD, and implemented by OCD/DRU more homeowners will become compliant, and those homeowners who continue to be identified as non-compliant will continue in the recovery processes as appropriate and required in the context of the applicable action plans.

Should you have any questions or require additional information, please let me know.

Sincerely,



Patrick W. Forbes, P.E.
Executive Director
Office of Community Development

C: Kristy Nichols
Ray Stockstill
Steven Procopio
Michael DiResto
Monique Appeaning
Marsha Guedry
Belinda Olivier

OIG Evaluation of Auditee Comments

- Comment 1** We are encouraged by CPD’s willingness to ensure that the State of Louisiana (1) complies with the requirements of the CDBG Program and (2) take appropriate sanctions against recipients when non-compliance instances are found. We look forward to reviewing CPD’s implementation of our recommendations during the audit resolution process.
- Comment 2** The State acknowledges that some of the 24,042 homeowners who reached their three year compliance period have not elevated their homes. Since the State is reluctant to recapture the funds, although the three year compliance period has expired and homeowners have not elevated their homes, the State needs to establish specific timeframe for these homeowners to comply with the requirements of the grant agreements and adhere to this specific timeframe for verifying compliance.
- Comment 3** Since the State and CPD are still working on the unmet needs policy, it would be premature for us to comment on State’s planned actions and to place reliability on this course of action until CPD has approved the States’ unmet needs policy. Therefore, these guidelines are not relevant for delaying program remedies and recovery actions at this time.
- Comment 4** We reaffirm the terminology that we used to categorize the 15,027 homeowners were noncompliant with one or more of the grant agreement requirements, 553 homeowners complied but did not provide the necessary documentation to support that they had elevated their homes and 8,426 homeowners did not respond to the State’s survey. We adopted the terminology from the State’s Elevation Compliance Monitoring Detail Report dated August 31, 2012.

In addition, we are encouraged by States’ willingness to work with CPD in developing and implementing a corrective action plan for addressing the recommendation cited in our report during the audit resolution process.

- Comment 5** The State reported to us as of February 7, 2013 that 7,682 properties received field reviews or Hazard Mitigation Grant Program inspections and that postal and utility data indicated that 13,376 homeowners had “likely” rebuilt their homes. The State is claiming that it is making progress toward homeowner compliance and elevation; however, we do not have any evidence that will definitively support that these homes have been elevated.