

DATA WAREHOUSE RELIABILITY



PERFORMANCE AUDIT
ISSUED JANUARY 14, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

January 14, 2009

Angèle Davis
Commissioner of Administration
Division of Administration

Dear Commissioner Davis:

This report provides the results of our performance audit on the reliability of certain data in the data warehouse used to establish eligibility and calculate grant awards for the Road Home 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 A contains the Office of Community Development's response to the recommendations. I hope this report will benefit you in your decision-making process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve J. Theriot", is written over a faint, circular watermark or background.

Steve J. Theriot, CPA
Legislative Auditor

SJT/dl

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Office of Legislative Auditor

Steve J. Theriot, CPA, Legislative Auditor



December 2008

Audit Control # 40080004

Objectives and Overall Results

We conducted an audit on the reliability of certain data used in the Road Home program that is stored in a data warehouse. The data warehouse consists of approximately 200 tables that the Office of Community Development's (OCD) contractor, ICF, uses to verify applicant provided information against third party data and to provide certain inputs necessary to calculate applicant award amounts. In addition to testing the reliability of certain tables, we also identified other issues that affect data reliability. This audit was conducted in conjunction with the OCD. The results of our audit are summarized as follows:

Objective 1: Is certain data in the data warehouse used to establish eligibility reliable?

Overall Results: Certain data used to establish eligibility was originally not reliable because the Louisiana Tax Commission (LTC) provided ICF with outdated specifications to load tax data into the data warehouse. As a result, some fields used to determine eligibility loaded incorrectly. Specifically, the homestead exemption field used to establish occupancy contained incorrect values. Although ICF used specifications provided by LTC, it should have detected the errors when it tested the tax table. For example, we found over 200,000 records with a homestead exemption over \$75,000 which is Louisiana's exemption amount.

OCD was not aware of the errors in the tax table because it did not sufficiently monitor the implementation of ICF's Management Information System (MIS). When we brought this situation to ICF staff's attention, they reloaded the data and compared applicants to the correct data. As a result, over 12,000 applicants were no longer considered eligible because they did not have a homestead exemption when matched against the corrected table. Therefore, ICF must collect additional documentation such as utility bills on these applicants to support their eligibility. Collecting this additional documentation timely is especially important since most of these applicants have already closed and have received their award amounts.

In addition, the method ICF is using to match applicants with the tax data may not be sufficient. Approximately 8,000 applicants were matched on their parcel identification number but not on their name and address; therefore, these applicants may not have been occupants at the time of the storm.

Objective 2: Is certain data in the data warehouse used to calculate award amounts reliable?

Overall Results: Insurance data in the data warehouse is not reliable because it is not complete or up-to-date. However, FEMA, home evaluation, and pre-storm value data in the warehouse used to calculate applicant award amounts was generally reliable.¹ The insurance information in the warehouse was not always complete because many insurance companies did not comply with ICF requests for insurance information. ICF received homeowner’s insurance information from insurance companies on only 48% of the applicants it requested. As a result, for 54% of all Road Home applicants who closed as of March 1, 2008, ICF relied on insurance information that applicants provided instead of verifying the information with insurance companies (data warehouse data). In addition, insurance information in the data warehouse was not up-to-date because ICF did not request updated insurance information from companies.²

To assess the reliability of insurance data used in the Road Home, we obtained and analyzed insurance payment data from Louisiana Citizens Property Insurance Corporation (Citizens). Citizens was created to provide property insurance coverage to applicants who are unable to procure coverage through the voluntary (i.e., private) market. Citizens insurance was designed to be an insurer of last resort and as of March 1, 2008, was listed as the insurer on approximately 15% of the paid Road Home grants.

We analyzed 15,342 applicants with Citizens insurance and compared Citizens data to the insurance amount used to calculate Road Home applicants grant amounts for applicants who closed as of March 1, 2008. We found that 6,396 (42%) of these applicants had received \$68,774,382 more in insurance payments than the amounts ICF used to calculate their awards. By not deducting these insurance payments, ICF increased the risk that applicants were overpaid and received duplicate benefits. The chart below shows the results of this analysis.

Method Used to Verify Insurance	Number of Road Home Applicants That Also Had Citizens	Difference Between Citizens and Road Home Insurance Amounts
Used applicant provided insurance data because no insurance data was in the warehouse	6,028	\$63,301,939
Used insurance data in the data warehouse from Citizens	245	\$3,749,434
Did not verify because applicant said they had no insurance	123	\$1,723,009
Total	6,396	\$68,774,382

Source: Prepared by legislative auditor’s staff using data from Citizens and ICF.

¹ We were unable to fully assess the reliability of all data because in some cases there was no source to trace data back to; however, we did find that the data was generally loaded correctly into the warehouse.

² Allstate was the only company to send updated information.

As the chart shows, we found that using applicant certified data resulted in incorrect insurance amounts being used for the applicant award calculations. For example, although OCD policy allowed the use of applicant certified insurance data, we found that 6,028 applicants who closed as of March 1, 2008, and had Citizens insurance actually had \$63,301,939 more in insurance payments than what was used to calculate their award amount. In addition, relying on applicant data resulted in ICF not considering \$1,723,009 in insurance payments from Citizens for 123 applicants who stated on their applications they had no insurance.

In addition, insurance information from insurance companies in the data warehouse was not routinely updated and was over six months old for 65% of applicants who had closed as of March 1, 2008. OCD established the date of March 1, 2008, to freeze insurance values in the data warehouse. The values as of that date would be used to conduct a final duplication of benefits check for all applicants who closed before March 1, 2008. However, we found that ICF did not consider \$3,749,434 in insurance payments for 245 applicants with Citizens insurance that were verified with the data warehouse and who closed as of March 1, 2008, because ICF did not request updated Citizens data near the March 1 date.

ICF did not consider the above amounts, in part, because Citizens did not have the capability to comply with all of ICF's requests. However, after ICF reviewed this report, we organized a meeting between ICF, OCD, and Citizens to facilitate sharing Citizens data with ICF. Citizens agreed to give ICF the necessary data to correct the problems identified above.

Having updated insurance information is important because HUD considers insurance a duplication of benefits that the state must deduct from Road Home award amounts. As a result, OCD has required that ICF obtain updated insurance information on applicants from insurance companies that will be used in the post-closing review. According to ICF, it has currently sent over 100,000 requests for insurance information to companies.

Objective 3: What other issues arose during the course of our work that could affect data reliability?

Overall Results: Although we did not perform a comprehensive controls review, we did identify several control weaknesses in the course of our work that could affect data reliability. Some of these weaknesses were cited in previous internal ICF reports on data integrity and have not improved. The weaknesses we identified include the following:

- Users have roles that should be segregated. For example, there have been over 1,300 individuals who have the ability to edit applicant data and delete attachments and 65 (5%) of these are Road Home applicants who are also ICF employees.
- ICF has not enabled the audit features in its database that would help log the actions of users.

- ICF did not review all tables when it loaded data into the warehouse to ensure that the data loaded accurately and completely.
- The pre-storm value flag in eGrants indicating that an applicant disputed his or her pre-storm value was not always supported with documentation. In addition, ICF did not begin tracking which employee checked the flag until our review began.
- ICF has not developed sufficient documentation that details its systems and data tables.
- OCD has not effectively monitored ICF's IT functions in part because it does not have any staff with expertise in this area.

Audit Initiation, Purpose, Scope, and Methodology

We conducted this audit in response to a request from the director of OCD. ICF is conducting a post-closing review that consists of reviewing all applicants who have closed to ensure that their Road Home awards are accurate and supported with appropriate documentation. However, because a significant number of items in ICF's post-closing review rely on data from ICF's data warehouse, OCD asked us to assess the reliability of certain tables used to establish eligibility and award amounts. We conducted this audit to develop recommendations for this post-closing review. We did not conduct a comprehensive controls review of the data warehouse or eGrants. In response to OCD's request, we developed three objectives. To answer our three objectives, we performed the following steps:

- Reviewed previous IT controls work
- Reviewed data dictionary for tables in eGrants and the data warehouse
- Interviewed various ICF and Citizens personnel to obtain an understanding of their processes and the data in the tables
- Met with both ICF and OCD to review and make recommendations on the proposed checklist for the post-closing review
- Tested tables containing the following information:
 - Tax data used to establish owner occupancy
 - FEMA National Flood Insurance Program (NFIP) data
 - FEMA Individual Assistance (IA) data
 - Homeowner's insurance data
 - Pre-Storm Value data
 - Home Evaluation data

- Performed the following steps for each of the tables, if possible:
 - Reviewed source data, when available, back to tables in the warehouse
 - Reviewed load procedures and how tables were tested, if available
 - Reviewed tables for outliers and other anomalies
 - Used ACL to analyze and test data warehouse data to eGrants
 - Sent discrepancies and anomalies for ICF for their response
- Reviewed, analyzed, and compared electronic data from Citizens Insurance Company to insurance information in eGrants and the data warehouse and tested the reliability of the Citizens data by comparing a sample of electronic Citizens data to physical files.
- Interviewed a sample of applicants with insurance discrepancies
- Held regular meetings with OCD to update it on our observations

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We also followed generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

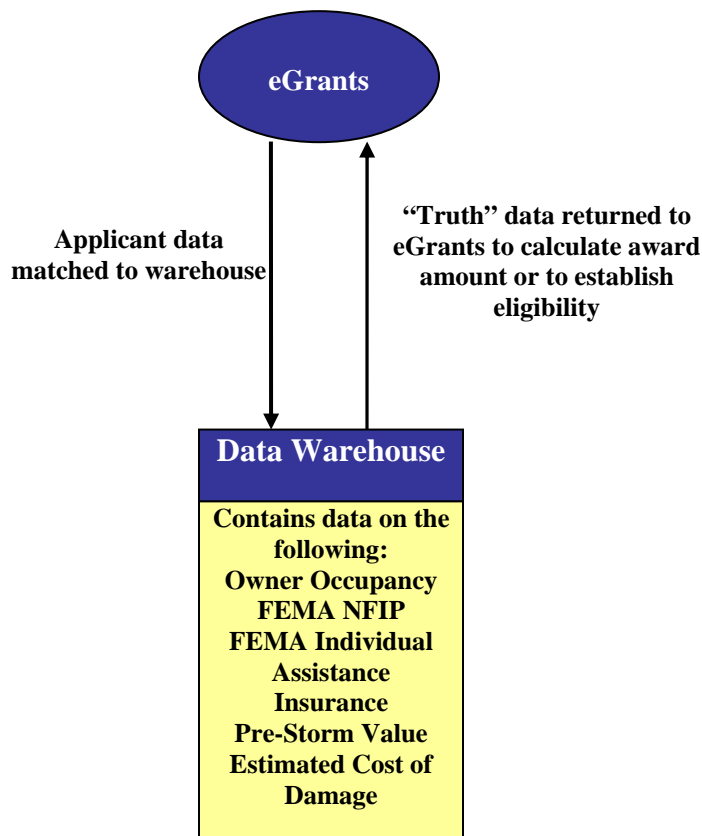
Appendix A contains OCD’s response to the recommendations in this report.

Background

ICF stores over 200 tables in its data warehouse. These tables include data from the Federal Emergency Management Agency (FEMA), the Small Business Administration (SBA), insurance companies, the Louisiana Tax Commission (LTC), and title companies. The tables in the data warehouse are used to verify applicant data against third parties and to generate specific values to calculate applicant award amounts. In some cases, third parties, such as First American Title, have direct feeds to the warehouse that are updated regularly. In other cases, ICF obtained data directly from third parties such as FEMA and the LTC and loaded the data into the warehouse.

When applicants submit their applications to the Road Home program, information they enter goes into the eGrants Plus system. ICF then matches applicant information with tables in the warehouse. Once data is verified or a value is obtained for a specific applicant, the data is considered “truth” data and is used in eGrants for use in determining eligibility and calculating applicant award amounts. Truth data is data that meets specification requirements and is within an acceptable range. Exhibit 1 provides an overview of how this process works.

**Exhibit 1
Overview of eGrants and Data Warehouse**



Source: Prepared by legislative auditor’s staff using information from ICF.

ICF generally verifies applicant information with third party data when such data exists and when applicant data can be matched to the data. However, if no third party data is available, Road Home policies generally allow applicant data to be used to calculate award amounts.

Objective 1: Is data in the warehouse used to establish eligibility reliable?

At the time we began our audit, the data ICF used to determine owner-occupancy was not reliable or accurate. ICF used outdated specifications provided to it by the LTC to load tax data into the warehouse. As a result, ICF has to collect additional documentation on over 12,000 applicants who were no longer considered eligible when the tax table was reloaded correctly. In addition, the methodology ICF is using to match applicants to the tax table is not sufficient. Finally, while errors did not impact ownership to the same degree, they may have resulted in increased costs for the state.

ICF uses assessment data from the LTC to determine ownership and occupancy for Road Home applicants. If an applicant has a homestead exemption during 2005 he/she is considered an occupant. If the applicant has a name and address match in both the 2005 and 2006 tax data, he/she is considered an owner.

Homestead Exemption Data Incorrect in Data Warehouse

ICF used outdated specifications provided to it by the LTC to load tax data into its data warehouse. As a result, all of the homestead exemption amounts in the table were incorrect. Homestead exemption is important because if an applicant has a homestead exemption he/she is considered an occupant. Louisiana’s homestead exemption amount is \$75,000. However, we identified over 200,000 records that were over this amount. Because ICF did not sufficiently test the tax data after it loaded the data into the warehouse, it did not detect these errors.

Exhibit 2 is an excerpt from the Storm Tax table that shows some examples of incorrect data. In addition to the incorrect homestead amounts, the owner last name column is often blank or combines both the first and last name in one column. The property city column is also incorrect as it contains properties outside of Louisiana that would not be eligible for a homestead exemption.

**Exhibit 2
Example of Incorrect Tax Table**

OWNERLASTNAME	HMSTDAMT	PROPERTYCITY
Savoy	807366600.0000	Florence
Acosta	148684320.0000	Belle Rose
	122613700.0000	Baton Rouge
	87515410.0000	New
	73850750.0000	Baton Rouge
Capitol	38923900.0000	Crowley
	38464550.0000	Metairie
Cruttijohn	36256800.0000	
	32957040.0000	The Woodlands
	30814950.0000	Baton Rouge
Atmos	30416680.0000	Dallas
Daiglealbert	29455570.0000	Belle
	29089924.0000	Deridder
Tiger	28455280.0000	New Roads
Cruellaresta	22322170.0000	
	20334800.0000	Las Vegas

Source: ICF’s “Storm Tax Table” in the data warehouse.

When we brought this issue to ICF and OCD’s attention, ICF reloaded the data. However, 12,594 applicants were no longer considered eligible because they did not have a homestead exemption when matched against the corrected table. This problem could have been prevented if ICF had adequately tested their data back to its source and if OCD had exercised

appropriate oversight over the development of ICF's IT system. However, OCD did not monitor ICF's implementation of its MIS and was not aware of these errors.

In addition, we duplicated ICF's methodology for matching applicants to the corrected table and found an additional 1,260 applicants who did not have a homestead exemption but were not included in ICF's analysis. We sent these to ICF but have not yet received a response.

Because of the errors in the tax table, ICF must collect additional documentation such as utility bills on these applicants to prove they were occupants at the time of the storm. However, the timeliness of collecting such documentation is critical since most of these applicants have already closed. According to ICF, it will collect additional documentation as part of its post-closing review. This effort and the associated costs would not have been necessary had ICF adequately tested the tax table before using it to establish eligibility.

Recommendation 1: OCD should require that ICF flag all applicants whose occupancy status changed with the new table and ensure that post-closing obtains sufficient documentation for these individuals.

Summary of Management's Response: OCD agrees with this recommendation and states that it is working with ICF to ensure they obtain appropriate documentation.

ICF's Methodology for Matching Applicants to Tax Table Is Insufficient

According to ICF procedures, applicants are matched to the tax table on parcel identification number and FIPS code (Federal Information Processing Standard or parish code). If an applicant's Parcel ID matches the Parcel ID in the tax table and a homestead exemption exists, the applicant is considered an occupant. However, ICF does not also match the applicant's name or address to the name and address in the tax table. As a result, we identified some cases where the parcel ID and FIPS code matched, but the Road Home applicant's address and last name were different.

ICF reran its analysis also matching on name and address and confirmed that of the approximately 60,000 applicants who were matched using parcel ID and FIPS code, about 8,000 did not match when matched on name and address as well. As a result, these applicants may not have been the real occupants of the property at the time of the storm and may need additional documentation to support their eligibility. According to OCD, it will require that ICF address these individuals during the post-closing review. Again, this extra effort and associated costs could have been avoided if ICF adequately tested the data.

Recommendation 2: OCD should require that ICF flag all applicants who were matched using the above methodology (Parcel ID and FIPS only) and ensure that post-closing obtains additional documentation for these individuals.

Summary of Management's Response: OCD agrees with this recommendation and states that it will work with ICF to determine an efficient and effective process to resolve this issue. OCD will work with ICF to make sure that ICF is working to obtain additional documentation.

Errors in Tax Tables Did Not Affect Ownership Determinations to Same Degree

Because of the way ICF matches applicant data to the tax tables for ownership determinations, the errors in the tax tables did not significantly affect ownership determinations. For the purposes of establishing ownership, ICF matches applicant data to 2005 and 2006 tax data on name and address. We did find some problems with the name and address fields. For example, there were 289,433 records that did not include a last name. In addition, the address field contained names in many cases. However, because ICF will order an abbreviated title search if the applicant's name and address do not match the tax table, these errors did not significantly affect ownership determinations. While these errors did not impact ownership, they may have resulted in increased costs for the state. Currently, ICF charges the state \$152.38 for each abbreviated title search. Had the table been loaded correctly, applicant data may have matched more frequently thus reducing the need for these title searches.

Recommendation 3: OCD should determine if ICF should be reimbursed for work done to reload the tax tables and the resulting work done by ICF to obtain additional documentation for those applicants whose occupancy status changed from eligible to not eligible.

Summary of Management's Response: OCD agrees with this recommendation and states that it will aggressively work with its management and legal staffs to identify and seek recovery of any amounts not due ICF for work done to reload the tax tables and the resulting work done to obtain the additional documentation.

Recommendation 4: OCD should determine if ICF should repay the state as stated by the ICF contract for those applicants who are ineligible because of errors in the tax table.

Summary of Management's Response: OCD agrees with this recommendation and states they will aggressively work with its management and legal staffs to identify any amounts ICF should repay the state for those applicants who are ineligible because of errors in the tax table.

Objective 2: Is certain data in the warehouse used to calculate award amounts reliable?

We analyzed insurance, FEMA NFIP, FEMA IA, home evaluation, and pre-storm value data for reliability. With the exception of data on insurance payments, the data from the warehouse ICF uses to calculate an applicant’s award amount is generally reliable. However, the data used to determine the amount of insurance each applicant received is not as reliable because it is not complete or up-to-date. Insurance data is not complete because insurance companies did not always comply with ICF’s electronic requests for insurance data. Insurance data is not up-to-date because ICF did not request updated insurance information from most companies.

To assess the reliability of insurance data, we obtained and analyzed electronic data from the Louisiana Citizens Property Insurance Corporation (Citizens). Citizens was created to provide property insurance coverage to applicants who are unable to procure coverage through the voluntary (i.e., private) market. Citizens insurance was designed to be an insurer of last resort and as of March 1, 2008, was listed as the insurer on approximately 15% of the paid Road Home grants. We used Citizens electronic data on insurance payments to compare to both the amounts in the data warehouse and the amounts that were used in applicant award amounts.

We analyzed 15,342 applicants with Citizens insurance and compared Citizens data to the insurance amount used to calculate grant amounts for applicants who closed as of March 1, 2008. We found that 6,396 (42%) of these applicants had received more insurance payments than what was deducted from award amounts. Specifically, we found that these applicants received \$68,774,382 more in payments from Citizens than what was used to calculate their award amounts. By not considering these amounts, ICF increased the risk that applicants were overpaid and received duplicate benefits. Exhibit 3 summarizes these applicants, how much more Citizens had for these applicants, and how these applicants were verified.

**Exhibit 3
Difference Between Citizens and Road Home Insurance Amounts
As of March 1, 2008**

Method Used to Verify Insurance	Number of Road Home Applicants That Also Had Citizens	Difference Between Citizens and Road Home Insurance Amounts
Used applicant provided insurance data	6,028	\$63,301,939
Used insurance data in the data warehouse from Citizens	245	\$3,749,434
Did not verify because applicant said they had no insurance	123	\$1,723,009
Total	6,396	\$68,774,382

Source: Prepared by legislative auditor’s staff using data from Citizens and ICF.

ICF did not consider the above amounts because Citizens did not have the capability to comply with all of ICF’s requests. However, after ICF reviewed this report, we organized a

meeting with ICF, OCD, and Citizens to facilitate sharing Citizens data with ICF so that they can use the updated data to correct the problems identified.

Homeowner's Insurance Data Not Always Complete

Third party data in the warehouse provided by insurance companies that was used by ICF to determine the amount of insurance applicants received was not complete. ICF's contract with the state requires that it verify insurance payments. However, OCD recognized that insurance companies were not always replying to ICF requests. Therefore, OCD implemented a policy in November 2006 to allow ICF to use the insurance amount provided by the applicant and allow certification by the applicant through a signed affidavit at closing. However, it was always OCD's expectation that ICF "exhaust all efforts" to obtain third party verification of insurance and that insurance data be verified after closing. As of March 2008, ICF verified insurance payments with third party data in the data warehouse for 44% of applicants that had a grant calculated and relied on applicant provided insurance information for 54%.³

ICF used applicant data most of the time because insurance companies did not always comply with ICF's requests for insurance data. We found that ICF received insurance information for only 48% of the applicants it requested. However, ICF also did not exercise sufficient due diligence when attempting to obtain insurance from third parties. For example, we found that ICF compiled requests to insurance companies based on what the applicants provided on their applications. In addition, ICF did not develop formal agreements with insurance companies that specified what information would be submitted and when. Finally, ICF did not always follow up with insurance companies who did not respond to requests. These issues are summarized in more detail below.

ICF could not request information from insurance companies on all applicants because they relied on applicant provided information to verify insurance information. ICF sent applicant information to insurance companies for verification based on what the applicants provided on their applications. Therefore, if an applicant provided the wrong insurance company or provided no insurance coverage information, the insurance was never verified with a third party or was verified with the wrong company. Applicants who provided no insurer may have received the penalty for not having insurance, but in many cases it was more beneficial for the applicant to take the penalty instead of deducting actual insurance proceeds received. In reality, the penalty is negated if the applicant qualifies for the affordable compensation grant (ACG) since the penalty is applied before the calculation of the ACG. We found that approximately 19% of applicants did not list any insurance company for their homeowner's insurance.

We reviewed electronic claims payment data from Citizens to determine how many Road Home applicants that closed as of March 1, 2008, were paid by Citizens but did not include Citizens as their insurer on their application. We found that 123 out of 6,396 applicants with

³ The remaining were overridden (2%).

Citizens insurance did not list Citizens on their application but received over \$1.7 million in insurance payments from Citizens.

Although ICF maintains that it was not feasible to send verification requests to all insurers, ICF could have done more to follow-up on the errors it received from companies. For example, at the time of our review, there were 76,759 errors identified in the information returned by companies. A total of 39,128 (51%) of these errors occurred because no insurance information existed for the applicants which was the most common error. Nevertheless, ICF did not follow up with additional companies or with the applicants to determine if they had insurance with another company.

ICF received only 48% of data on applicants it requested from insurance companies. ICF requested insurance information from insurance companies by posting spreadsheets with applicant information on a secure server called Quickplace. Insurance companies were supposed to provide information back to ICF on applicants listed on the spreadsheets. ICF requested information on 138,660 applicants from 143 insurance companies and received insurance information back from 81 companies. These 81 companies accounted for 93% of the 138,660 applicants. However, ICF only received homeowner's insurance information⁴ for 72,033 (48%) of applicants that it requested.

Despite the low response rate, ICF did not always follow up with non-responsive companies to urge them to send information back. According to ICF, it could not force insurance companies to comply with its requests and many companies did not have the capability or the staff to answer the requests.

ICF did not receive all requested data because it did not enter into formal agreements with all companies. According to ICF's contract with OCD, ICF was responsible for signing memorandums of understanding (MOU) as necessary with all relevant partners to facilitate the transmission of necessary data required for program implementation. As of March 1, 2008, 139 insurance companies were listed on paid Road Home applications; however, ICF had not executed official MOUs with any of the insurers. Although ICF did sign confidentiality agreements with 29 insurance companies designed to protect proprietary insurance information; none of the agreements stated how, when, or if the insurance companies would transfer claims information. Even though ICF did not have official MOUs with insurance companies to share data, 89 companies did choose to participate in the data transfer program.

Also, ICF did not receive all requested insurance data because companies often did not have the resources to verify large amounts of information. Because of the lack of resources, Citizens did not send back all data that ICF requested. According to ICF data, between July 2007 and October 2007, a total of 24,194 verification requests were sent to Citizens insurance for claim payment verification. As of March 1, 2008, only 1,126 or 5% of these requests were verified and returned by Citizens to ICF. According to Citizens, it had to manually query its internal systems to provide responses one record at a time and this query was difficult to do

⁴ We only reviewed homeowner's claims because flood payments were often reported through the National Flood Insurance Program and not through private insurers.

when ICF's first request in July 2007 contained over 16,000 applicants.⁵ In addition, some of the data formats were incompatible making it impossible to compare exact data sets or return data sets in the format required by ICF.

The use of applicant provided insurance information increases the risk that ICF used incorrect insurance proceeds in calculating applicant award amounts. As stated earlier, the lack of participation from insurance companies resulted in ICF relying on the use of self-certified insurance information from applicants. However, there is a risk that applicants will not report all insurance proceeds they received and that their grant awards may be incorrect.

We found that ICF used applicant provided insurance information to calculate award amounts for 6,028 of the 6,396 applicants with Citizens insurance who closed as of March 1, 2008. However, Citizens data as of the same date showed \$63 million more in insurance payments to these applicants than what was deducted in their award amounts. To determine the reasons why applicants did not report accurate insurance information, we interviewed 14 applicants with the highest discrepancies between what they reported and what Citizens paid. These applicants gave the following reasons for the differing insurance amounts:

- Two applicants did not disclose the accurate amount but stated that they should have.
- Five applicants under-reported the amount and stated that they did not know they had to report subsequent insurance payments.
- Two applicants were unsure about the amount of insurance they received.
- Five applicants stated that they told ICF about the additional payments but nothing was done.

Although OCD policy allowed ICF to rely on this information, OCD also understood the risk that applicants may not accurately report insurance proceeds. Therefore, OCD also required that a post-award audit system would be implemented to detect additional insurance proceeds.

Third Party Homeowner's Insurance Data Not Up-to-Date

ICF did not always update third party insurance data in the warehouse. Updated insurance information from third parties is important because the Housing and Urban Development (HUD) requires that all insurance payments be deducted from applicant award amounts because they constitute a duplication of benefits. However, we found that ICF did not exercise sufficient due diligence in obtaining updated insurance data because it did not request updates from insurers and 65% of the insurance data from insurance companies in the warehouse was over six months old for applicants closing before March 1. As a result, the data warehouse contains insurance amounts that may not be correct because applicants may have received insurance payments after the last update.

⁵ In an e-mail from Citizens to ICF dated July 16, 2007, Citizens expressed concern about the amount of time it would take to verify spreadsheets with "massive amounts" of applicants and stated that it understood that ICF was supposed to send verification as the applicants applied and not all at once.

For example, we analyzed data from Citizens and compared it to what ICF had in the data warehouse from Citizens. We found that actual insurance payments for 245 applicants with Citizens insurance who were verified using the data warehouse showed over \$3.7 million more in payments to Road Home applicants who had closed as of March 1, 2008, than what ICF had in the warehouse from Citizens as of the same date.

ICF did not always request updates for insurance information. Once ICF received a response from insurance companies on payments to applicants, it did not always resubmit those same applicants to request updates. For example, if 200 applicants were sent to a company for verification, ICF never sent them out again to be updated by that company. Allstate was the only insurer who submitted updated insurance information for applicants. ICF initially told us that insurance companies were supposed to send updated claims information on applicants whenever updated claims occurred.

OCD also thought that ICF was receiving regular updates from insurance companies. In a meeting with ICF and OCD in July 2008, ICF again stated that it was receiving regular updates from insurance companies. However, we determined based on our analysis of ICF data that ICF was not receiving regular updates unless it requested an update. Based on our analysis, ICF then agreed that it was not receiving regular updates. Because OCD did not monitor ICF's verification efforts, it was unaware that ICF was not receiving regular updates from insurance companies. As a result of that meeting, OCD directed ICF to obtain updated insurance information from all companies.

ICF froze insurance values for applicants who closed before March 1, 2008, without receiving updated data. For the purposes of monitoring for duplication of benefits, OCD established the date of March 1, 2008, to freeze insurance values in the data warehouse; therefore, the value in the warehouse as of this date would be used in post-closing to ensure that the applicant received no additional payments. However, we found that 65% of data in the warehouse for applicants who had closed as of that date had not been updated in at least six months. Obtaining updated data is important because HUD considers insurance payments a duplication of benefits which must be deducted from applicant award amounts and must be recovered if applicants received more than what was deducted.

OCD expected that ICF would obtain updated insurance information from companies near the March 1 date, but OCD was not aware that this process did not happen. We brought these issues to OCD's attention on July 17, 2008, and it agreed that updated insurance data must be obtained to ensure that applicants received accurate award amounts. As a result, OCD required that ICF obtain updated insurance values as part of the post-closing review process. According to ICF, it has sent over 100,000 requests for updated electronic insurance data to companies.

Analysis of actual Citizens insurance payments showed that ICF had \$3.7 million less in the data warehouse than what Citizens had as of March 1, 2008. We found that the data warehouse contained 245 applicants with Citizens insurance that had closed as of March 1, 2008, and had their values frozen as of the same date. When we compared these same applicants to actual payments from Citizens, we found that these applicants had received \$3.7 million more

from Citizens than what was reflected in the data warehouse. As a result, these insurance payments would not be deducted from applicant award amounts during the final duplication of benefits check. The data warehouse did not have the same insurance amounts because ICF did not obtain updated insurance information from Citizens near the March 1, 2008, date.

OCD’s directive to freeze insurance values on March 1, 2008, was not official policy.

As mentioned above, OCD directed that ICF freeze insurance values in the warehouse on March 1 for the purpose of monitoring for duplication of benefits. However, the official policy in Change Control Board (CCB) form 153 B generally required that ICF monitor most applicants six months after their closing date.⁶ This policy was replaced with a “procedural clarification memorandum” on February 7, 2008, that was signed by OCD. However, the memorandum was not signed by the Louisiana Recovery Authority or approved as an amendment as required by change control process.

According to OCD, it is currently working with HUD to determine appropriate due diligence regarding duplication of benefits. Once the input is received from HUD, OCD will establish an official policy through the change control process.

Recommendation 5: As agreed to in the July 2008 meeting, OCD should require that ICF attempt to obtain updated electronic information from insurers to conduct duplication of benefits monitoring during the post-closing review. As part of this effort, OCD should require that ICF attempt to obtain more complete information from insurance companies.

Summary of Management’s Response: OCD agrees with this recommendation and states that ICF made an attempt to obtain updated electronic information from insurers in August 2008. However, this attempt has not proven very successful. The executive director of OCD will ask the commissioner of insurance to communicate with the insurance companies explaining the importance of providing updated information to the *Road Home* program. OCD feels it has performed adequate due diligence in its attempts to identify insurance duplication of benefits. OCD has submitted a proposed due diligence process for HUD approval.

Recommendation 6: OCD should require that ICF in its post-closing review ensure the applicant provided documentation that has not been verified be sufficient and up-to-date and that ICF obtain documentation for those applicant files that have no documentation and no data warehouse information.

Summary of Management’s Response: OCD agrees with this recommendation.

Recommendation 7: OCD should ensure that the “procedural clarification memorandum” go through the appropriate process to become official policy or to change the policy based on HUD’s feedback on appropriate due diligence.

Summary of Management’s Response: OCD concurs with this recommendation and stated that it has sought HUD’s feedback on appropriate due diligence.

⁶ The policy required that all applicants closing before 9/25/08 would be monitored through 3/25/08; all applicants closing from 9/25/08 to 1/1/08 would be monitored through 7/1/08; and all those closing after 1/1/08 would be monitored three months from their closing date.

Recommendation 8: OCD was not aware that ICF did not obtain updated insurance provider information on or near the date insurance values were frozen (March 1, 2008). Therefore, OCD should determine if ICF should be reimbursed to send out additional insurance verification requests.

Summary of Management's Response: OCD agrees with this recommendation and will have its management and legal staffs determine what options are available since ICF did not adequately attempt to obtain updated insurance provider information on or near the date insurance values were frozen. OCD notes that self certifications are allowed in CDBG programs and that the State has gone above and beyond what CDBG requires in that the program has and continues to attempt to third party verify insurance payments in its efforts to perform due diligence and prevent duplication of benefits.

FEMA NFIP Data Loaded Correctly

ICF loaded the NFIP data it received from FEMA correctly in the data warehouse for the fields that we tested. However, we are unable to conclude that the data was reliable because we could not test FEMA data in the warehouse back to source documentation since FEMA submits its data on compact discs and we did not have access to FEMA's database.

We found that ICF loaded most of the NFIP data from FEMA correctly into the warehouse. ICF has also established load procedures and testing to ensure that the data loaded correctly. As a result, we found no differences between the NFIP amounts FEMA provided compared to the amounts in the warehouse.

We did find a few cases (116 applicants of 31,785) where NFIP data in the warehouse did not always match the values used to calculate applicant award amounts. We used ICF's methodology for matching applicant data to FEMA data to obtain flood insurance amounts. We were able to match 31,785 applicants who had closed as of March 2008 to FEMA NFIP data. Of those, we found that 116 (less than 1%) had a flood insurance amount in eGrants that was different from the flood insurance amount in the data warehouse. We provided all exceptions to OCD and ICF for their investigation.

Most FEMA Individual Assistance Data Loaded Correctly

ICF loaded most of the individual assistance (IA) data it received from FEMA correctly in the data warehouse for the fields we tested and used the correct value in the award calculation. However, we are unable to conclude that the data was reliable because we could not test FEMA data in the warehouse back to source documentation since FEMA submits its data on compact discs and we did not have access to FEMA's database.

We found that most values matched between the FEMA source data and the data warehouse. We found that less than 1% (1,790) had a different value in the warehouse than what FEMA had. We also found that the value used in the award calculation of applicants who had closed matched either the data warehouse or applicant data. We only identified eight out of the 51,639 cases where an applicant had an amount that could not be traced to a source. We provided all exceptions to OCD and ICF for their investigation.

Most Home Evaluation Amounts Matched Source Data

Most of the home evaluation data in the data warehouse matched the home evaluation damage estimate in Worltrac. Worltrac is the computer program used to generate the Compensation Allowance Document (CAD) which outlines an applicant's home evaluation estimate.

However, we did identify 1,928 cases out of 85,697 (2.3%) applicants that closed who had a home evaluation amount in the warehouse that was different from the estimate in Worltrac. According to ICF, these differences are due to ICF freezing values in the warehouse to expedite closings. In these cases, the evaluation in Worltrac may have been updated as the result of quality control and would not match the "frozen" value that was used at closing.

According to ICF, the differences between Worltrac and closed values will be reconciled during the post-closing review. Reviewers will compare the CAD in eGrants to ensure that it matches current values and will reconcile closed values to current values and make adjustments as necessary.

Pre-Storm Value Data Used in Award Calculation Could Generally Be Traced to a Source

Because of the way the data is received and put into the warehouse,⁷ we were unable to test whether pre-storm values matched to original source data. However, we were able to review data in the tables and determine if the value used to calculate an applicant's award amount matched the data warehouse.

We found relatively few cases where the pre-storm value in eGrants could not be traced to a source. For some of the cases we identified, ICF was able to locate the values in other tables. For other cases, the different values were due to differing methodologies used to match data and to appreciate/depreciate appraisal values.

⁷ Many of the tables are direct feeds from either First American or HGI.

Objective 3: What other issues arose during the course of our audit that could affect data reliability?

During our work on the previous objectives, we also identified various control issues that could affect the reliability of data. For example, ICF has assigned user roles that should be segregated; ICF has disabled audit log capabilities; and ICF has not developed comprehensive system documentation for all aspects of its IT system. In addition, OCD has not effectively monitored these IT functions because it lacks staff with expertise in this area. Each of these issues is summarized as follows:

Lack of Segregation of Duties in User Roles

Many employees share access rights that should be segregated. Proper segregation of duties helps to mitigate against inappropriate modification of data. For example, we identified 231 employees who have (or had) the ability to create an override and approve the same override. Thirteen of these individuals are ICF employees who are also Road Home applicants.

As of March 2008, ICF had employed 350 people who were also applicants to the Road Home program. As shown in Exhibit 4, many of these employees had access rights that should have been segregated. Without proper segregation of duties, there is a possibility that Road Home applicants could have worked on their own applications. This segregation is especially important since ICF has disabled audit logs in its system which would help identify unauthorized events.

Exhibit 4 summarizes user roles that should be segregated, including the number of ICF employees with this role and the number of ICF employees who are also applicants that have this role.

**Exhibit 4
Summary of User Roles and Authority**

Roles	Description	Number as of 5/12/08	Percent of Users	Number of Employee/Applicants With This Role
APSUP to ATDEL	Users who can edit applicant data that also have the ability to delete attachments	1336	51.6%	65
APSUP vs RSSUP	Users who can edit applicant data that also have the ability to override truth data (verified data) in eGrants	684	26.5%	34
RSUSR vs. RSSUP	Users who have the ability to override and update truth data in eGrants that also have the ability to resolve exceptions	675	26.1%	34

Roles	Description	Number as of 5/12/08	Percent of Users	Number of Employee/ Applicants With This Role
RSSUP vs. ATDEL	Users who have the ability to override and update truth data in eGrants and have the ability to delete attachments	643	24.9%	34
CROVR vs. APOVR	Users who can create an override that also have the ability to approve an override	231	8.9%	13
RSSUP vs. OVADJ	Users who have the ability to override and update truth data in eGrants that also have the ability to approve and disapprove adjustments to grant awards	364	14.1%	29
APPCL vs. TCLOS	Users who have the ability to approve closings that also have the ability to edit closing data	250	9.7%	14
APADJ vs. OVADJ	Users who have the ability to approve adjustments that also have the ability to make adjustments to grant awards	896	34.6%	55
<p>Note: One user can have many different roles so these numbers overlap. Source: Prepared by legislative auditor's staff using data from ICF.</p>				

According to ICF, segregation conflicts are mitigated by operational controls in the system such as policies and procedures. Although policies and procedures would help by outlining each employee's responsibilities, they do not have the same preventative aspect as limiting user access. In addition, as detailed in previous audit reports, many Road Home processes and functions did not have detailed policies and procedures.

Database Audit Features Not Enabled

ICF did not enable the audit features in its database system that supports eGrants and the data warehouse. Audit logs are important because they record activities and transactions and help to support accountability and the identification of problems. ICF does have exceptions tables and archiving tables in eGrants and the data warehouse that record exceptions and logs changes to certain data but these tables often have blank fields and do not have the same capabilities and detailed information that audit logs have. According to ICF, audit logs are disabled because they slow down the system. However, because audit logs can be enabled only for certain tables and for certain time periods, OCD should determine whether this function should be used during the post-closing review to help ensure that the actions of reviewers are recorded.

Recommendation 9: OCD should review the exceptions and journaling tables to determine if these are sufficient for audit trail purposes. If not, OCD should determine specific tables and fields on which it wants audit logs enabled.

Summary of Management's Response: OCD concurs with this recommendation; however, it states it will have to seek outside technical assistance to implement this recommendation.

Not All Data Tables Were Tested for Accuracy

ICF did not consistently test all data tables back to source data to ensure that the data loaded correctly. As discussed earlier, the tax tables used to establish owner-occupancy were loaded incorrectly. If ICF had tested these tables back to the compact discs from the Louisiana Tax Commission that were used to load the data, it would have found that the data loaded incorrectly.

In addition, we found that ICF did not always review whether data from insurance companies was loaded correctly. Although ICF did have a mechanism to isolate errors in insurance data, it did not always review whether insurance data was loaded correctly into the warehouse. For example, we reviewed a table from State Farm with 21,075 insurance records and found that 9,568 records had a different value in the data warehouse than what State Farm provided. In all of these cases, State Farm provided a value, but the insurance table in the warehouse had a "0" value.

Pre-storm Value Disputes Not Always Documented

Road Home policy allows applicants who dispute their pre-storm value in the resolution process to receive the highest pre-storm value for use in calculating their award amount. Applicants may have multiple pre-storm values from different sources, including pre- and post-storm appraisals provided by applicants or government lenders, Broker Price Opinions (BPOs), and market analyses. If applicants dispute their pre-storm value, Road Home employees check the PSV dispute flag in eGrants. If this flag is checked, ICF uses the highest pre-storm value in the award calculation. However, because the policy says that applicants disputing their pre-storm must go through the resolution process, all applicants with a PSV dispute flag should have a corresponding issue in JIRA which is the system used to record and track disputes. However, we analyzed 50 applicant files of a total of 22,650 that had the PSV dispute flag as of March 2008 and found that 27 of the 50 (54%) did not have an issue related to PSV in either JIRA or JIRA archives.

It is important to have adequate documentation related to PSV because the policy of using the highest pre-storm value increases the risk that advisors and other ICF employees can check the dispute flag without a valid reason for doing so. Maintaining adequate documentation is especially important since audit logs are disabled and ICF only began logging the names of

employees who checked the dispute flag in March 2008 when our review began. As a result, we were only able to tell who checked the PSV dispute flag for 1,290 applicants of 22, 650 (5.7%).

Recommendation 10: OCD should require that ICF review the PSV dispute flag in post-closing and determine if applicants with the flag have sufficient supporting documentation in JIRA.

Summary of Management's Response: OCD concurs with this recommendation. OCD is making every effort to ensure that there is sufficient documentation to support that applicants disputed their pre-storm value in the resolution process to receive the highest pre-storm value for use in calculation their award amount.

Recommendation 11: OCD should determine if ICF should be reimbursed for additional work resulting from recommendation 8 (reviewing the PSV dispute flag in post-closing and determining if applicants with the flag have sufficient supporting documentation in JIRA).

Summary of Management's Response: OCD agrees with this recommendation and states that it is reviewing policy and procedure and if it determines that ICF was not in compliance OCD will not reimburse ICF for additional work resulting from recommendation 10.

Insufficient System Documentation

OCD has not required that ICF develop comprehensive system documentation for its IT system. For example, there are over 200 different tables in the data warehouse, but only 28 of them are included in the data dictionary. A data dictionary should provide a complete listing of all tables, including field definitions and specifications. Without adequate system documentation, managing the operation of and changes to an application can become increasingly difficult. Because of the lack of this documentation, we often relied on interviews and e-mail correspondence to understand these tables and how data is loaded and tested. In some cases, we also found that system documentation conflicted with what actually took place.

In addition, without adequate documentation, knowledge transfer may be hard to realize and future support personnel may lack crucial information needed to perform their function in a timely and efficient manner. Adequate documentation is especially important since the state will assume ownership of all IT systems at the end of ICF's contract in June 2009. According to ICF, it will deliver complete system documentation by the end of its contract.

Recommendation 12: As part of its transition efforts, OCD should ensure that ICF develop sufficient, accurate, and comprehensive documentation for all systems.

Summary of Management's Response: OCD agrees with this recommendation and states that it will require ICF to deliver complete system documentation by the end of its contract.

OCD Did Not Effectively Oversee ICF's IT Systems

OCD has not effectively monitored the implementation, testing, and operation of ICF's IT system partially because it did not have any staff with IT experience. As cited earlier, ICF did not load tax data correctly into the warehouse. This problem may have been prevented or detected earlier had OCD effectively overseen the implementation of ICF's IT system. However, OCD did contract with third parties to review IT systems. KPMG performed a data integrity review in May 2007 and Posthlewaite and Netterville are currently performing a SAS-70 review. However, some of the issues cited in this report were also cited in KPMG's report which indicates that the state did not ensure that ICF implemented the report's recommendations.

Because of the lack of staff, OCD conditionally approved the MIS deliverable requiring that the MIS be fully functional. According to OCD, it gave conditional approval with the expectation that a new deliverable would be developed by January 12, 2008, for MIS functions for Phases 2 and 3 of the ICF contract. However, this deliverable was never completed. Currently, OCD has developed an IT Transition Team with IT personnel from the Office of Information Systems to oversee the transfer of IT systems to the state when the ICF contract expires. This team is currently issuing a Request for Proposals (RFP) for an IT contractor to help develop this deliverable.

Recommendation 13: OCD should ensure that it has appropriate expertise or that it contracts with third parties who have appropriate expertise to effectively oversee IT functions.

Summary of Management's Response: OCD concurs with this recommendation and states that OCD's Transition Team will address IT issues and a pending RFP will centralize all IT functions.

Recommendation 14: In addition to the specific recommendations in this report related to additional ICF reimbursement, OCD should do an evaluation of all additional work conducted by ICF because of errors to determine if ICF should be reimbursed for the resulting work. This evaluation should include work done by ICF as part of the post-closing process.

Summary of Management's Response: OCD agrees with this recommendation and states that as part of the "Final File Review" OCD will be monitoring issues where over or underpayments have been made to applicants and will determine if ICF is responsible for the incorrect payment and not due payment for the additional work required to correct errors.

APPENDIX A: MANAGEMENT'S RESPONSE

BOBBY JINDAL
GOVERNOR



ANGELE DAVIS
COMMISSIONER OF ADMINISTRATION

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

December 10, 2008

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

RE: Data Warehouse Reliability Report
Audit Control # 40080004

Dear Mr. Theriot:

The Office of Community Development, Disaster Recovery Unit (OCD/DRU) appreciates the opportunity to respond to the draft performance audit report on the reliability of information in the data warehouse for the *Road Home* Program. The information in the data warehouse is used to establish eligibility as well as calculating grant award amounts. Therefore, it is critical that data contained in the data warehouse be reliable. It is for this reason, as noted in the audit report, that the director of OCD/DRU requested the Legislative Auditor to assess data reliability.

OCD/DRU requested ICF to respond to the draft report. ICF in turn prepared a response to the report and requested that it be incorporated into the final audit report. OCD/DRU has enclosed ICF's response. However, it should not be inferred that OCD concurs or does not concur with ICF's response. Rather, ICF's response will be used by OCD to fully analyze the audit findings in order to effectively evaluate and implement the recommendations contained in the audit report.

During the course of the audit OCD/DRU and ICF have initiated some corrective actions.

Presented below are our comments to each of the recommendations contained in the report by Audit Objective.

Objective 1: Is certain data in the data warehouse used to establish eligibility reliable?

OCD concurs that the Louisiana Tax Commission provided out-dated specifications to ICF which ICF relied on when loading data into the data warehouse. As a result, the homestead exemption field used to establish occupancy contained incorrect values.

ICF has reloaded the data using the correct specifications and compared applicants to the correct data. As a result, 12,546 applicants were no longer considered eligible because they did not have a homestead exemption when matched against the corrected information. ICF states that it has verified occupancy for about 7,750 applicants to date and expects to complete this occupancy verification for the remaining 4,800 applicants in the very near future.

In addition to the 12,546 applicants noted above, the LLA also found that, (1), an additional 1,260 applicants who did not have a homestead exemption but were not included in ICF's analysis and (2), that approximately 8,000 applicants were matched on their parcel identification number but not on their name and addresses; therefore these applicants may not have been occupants at the time of the storm.

OCD/DRU is closely monitoring and reviewing the work ICF is performing to verify the eligibility of these applicants.

Recommendation 1: OCD should require that ICF flag all applicants whose occupancy status changed with the new table and ensure that post-closing obtains sufficient documentation for these individuals.

OCD Response: OCD concurs with this recommendation and will work with ICF to make sure that ICF is working to obtain documentation.

Recommendation 2: OCD should require that ICF flag all applicants who were matched using the above methodology (Parcel ID and FIPS only) and ensure that post-closing obtains additional documentation for these individuals.

OCD Response: OCD concurs with this recommendation and will work with ICF to determine an efficient and effective process to resolve this issue. OCD will work with ICF to make sure that ICF is working to obtain additional documentation.

Recommendation 3: OCD should determine if ICF should be reimbursed for work done to reload the tax tables and the resulting work done by ICF to obtain additional documentation for those applicants whose occupancy status changed from eligible to not eligible.

OCD Response: OCD concurs with this recommendation and will aggressively work with its management and legal staffs to identify and seek recovery of any amounts not due ICF for work done to reload the tax tables and the resulting work done to obtain the additional documentation.

Recommendation 4: OCD should determine if ICF should repay the state as stated by the ICF contract for those applicants which are ineligible due to errors in the tax table.

OCD Response: OCD concurs with this recommendation. OCD will aggressively work with its management and legal staffs to identify any amounts ICF should repay the state for those applicants which are ineligible due to errors in the tax table.

Objective 2: Is certain data in the data warehouse used to calculate award amounts reliable?

OCD concurs that insurance information in the data warehouse is not complete or up to date.

When the *Road Home* Program began, the State required confirmation of insurance payments by the insurance companies before a homeowner's benefits calculation and grant award could be made. This drastically slowed the process of providing funds to homeowners. The State realized, as stated in CCB 47, dated November 25, 2006, "that the process of verifying insurance information requires significant participation from individual insurance companies, each of whom must first agree to data sharing arrangements with the *Road Home*, and then agree to data sharing processes that allow for the expeditious processing of thousands of homeowner verifications. Although some insurance companies are currently under agreement and cooperating with the *Road Home*, others are not responding to repeated requests for participation. The slow process of obtaining third party verification of insurance means the final calculation of benefits for homeowners is delayed." For this reason, the State allowed homeowners to self certify insurance proceeds and allowed the homeowner to receive the grant award upon signing an affidavit at closing that specifically identified the information that had not been third-party verified by the *Road Home*, permitted the *Road Home* to continue to verify the information post award, and required the homeowner to attest to the accuracy of the information provided, under penalty of law. The State made a conscious decision, despite the risks identified in CCB 47, to allow self certification of insurance proceeds in order to provide homeowners with grant funds quickly.

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ICF was to continue to verify insurance proceeds post award. It is critical for the State to identify insurance payments to applicants because HUD considers insurance a duplication of benefits that must be deducted from the *Road Home* award amounts. The issue was then raised as to the length of time the *Road Home* program would conduct a check for duplication of benefits post-closing. CCB 153-B was issued in August 2007, which set specific time frames on how long the check for duplication of benefits would continue. Generally, this CCB requires the *Road Home* program to continue to check for insurance duplication of benefits for six months beyond the statute of limitations (prescription) which is two years from the date of the event. In February 2008, OCD/DRU issued a Procedural Clarification Memorandum to further clarify the time frames for checking for duplication of benefits. Both the CCB and the Procedural Clarification Memorandum are more stringent than what is typically required in the CDBG program to prevent a duplication of benefits resulting from insurance payments.

The State made a conscious decision early in the homeowner program because insurance companies were slow in verifying payments to not delay homeowner awards pending third party verification but rather to process the grant award and verify insurance payments post award. Third party verification of insurance payments continues to plague this program. Insurance companies are slow to non-responsive to requests to verify payments. In fact, the audit report confirms the non-responsiveness of insurance companies, specifically Citizens. The audit report states that, "according to ICF data, between July 2007 and October 2007, 24,194 verification requests were sent to Citizens insurance for claim payment verification. As of March 1, 2008, only 1,126 or 5% of these requests were verified and returned by Citizens to ICF." ICF does not have the authority, as does the Legislative Auditor, to obtain the complete data set of insurance payments made by Citizens to homeowners with losses resulting from Katrina and Rita. ICF had to rely on the cooperation of insurance companies to provide insurance payment information.

OCD and ICF are attempting to obtain third party insurance verification. In August 2008, ICF made another request to insurers to provide updated insurance payment information. In addition, OCD has requested HUD's guidance in order to assure that the State is exercising due diligence in obtaining insurance payment information to identify duplication of benefits.

Recommendation 5: As agreed to in the July 2008 meeting, OCD should require that ICF attempt to obtain updated electronic information from insurers to conduct duplication of benefits monitoring during the post-closing review. As part of this effort, OCD should require that ICF attempt to obtain more complete information from insurance companies.

OCD Response: OCD concurs with this recommendation. ICF made another push to obtain updated electronic information from insurers in August, 2008. However, this attempt has not proven very successful. The Executive Director of OCD will ask the Commissioner of Insurance to communicate with the insurance companies explaining the importance of providing updated information to the *Road Home* Program. OCD feels it has performed adequate due diligence in its attempts to identify insurance duplication of benefits. OCD has submitted a proposed due diligence process for HUD approval.

Recommendation 6: OCD should require that ICF in its post-closing review ensure the applicant provided documentation that has not been verified be sufficient and up to date.

OCD Response: OCD concurs with this recommendation.

Recommendation 7: OCD should ensure that the 'procedural clarification memorandum' go through the appropriate process to become official policy or to change the policy based on HUD's feedback on appropriate due diligence.

OCD Response: OCD concurs with this recommendation and has sought HUD's feedback on appropriate due diligence.

Recommendation 8: OCD was not aware that ICF did not obtain updated insurance provider information on or near the date insurance values were frozen (March 1, 2008). Therefore, OCD should determine if ICF should be reimbursed to send out additional insurance verification requests.

OCD Response: OCD concurs with this recommendation and will have its management and legal staffs determine what options are available since ICF did not adequately attempt to obtain updated insurance provider information on or near the date insurance values were frozen. OCD notes that self certifications are allowed in CDBG programs. The State has gone above and beyond what CDBG requires in that the program has and continues to attempt to third party verify insurance payments in its efforts to perform due diligence and prevent duplication of benefits. ICF did attempt to obtain updated information in August 2008. However, as with

previous attempts to obtain third party verification the August attempt proved unsuccessful in that insurance companies provided very little updated information.

Objective 3: What other issues arose during the course of our work that could affect data reliability?

Recommendation 9: OCD should review the exceptions and journaling tables to determine if these are sufficient for audit trail purposes. If not, OCD should determine specific tables and fields on which it wants audit logs enabled.

OCD Response: OCD concurs with this recommendation; however it will have to seek outside technical assistance to implement this recommendation.

Recommendation 10: OCD should require that ICF review the PSV dispute flag in post-closing and determine if applicants with the flag have sufficient supporting documentation in JIRA.

OCD Response: OCD concurs with this recommendation. OCD is making every effort to assure that there is sufficient documentation to support that an applicant disputed their pre-storm value in the resolution process in order to receive the highest pre-storm value for use in calculation their award amount. However, for the early grants and in the early development and implementation of JIRA the documentation may be hard to obtain or simply not exist.

Recommendation 11: OCD should determine if ICF should be reimbursed for additional work resulting from recommendation #10 (reviewing the PSV dispute flag in post-closing and determining if applicants with the flag have sufficient supporting documentation in JIRA).

OCD Response: OCD concurs with this recommendation. OCD is reviewing policy and procedure and if it is determined that ICF was not in compliance OCD will not reimburse ICF for additional work resulting from recommendation #10.

Recommendation 12: As part of its transition efforts, OCD should ensure that ICF develop sufficient, accurate, and comprehensive documentation for all systems.

OCD Response: OCD concurs with this recommendation and will require ICF to deliver complete system documentation by the end of its contract.

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December 10, 2008
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Recommendation 13: OCD should ensure that it has appropriate expertise or that it contracts with third parties who have appropriate expertise to effectively oversee IT functions.


OCD Response: OCD concurs with this recommendation. OCD's Transition Team will address IT issues. In addition, a pending RFP will centralize all IT functions.

Recommendation 14: In addition to the specific recommendations in this report related to additional ICF reimbursement, OCD should do an evaluation of all additional work conducted by ICF due to errors to determine if ICF should be reimbursed for the resulting work. This includes work done by ICF as part of the post closing process.

OCD Response: OCD concurs with this recommendation. As part of the "Final File Review" OCD will be monitoring issues where over or underpayments have been made to applicants and will determine if ICF is responsible for the incorrect payment and not due payment for the additional work required to correct errors.

I 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

Enclosure

c: Ms. Angele Davis
Ms. Sharon Robinson
Mr. Thomas Brennan
Ms. Lara Robertson
Mr. Richard Gray
Mr. Stephen Upton



December 5, 2008

Mr. Paul Rainwater
Executive Director
Office of Community Development
Louisiana State Division of Administration
P.O. Box 94095
Baton Rouge, Louisiana 70804-9095

Subject: ICF Response to Legislative Auditor Report
Data Warehouse for *The Road Home* Program

Dear Mr. Rainwater:

Thank you for this opportunity to comment on the draft audit report by the Louisiana Legislative Auditor, dated December 2008, on information contained in, and procedures related to, the data warehouse for *The Road Home* Program. We appreciate the chance to work together with you and your colleagues at the Office of Community Development (OCD) and personnel at the Office of Legislative Auditor (OLA) on this and future audits, as we share the same goals of assuring that the Program meets all of its obligations.

To that end, we are pleased that, based on our analysis of the draft audit report, discussed below, ICF is *not* out of compliance either with the State's policies and procedures for *The Road Home* Program or the provisions of our contract. The Legislative Auditor acknowledges in the report that "...*Road Home* policies generally allow applicant data to be used to calculate award amounts" (page 6), as often was the case cited elsewhere in the report, and "...OCD policy allowed ICF to rely on this information..." (page 13), related to our use of applicant-provided data on insurance proceeds.

Similarly, our analysis of the draft audit report indicates that OCD *also* is in compliance with the applicable requirements established by the Department of Housing and Urban Development (HUD), contained in 24 CFR Part 570, for administering *The Road Home* Program with Community Development Block Grant (CDBG) funding. Essentially, HUD defers to the State's policies and procedures, provided they are "...explicit, reasonable and not plainly inconsistent with the Act [Housing and Community Development Act of 1974]" (24 CFR Part 570.481). In all of the areas reviewed by the auditors, OCD was consistent with its written policies and procedures and the guiding Action Plan for *The Road Home*, including amendments, as approved by HUD.

Overall, given that the data warehouse for *The Road Home* Program contains information equivalent to an estimated six tractor trailers fully loaded with paper files, we are pleased that our analysis of the draft report indicates that this huge volume of information has been administered in compliance with relevant State and Federal requirements and our contract.

Accordingly, given both ICF's and OCD's consistent compliance with the requirements governing the areas subject to review, we are very disappointed to find a number of misstatements in the draft audit report. We summarize these misstatements below, and then provide our detailed response to each point later in this letter. These misstatements relate to the following:

- Testing Data from the Louisiana Tax Commission (LTC) – ICF, in fact, tested the property tax data provided by the LTC, as did others, including KPMG as part of its role to identify whether there were any anomalies in the data warehouse. Our testing identified certain Parish data that did not appear to meet the specifications supplied by the LTC for its file layout and, in turn, were not loaded into the data warehouse. So, it is incorrect for the auditors to state that “This problem could have been prevented if ICF had adequately tested their data...” (page 7), in reference to some mismatches in the homestead exemption field that resulted from the outdated specification for the data provided by the LTC.
- Matching LTC Data – The auditors state that our matching applicants to the LTC tax data using Parcel Identification (ID) Numbers and Federal Information Processing Standard (FIPS) codes “...is Insufficient” (page 8), and that we also should have used names and addresses. The combination of Parcel ID and FIPS code is unique for each *Road Home* applicant, represents best practices in the real estate title industry (including that of the nation's largest title company, First American), and avoids false mismatches such as those that would be due to an applicant provided name of “Mike” instead of “Michael” in the tax data.
- Significance of LTC Tax Data Mismatches – It is misleading for the auditors to report that at the time of their audit “...the data used to determine owner occupancy was not reliable or accurate” (page 7), based on 12,546 applicants that did not match the homestead exemption field in the tax data. These applicants represent just 10 percent of those we attempted to match to the tax data, nearly two-thirds of which have since been verified for occupancy using the other means available, and we expect the remaining one-third to be verified shortly. *None* of these applicants that we have reviewed and that received a grant award has been determined to be ineligible because of an occupancy issue.
- Applicant-Provided Insurance Data – The auditors are critical of our use of applicant-provided insurance data to calculate and close grant awards, and misleadingly indicate that OCD policy “allowed” ICF to use such information, as if it was simply permitted (pages 3 and 13). In fact, we were specifically *directed* by the State to start using such data, as of November 2006, in a change made to accelerate grant awards. This change in direction by the State to speed up awards was instrumental in enabling us to make grants to about 120,000 homeowners in a much shorter time frame than initially planned.
- Third-Party Insurance Data – The auditors claim that “...insurance information in the data warehouse was not up to date because ICF did not request updated information from companies” (page 2). In fact, ICF has gone to great lengths to obtain such insurance information, initially requesting it on 138,660 applications

from 143 different insurance companies. Of these, 81 companies agreed to provide information. To date, we have verified insurance data for 91,343 applicants (not all of these applicants received grant awards). Several months ago, we sent out more than 100,000 requests for updates to 76 insurance companies. These attempts to verify applicant-provided information with insurance companies was in step with Program policies, as approved by the State.

- Louisiana Citizens Property Insurance Corporation (Citizens) Data – It is misleading for the auditors to indicate that “By not considering these amounts [over \$68 million in insurance payments from Citizens to applicants] ICF increased the risk that applicants were overpaid and received duplicate benefits” (page 10). Simply put, it was not possible for ICF to consider such insurance payments in calculating and closing grants, or in our post-closing operations, as Citizens had not furnished this information to the Program, despite our requests to them to verify insurance amounts. As indicated in the audit report, Citizens must manually query their internal systems one applicant at a time, has experienced formatting difficulties, and lacks sufficient resources. At the rate that they are going, it would take years for Citizens to be able to respond to ICF’s requests. It is extraordinary that we are being held to a standard of data that we, to date, have not been allowed to receive and whose veracity we cannot verify.
- Memoranda of Understanding – The auditors state that “According to ICF’s contract with OCD, ICF was responsible for signing memorandums of understanding (MOUs) as necessary with all relevant partners...” and that “...ICF had not executed official MOU’s with any of the insurers” (page 12). The audit report does not indicate that this support, pursuant to our contract, was to be performed “...in coordination with the State...” (contract pages 20 and 26), in recognition of the dilemma that ICF had no authority to require insurance companies to provide information or enter into MOUs. Nor does the audit report acknowledge that we entered into 35 agreements with insurers and that our MOU support (Deliverable No. 00019) was approved by the State in March 2007.

In our detailed response below, we provide supporting information to clarify these misstatements in the draft audit report, as well as to respond to other issues raised by the Legislative Auditor. This information is organized to correspond to the general order that the different issues are presented by the auditors in their draft report, and also includes a closing section at the end. Given the extent of our comments, the number of misstatements in the report, and the importance of this audit to the State, the overall recovery effort, *The Road Home* Program, and our firm, we would hope and expect that, as a result of the comments provided here, the auditors will revise their report. Whether or not such revisions are made, however, this response should be included in the final audit report, so that the final report is as complete as possible and presents what we believe to be critical information for users of the report to be able to evaluate these issues.

Testing Louisiana Tax Commission Data

The draft audit report states that “ICF used out-dated specifications provided to them by the LTC to load tax data into their data warehouse. As a result, all of the homestead exemption amounts in the table were incorrect” (page 7). As background, to be eligible for *The Road Home*

Program, applicants must have occupied the property as their primary residence as of the date of Hurricanes Katrina or Rita. To verify occupancy, we look for a homestead exemption in the property tax records, by Parish, from the time of the storm, because to qualify for a homestead exemption one must own and occupy the house as his or her primary residence. In the absence of identifying a homestead exemption, State policy directs the Program to use other methods to establish occupancy, including utility bills, letters from utilities, voter registration records (with drivers' licenses), credit card bills, bank statements, insurance policies, city directories, third-party verified insurance information, and drivers' licenses accompanied by an additional affidavit.

The auditors point out that ICF used an outdated specification that was provided by the LTC for purposes of loading their tax data into the data warehouse. Specifically, we loaded the tax data as instructed by the LTC, following the file layout specification provided in the CDs that also contained the tax data. This file specification also was uploaded by the LTC to a QuickPlace file transfer site that we established to facilitate the LTC's electronic transfer of the tax data to us. We were instructed by the LTC to load the data based on this specification that it provided for its layout, including in an email from the LTC on March 8, 2007, indicating "I have attached a document that will give you the format of the data." Subsequently, we learned that the LTC mistakenly provided an outdated, 2003 specification for the format of the data for us to follow, instead of the then current 2005 specification.

At the time of our working with the LTC, we had no reason to believe that the Commission would provide us with an outdated specification for the format of its data both on the QuickPlace site and in the CDs. ICF and others were unable to detect this outdated specification despite our interactions with the LTC and despite our testing. Our testing included validating that alpha, numeric, and alphanumeric fields contained the corresponding type of data expected. The data loaded as the homestead exemption value conformed to the numeric requirements of the data field in the LTC's data base. We also tested the numeric fields against "trap" parameters that we established within which we expected the values to fall in order to be considered reasonable. Our testing led us to reject use of the LTC tax data for the Ascension and East Baton Rouge Parishes because these data did not appear to meet the specification supplied by the LTC and, thus, we could not be confident that the data would load into the data warehouse properly.

Thus, it is inaccurate for the auditors to state that "This problem could have been prevented if ICF had adequately tested their data..." (page 8). In addition to ICF's testing, we involved two of our subcontractors: KPMG and Deltha Corporation. KPMG's role included testing of the various data in the data warehouse for any anomalies; the State frequently relied on KPMG for such independent analysis of the Program. Deltha had a similar role of performing quality control. Neither KPMG nor Deltha, based on their testing, was able to determine that we had been provided with an outdated specification. The LTC subsequently provided the correct, 2005 specification to us.

Matching Louisiana Tax Commission Data

In a related comment, the auditors also criticize ICF for not matching applicants to the homestead exemption field in the LTC tax data using names and addresses, to supplement the Parcel ID and Federal Information Processing Standard (FIPS) code that are used by the Program. Specifically, the Legislative Auditor indicates that our approach "...is Insufficient"

(page 8). The unique combination of Parcel ID and FIPS code for each applicant is more productive for such matches and represents the best practices approach used in the real estate title industry, including by our subcontractor, First American, the nation's largest title company.

It should not be surprising that attempting to match the LTC tax data with applicant-provided names and addresses would pose substantial problems. Any slight variation in names and addresses, such as an applicant provided name of "Mike" instead of "Michael," or an address of "123 South Main" instead of "123 S. Main," would cause a mismatch. We did, in fact, find 8,000 potential applicant mismatches in the LTC tax data out of 60,000 applications tested. The State was aware of our use of Parcel IDs and FIPS codes for matching and did not express any concerns with this approach. In addition to our verification of occupancy through use of the Parcel ID and FIPS code match with the LTC tax data, or the other methods available to us, we also require applicants to certify their occupancy to the Program. For example, applicants certify (or reaffirm) occupancy on their *Road Home* Application, Grant Agreement, and Grant Recipient Affidavit.

Significance of Louisiana Tax Commission Data Mismatches

In our view, the Legislative Auditor mischaracterizes the significance of reliance on the homestead exemption match for verifying occupancy, indicating "At the time we began our audit, the data used to determine owner-occupancy was not reliable or accurate" (page 7). In fact, there were just 12,546 applicants initially identified that had been mismatched for occupancy based on the incorrect file specifications provided by the LTC, out of approximately 120,000 that we attempted to match, or 10 percent. We have been able to verify occupancy for almost two-thirds of these applicants – about 7,746 applicants to date – using the other means available to us under Change Control Board (CCB) Form No. 198 E and predecessor policies. (Some of these 7,746 applicants that have since been reviewed had already been determined to be ineligible for the Program or are in an inactive status for a reason other than occupancy.)

As the State just recently approved CCB Form No. 198 E, on November 5, 2009, allowing drivers' licenses accompanied by a signed affidavit as a method of verifying occupancy, we soon will complete the process of occupancy verification for the remaining 4,800 applicants who were mismatched to the LTC tax data. Also, some of these remaining applicants are being verified for occupancy in our post-closing department, such as through obtaining a copy of a utility bill at the time of the hurricanes.

So far, *none* of the 7,746 applicants that we have "re-verified" for occupancy, out of the 12,546 applicant mismatches that were identified, has proven to be ineligible because of an earlier occupancy mismatch. (Fifteen of the 7,746 applicant mismatches were ineligible because of occupancy that we had otherwise already determined and, hence, did not receive a grant award.) This result should not be surprising, as the applicants had already certified their occupancy to the Program in several documents, including under oath and penalty of perjury. Overall, occupancy has proven to be an extremely low risk area for the Program, with only an estimated 286 applications to date being ineligible because of occupancy and, thus, not receiving a grant award. These 286 applications represent just 0.4 percent of the 74,500 applications overall that have been deemed ineligible for the Program (most are due to not having followed through with an appointment with a Housing Advisor, as required).

Accordingly, it is surprising that the OLA has chosen to feature the LTC property tax issue so prominently in its report. The auditors even go so far as to recommend that OCD determine if ICF should be paid for reloading of the tax data after the LTC provided the correct specification and obtaining additional documentation to verify occupancy for the mismatched applicants (Recommendation 3). The auditors further recommend that OCD determine if ICF should repay any grants made as a result of the mismatched applicants that cannot subsequently be verified for occupancy (Recommendation 4).

There is no basis for such recommendations in our contract, the facts presented above, or the Legislative Auditor's acknowledgement in the draft report and in a meeting with OCD on October 31st that we loaded the tax data correctly based on the specifications provided by the State. Keep in mind that ICF would have had to obtain additional documentation to verify occupancy even if we had initially received the correct file specification from the LTC (the 12,546 mismatches that still would have needed occupancy verification), and that there have been *no* improperly awarded grants due to the earlier mismatches. Further, ICF pointed out to the State early in the Program, in CCB Form No. 125 B, on the methodology for verifying owner occupancy, that there was a risk in utilizing the homestead exemption field from the various Parishes for purposes of matching data with our *Road Home* information.

Omitting these considerations from the audit report, in our view, does not lead to a complete, fair, and objective presentation of the issues surrounding the LTC property tax data. Indeed, we find it particularly egregious in the auditors' discussion of the need for additional documentation resulting from mismatches with the LTC tax data the statement that "Again, this extra effort and associated costs could have been avoided if ICF properly loaded the data" (page 9). Earlier in the draft report it is acknowledged by the auditors that the source of the matching problem was "...because the Louisiana Tax Commission (LTC) provided ICF with out-dated specifications to load tax data into the data warehouse" (page 1). Once more, we loaded the tax data *as instructed* by the LTC; the extra effort that the auditors are referring to (presumably to reload the tax data) could have been avoided if the LTC had properly provided its file specification. The LTC is a State agency; we surely should be able to rely on instructions provided by the State.

Applicant-Provided Insurance Data

The Legislative Auditor also is critical of ICF relying on the use of applicant-provided information on insurance companies and proceeds, despite acknowledging in the draft report that "...OCD policy allowed the use of applicant certified insurance data..." and "...OCD policy allowed ICF to rely on this information..." (pages 3 and 13). It is misleading for the auditors to state that ICF was "allowed" to use applicant-certified insurance data, as if OCD were simply *permitting* us to use such data. Rather, ICF was directed by *Road Home* policies – initiated and approved by the State – to use that data. The auditors report as one of the reasons for our use of applicant-provided data is because "...ICF also did not exercise sufficient due diligence when attempting to obtain insurance from third parties" (page 11). Instead, the reason ICF utilized such applicant-provided data was to comply with a change in direction by the State to accelerate awards by relying on such information.

Specifically, this change, mandated by the State in November 2006 in CCB Form No. 47, provided for the use of applicant-provided information on insurance proceeds for the Program to calculate and disburse grants. The CCB form, in fact, is titled: "Proceeding to Closing with

Homeowner's Self-Certification of Data Regarding Insurance.” The new procedures provide for “...calculation of homeowner awards based on insurance information provided in the homeowners' signed applications and disbursement of the awards pursuant to an additional affidavit signed at closing” (CCB Form No. 47). On November 16, 2006, we also received written instruction from the State Project Manager for our contract indicating “Per our discussion today, start using the self-certified affidavits.”

In the draft report, the auditors point out several risks associated with the Program's use of applicant-provided insurance data, such as “...applicants will not report all insurance proceeds they received...” (page 13) or that applicants would indicate no insurer and opt to take the 30-percent penalty to their award for not carrying insurance, as it could be less than deducting the actual insurance proceeds that they received. Both of these instances of potential applicant fraud likely would result in the Program calculating award amounts that would be too high. When this change in policy was under consideration, Legislative Auditor personnel were participating in weekly and other Program meetings where such policy changes were discussed, had offices at our Program headquarters building, and had access to OCD, Louisiana Recovery Authority (LRA), and ICF management, staff, and all applicant data. Yet, we know of no objection the Legislative Auditor raised to this change in policy at that time.

The potential risks of applicant fraud now being raised by the auditors were, in fact, known at the time that CCB Form No. 47 was under consideration and approved. State and Federal decision makers believed that, on balance, these risks were worth taking in an effort to accelerate grant awards to homeowners. It was acknowledged that the initial Program design that we were implementing (prior to CCB Form No. 47), where we verified insurance proceeds from third parties *prior* to closing, would delay grant awards to homeowners. Keep in mind, there were no requirements for insurance carriers to provide such information to *The Road Home* on a timely basis, if at all, as discussed further below.

To mitigate the risks identified, ICF was tasked by OCD with developing a post-closing function that would then attempt to verify insurance. Additionally, applicants were required to certify (or reaffirm) the information on insurance proceeds that they provided to the Program, including on their *Road Home* Application, Grant Agreement, and Grant Recipient Affidavit. For example, in the Grant Agreement, the homeowner(s) certify that they “...have disclosed to OCD all insurance proceeds...” and “...agree to repay the Grant in the event Homeowner(s) make or file false, misleading, and/or incomplete statements...” Further, in the Grant Recipient Affidavit, the homeowner(s) certify that the “...insurance and FEMA information submitted to *The Road Home* Program is true and correct” and “If the Insurer(s) has paid amounts in excess of the amount disclosed by me/us, I/we agree to repay the Grant...”

Similarly, in the Limited Subrogation/Assignment Agreement, homeowner(s) certify that if they receive any insurance payments after obtaining their grant award then “...I/we agree to promptly pay such amount to the State if that amount would have reduced the amount of my Program grant...” Lastly, in the Acknowledgement Form signed at closing that provides the instructions for filing an appeal, it is indicated that “I understand that if the current grant amount that I receive today is determined to be an overpayment, I will refund the overpayment to the State of Louisiana Office of Community Development.” As context, OCD and ICF repeatedly were instructed by the Administration of former Governor Kathleen Blanco, the Louisiana Legislature, and others to trust Louisiana homeowners in providing this (and other) information, and we were

directed – in no uncertain terms – to utilize it for calculating grant awards and closings with homeowners.

Third-Party Insurance Data

The auditors state that “...insurance information in the data warehouse was not up to date because ICF did not request updated insurance information from companies” (page 2). In actuality, ICF, in coordination with OCD, went to great lengths to forge partnerships with insurance companies, who were not required to cooperate, and at a time when the State was pursuing legal action against some of these companies for mishandling insurance and claims. In fact, insurance companies almost certainly believed that they had legitimate and justifiable legal reasons for *not* responding to our requests for information.

To supplement our efforts, OCD and ICF worked diligently with the offices of former Governor Kathleen Blanco and Commissioner of Insurance James Donelon to ask insurance companies to cooperate with the Program. Governor Blanco and Commissioner Donelon sent notices on November 20, 2006 to insurers to designate points of contact to meet with us and support the data-exchange process. The notices urged the insurance companies to respond to our requests within three business days, and stated that “...the urgency level of our efforts could not be higher.”

ICF initially requested information on 138,660 applicants from 143 different insurance companies. Of these, 81 companies agreed to provide information to the Program, representing the vast majority of the applicant population. For 35 of these insurance companies, we also were successful in entering into written agreements, discussed further below. As a result of these and subsequent efforts, we have been able to receive information from insurance companies on 91,343 applications for purposes of verifying the corresponding information received from applicants (not all of these applications resulted in grant awards).

In our view, it is also misleading for the Legislative Auditor to imply that ICF was negligent in not updating insurance values on March 1, 2008. To the contrary, the State’s direction to us was not to update such insurance values and complete duplication of benefits checking prior to March 1, 2008, but rather to “freeze” the values in eGrants and then subsequently begin a duplication of benefits check against these frozen values. Accordingly, in the period from about August 14 – 15, 2008, we sent out requests for more than 100,000 updates of insurance values to 76 insurance companies (including subsidiaries).

Our efforts were consistent with Procedural Clarification (PC) Memorandum No. 14 governing the checking for possible duplication of benefits, which replaced the prior CCB Form No. 153 B and the methodology described in the earlier Homeowner Monitoring Plan. PC Memorandum No. 14 provides for duplication of benefits checking “...on *or after* March 1, 2008...” (italics added), not “as of” March 1, 2008 or “on or near” March 1, 2008 (pages 2 and 15) as seems to be indicated by the auditors. To date, we have received less than 2,000 responses to our August requests, with some insurance companies, such as Allstate, indicating that they will not furnish any additional information to the Program due to legal issues they are encountering in the States of Louisiana and Mississippi.

Accordingly, given this low response, OCD may want to consider that for the next planned checking of duplication of benefits associated with files that closed between March 1, 2008 and

December 31, 2008, pursuant to CP Memorandum No. 14, we request updates again for certain earlier closings (prior to March 1, 2008). If OCD elects to broaden this checking, we would recommend leveraging the Louisiana Property and Casualty Insurance Commission as well as the Property Insurance Association of Louisiana to encourage companies to respond to our requests. In the interim, we continue to process updates on insurance received from insurance carriers, from homeowners, or through subrogation payments to OCD.

The auditors recommendation that “OCD should require that ICF in its post-closing review ensure the applicant provided documentation that has not been verified be sufficient and up to date and that ICF obtain documentation for those applicant files that have no documentation and no data warehouse information” (Recommendation 6, page 15), is unreasonable and outside the scope both of the grant review procedures approved by the State and expectations under HUD CDBG programs. The Program lost leverage to “ensure” documentation when the emphasis was changed to calculate and close grant awards based on applicant self-certification. Once a grant is awarded, the homeowner naturally has less incentive to provide such additional, back-up information on a timely basis.

In the current procedure for our final review of grant files prior to turnover to the State, we check for any variance between the earlier insurance values used for the grant award (and any additional disbursements) and the current values shown in eGrants, reflecting any updated amounts that may have been reported to us. We also track the approximately 3,500 applicants that have had insurance lawsuit settlements. For these applicants, OCD attorneys determine how much of the settlement payments should go to the State, and we record this information in eGrants.

OCD is attempting to establish with HUD a reasonable due-diligence period, such as approximately 60 days (subject to change), for the insurance companies to reply to ICF’s requests for updated information. Should no response be provided by the insurance company, the information submitted by the applicant is to be relied upon as accurate, consistent with the several certifications by applicants, including under penalty of perjury and violation of Federal and State laws, that the applicant-provided insurance information is true and correct. In this regard, the auditors are remiss in not pointing out that if our various efforts to obtain third-party verification are not possible for certain applicants (or any due-diligence period expires), then we can utilize the applicant’s signed statements for purposes of insurance *verification*. Acceptance of such statements is provided for in CCB Form 33 A, titled “Signed Statements for Verification,” and approved by the State in March 2007. The CCB form indicates that the Program is to:

“Accept signed statements from homeowners for calculation and verification of insurance payment and FEMA payment. The Road Home program will attempt to verify insurance and FEMA data through 3rd party databases. If, however, applicant information cannot be verified through a 3rd party source, we will accept the applicants self-certification of those amounts.”

Lastly, the auditor’s recommendation to OCD of determining whether ICF should be reimbursed for our sending out “...additional insurance verification requests...” (Recommendation 8, page 15), seems to us, frankly, as misinformed. The “additional” verification requests that the auditors appear to be referring to in their recommendation are the ones made in August 2008 pursuant to PC Memorandum No. 14 and, thus, were required and expected under this policy and clearly not considered by us or the State as “additional.” Further, our requesting verification of

insurance amounts is included within the scope of our contract, such as in Section 2(a)4 of Exhibit A, which provides the Statement of Work:

“Verify sources of funds that were paid to applicant as compensation or other settlements or write-offs in connection with the applicant’s disaster related property losses, which must be deducted from the amount of the State’s assistance, namely: property and hazard insurance payments, flood insurance payments...”

This recommendation also seems at odds with the importance attached by the auditors elsewhere in the draft report to our obtaining insurance verifications. Recommendation 5, in fact, calls for us sending out such requests: “...OCD should require that ICF attempt to obtain updated electronic information from insurers...OCD should require that ICF attempt to obtain more complete information from insurance companies” (page 15). If our sending out requests for information from insurance companies is called for in the State’s policies for the Program, necessitated under the terms of our contract, and recommended by the auditors, what then would be the basis for the Legislative Auditor to suggest that we not be reimbursed?

Citizens Insurance Data

The auditors indicate that ICF did not consider over \$68 million in insurance proceeds to a total of 6,396 grant recipients who had insurance payments from Citizens, based on information provided earlier by Citizens to the Legislative Auditor for purposes of another audit. The auditors go on to indicate that “By not deducting these insurance payments, ICF increased the risk that applicants were overpaid and received duplicate benefits” (page 2). We have not seen or received information relating to these proceeds, despite our requests of and correspondence with Citizens. As indicated above, we requested insurance information from Citizens for those applicants indicating that they had policies with this insurance carrier. Initially, Citizens preferred interacting with the Program via faxes, but we requested that they participate in our electronic exchange program, given the large number of applicants carrying Citizens insurance (the third largest insurer among *Road Home* applicants).

We provided an electronic file to Citizens, on July 24, 2007, requesting insurance information for 24,993 applicants, and we have received back in response information for 9,665 applicants, about 40 percent. In our supplemental request to all insurance companies, Citizens was asked on August 14, 2008, to provide updated information for 15,231 applicants and, so far, has declined to furnish any updated information to the Program. Based on subrogation required payments to OCD associated with homeowners that had Citizens insurance, we have received information on 450 applicants totaling \$7.8 million in adjustments for duplication of benefits. The \$7.8 million received is the result of the settlement of insurance lawsuits, with the duplication of benefits generally provided to OCD through the law firms and their escrow accounts. This represents the extent to which we have been provided with Citizens data.

We attempted over a period of three months (from September to November 2006) to enter into a formal agreement with Citizens to facilitate the sharing of information with the Program, but ultimately they declined to sign the draft agreement, and we had no authority to cause them to do so. In any event, the applicants with Citizens insurance referred to by the auditors are subject to the same certifications in their *Road Home* Application, Grant Agreement, and Grant Recipient Affidavit as other applicants regarding their reported insurance amounts being true and correct.

Additionally, they are subject to the same certifications to repay any grant amount due to false statements or subsequently receiving additional insurance payments that would have lowered their earlier grant due to a duplication of benefits.

The State recognized the risks of calculating grant amounts and providing awards based on applicant-provided data and in the absence of our obtaining any information to verify insurance amounts directly from insurance companies, such as Citizens. Two years ago, in CCB Form No. 47 mandating this change in direction, ICF pointed out the risk that the new approach could "...increase the number of fraudulent statements from homeowners, and result in awards that are too high and need to be reduced" and that "[t]he State is vulnerable to the charge that it is throwing aside carefully thought through procedures in an effort to rapidly disburse funds..." Essentially, it was determined by the State that it would be better for *all* homeowners to receive their *Road Home* funds much faster than originally planned, with the attendant risk of awards that are too high for *some*, than to delay receipt of funds by *all* homeowners simply to avoid such initial overpayments for *some*.

Among the tradeoffs is the Program losing some leverage both with applicants and insurers to obtain complete, up-to-date insurance information if the award calculation, benefit options letter, and award closing are all no longer dependent upon it, but rather the information is largely to be pursued from them, as possible, on a post-closing basis. At that time, it is no longer possible for us to take the duplication of benefits out of the initial award so that it is avoided in the first place. Typically, in CDBG programs, excluding disaster recovery efforts such as *The Road Home* where speed is a priority, such third-party verifications are completed prior to grant awards. To possibly compound matters, the State's subsequent decision in CCB Form No. 122 B to disburse grant awards directly to homeowners in lump-sum amounts (under Option 1), instead of in joint disbursement accounts held with a third-party or lender, as earlier planned, then makes it more difficult for the Program to readily recover any such duplication of benefits identified on a post-closing basis.

Still, in our view, the State made a courageous decision to respond to the needs of thousands of long-suffering homeowners and their families in an unprecedented disaster recovery operation, to put in place CCB Form No. 47. At the time, there was no patience for the earlier drawn-out schedule for awards in the State's solicitation for our contract or, understandably, the LRA's complicated design of *The Road Home* Program – a sense of urgency was needed. HUD also acknowledged and committed to an expedited approach for the Program, indicating in a March 13, 2007 *Management Review Report*: "HUD...remains committed to help in expediting the delivery of essential assistance to eligible residents..." (B-06-22-0001, page 13). Similarly, in its *Fiscal Year 2007 Performance and Accountability Report*, HUD refers to *The Road Home* Program (as well as Mississippi's Program) to "...underscore and acknowledge the importance of carrying out these programs in a timely manner and will encourage these grantees to continue striving to exceed these timing goals" (page 209).

The procedural change to calculate and close grants with unverified insurance information eliminated a major bottleneck in the Program and was accompanied by a number of risk-mitigation measures, such as the several statements certified by applicants as to both the accuracy of the insurance information provided and their agreement to repay any grant overpayments that may result. After closing, there would continue to be opportunities to request third-party verification of insurance amounts and to identify potential duplication of benefits, such as provided for in CCB Form No. 47, CCB Form No. 153 B, and PC Memorandum No. 14.

The State also disclosed to applicants such subsequent attempts at verification, indicating in the Grant Affidavit Form:

“To expedite the disbursement of funds, I/we understand *The Road Home* program may have released the funds prior to verification of payouts relating to damage caused by Hurricane Katrina or Hurricane Rita by FEMA and/or the insurance company or companies (collectively, the “Insurer”) that insured the Property.”

Additionally, the State indicated as part of its risk-mitigation plan in CCB Form No. 47 that it would “Aggressively and publicly prosecute, to the fullest extent of the law, homeowners found to have lied.”

The State anticipated that there necessarily would be some overpayments in the Program, as an inherent tradeoff in going to faster award calculations and closings. The State, in turn, adopted applicant-signed affidavits (self certification), a post-closing process, and final grant review in an effort to address such overpayments, as appropriate and possible. Such policies are reasonable and consistent with HUD’s requirements for administering CDBG-funded programs. In the absence of our being provided with the necessary information from Citizens, which OCD has requested and we understand is pending, it is not possible for us to determine the extent to which the amounts indicated in the draft report reflect insurance payments to applicants who received funds from the Program for property damage at the same address; were made prior to or after our “freezing” of values for calculating and closing awards; properly exclude items such as the homeowner’s contents, living expenses, a detached garage, or a shed; and other matters important to our being able to act upon the information presented.

Lastly, it should be kept in mind by the auditors that when accusing the State and *Road Home* Program of making potential duplication of benefits payments to the sample of 6,396 Citizens’ policy holders, that two conditions necessarily must be met. First, the applicant and/or insurance company (Citizens) must inform the Program of the correct/updated amount of insurance proceeds, responding to our requests. Second, after the first condition has been satisfied, the Program would have to fail to take into account that insurance amount in determining the grant award or, if the award already had been disbursed, that portion of the award amount to be recovered from the applicant in post closing (pursuant to CCB Form No. 47). As the first condition was not met for these applicants, despite our well-documented attempts, it was not possible for us to then carry out the second condition either. Thus, it is inaccurate, as the auditors claim, that “...ICF increased the risk that applicants were overpaid and received duplicate benefits” (page 2). How can ICF be responsible for increasing such a risk based on information not even provided to us in the first place?

Further, it is our understanding from the auditors, in a meeting of the OLA, OCD, ICF, and Citizens on November 25, 2008, that approximately one-third of the 6,296 applicants receiving the over \$68 million in insurance payments that were not reported to the *Road Home* were received by these applicants *after* they had obtained their *Road Home* grant. Thus, for this one-third – an estimated 2,098 applicants and \$23 million in insurance payments – ICF could not have used this information, which apparently only became available after closing the grant awards, in the prior calculation of the awards themselves. Yet this is precisely what the audit report implies, as indicated: “We found that 6396 (42%) of these applicants [includes the 2,098 applicants noted above] had received \$68,774,382 more in insurance payments [includes the \$23

million in payments cited above] than the amounts *ICF used to calculate their awards*. By not *deducting these insurance payments*, ICF increased the risk that applicants were overpaid...” (italics added for emphasis, page 2).

Memoranda of Understanding with Insurance Companies

In the draft report, the Legislative Auditor indicates that “One reason that ICF did not receive all requested data is because it did not enter into formal agreements with all companies” (page 12). The OLA also indicates that “According to ICF’s contract with OCD, ICF was responsible for signing memorandums of understanding (MOUs) as necessary with all relevant partners...” and that “...ICF had not executed official MOU’s with any of the insurers” (page 12). The auditors fail to note that the State accepted and approved this ICF deliverable – MOU Agreements – on March 30, 2007.

Further, this support activity, pursuant to the contract, was to be performed “...in coordination with the State,” in recognition that ICF had no authority to require insurance companies to provide information to the Program, let alone enter into formal MOUs. Accordingly, as described above, OCD and ICF attempted to leverage the offices of the Louisiana Governor and Commissioner of Insurance to exert greater pressure to get insurance carriers to cooperate with the Program, with some success. As shown in the attachment to this letter, we entered into agreements with a total of 35 insurance companies to facilitate their sharing of information and our protecting the confidentiality of such information to their satisfaction. At all times, the State worked with us and was informed both of our efforts and our progress in this area.

Although we strived to enter into agreements with even more insurance companies, the auditors neglect to provide the context that there are legitimate reasons why such an agreement may not be considered justifiable from the standpoint of an insurer. Unlike financial institutions that had security interests to protect, the insurance companies had no stake in any potential *Road Home* payments, or overpayments, to their customers. Insurers could question the need to incur the legal costs for negotiating agreements that they did not need, and the costs for searching and responding to thousands of requests with resources that they were not required to provide. ICF and OCD simply did not have leverage to convince the other insurance companies differently. The Commissioner of Insurance could have used administrative leverage to give insurers an incentive to enter into such agreements, but declined to do so.

With no administrative or legal requirement to verify their confidential customer data to ICF, combined with the large number of applicants for which each company would be required to confirm insurance status, it is hardly surprising that certain insurance companies chose not to enter into agreements with us. In fact, we think that we did a remarkable job to execute 35 agreements and obtain data from so many companies. After all, these companies knew that they could be in an adversarial position with the State as a result of the hurricanes and owed a duty of confidentiality to their customers, a duty which could be jeopardized by cooperating with the Program. The auditors do not address the relevant issue of why then would an insurance company voluntarily take such risk?

The auditor’s criticism on pages 11 and 12 that ICF essentially should have embarked on a comprehensive and resource-intensive effort of requesting insurance information for tens of thousands of homeowners that indicated no insurance on their application to each of more than 100 insurance companies to determine if those homeowners were policyholders and, if so, to

provide us with their information, is unrealistic. Given the very low probability of a meaningful response, for a number of reasons, including near-insurmountable matching difficulties associated with such a large volume of homeowners and insurance companies, it is hard to believe that the State would have authorized this large expenditure of resources, nor could we in good conscious have proposed it.

Segregation of Duties and Audit Logs

In the draft report, the auditors are appropriately concerned about the ability of employees of *Road Home* contractors who also are applicants to the Program being able to access eGrants and work on their own applications. In particular, the auditors state that “Without proper segregation of duties there is a possibility that Road Home applicants could have worked on their own applications” (page 18). We too recognized the importance of avoiding or mitigating such conflicts, as discussed in our *Standards of Ethical Conduct*, which indicates: “A *Road Home* team member must never process or review his or her own application.” All contractor employees working on the Program must certify that they have read, understand, and will abide by this and our other standards.

Similarly, in our related *Conflict of Interest Agreement*, contractor employees must again affirm that they have read, understand, and will adhere to our ethical standards. This agreement also requires contractor employees to disclose any potential conflicts of interest, such as also being an applicant to the Program, and that they understand this represents a conflict of interest. Employees, in turn, must certify that: “I will not undertake any work in connection with such application.” Through the data tables, logs, and query reports available in eGrants, the Program can then monitor whether any such employee-applicants may have inappropriately worked on their applications and affected their grant awards.

For example, in our monitoring, there are 497 employees of *Road Home* contractors who also submitted an application to the Program, with 196 of these determined to be inactive, ineligible, terminated, or a zero award. Of the remaining 301 employee-applicants, 223 have a Program username/password allowing them to enter or modify data and/or upload documents to eGrants as a *Road Home* team member. Using resources available within eGrants to show user activity, we determined that 14 of these 223 employee-applicants accessed their applications. We are in the process of reviewing these 14 applications.

It is entirely possible that these employees were accessing their applications largely to perform the same functions that other applicants could do by using their external, application-related username/password. Based on our review, we do not anticipate that we will find any instances of fraud or improper grant awards to these 14 employee-applicants. At this time, just one of the 14 employee-applicants still works for the Program.

Regarding the broader segregation of access to eGrants, such as preventing a contractor employee from being able to make an entry in eGrants and then also approve that entry, we mitigate this risk through operational controls and policies and procedures that specify an employee’s responsibility. Access to eGrants also is controlled through the use of specific “user roles” that were created to assign and limit access by an employee to just what was needed to perform his or her job function. As user roles are defined, we utilize an account management process to, in turn, assign access rights to staff that match their *Road Home* job function with the necessary user role within eGrants. Because eGrants is a commercial, off-the-shelf (COTS)

software product, we needed to work within its functionality while also supporting the rapidly evolving job functions within the Program, including the need for many staff to perform multiple functions.

While the auditors are correct that audit logs are not activated in the Oracle operating system for the data warehouse, many of our applications, including eGrants, have audit-related capabilities that are used by the Program and available to the Legislative Auditor. Regarding the overall data warehouse, access to make changes is limited to just three employees. Each action by these employees is documented both in the data warehouse and also in the JIRA issue tracking system, together with the reason the action is being taken. Any other changes or updates to the data warehouse are through automated processes. It is not uncommon for large data warehouses not to activate the audit log feature available in Oracle, as it requires excessive storage space, slows processing, and is difficult to mine (the tool requires a specific time/date for identifying and reviewing transactions). Accordingly, the audit log is intended primarily for use by database administrators.

Pre-Storm Value (PSV) Dispute Flag

In the draft report, the auditors discuss the *Road Home* policy allowing applicants that are not satisfied with the pre-storm value of their home, as determined by the Program, to work with the Resolution Department to obtain the highest pre-storm value that is available from the sources utilized. This policy change is addressed in the State's CCB Form No. 49 E, titled "Pre-Storm Value Determination Policies," and is dated January 14, 2007. The auditors express concern that in a sample of applicants that had the PSV dispute flag checked in eGrants, indicating that they were not satisfied with the pre-storm value, there was not a corresponding issue open in JIRA to that effect (to support the PSV dispute flag being checked by the Program). If the PSV dispute flag is checked, then eGrants uses the highest pre-storm value available, pursuant to the policy, to calculate the grant amount.

The auditors fail to mention that opening a JIRA issue is not required by this State policy. In fact, JIRA was not implemented across the Program until shortly *after* this policy change went into effect: our first training to staff was on January 31, 2007. What matters is that there is an acceptable source document supporting the higher pre-storm value used by the grant calculator in eGrants. The different source documents that may be used by the Program are specified in the CCB form. Our Grant Review Procedures, in turn, confirm whether the PSV value used for closing in eGrants is supported by the appropriate source document (and the document is uploaded and viewable), not that there is a JIRA issue as suggested by the auditors. Nonetheless, ICF added the functionality within eGrants earlier this year to capture the name of the *Road Home* contractor personnel that check the PSV dispute flag on behalf of an applicant; they also are expected to enter a corresponding comment within eGrants.

The auditors recommend that "OCD should determine if ICF should be reimbursed for additional work resulting from recommendation #8 (reviewing the PSV dispute flag in post-closing and determining if applicants with the flag have sufficient supporting documentation in JIRA" (Recommendation 11, page 21). Any such work we perform is at OCD's request, is not considered by either OCD or ICF to be "additional" to any other review work that we typically perform on applications, and is, in fact, within the scope of services that the State expects us to perform under the contract, such as part of efforts to "Close out files for all applications and closed transactions..." in Section 3.2 of Exhibit A of the contract. Further, this recommendation

does not reflect that the supporting documentation for this policy, based on the CCB form and our Grant Review Procedures, is not supposed to be “in JIRA,” as indicated by the auditors, but rather is the PSV source document in eGrants.

* * *

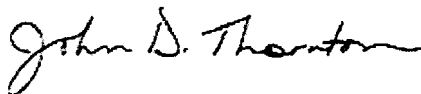
In closing, we understand the objective of the auditors to assess the reliability of information contained in the data warehouse for *The Road Home* Program. We are disappointed, however, that there seems to be a preoccupation in the audit report with the absolute precision and completeness of the data contained in the data warehouse, rather than considering the overall quality and timeliness of grants themselves and the purposes they are intended to serve. We also are concerned that the audit report seems to express a desire that the *Road Home* should have, in hindsight, avoided taking any risks, when it was long ago determined by the State that such an approach was simply inappropriate and would not serve the purposes of the Program. This and any audit should be conducted with this determination in mind. If the State had adopted the focus on process over mission implied by the auditors, then the *Road Home* would have required at least twice the length of time to award grants to already long-suffering homeowners, with tens of thousands likely still awaiting any compensation to rebuild their homes more than three years after the hurricanes.

What appears missing from the auditors’ report, in our view, is a sense of the urgency surrounding implementation of *The Road Home* Program, and how this unavoidably impacts the areas subject to their review. As expressed well in an email message from the State Program Manager of our contract in November 2006, on our use of insurance information from applicants, “We want nothing to slow us down.” There does not appear to be any recognition in the audit report of the overall value of making a change to rely upon applicant-provided (and certified) data on insurance to accelerate grant awards, or the contribution of this change to the success of the Program; rather, this change is characterized as a weakness. Neither the State nor the Program had *any* legal, regulatory, or administrative basis for requiring insurance companies to give their confidential customer data to us, let alone in a timely manner, resulting in constraints and lengthy bottlenecks in our earlier processing of applications.

It is important to remember that the *Road Home* is the largest housing recovery program ever undertaken in the United States, with a vital mission to compensate Louisiana homeowners as quickly as possible in a post-disaster environment. The damage experienced by homeowners from Hurricanes Katrina and Rita was unprecedented in financial and geographic scope. The auditors overlook this critical context and fail to align their analysis, findings, and recommendations accordingly. Indeed, it is interesting that the words “hurricane,” “Katrina,” “Rita,” “disaster,” and “recovery” do not even appear in the audit report.

If you have any questions on this response or need further information, please feel free to contact me. Thank you for your assistance.

Sincerely,



John Thornton
Chief Administrative Officer

Mr. Paul Rainwater
December 5, 2008 – Page 17

The Road Home Program

Attachment

cc: Tom Brennan
Lara Robertson
Rich Gray
Stephen Upton

Attachment
The Road Home Program –
Agreements with Insurance Companies

	<u>Insurance Company</u>	<u>Date</u>
1.	Aegis Security Insurance Company	12-20-06
2.	AIG Domestic Claims Inc.	12-10-06
3.	Allstate Insurance Company	9-27-06
4.	American Family Home Insurance Company	12-6-06
5.	America First Insurance Company	11-29-06
6.	American Modern Home Insurance Company	12-6-06
7.	American Modern Select Insurance Company	12-6-06
8.	American Southern Home Insurance Company	12-6-06
9.	American Underwriting Managers	12-4-06
10.	American Western Home Insurance Company	12-6-06
11.	Amica Mutual Insurance Company	12-4-06
12.	Armed Forces Insurance	12-22-06
13.	Assurant Solutions/American Bankers Insurance	12-20-06
14.	Chubb & Son, Division of Federal Insurance Company	12-20-06
15.	Countrywide Home Loans	2-7-07
16.	Electric Insurance Company	12-8-06
17.	Employers Mutual Casualty Company	12-12-06
18.	Fannie Mae	11-16-06
19.	Farmer's Insurance Exchange	3-1-07
20.	Fireman's Fund Insurance Company	11-14-06
21.	Homesite Insurance Company	1-3-07
22.	Lafayette Insurance Company	12-15-06
23.	Liberty Mutual Fire Insurance Company	11-28-06
24.	Louisiana Farm Bureau Mutual Insurance Company	10-23-06
25.	Meritplan Insurance Company	12-22-06
26.	Metropolitan Property and Casualty Insurance Company	11-22-06
27.	National Lloyds Insurance Company/American Summit	12-16-06
28.	NetBank, Inc.	1-12-07
29.	Republic Underwriters Insurance Company	1-5-07
30.	Scottsdale Insurance Company	2-9-07
31.	Shelter Mutual Insurance Company	12-11-06
32.	State Farm	11-28-06
33.	The Hanover Insurance Company	10-27-06
34.	The Travelers Indemnity Company	10-4-06
35.	USAA Casualty Insurance Company	9-14-06

Note: Additionally, Lloyd's America Inc. confirmed their participation in an email.



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
<p>Recommendation 1: OCD should require that ICF flag all applicants whose occupancy status changed with the new table and ensure that post-closing obtains sufficient documentation for these individuals.</p>	✓		
<p>Recommendation 2: OCD should require that ICF flag all applicants who were matched using the above methodology (Parcel ID and FIPS only) and ensure that post-closing obtains additional documentation for these individuals.</p>	✓		
<p>Recommendation 3: OCD should determine if ICF should be reimbursed for work done to reload the tax tables and the resulting work done by ICF to obtain additional documentation for those applicants whose occupancy status changed from eligible to not eligible.</p>	✓		
<p>Recommendation 4: OCD should determine if ICF should repay the state as stated by the ICF contract for those applicants which are ineligible due to errors in the tax table.</p>	✓		

<p>Recommendation 5: As agreed to in the July 2008 meeting, OCD should require that ICF attempt to obtain updated electronic information from insurers to conduct duplication of benefits monitoring during the post-closing review. As part of this effort, OCD should require that ICF attempt to obtain more complete information from insurance companies.</p>	✓		
<p>Recommendation 6: OCD should require that ICF in its post-closing review ensure the applicant provided documentation that has not been verified be sufficient and up to date.</p>	✓		
<p>Recommendation 7: OCD should ensure that the 'procedural clarification memorandum' go through the appropriate process to become official policy or to change the policy based on HUD's feedback on appropriate due diligence.</p>	✓		
<p>Recommendation 8: OCD was not aware that ICF did not obtain updated insurance provider information on or near the date insurance values were frozen (March 1, 2008). Therefore, OCD should determine if ICF should be reimbursed to send out additional insurance verification requests.</p>	✓		
<p>Recommendation 9: OCD should review the exceptions and journaling tables to determine if these are sufficient for audit trail purposes. If not, OCD should determine specific tables and fields on which it wants audit logs enabled.</p>	✓		
<p>Recommendation 10: OCD should require that ICF review the PSV dispute flag in post-closing and determine if applicants with the flag have sufficient supporting documentation in JIRA.</p>	✓		
<p>Recommendation 11: OCD should determine if ICF should be reimbursed for additional work resulting from recommendation #10 (reviewing the PSV dispute flag in post-closing and determining if applicants with the flag have sufficient supporting documentation in JIRA).</p>	✓		
<p>Recommendation 12: As part of its transition efforts, OCD should ensure that ICF develop sufficient, accurate, and comprehensive documentation for all systems.</p>	✓		
<p>Recommendation 13: OCD should ensure that it has appropriate expertise or that it contracts with third parties who have appropriate expertise to effectively oversee IT functions.</p>	✓		

<p>Recommendation 14: In addition to the specific recommendations in this report related to additional ICF reimbursement, OCD should do an evaluation of all additional work conducted by ICF due to errors to determine if ICF should be reimbursed for the resulting work. This includes work done by ICF as part of the post closing process.</p>	