

DIVISION OF ADMINISTRATION  
OFFICE OF COMMUNITY DEVELOPMENT  
ROAD HOME HOMEOWNER'S PROGRAM  
GRANT FILE ANALYSIS



AGREED-UPON PROCEDURES REPORT  
ISSUED JULY 14, 2010

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDIT ADVISORY COUNCIL**

SENATOR EDWIN R. MURRAY, CHAIRMAN  
REPRESENTATIVE NOBLE E. ELLINGTON, VICE CHAIRMAN

SENATOR NICHOLAS "NICK" GAUTREAUX  
SENATOR WILLIE L. MOUNT  
SENATOR BEN W. NEVERS, SR.  
SENATOR JOHN R. SMITH  
REPRESENTATIVE CAMERON HENRY  
REPRESENTATIVE CHARLES E. "CHUCK" KLECKLEY  
REPRESENTATIVE ANTHONY V. LIGI, JR.  
REPRESENTATIVE CEDRIC RICHMOND

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**DIRECTOR OF RECOVERY ASSISTANCE**  
JOHN L. MOREHEAD, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$18.42. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at [www.la.la.gov](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 3369 or Report ID No. 52080011 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Administration Manager, at 225-339-3800.

	Page
Executive Summary .....	3
Independent Accountant’s Report on the Application of Agreed-Upon Procedures .....	5
Management’s Response .....	Appendix A
Grant Calculation .....	Appendix B



We performed agreed-upon procedures on a sample of Road Home Homeowner's Program (RHP) grant files to assist the Office of Community Development - Disaster Recovery Unit (OCD-DRU) in evaluating the completeness of those files that had completed OCD-DRU's red ribbon review through June 11, 2009. OCD-DRU provided us with 30,355 files with grant awards totaling \$1,755,524,659<sup>1</sup> for analysis. We sampled 491 files with grant awards totaling \$29,231,664.<sup>1</sup> We noted exceptions for 31 files because the documentation in the files did not support the factors used in the applicants' grant calculation<sup>2</sup> and the grant award amount could be affected. Subsequent to our review, OCD-DRU updated the information in seven of the 31 files; however, the remaining 24 files have not been updated. Based on our sample results, we estimate that a minimum of 918 and a maximum of 3,033 of the 30,355 grant files OCD-DRU provided contain exceptions.

---

<sup>1</sup> These figures were provided by OCD.

<sup>2</sup> See Appendix B for a detailed explanation of the grant calculation.

This page is intentionally blank.



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

April 27, 2010

Independent Accountant's Report on the  
Application of Agreed-Upon Procedures

**ROBIN KEEGAN, EXECUTIVE DIRECTOR**  
**OFFICE OF COMMUNITY DEVELOPMENT**  
**DIVISION OF ADMINISTRATION**  
Baton Rouge, Louisiana

We performed the procedures enumerated below, which were agreed to by management of the Office of Community Development - Disaster Recovery Unit (OCD-DRU) for the Louisiana Division of Administration, solely to assist OCD-DRU management in evaluating the completeness of the Road Home Homeowner's Program (RHP) grant files for which OCD-DRU had completed its red ribbon review through June 11, 2009. According to OCD-DRU, 94,412 files had been reviewed through June 11, 2009. OCD-DRU management is responsible for the Road Home Program.

This agreed-upon procedures engagement was conducted in accordance with the applicable attestation standards established by the American Institute of Certified Public Accountants and the applicable attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. The sufficiency of these procedures is solely the responsibility of OCD-DRU management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

OCD-DRU provided us with 30,355 of the 94,412 files that had been reviewed through June 30, 2009. We analyzed a statistically valid random sample of 491 of the 30,355 files that OCD-DRU provided. We noted exceptions when the documentation in the files did not support the factors used in the applicants' grant calculation<sup>3</sup> and the grant award amount could be affected. The overall results of our sample analyses are shown on the following page. These results pertain to the 30,355 files that OCD-DRU provided.

---

<sup>3</sup> See Appendix B for a detailed explanation of the grant calculation.

ROAD HOME HOMEOWNER’S PROGRAM GRANT FILE ANALYSIS \_\_\_\_\_

Batch No.	Population Size	Sample Size	No. of Sample Files With Exceptions	Sample Error Rate	Projection of Sample Results to Population	
					Minimum No. of Files With Exceptions	Maximum No. of Files With Exceptions
1	15,355	375 <sup>4</sup>	23	6.1%	573	1,310
2	15,000	116 <sup>5</sup>	8	6.9%	345	1,723
<b>Total</b>	<b>30,355</b>	<b>491</b>	<b>31</b>	<b>--</b>	<b>918</b>	<b>3,033</b>

We applied the following agreed-upon procedures to the 491 sample files. A file could have multiple exceptions; therefore, the total number of exceptions identified below exceeds 31.

**PROCEDURE:** Verify that all issues in the categories identified on the Final File Review Checklist are in closed or resolved status in the JIRA issue tracking system.

**RESULT:** We identified three files with issues that were not in closed or resolved status. After we notified OCD-DRU of these three files, OCD-DRU changed the status of the issues to closed or resolved.

**PROCEDURE:** Verify that the Road Home option selected in e-Grants matches the option indicated in the closing documents.

**RESULT:** No exceptions noted.

**PROCEDURE:** Verify that the applicant owned the damaged property as of August 28, 2005, for Hurricane Katrina or September 23, 2005, for Hurricane Rita.

**RESULT:** We identified two files that lacked sufficient documentation to support ownership. For one file, the applicant’s name did not match the name in the supporting documentation. OCD-DRU has not updated the name for this file as of the date of this report. For the other file, the damaged address did not match the address in the supporting documentation. Subsequent to our review, OCD-DRU provided additional documentation to clarify the damaged address and support ownership for this file.

**PROCEDURE:** Verify that the applicant was the occupant of the damaged property as of August 28, 2005, for Hurricane Katrina or September 23, 2005, for Hurricane Rita.

**RESULT:** No exceptions noted.

<sup>4</sup> We determined the sample size using a 95% confidence level, a 5% margin of error, and a 50% expected error rate. The actual sample error rate was initially 8.3%. We used this error rate to determine the sample size of the second sample. After receiving additional information from OCD-DRU, the actual sample error rate for the first sample was reduced to 6.1%.

<sup>5</sup> We determined the sample size using a 95% confidence level, a 5% margin of error, and an 8.3% expected error rate.



PROCEDURE: Verify that the Major-Severe value in eGrants is set to Severe, Major, MIT1, MIT2, MIT3, or Pl.

RESULT: No exceptions noted.

PROCEDURE: If the name on the closing documents is different from the name of the applicant, verify that the person who signed the closing documents is authorized to do so.

RESULT: No exceptions noted.

PROCEDURE: Verify that the pre-storm value used in calculating the Road Home grant award amount is supported by:

- 1004 appraisal
- Field review
- Applicant provided pre-storm appraisal
- Applicant provided post-storm appraisal of pre-storm value
- Lender analysis
- Market analysis
- Broker's price opinion
- Automated valuation method

RESULT: We identified two files that lacked documentation to support the pre-storm value RHP used in the grant calculation.<sup>6</sup> For one file, the pre-storm appraisal was not signed by a licensed appraiser. The award was not affected because the estimated cost of damage was the starting point for the calculation and was lower than the pre-storm value. For the other file, the address on the broker's price opinion did not match the damaged address on the application. In this case, the pre-storm value was the starting point of the calculation; therefore, the award amount could be affected. OCD-DRU has not corrected the address on the broker's price opinion for this file as of the date of this report.

We also identified five files for which RHP did not follow the pre-storm value hierarchy established by program policy. For four of the five files, the award was not affected because either the pre-storm value was not the starting point of the grant calculation or the total FEMA assistance and insurance proceeds the applicant received was greater than the starting point. For the remaining file, the pre-storm value was the starting point of the calculation; therefore, the award amount could be affected. Subsequent to our review, OCD-DRU updated the pre-storm value in the

---

<sup>6</sup> See Appendix B for a detailed explanation of the grant calculation.

grant calculation to comply with the hierarchy. This change resulted in an additional disbursement to the applicant.

In addition, we identified 35 files for which RHP increased the pre-storm value from the actual value to the highest value available in the file but did not document the applicant's dispute of the pre-storm value. It is important to document decisions related to the pre-storm value because the policy of using the highest pre-storm value increases the risk that advisors and other RHP employees can check the dispute flag without a valid reason for doing so. For 24 of the 35 files, the award amount was not affected because either the estimated cost of damage was the starting point of the calculation and was lower than the pre-storm or the highest pre-storm value was also the highest available source in the hierarchy. For the remaining 11 files, the pre-storm value was the starting point of the calculation; therefore, the award amount could be affected. OCD-DRU has not documented its rationale for using the highest pre-storm value for the 11 files as of the date of this report.

PROCEDURE: For homes located on leased land, verify that the pre-storm value excludes the value of the land.

RESULT: No exceptions noted.

PROCEDURE: For duplexes, verify that the pre-storm value is based on one unit if ownership is a single unit or is based on both units if ownership is both units.

RESULT: No exceptions noted.

PROCEDURE: Verify that the estimated cost of damage used in calculating the Road Home grant award amount is supported by a compensation allowance document.

RESULT: We identified four files that lacked documentation to support the estimated cost of damage. For three files, the award amount is not affected because either the pre-storm value was the starting point of the calculation and was lower than the estimated cost of damage or the applicant received the maximum award. For the remaining file, the estimated cost of damage was the starting point of the grant calculation;<sup>7</sup> therefore, the award amount could be affected. OCD-DRU has not provided documentation to support the estimated cost of damage for this file as of the date of this report.

---

<sup>7</sup> See Appendix B for a detailed explanation of the grant calculation.

PROCEDURE: For applicants who received an additional compensation grant, verify their eligibility and award amount are supported by an eligibility checklist.

RESULT: We identified two files for which the applicants' eligibility was based on income documents that were not dated within six months prior to the eligibility determination date as required by program policy. OCD-DRU has not provided sufficient income documentation for these files as of the date of this report.

PROCEDURE: Verify that the homeowner's insurance proceeds amount used in calculating the Road Home grant award is supported by a settlement statement or a data feed from the data warehouse.

RESULT: We identified 12 files that lacked documentation to support the homeowner's insurance proceeds RHP used to calculate the award amount. Therefore, the award amount could be affected. Subsequent to our review, OCD-DRU updated the homeowner's insurance proceeds amount in the grant calculation for five of these files; however, the remaining seven files have not been updated.

PROCEDURE: Verify that the flood insurance proceeds amount used in calculating the Road Home grant award is supported by a settlement statement or a data feed from the data warehouse.

RESULT: We identified two files that lacked documentation to support the flood insurance proceeds RHP used to calculate the award amount. For one of the files, the applicant received a penalty for lack of flood insurance, but the documentation in the file indicates the applicant may have had insurance. There was no evidence in the file that RHP conducted further research to determine if the applicant carried the appropriate insurance prior to applying the penalty. For the other file, we could not locate documentation of flood insurance coverage in the file. RHP should have assessed a penalty for lack of flood insurance but did not. OCD-DRU has not updated the flood insurance proceeds amount in the grant calculation as of the date of this report.

PROCEDURE: Verify that the FEMA Individual Assistance amount used in calculating the Road Home grant award is supported with an award letter from FEMA, an ICF override document, or a data feed from the data warehouse.

RESULT: We identified one file that lacked documentation to support the FEMA Individual Assistance amount RHP used to calculate the award amount. When brought to OCD-DRU's attention, the calculation was adjusted and an additional disbursement was made.

PROCEDURE: For Option 1, verify that the total grant award amount on the final disbursement statement matches the calculated award amounts indicated in eGrants.

RESULT: No exceptions noted.

PROCEDURE: For Options 2 or 3, verify that the total grant award amount on the settlement statement and the seller/owner's affidavit and immunity matches the calculated award amount indicated in eGrants.

RESULT: No exceptions noted.

PROCEDURE: Verify that total disbursements match the current value amounts indicated in eGrants.

RESULT: No exceptions noted.

PROCEDURE: Verify that the following applicable documentation is uploaded and viewable in eGrants and contains the required signatures:

- Final Disbursement Statement
- Declaration of Covenant
- Grant Agreement
- Limited Subrogation Assignment Agreement
- Grant Recipient Affidavit
- Name Affidavit
- Direct Disbursement Acknowledgement
- Appeal or Final Disbursement Acknowledgement
- Elevation Incentive Agreement Letter
- Elevation Incentive Agreement
- Act of Cash Sale
- Settlement Statement - HUD
- Seller/Owner's Affidavit and Indemnity
- Replacement Property Affidavit
- Compliance and Tax Proration Agreement
- Privacy Policy
- 1099 S Input Form

RESULT: We identified 41 files that lacked at least one of the documents listed above. The number of missing documents totals 44.

We were not engaged to and did not conduct an audit, the objective of which would be to express an opinion, on OCD-DRU's compliance with Federal and State regulations, internal control over compliance with Federal and State regulations, or financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended solely for the information and use of OCD-DRU management. However, by provisions of State law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first name being the most prominent.

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

SD:JLM:dl

RHHPPFR10

This page is intentionally blank.

## Management's Response







**BOBBY JINDAL**  
GOVERNOR

**ANGELE DAVIS**  
COMMISSIONER OF ADMINISTRATION

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

May 11, 2010

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

RE: Application of Agreed-Upon Procedures  
Red Ribbon Review (Final File Review)

Dear Mr. Purpera:

The Division of Administration, Office of Community Development, Disaster Recovery Unit (OCD/DRU) appreciates the opportunity to respond to the Louisiana Legislative Auditor (LLA), Recovery Assistance Division's (RAD), agreed-upon procedures report. OCD contracted with RAD to conduct this review to provide information to assist OCD management in evaluating the completeness of the Road Home Program grant files that had completed the red ribbon review.

OCD has taken under consideration the reported results of the various agreed-upon procedures. The information contained in the report will be used by OCD management in assessing the completeness of the red ribbon review.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Robin Keegan".

Robin Keegan, Executive Director  
Office of Community Development/DRU

RK/SU

A.1

Mr. Daryl Purpera, CPA

May 11, 2010

Page 2

c: Ms. Angele Davis  
Ms. Barbara Goodson  
Mr. Mark Brady  
Ms. Marsha Guedry  
Mr. Thomas Brennan  
Ms. Lara Robertson  
Mr. Richard Gray  
Mr. Jeff Haley  
Mr. Robbie Viator

## Grant Calculation



The total RHP grant award is the sum of the compensation grant, the elevation allowance, and the additional compensation grant calculated in that order. Applicants can choose one of three options.

For option 1, the compensation grant amount is the lesser of the homeowner’s uncompensated cost of damage or uncompensated loss of value up to the program cap of \$150,000 and calculated as follows:

<b>Compensation Grant Calculation</b>	
Lesser of:	Pre-Storm Value Estimated Cost of Damage
Less:	Other Compensation <sup>8</sup>
Equals:	Uncompensated Loss
Lesser of:	Uncompensated Loss \$150,000 Cap
Less:	30% penalty if applicable
Equals:	Compensation Grant Award

For option 2, the compensation grant calculation is modified as follows:

- If the home was less than 51% damaged, the compensation grant amount is the lesser of the uncompensated loss of value or the uncompensated loss of damage up to \$150,000.
- If the home was equal to or greater than 51% damaged, the compensation grant amount is the uncompensated loss of value up to \$150,000.

For option 3, the compensation grant calculation is modified as follows:

- If the home was less than 51% damaged, the compensation grant amount is the lesser of the uncompensated cost of damage or 60% of the uncompensated loss of value up to \$150,000.
- If the home was equal to or greater than 51% damaged, the compensation grant amount is 60% of the uncompensated loss of value up to \$150,000.
- If a homeowner was 65 years old or older as of December 31, 2005, the homeowner is exempt from the 40% penalty applied to the uncompensated loss of value.
- If a homeowner was in the military and was required to move out of state with Permanent Change of Station (PCS) orders, the homeowner is exempt from the 40% penalty applied to the uncompensated loss of value.

---

<sup>8</sup> Other compensation consists of amounts received from FEMA for structural damage to the home, flood insurance proceeds, homeowner’s insurance proceeds, and proceeds from the sale of the home following the storm.

## ROAD HOME HOMEOWNER'S PROGRAM GRANT FILE ANALYSIS \_\_\_\_\_

The elevation allowance builds on the compensation grant and is capped at \$30,000.<sup>9</sup> The elevation allowance is the lesser of:

- Road Home available balance = \$150,000 (minus) the compensation grant; or
- Elevation allowance of \$30,000 for site built home including modular construction or elevation allowance of \$20,000 for manufactured housing.

If a homeowner's household income is less than or equal to 80% of the area median income adjusted for household size, then the homeowner is eligible for the additional compensation grant, which builds on the compensation grant and the elevation allowance. The additional compensation grant is not capped for option 1 homeowners, but the total award including the compensation grant, elevation allowance, and additional compensation grant is limited to \$150,000. The additional compensation grant is capped at \$50,000 for option 2 homeowners. The additional compensation grant is not available to option 3 homeowners.

### **Additional Compensation Grant Calculation**

	Estimated Cost of Damage
Plus:	Estimated Elevation Cost Type 1 (if applicable)
Less:	Other Compensation
Less:	Compensation Grant Amount
Less:	Elevation Allowance (if applicable)
Equals:	Compensation Gap
Lesser of:	Compensation Gap
	Available Balance <sup>10</sup>
	\$150,000 Total RHP Award Cap, if Option 1 or \$50,000
	Additional Compensation Grant Cap, if Option 2
Equals:	Additional Compensation Grant

<sup>9</sup> OCD-DRU increased the cap on elevation assistance to \$100,000. This increase does not affect the \$30,000 elevation allowance available through the Road Home Program because it is funded through a different funding source with different requirements.

<sup>10</sup> The available balance in this calculation is the difference between the \$150,000 award cap and sum of the compensation grant award and the elevation allowance.

Applicants who sold their damaged homes prior to August 29, 2007, are also eligible for a Road Home grant award, which is calculated as follows:

**Sold Home Compensation Grant Calculation**

	Pre-Storm Value
Less:	Other Compensation <sup>11</sup>
Equals:	Uncompensated Loss
Lesser of:	Uncompensated Loss
	\$150,000 Cap
Less:	30% penalty if applicable
Equals:	Compensation Grant Award

---

<sup>11</sup> Other compensation consists of amounts received from FEMA for structural damage to the home, flood insurance proceeds, homeowners' insurance proceeds, and proceeds from the sale of the home following the storm.

This page is intentionally blank.