

ROAD HOME PROGRAM
SMALL RENTAL PROPERTY PROGRAM



PERFORMANCE AUDIT
ISSUED AUGUST 13, 2008

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

August 13, 2008

Angèle Davis
Commissioner of Administration
Division of Administration

Dear Commissioner Davis:

This report provides the results of our performance audit on the Road Home Small Rental Property Program. The audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended.

The report contains our conclusions and recommendations. Appendix C contains the Office of Community Development's response to the recommendations. I hope this report will benefit you in your decision-making process.

Sincerely,

Steve J. Theriot, CPA
Legislative Auditor

SJT/dl

SRPP08

Office of Legislative Auditor

Steve J. Theriot, CPA, Legislative Auditor

Road Home Program

Small Rental Property Program

August 2008



Audit Control # 40080002

Objectives and Overall Results

We conducted an audit of the Road Home Small Rental Property Program. The objectives of this audit and a summary of our results are as follows:

Objective 1: Is OCD's Small Rental Property Program meeting its objectives?

Result: The Small Rental program is making progress in meeting its objectives of offering financial incentives to landlords and ensuring affordable rents to low-to-moderate-income families. However, there have been few closings so far. The reasons why so few applicants have closed include applicants being de-obligated from the program or withdrawing for various reasons, applicants not receiving a commitment letter, applicants not returning their commitment letter, and the timeline applicants have for completing their repairs.

Objective 2: Are ICF's Small Rental Property Program's applicant data accurate?

Result: We identified very few errors in the applicant data ICF staff input into the system it uses to rank, score, and calculate conditional awards amounts. In addition, we did not identify any errors in ICF's transfer of data into the system it uses to review and approve applicant information before sending commitment letters.

Objective 3: Did ICF calculate applicants' initial rank, score, and conditional award amounts correctly?

Result: For our sample of 60 files for each round, ICF calculated all applicants' ranks and conditional award amounts correctly and we identified very few errors in the way ICF calculated applicants' scores.

Objective 4: Does ICF have a sufficient process to ensure only eligible applicants receive awards and that award amounts are correct prior to closing?

Result: We could not determine if ICF has a sufficient process to ensure only eligible applicants receive awards and their award amounts are correct prior to closing. We could not audit ICF's pre-closing process because it has conducted only a small number of closings and it was still implementing the process at the time of our audit. While conducting our audit, we identified some issues related to obtaining documentation and calculating scores that may help ICF improve its pre-closing process.

Scope and Methodology

We conducted an audit of the Road Home Small Rental Property Program. Our audit focused on the data related to the program's application and award calculation process. We did not audit the closing process because we did not have a large enough population to test. As of April 17, 2008, ICF, the contractor that administers the Road Home program, has only conducted three closings. At the beginning of our audit, we discussed with Office of Community Development (OCD) management potential audit areas within the program and developed our objectives based upon management's feedback and the areas in which it expressed concerns. The scope of our audit was from February 2007 to April 2008. Our four audit objectives are:

1. Is OCD's Small Rental Property Program meeting its objectives?
2. Are ICF's Small Rental Property Program's applicant data accurate?
3. Did ICF calculate applicants' initial rank, score, and conditional award amounts correctly?
4. Does ICF have a sufficient process to ensure only eligible applicants receive awards and that award amounts are correct prior to closing?

To answer our four objectives, we performed the following steps:

- Interviewed OCD staff to obtain information on their role in the program
- Interviewed the Small Rental team to obtain information on the process and the data systems
- Reviewed and analyzed Rental data

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We followed the generally accepted government auditing standards as promulgated by the Comptroller General of the United States.

Appendix A contains ICF's award tables. Appendix B contains a list of the program requirements for each round. Appendix C contains OCD management's response to the recommendations in this report.

Overview of Small Rental Property Program

The Small Rental program is part of the Road Home program, which also includes the Homeowner Assistance program and other housing programs. The Small Rental program is designed to provide incentives to property owners to provide affordable rental housing units, while the Homeowner Assistance program is designed specifically to compensate individual homeowners for damage to their homes. In the Small Rental program, applicants have to

complete repairs to their property before they can receive an award. The Small Rental program's objectives include:

- Providing financial incentives to small-scale property owners
- Ensuring affordable rents for low-to moderate-income working families
- Supporting redevelopment of small rental properties in devastated communities

Generally, applicants in the Small Rental program have to secure their own funding to repair their property. Applicants do not receive funding from the program until they have fulfilled all program requirements, including completing repairs to their property and identifying an eligible tenant to live in the property.¹ Applicants receive their full awards once they have met all the requirements.

The awards in the Small Rental program are forgivable loans. For most applicants, their awards are forgiven incrementally over a 10-year period (20 years for nonprofit applicants), with no forgiveness in the first five years then phased out over the remaining five. There is one hundred percent forgiveness at the end of the loan period as long as the landlord continues to offer affordable rents. If applicants choose not to continue offering the affordable rents at any point during the loan period, they have to pay back the balance of the loan (see Appendix A for the forgiveness schedule).

OCD conducts the Small Rental program in rounds. Since the program cannot provide funding to all who apply, it is a competitive process based on a ranking and scoring system. So far, OCD has conducted two rounds of the program and is in the process of conducting a continuation of the second round called Round 2.1.

Program Budget. The Small Rental program's budget is \$866 million, about 7.5% of the total \$11.5 billion Road Home housing budget. Table 1 shows a breakdown of the program's budget and expenditures as of April 28, 2008.

Table 1 Small Rental Program Budget and Expenditures As of April 28, 2008			
	Budget Amount	Expenditures	Percentage of Budget Spent
Applicant Awards	\$702,462,250	\$2,028,646	0.3%
Pilot Program	40,000,000	0	0%
Program Delivery	124,000,000	26,020,289	21%
Total	\$866,462,250	\$28,048,935	3%
Source: Prepared by legislative auditor's staff using information provided by OCD.			

¹ According to OCD, owner occupants of three and four unit buildings can close before they complete construction.

The program allocates funding to parishes affected by the hurricanes based on the amount of damages in that area. Table 2 shows the allocation in each parish and the amount of funds committed to applicants in that parish as of January 31, 2008. Conditional awards are the amounts that applicants are eligible to receive, based upon the repairs they plan to make to their property and the rental amounts they are willing to offer. OCD commits the funds for applicants at the time ICF sends the conditional award letter. However, applicants do not receive their awards until closing. The conditional award amount may change if the applicant does not fulfill certain program requirements.

Table 2 Parish Allocations and Conditional Awards As of January 31, 2008			
Parish	Total Allocation	Total Committed Amount*	Percentage Committed to Applicants
Acadia	\$1,013,597	\$499,000	49.2%
Calcasieu	12,095,211	12,081,750	99.9%
Cameron	5,266,174	1,001,000	19.0%
Iberia	1,432,626	590,000	41.2%
Jefferson	90,085,543	46,744,299	53.0%
Orleans	489,533,300	468,418,896	95.7%
Plaquemines	14,405,533	1,293,000	9.0%
St. Bernard	55,940,353	46,702,025	83.5%
St. Tammany	24,869,929	13,519,141	54.4%
Tangipahoa	1,075,885	659,200	61.3%
Terrebonne	1,942,255	565,800	29.1%
Vermilion	2,802,963	378,000	13.5%
Washington	1,998,881	1,402,550	70.2%
Total	\$702,462,250	\$593,854,661	85.0%
*This amount is the combined total for rounds 1, 2 and 2.1. ² Source: Prepared by legislative auditor's staff using information provided by OCD.			

Eligibility Requirements. To be eligible for the program, applicants must meet certain requirements. The eligibility requirements differed slightly between the two rounds of the program. For example, in Round 1 only owners of 1-20 unit properties were eligible, while owners of up to 100 units were eligible in Round 2. Most of the other requirements remained the same between the two rounds (see Appendix B for all the eligibility requirements in each round):

- Property had more than \$5,200 in damage
- Property is in one of the 13 eligible parishes (see Table 2)
- If applicant is an owner-occupant, applicant must have lived in the property as the primary residence at the time of the storms

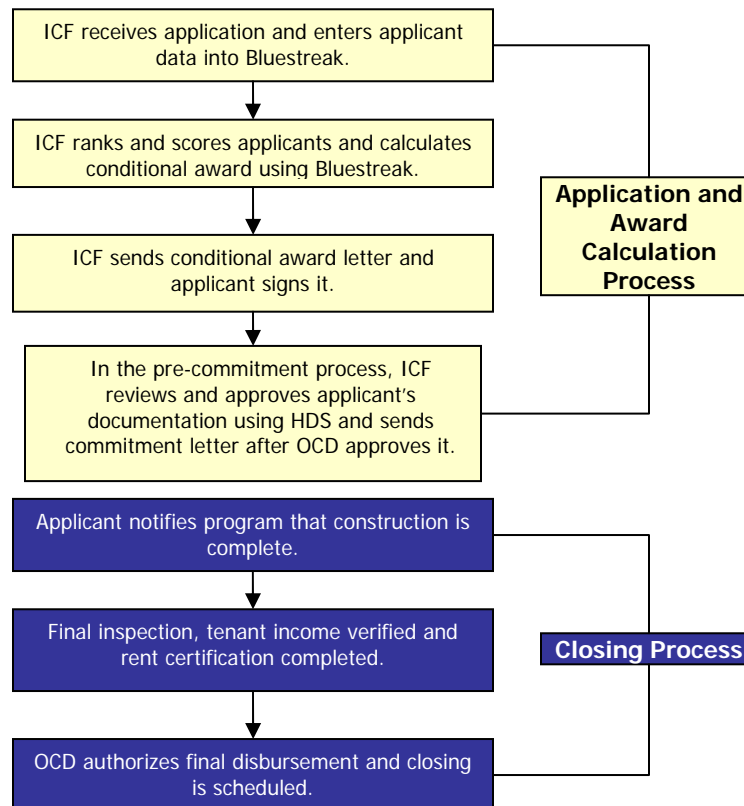
² Round 2.1 is a continuation of Round 2. This round is comprised of applicants who were not eligible for Round 2. ICF used the applications these applicants had already submitted in Round 2 and did not collect new applications from them for this round. These applications are currently being reviewed. We only audited rounds 1 and 2 of the program since Round 2.1 was not complete at the time of our audit.

ICF uses Federal Emergency Management Agency (FEMA) and Louisiana Tax Commission data to determine whether applicants met these eligibility requirements. Our office is reviewing the reliability of FEMA and Louisiana Tax Commission data, and the results will be included in a separate performance audit report that we will issue at a later date.

Award Process. Unlike the Homeowner Assistance program, most applicants in the Small Rental program do not receive their awards until after they complete their repairs. As mentioned earlier, the award is an incentive for landlords to provide reduced rents and initial eligibility for the program is based on a ranking and scoring process. ICF uses a system called Bluestreak to rank and score applicants and calculate the conditional award amount. Applicants are ranked and scored based on scoring items such as location, repairs, and improvements they agree to make to the property. If applicants are eligible to receive funding based on the ranking and scoring process and meet basic eligibility requirements, they receive a conditional award letter. The award amount in the conditional award letter is based on OCD's award tables, which take into account parish, number of bedrooms, and rent tiers (see Appendix A for the award tables).

Once applicants receive their conditional award letter, they have to provide documentation for certain questions they answered on the application. Once ICF receives the documentation and determines it is sufficient, ICF sends applicants a commitment letter showing the final award amount. ICF transfers applicant data from Bluestreak to a system called HDS and uses HDS to store documentation and to calculate the commitment letter amount. The award amount on the commitment letter is the lesser of the cost to repair the property or the amount based on the award table. Exhibit 1 on the following page describes the application and award processes (the boxes in yellow indicate the processes we audited).

Exhibit 1
Flowchart of Small Rental Process



Source: Prepared by legislative auditor's staff using information provided by ICF.

Objective 1: Is the Small Rental Property Program Meeting Its Objectives?

The Small Rental program is making progress in meeting its objectives of offering financial incentives to landlords, ensuring affordable rents to low-to-moderate income families, and supporting redevelopment of small rental properties in devastated communities. However, only a few applicants have closed so far. The program achieves its objectives by applicants making repairs to their property and closing on their forgivable loans. While 85% of the budget for applicant awards has been committed, only three applicants had closed on their awards as of April 17, 2008. The reasons why so few applicants have closed include applicants not completing the program, applicants not receiving a commitment letter, applicants not returning their commitment letter, and the timeline applicants have for completing their repairs. Table 3 shows the number of applicants in each phase.

Table 3 Small Rental Program Totals As of April 17, 2008				
	Round 1	Round 2	Round 2.1	Total for All Rounds
Applications Received	6,734	12,046	0*	18,780
Conditional Awards	2,702	5,032	1,996	9,730
De-obligated or withdrawn applications**	1,911	1,107	0	3,018
Active Awards**	791	3,925	1,996	6,712
Commitment Letters Mailed	566	386	0	952
Commitment Letters Returned by Applicant	365	42	0	407
Closings Held	3	0	0	3
<p>*Round 2.1 is a continuation of Round 2. This round is comprised of applicants who were not eligible for Round 2. ICF used the applications these applicants had already submitted in Round 2 and did not collect new applications from them for this round.</p> <p>**After applicants receive their conditional award letters, they may choose to withdraw from the program or ICF may de-obligate them if they do not submit required documentation. Active awards include those applicants who have not withdrawn or been de-obligated and are still active in the program.</p> <p>Source: Prepared by legislative auditor's staff using information provided by ICF.</p>				

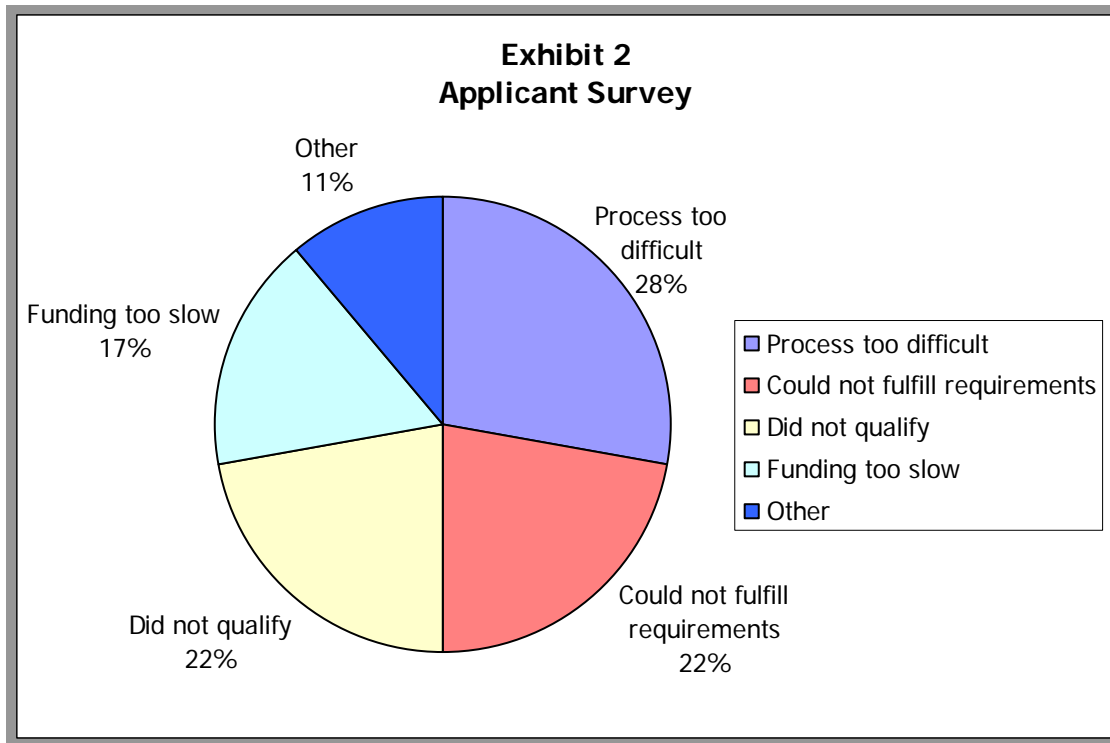
Some applicants did not complete the program because they were either de-obligated or they withdrew.³ As shown in Table 3, 3,018 applicants did not complete the program.

- **Round 1** - 71% of applicants withdrew or were de-obligated from the program after they received a conditional award.
- **Round 2** - 22% of applicants withdrew or were de-obligated after they received a conditional award.
- **Round 2.1** - no applicants withdrew or had been de-obligated at the time of our audit.

Since ICF is still reviewing applicant files for rounds 2 and 2.1, the percentage of de-obligated or withdrawn applicants may increase.

We surveyed 30 Round 1 applicants to determine the reasons why they did not complete the program. Twelve of the applicants we surveyed did not respond to the question. Exhibit 2 on the following page shows all the reasons why the 18 applicants who responded did not complete the program.

³As shown in Table 3, applicants can choose to withdraw from the program. ICF can also de-obligate applicants from the program if they do not send in required documentation.



Some of the reasons applicants provided were beyond OCD's control. For example, 22% of the applicants did not qualify for the program and 22% could not fulfill the requirements. However, some of the reasons applicants did not complete the program were related to the process. For example, 28% of the applicants we surveyed said the application process was too difficult. According to ICF, it was aware that many applicants who applied in the first round did not understand the application and selected items on the application that they would not be able to fulfill. To improve the process, ICF used feedback from first-round applicants to design the second-round applications. Two of the applicants we talked to applied and qualified for the second round of the program. According to them, the application in the second round was much easier to understand and it was clearer to them what they were agreeing to.

Most active applicants had not received a commitment letter. As shown in Table 3, only 14% of all active applicants had received a commitment letter. Applicants have to provide to ICF certain documents before they can receive a letter. For the program's first round, there was a deadline for applicants to send in documents. However, ICF had not set a deadline for the second round. Applicants who have not returned the necessary documentation cannot move forward in the process. According to ICF, it is in the process of reviewing and approving the documentation it has received.

Some applicants had received a commitment letter but had not returned it. As shown in Table 3, 57% of applicants who received a commitment letter had not returned it. Once applicants receive their letter, they have to sign it and accept the award amount before they can move forward in the program to closing. As a result, applicants who have received a letter but have not returned it, cannot complete the program.

Applicants have nine months to complete repairs after ICF issues a commitment letter. As of April 17, 2008, only three applicants had closed and OCD had only expended 3% of its budget for applicant awards. Although OCD had only expended 3%, it had committed 85% of its budget as shown in Table 2.

OCD commits applicant funds once ICF sends the applicant a conditional award letter. After ICF issues the conditional award, applicants submit documentation to receive a commitment letter. Applicants then have nine months after ICF issues the commitment letter to complete the repairs on their property. As mentioned earlier, only 14% of applicants had received a commitment letter. As a result, the nine-month timeline has not even begun for many applicants. Since applicants must complete repairs before they can close and receive their award, the rate of closings may continue to be slow.

According to OCD, Housing and Urban Development regulations for an incentive program require it to structure the program where applicants must complete repairs before closing. However, 17% of the applicants we surveyed cited the slow funding process as the reason why they did not complete the program. According to OCD, it informed all applicants that they would receive funding only when their units were repaired, tenants were selected to live in the units, and all inspections were passed.

Recommendation 1: OCD should continue to evaluate the effectiveness of the program and identify any options that will help it provide funds to applicants in a timely manner.

Management's Response: OCD agrees with this recommendation. OCD will continue to strive to provide funds to applicants as rapidly as practical without undermining the process which ensures that only eligible applicants receive awards and that their award amounts are correct.

Objective 2: Are ICF's Small Rental Property Program's Applicant Data Accurate?

We identified very few errors in the applicant data ICF staff input into its system when we compared the paper applications to the system. In addition, we did not identify any errors in ICF's electronic data transfer. However, ICF could improve how it documents changes to the data.

We identified very few errors in the applicant data ICF staff input into its system. ICF staff manually input data from applicants' paper applications into a system called *Bluestreak*. To determine if ICF input the data correctly, we took a sample of 60 files for each round (total of 120 files) and checked the paper applications against the system.

Bluestreak is the system ICF uses to calculate applicants' ranks, scores, and conditional award amounts.

- **Round 1** - 1.6% of the data items we checked had data entry errors.
- **Round 2** - 0.6% of the data items we checked had data entry errors.

ICF has controls in place to ensure that staff accurately enter the applicant data. Quality assurance/control (QA/QC) staff review all data once entered. If they determine that they did not enter the data correctly, QA/QC staff send it back to the data entry team so they can make corrections. Also, if applications are incomplete, ICF staff contact applicants to obtain the missing information so the application can be processed.

We did not identify any errors in ICF's transfer of applicant data. Once ICF issues conditional award letters, it uses HDS to review and approve applicant documentation before sending commitment letters. ICF electronically transfers applicant data from Bluestreak to HDS. To determine if the data in the two systems matched, we reviewed a sample of 60 files for each round. We did not find any errors in the transfer of data. However, we did find that for five of the 120 files (4%), ICF staff updated applicant information after it was transferred without documenting the reasons for the update. While ICF transferred the data correctly for these five applicants, it did not sufficiently document the reasons for the changes to the information. Sufficiently documenting in the system any changes staff members make to applicant data and the reason for the changes will help ensure that changes are appropriate and accurate.

HDS is the system ICF uses to review and approve applicant information before sending commitment letters.

Also, there was one application where ICF staff changed items that affected an applicant's score. We provided ICF management with the application number and it restored the applicant's original answers. However, according to ICF management, staff should not change items that affect scoring. ICF management said there has been additional training on this issue to ensure that staff are aware of what changes they are authorized to make.

Recommendation 2: OCD should ensure that ICF staff sufficiently document changes to applicant data in HDS and the reasons for those changes.

Management's Response: OCD agrees with this recommendation. ICF's procedures instruct all staff to sufficiently document changes to applicant data in both the Communications Log and Memos in HDS.

Objective 3: Did ICF Calculate Applicants' Initial Rank, Score and Conditions Award Amounts Correctly?

For our sample of 60 files for each round, ICF calculated all applicants' ranks and conditional award amounts correctly. Since the program is competitive, ICF uses its system (Bluestreak) to rank and score applicants to determine who will be eligible to receive funding in each round. ICF ranks and scores applicants based upon the answers they supply to certain questions on their application. ICF then calculates applicants' conditional award amounts based on its award table (see Appendix A for the award tables). ICF has controls in place to ensure it calculates applicants' ranks and conditional award amounts correctly. Staff review each file for accuracy in data entry. We found very few errors with the data entry. In addition, the system automatically calculates rank and award amounts and does not allow staff to edit them.

We identified very few errors in the way ICF calculated applicants' scores. The scores for two applications in Round 1 and two applications in Round 2 were incorrect because of errors in the way ICF staff entered the data. These results are consistent with the small number of data entry errors we mentioned earlier in this report. In each case, the errors did not significantly affect the applicant's score and the applicant would have still qualified for a conditional award.

In addition, we could not recalculate one applicant's score because ICF could not provide the information necessary to recalculate it. We discussed this with ICF, and they were not able to locate the information. According to ICF, the applicant was no longer active in the round; therefore, it did not research the matter further.

Objective 4: Does ICF have a sufficient process to ensure only eligible applicants receive awards and that award amounts are correct prior to closing?

We could not determine if ICF has a sufficient process to ensure only eligible applicants receive awards and their award amounts are correct prior to closing. According to ICF, its pre-closing process will ensure applicant eligibility and award amount accuracy before closing. However, we could not audit ICF's pre-closing process because it has conducted only a small number of closings and it was still implementing the process at the time of our audit. Although we did not audit the pre-closing process, during our audit we identified some issues that may help ICF improve its process.

ICF did not have all required documentation when it sent applicants commitment letters but has plans to collect all documents prior to closing. To ensure applicants are eligible, ICF collects documents to verify eligibility information contained in the applications. When ICF sends commitment letters, some required documents may still be outstanding. We took a sample of 35 applicants who had received a commitment letter and reviewed their files. Eleven of the 35 (31%) applicant files did not contain the required documentation.

According to ICF, while it has not received some documents when it sends a commitment letter, it will ensure all documents are received and approved prior to the applicants closing on their awards through its pre-closing process. As stated earlier, we did not audit the pre-closing process because few applicants have closed and gone through this process. ICF has a desk reference that includes policies and procedures for collecting this required documentation.

ICF staff did not always re-calculate all applicant scores or did not always calculate scores correctly. ICF uses the applicants' scores to determine their eligibility for the program. Applicants' scores may change after ICF's initial scoring if applicants make changes to their application, do not submit the required documentation, or if they submit insufficient documentation. To validate the scores, ICF manually re-calculates all applicant scores at two different points in the process. The first review is after ICF receives all necessary scoring documentation (before commitment letter is sent), such as annual income and building permits, and a second review is during the pre-closing process. Since there have only been a small number of closings, ICF has only re-calculated a few scores during the pre-closing process.

We reviewed ICF's first re-calculation of applicant scores by sampling 35 applicants to determine if ICF re-calculated the scores correctly. We found:

- 19 of 35 (54%) applicants did not have a re-calculated score in the system. According to ICF, all applicants should have a re-calculated score.
- 16 of 35 (46%) applicants did have a re-calculated score; however, eight of the 16 (50%) scores were not calculated correctly.

We manually re-calculated the scores for all 35 applicants and identified two cases where the applicants received a commitment letter even though the score we re-calculated did not make them eligible to receive an award. According to ICF, these two applicants are under review and may be disqualified from the program.

Because of the issues we identified with ICF's first re-calculation, the second re-calculation has greater significance. The second re-calculation during the pre-closing process will be the last chance to ensure that the scores are correct and the applicant is eligible for the award.

Award amounts can change after ICF issues commitment letters. Since HDS has the most up-to-date applicant data, we checked applicant information in the system against the information on the commitment letters to determine if it matched. In two of 35 (6%) cases, the information in the system did not match the information on the commitment letter because these two applicants changed some of their information after receiving their commitment letter. The information that the applicants changed affected their award amount. According to ICF, it will review award amounts during the pre-closing process to ensure they are correct before closing. It is important that ICF ensure that award amounts are accurate so that applicants receive the correct amount when they close.

Recommendation 3: OCD should ensure that ICF obtains the necessary documents prior to closing on all applicants' awards. These documents will help ensure only eligible applicants receive awards.

Management's Response: OCD agrees with this recommendation. ICF's pre-closing procedure includes the verification of receipt of required documentation prior to recommending to OCD for closing and disbursement.

Recommendation 4: OCD should ensure that ICF re-calculate all applicants' scores during pre-closing and determine if the re-calculated scores affect the applicants' eligibility for the program. This will help ensure only eligible applicants receive awards.

Management's Response: OCD agrees with this recommendation. ICF's pre-closing procedure includes the re-calculation of all applicants' scores prior to recommending to OCD for closing and disbursement.

Recommendation 5: OCD should ensure that ICF review all applicants' award amounts during pre-closing. These reviews will help ensure that applicants receive the correct award amount from the program.

Management's Response: OCD agrees with this recommendation. ICF's pre-closing procedure includes the review of all applicants' award amounts prior to recommending to OCD for closing and disbursement.

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Award/Forgiveness Table for New Orleans MSA

(Orleans, Jefferson, Plaquemines, St. Bernard, and St. Tammany)

New Orleans MSA	0 BR (efficiency)	1 BR	2 BR	3 BR	4 BR or larger
80% AMI Rent Tier	\$730	\$780	\$940	\$1,090	\$1,210
Maximum Basic Award	\$15,000	\$16,500	\$16,500	\$20,000	\$20,000
Forgiveness at End of Year 3	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Additional Forgiveness Year 5	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Total Forgiveness Year 5	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Balance at End of Year 5	\$0	\$1,500	\$1,500	\$5,000	\$5,000
Any remaining balance is forgiven in five equal annual installments. If the maximum award is received, the installments are:	\$0	\$300	\$300	\$1,000	\$1,000
65% AMI Rent Tier	\$600	\$640	\$770	\$880	\$990
Maximum Award	\$23,000	\$23,000	\$26,000	\$45,000	\$47,000
Forgiveness at End of Year 5	\$15,000	\$15,000	\$15,000	\$25,000	\$25,000
Balance at End of Year 5	\$8,000	\$8,000	\$11,000	\$20,000	\$22,000
Any remaining balance is forgiven in five equal annual installments. If the maximum award is received, the installments are:	\$1,600	\$1,600	\$2,200	\$4,000	\$4,400
50% AMI Rent Tier	\$460	\$490	\$590	\$680	\$760
Maximum Basic Award	\$42,000	\$42,000	\$47,000	\$69,000	\$72,000
Forgiveness at End of Year 5	\$25,000	\$25,000	\$25,000	\$35,000	\$35,000
Balance at End of Year 5	\$17,000	\$17,000	\$22,000	\$34,000	\$37,000
Any remaining balance is forgiven in five equal annual installments. If the maximum award is received, the installments are:	\$3,400	\$3,400	\$4,400	\$6,800	\$7,400

Below are the maximum income levels by household size available for each AMI rent tier, renting to tenants in 2007. Each year the state will provide updated income tables to qualify the income of new tenants.

Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany								
2007	1-person	2-person	3-person	4-person	5-person	6-person	7-person	8-person
50%	\$19,950	\$22,800	\$25,650	\$28,500	\$30,800	\$33,050	\$35,350	\$37,600
65%	\$25,900	\$29,600	\$33,300	\$37,100	\$40,000	\$43,000	\$46,000	\$48,900
80%	\$31,900	\$36,500	\$41,050	\$45,600	\$49,250	\$52,900	\$56,550	\$60,200

SMALL RENTAL PROPERTY PROGRAM

Award/Forgiveness Table for Lake Charles MSA
(Calcasieu, Cameron)

Lake Charles MSA	0 BR (efficiency)	1 BR	2 BR	3 BR	4 BR or larger
80% AMI Rent Tier	\$650	\$760	\$920	\$1,060	\$1,180
Maximum Basic Award	\$12,000	\$12,000	\$15,000	\$18,000	\$18,000
Forgiveness at End of Year 3	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Additional Forgiveness Year 5	\$2,000	\$2,000	\$5,000	\$5,000	\$5,000
Total Amount Forgiven at Year 5	\$12,000	\$12,000	\$15,000	\$15,000	\$15,000
Balance at End of Year 5	\$0	\$0	\$0	\$3,000	\$3,000
Any remaining balance is forgiven in five equal annual installments. If the maximum award is received, the installments are:	\$0	\$0	\$0	\$600	\$600
65% AMI Rent Tier	\$520	\$620	\$740	\$860	\$960
Maximum Basic Award	\$16,000	\$17,000	\$22,000	\$24,000	\$27,000
Forgiveness at End of Year 5	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Balance at End of Year 5	\$1,000	\$2,000	\$7,000	\$9,000	\$12,000
Any remaining balance is forgiven in five equal annual installments. If the maximum award is received, the installments are:	\$200	\$400	\$1,400	\$1,800	\$2,400
50% AMI Rent Tier	\$390	\$480	\$570	\$660	\$740
Maximum Basic Award	\$32,000	\$34,000	\$42,000	\$48,000	\$53,000
Forgiveness at End of Year 5	\$18,000	\$18,000	\$23,000	\$26,000	\$30,000
Balance at End of Year 5	\$14,000	\$16,000	\$19,000	\$22,000	\$23,000
Any remaining balance is forgiven in five equal annual installments. If the maximum award is received, the installments are:	\$2,800	\$3,200	\$3,800	\$4,400	\$4,600

Below are the maximum income levels by household size available for each AMI rent tier, renting to tenants in 2007. Each year the state will provide updated income tables to be used to qualify income of new tenants.

Calcasieu and Cameron								
2007	1-person	2-person	3-person	4-person	5-person	6-person	7-person	8-person
50%	\$17,800	\$20,350	\$22,900	\$25,450	\$27,500	\$29,500	\$31,550	\$33,600
65%	\$23,100	\$26,500	\$29,800	\$33,100	\$35,800	\$38,400	\$41,000	\$43,700
80%	\$28,500	\$32,550	\$36,650	\$40,700	\$43,950	\$47,200	\$50,450	\$53,700

Award/Forgiveness Table for All Other Parishes

(Only Acadia, Iberia, Tangipahoa, Terrebonne, Vermilion, and Washington Parishes)

All Other Parishes	0 BR (efficiency)	1 BR	2 BR	3 BR	4 BR or larger
80% AMI Rent Tier	\$560	\$600	\$720	\$830	\$930
Maximum Basic Award	\$10,000	\$10,000	\$12,000	\$12,000	\$12,000
Forgiveness at End of Year 3	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Additional Forgiveness Year 5	\$0	\$0	\$2,000	\$2,000	\$2,000
Total Amount Forgiven at Year 5	\$10,000	\$10,000	\$12,000	\$12,000	\$12,000
Balance at End of year 5	\$0	\$0	\$0	\$0	\$0
Any remaining balance is forgiven in five equal annual installments. If the maximum award is received, the installments are:	\$0	\$0	\$0	\$0	\$0
65% AMI Rent Tier	\$450	\$490	\$590	\$680	\$830
Maximum Basic Award	\$14,000	\$14,000	\$16,000	\$18,000	\$20,000
Forgiveness at End of Year 5	\$14,000	\$14,000	\$15,000	\$15,000	\$15,000
Balance at End of Year 5	\$0	\$0	\$1,000	\$3,000	\$5,000
Any remaining balance is forgiven in five equal annual installments. If the maximum award is received, the installments are:	\$0	\$0	\$200	\$600	\$1,000
50% AMI Rent Tier	\$350	\$380	\$450	\$520	\$580
Maximum Basic Award	\$25,000	\$27,000	\$33,000	\$37,000	\$42,000
Forgiveness at End of Year 5	\$15,000	\$15,000	\$18,000	\$18,000	\$25,000
Balance at End of Year 5	\$10,000	\$12,000	\$15,000	\$19,000	\$17,000
Any remaining balance is forgiven in five equal annual installments. If the maximum award is received, the installments are:	\$2,000	\$2,400	\$3,000	\$3,800	\$3,400

SMALL RENTAL PROPERTY PROGRAM

Below are the maximum income levels by household size available for each AMI rent tier, renting to tenants in 2007. Each year the state will provide updated income tables to be used to qualify income of new tenants.

2007	1-person	2-person	3-person	4-person	5-person	6-person	7-person	8-person
Acadia								
50%	\$16,500	\$18,900	\$21,250	\$23,600	\$25,500	\$27,400	\$29,250	\$31,150
65%	\$21,500	\$24,600	\$27,600	\$30,700	\$33,200	\$35,600	\$38,000	\$40,500
80%	\$26,450	\$30,200	\$34,000	\$37,750	\$40,800	\$43,800	\$46,800	\$49,850
Iberia								
50%	\$15,400	\$17,600	\$19,800	\$22,000	\$23,750	\$25,500	\$27,300	\$29,050
65%	\$20,000	\$22,900	\$25,700	\$28,600	\$30,900	\$33,200	\$35,500	\$37,800
80%	\$24,650	\$28,150	\$31,700	\$35,200	\$38,000	\$40,850	\$43,650	\$46,450
Tangipahoa								
50%	\$15,750	\$18,000	\$20,250	\$22,500	\$24,300	\$26,100	\$27,900	\$29,700
65%	\$20,500	\$23,400	\$26,300	\$29,300	\$31,600	\$33,900	\$36,300	\$38,600
80%	\$25,200	\$28,800	\$32,400	\$36,000	\$38,900	\$41,750	\$44,650	\$47,500
Terrebonne								
50%	\$17,300	\$19,750	\$22,250	\$24,700	\$26,700	\$28,650	\$30,650	\$32,600
65%	\$22,500	\$25,700	\$28,900	\$32,100	\$34,700	\$37,200	\$39,800	\$42,400
80%	\$27,650	\$31,600	\$35,550	\$39,500	\$42,700	\$45,850	\$49,000	\$52,150
Vermilion								
50%	\$15,500	\$17,700	\$19,950	\$22,150	\$23,900	\$25,700	\$27,450	\$29,250
65%	\$20,200	\$23,000	\$25,900	\$28,800	\$31,100	\$33,400	\$35,700	\$38,000
80%	\$24,800	\$28,350	\$31,900	\$35,450	\$38,300	\$41,100	\$43,950	\$46,800
Washington								
50%	\$14,000	\$16,000	\$18,000	\$20,000	\$21,600	\$23,200	\$24,800	\$26,400
65%	\$18,200	\$20,800	\$23,400	\$26,000	\$28,100	\$30,200	\$32,200	\$34,300
80%	\$22,400	\$25,600	\$28,800	\$32,000	\$34,550	\$37,100	\$39,700	\$42,250

Eligibility Requirements for Rounds 1 and 2			
Requirement	Round 1	Round 2	Description
Property must contain between 1-4 dwelling units prior to the storm	Required	Required	Including single-family, duplex, triplex, and fourplex rental properties, a dwelling unit is defined as having independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking, and sanitation
Property must be located in 1 of the 13 designated parishes	Required	Required	Acadia, Calcasieu, Cameron, Iberia, Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, Tangipahoa, Terrebonne, Vermilion, or Washington Parish
Property must have suffered damage from Hurricane Katrina or Rita (above \$5,200)	Required	Required	Confirmed by a visual inspection or third-party verification, including those provided by FEMA, an insurance company, or parish
This was residential rental property at the time of the storm	Required	Required	N/A
Size of Ownership Entity	Only small-size owners (1-20 units)	Both small-size and mid-size owners (21-100 units)	N/A
Was a Louisiana resident or Louisiana-based business or nonprofit at the time of Hurricane Katrina or Rita	All property owners	At least one property owner	N/A
Was sold to new owners after storm	Not eligible (unless the new owner is a non-profit organization)	Eligible	N/A
Occupancy Requirement	Property must be vacant except the owner-occupied unit	At least one unit vacant	N/A

SMALL RENTAL PROPERTY PROGRAM

Eligibility Requirements for Rounds 1 and 2			
Requirement	Round 1	Round 2	Description
Owner occupants of two-unit properties before the storms	Eligible	Eligible	Applicants only eligible if they have not received an award through The Road Home Homeowner Assistance program; these owners will receive an award for each affordable rental unit created and are not eligible for assistance for their owner-occupied unit if they decide to live on the property
Owner occupants of three- and four-unit properties	Eligible	Eligible	Eligible for funding from the Rental program for the homeowner unit and for each affordable rental unit they will create
Single Room Occupancy	Not eligible	Not eligible	Studio units are eligible
Mobile homes	Not eligible	Not eligible	Have a vehicle identification number (VIN) and/or steel undercarriage
Source: Prepared by legislative auditor's staff using information provided by OCD.			

APPENDIX C: MANAGEMENT'S RESPONSE



Louisiana Legislative Auditor
Performance Audit Division

Checklist for Audit Recommendations

Instructions to Audited Agency: Please check the appropriate box below for each recommendation. A summary of your response for each recommendation will be included in the body of the report. The entire text of your response will be included as an appendix to the audit report.

RECOMMENDATION(S)	AGREE	PARTIALLY AGREE	DISAGREE
Recommendation 1: OCD should continue to evaluate the effectiveness of the program and identify any options that will help it provide funds to applicants in a timely manner (p. 8 of the report).	✓		
Recommendation 2: OCD should ensure that ICF staff sufficiently document changes to applicant data in HDS and the reasons for those changes (p. 9 of the report).	✓		
Recommendation 3: OCD should ensure that ICF obtains the necessary documents prior to closing on all applicants' awards. This will help ensure only eligible applicants receive awards (p. 11 of the report).	✓		
Recommendation 4: OCD should ensure that ICF re-calculate all applicants' scores during pre-closing and determine if the re-calculated score affects the applicants' eligibility for the program. This will help ensure only eligible applicants receive awards (p. 11 of the report).	✓		
Recommendation 5: OCD should ensure that ICF review all applicants' award amounts during pre-closing. This will help ensure that applicants receive the correct award amount from the program (p. 11 of the report)	✓		



BOBBY JINDAL
GOVERNOR

ANGELE DAVIS
COMMISSIONER OF ADMINISTRATION

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

July 29, 2008

Mr. Steve J. Theriot, CPA
Legislative Auditor
Office of Louisiana Legislative Auditor
1600 N. Third St.
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

This letter is in response to the performance audit report on the Road Home Small Rental Program. Presented below is OCD's response to each of the Louisiana Legislative Auditors (LLA) audit recommendations.

Objective 1: Is the Small Rental Property Program Meeting its Objectives?

Recommendation 1: OCD should continue to evaluate the effectiveness of the program and identify any options that will help it provide funds to applicants in a timely manner.

OCD Response: OCD agrees with this recommendation. OCD will continue to strive to provide funds to applicants as rapidly as practical without undermining the process which ensures that only eligible applicants receive awards and that their award amounts are correct.

Objective 2: Are ICF's Small Rental Property Program's Applicant Data Accurate?

Recommendation 2: OCD should ensure that ICF staff sufficiently document changes to applicant data in HDS and the reasons for those changes.

OCD Response: OCD agrees with this recommendation. ICF's procedures instruct all staff to sufficiently document changes to applicant data in both the Communications Log and Memos in HDS.

Objective 3: Did ICF Calculate Applicants' Initial Rank, Score and Conditional Award Amounts Correctly?

The LLA made no recommendation for this objective.

Objective 4: Does ICF have a sufficient process to ensure only eligible applicants receive awards and that award amounts are correct prior to closing?

Recommendation 3: OCD should ensure that ICF obtains the necessary documents prior to closing on all applicants' awards. This will help ensure only eligible applicants receive awards.

OCD Response: OCD agrees with this recommendation. ICF's pre-closing procedure includes the verification of receipt of required documentation prior to recommending to OCD for closing and disbursement.

Recommendation 4: OCD should ensure that ICF re-calculate all applicants' scores during pre-closing and determine if the re-calculated scores affect the applicants' eligibility for the program. This will help ensure only eligible applicants receive awards.

OCD Response: OCD agrees with this recommendation. ICF's pre-closing procedure includes the re-calculation of all applicants' scores prior to recommending to OCD for closing and disbursement.

Recommendation 5: OCD should ensure that ICF review all applicants' award amounts during pre-closing. This will help ensure that applicants receive the correct award amount from the program.

OCD Response: OCD agrees with this recommendation. ICF's pre-closing procedure includes the review of all applicants' award amounts prior to recommending to OCD for closing and disbursement.

Mr. Steve Theriot, CPA

July 29, 2008

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We appreciate the cooperation and diligence of your staff in conducting this review. If you have any questions or require additional information, please let me know.

Sincerely,



Paul Rainwater, Executive Director
Office of Community Development/DRU

PR/SU

c: Ms. Angele Davis
Ms. Sharon Robinson
Mr. Thomas Brennan
Mr. Richard Gray
Ms. Lara Robinson
Mr. Robert Barbor