



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

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EXECUTIVE DEPARTMENT

Almost 15,100 Louisiana homeowners who received federal grant money from the Road Home program to rebuild or replace their homes following the 2005 hurricanes are not in compliance with program rules, which could cause the state to be liable for repayment of \$940 million in federal funds, Legislative Auditor Daryl Purpera said Monday.

For the fiscal year that ended on June 30, 2014, auditors said in a management letter that the state's Office of Community Development identified \$939 million in noncompliant awards for 15,095 homeowners. Auditors also examined 45 housing assistance awards that were not considered by OCD to be noncompliant and found that 10 recipients received \$945,000 but "had not provided adequate evidence of compliance" with award requirements.

Because the noncompliant awards have not been recovered as of June 30, 2014, and OCD "has not initiated grant recovery from any of these 10 additional homeowners, we consider these awards totaling \$940 million as questioned costs" which the federal granting agency can seek to recover, auditors said. About \$75 million in questioned costs from past years remain in recovery.

Of the \$8 billion of housing assistance money disbursed through June 30, the report said, 16,594 awards totaling \$1.01 billion are in grant recovery. "The state could be liable for repayment of noncompliant awards if disallowed by the federal grantor," the report said. "However, it is unknown whether the federal government would demand repayment of these awards."

The state was awarded approximately \$9.5 billion for the housing assistance program after hurricanes Katrina and Rita devastated south Louisiana in 2005, part of the Road Home program.

In exchange for up to \$150,000 in compensation for their damaged property, homeowners agreed to provide OCD with evidence they were to occupy their damaged or replacement property within three years of receiving the funds; maintain homeowner's insurance and flood insurance, if necessary; and ensure that the home's elevation conforms to the base flood elevation requirements of the parish in which the home is located.

The auditors said the state Office of Community Development should continue its monitoring process to identify which awards should be placed in recovery and "continue its recovery efforts to collect those awards determined to be noncompliant. In addition we recommend that OCD continue to identify those recipients who misspent awarded funds and initiate grant recovery."



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The report also said that OCD identified almost \$60 million in small rental property program loans for 747 property owners who failed to comply with terms of the loans and “were assigned to loan recovery status” during the 2014 fiscal year. “Because these property owners have not provided evidence of compliance with the loan agreement, and because OCD has not recovered these loans, we consider these amounts totaling \$59,972,548 to be questioned costs” which may have to be repaid to the federal granting agency,” the state auditor’s report said.

Questioned costs from previous years totaling \$29.54 million remain in recovery status. As of June 30, OCD has recovered loans totaling \$334,512 from noncompliant property owners. Of the \$430 million in outstanding loans at June 30, 2014, loans totaling \$89.5 million are in recovery.

A total of \$649 million was allocated to the small rental property program as part of the Road Home program. OCD did not begin loan recovery for noncompliance until May 2012, the report said.

Finally, auditors said OCD identified \$16.7 million in the hazard mitigation grant program that may have to be repaid to the federal government. The report says OCD identified 268 non-compliant awards of \$6.3 million through a recovery review process for the grants; and 282 awards totaling \$10.4 million “affected by contractor abandonment, incomplete work, or potential fraud” during the last fiscal year.

The report said OCD has sent demand letters to applicants and contractors, either because the required documents were not supplied, homeowners did not comply with all the hazard mitigation grant regulations, or “grant funds were not used for the purposes intended and in accordance” with OCD policies.

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On Twitter: Nearly 15,100 Road Home grant recipients not in compliance with program rules.