



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

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## EXECUTIVE DEPARTMENT

**BATON ROUGE** – The state may have to repay the federal government more than \$93 million as a result of questionable costs incurred in post-Hurricane Katrina and Rita housing assistance programs, according to a report released Monday by Legislative Auditor Daryl Purpera.

In a management letter to the Division of Administration, the fiscal arm of the governor's office, auditors said that as of last June 30, the largest portion of the \$93 million in questioned costs came in the housing assistance program where the DOA's Office of Community Development Disaster Recovery Unit identified "ineligible awards for 1,142 homeowners totaling \$58 million."

OCD demanded payment from ICF International, the firm hired shortly after the 2005 hurricanes to operate the Road Home Program, for \$29 million of "ineligible awards resulting from the contractor's errors." The other \$29 million is being sought directly from homeowners. The \$58 million was based on findings as of June 30.

"The state could be liable for ineligible awards if disallowed by the federal grantor" of the money, auditors said.

OCD officials said that the total amount ICF "improperly overpaid 1,093 grant recipients" was approximately \$56 million as of March 15.

In a sample of 45 homeowners who participated in the Homeowners Assistance Program, 21 were awarded more than \$1.3 million although they "had not provided adequate evidence of compliance" with program regulations. The Office of Community Development's Disaster Recovery Unit "has not initiated grant recovery from any of these homeowners."

Another \$33.6 million could be at risk because OCD identified property owners with more than \$33 million in loans under the Small Rental Property Program who failed to comply with one or more of their loan agreement requirements. Auditors reviewed another 24 files and found that six of them with loans totaling more than \$567,000 also could be in default for not complying with loan agreements.

In the Hazard Mitigation Grant Program, 43 of 50 applicant files reviewed did not qualify for \$957,607 "because of duplication of benefits, inaccurate award calculations, or failure by the applicants to provide the required documentation." The 50 files did not receive the required follow-up from 19 to 660 days.



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The longer collection is delayed “the less chance the state has to recover award payments from recipients that did not spend the money appropriately, and the state could be liable to repay those funds to the federal government.”

A review of 90 final payments of \$2.35 million under the Hazard Mitigation Grant Program indicated that 11 files showed \$27,721 in unsupported “other” payments to contractors. As a result, contractors may have been paid for “construction activities not performed” and the federal grant agency could disallow those costs and make the state repay them.

Officials in the OCD Disaster Recovery Unit responded that they are “exercising due diligence in bringing applicants into compliance or recapturing funds.” The unit will “continue to prioritize homeowner recovery and compliance over recapture” of funds, except in cases where there are signs of fraud or duplication of benefits.

“Our position is to work with the applicant to obtain the documentation needed for compliance or to establish the unmet need (of the applicant) through continued outreach and communication,” the agency said in its response to the report.

**For more information, contact:**

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