

DIVISION OF ADMINISTRATION
OFFICE OF COMMUNITY DEVELOPMENT
ICF BILLING REVIEW
JANUARY 1, 2009, THROUGH MAY 6, 2009



AGREED-UPON PROCEDURES REPORT
ISSUED OCTOBER 14, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

October 5, 2009

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

PAUL RAINWATER, EXECUTIVE DIRECTOR
OFFICE OF COMMUNITY DEVELOPMENT
DIVISION OF ADMINISTRATION
Baton Rouge, Louisiana

We performed the procedures enumerated below, which were agreed to by the Office of Community Development (OCD) management, solely to assist OCD management in evaluating the completeness and accuracy of billings submitted by ICF International (ICF) for payment under the Road Home Program during the period January 1, 2009, through May 6, 2009. OCD management is responsible for ensuring that ICF's billings are compliant with applicable Federal and State regulations and program policies.

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 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.

Our procedures and findings are as follows:

1. Procedure

Compare all ICF invoices to the contract guidelines to determine if they are submitted in accordance with the guidelines; have all the required signatures; are within the required time period; are supported by subcontractor invoices, time records, and receipts; and verify that the supporting documentation agrees with the invoices.

Finding

During the period, ICF billed OCD \$46,541,645 for labor; \$7,864,373 for unit costs; \$13,864,799 for other direct costs; \$1,047,273 for management fees; and

\$1,952,129 for travel for a total of \$71,270,219. OCD paid a total of \$71,046,486, leaving an unpaid balance of \$223,733.

Management fees and travel were billed in accordance with the contract. However, we noted exceptions for labor, unit costs, and other direct costs totaling \$2,331,412, which are presented below. During the application of our procedures, ICF submitted additional documentation to support \$1,512,254 of these exceptions and issued credits totaling \$312,559. Also, OCD withheld payment of \$223,733 for certain exceptions. The remaining unresolved exceptions total \$282,867.

2. Procedure

Compare labor rates billed for ICF employees to labor rates specified in the contract.

Finding

No exceptions noted.

3. Procedure

Trace subcontractor employee hours billed by ICF to approved subcontractor invoices.

Finding

ICF did not provide sufficient documentation to support labor charges totaling \$222,957, over billed \$17,005 for subcontractor labor, and billed \$104,393 for excess markup on subcontractor labor. We also noted that ICF included charges totaling \$9,936 that should have been classified as travel and reimbursed under the fixed price travel portion of its contract. ICF provided additional documentation to support \$223,334 of these exceptions and issued credits totaling \$127,888. The remaining unresolved exceptions total \$3,069.

4. Procedure

Verify that subcontractor employee hours are billed to OCD in accordance with the proper ICF labor classifications.

Finding

No exceptions noted.

5. Procedure

Determine if subcontractor invoices include the approval signature of an ICF program manager.

Finding

No exceptions noted.

6. Procedure

Compare unit costs billed to the rates established in the contract.

Finding

No exceptions noted.

7. Procedure

Determine if unit costs billed are supported by subcontractor invoices.

Finding

ICF did not provide sufficient documentation to support unit costs totaling \$31,596 and billed \$753,408 for questionable unit costs. We also noted over billings totaling \$143,362. ICF provided additional documentation to support \$780,601 of these exceptions and issued credits totaling \$145,440. The remaining unresolved exceptions total \$2,324.

8. Procedure

Determine if other direct costs billed are submitted with supporting invoices and/or receipts.

Finding

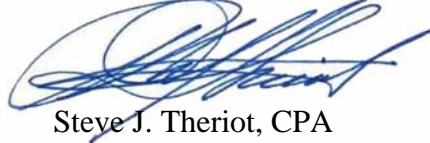
ICF did not provide sufficient documentation to support other direct costs totaling \$204,130 and billed \$220,709 for other direct costs that do not appear to be allowable under its contract or contract amendments. In addition, we noted over billings totaling \$6,367. ICF provided additional documentation to resolve \$190,875 of these exceptions and issued credits totaling \$10,988. In addition, OCD withheld payment of \$222,851 for certain exceptions. The remaining unresolved exceptions total \$6,491.

ICF also billed \$617,549 for other direct costs that do not appear to benefit the program. ICF provided additional documentation to support \$317,443 of these exceptions and issued credits totaling \$28,242. Also, OCD withheld payment of \$882 for certain exceptions. The remaining unresolved exceptions total \$270,982.

We were not engaged to and did not conduct an audit, the objective of which would be to express an opinion, on OCD's compliance with Federal and State regulations, OCD's internal control over compliance with Federal and State regulations, or on OCD's 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 management. However, by provisions of State law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

SD:JLM:sr

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Management's Response

BOBBY JINDAL
GOVERNOR



ANGELE DAVIS
COMMISSIONER OF ADMINISTRATION

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

August 25, 2009

Mr. Steve J. Theriot, CPA
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804

Re: OCD/DRU Response to the ICF Invoice Review
Procedures for the period January 1, 2009 to May 6, 2009

Dear Mr. Theriot:

The Office of Community Development, Division of Administration appreciates the opportunity to respond to the procedures and findings prepared by your office on the review of identified above. Our analysis of the report found that it accurately summarizes items discussed with ICF and your staff at the weekly meetings to review ICF invoices and the LLA Finding of Review.

We are in general agreement with the four findings of the report and have taken steps to further analyze each finding. As of this date, we have cleared an additional \$268,139 in unresolved exceptions leaving a balance of \$14,278. We will continue to work with your office and the ICF team to come to an agreeable solution with all parties.

We wish to thank your office for their hard work on this assignment. Your staff has shown remarkable professionalism and diligence in working through many difficult issues. Your services are greatly appreciated by the Division of Administration.

Sincerely yours,

A handwritten signature in black ink that reads "Paul W. Rainwater".

Paul Rainwater Executive Director
OCD/Disaster Recovery Unit

Cc: Tom Brennan
Susan Pappan
Steve Upton

August 21, 2009

The Road Home Program
Louisiana Legislative Auditor – Invoice Review
For the Period
January 1, 2009 – May 6, 2009
ICF’s Response to Findings

ICF invoices for the period totaled \$71,270,219. The auditors performed eight procedures in their review of ICF invoices. In four instances, there were no findings. The four remaining procedures are addressed in this response in the order presented in the auditors’ report.

1. The auditors’ report indicates a combined total of \$282,867 in unresolved billings for labor, units and Other Direct Costs (ODCs) “that are not included in their contract or contract amendments or in ICF’s subcontracts” or “do not appear to be allowable under the contract or benefit the program.”

ICF has provided supporting detail to clear \$130,726 of the questioned costs. Included in the \$282,867 were \$152,141 in subcontractor costs that were questioned by the LLA after the deadline given to ICF to submit documentation. ICF is working with OCD for resolving these costs.

2. The auditors questioned \$3,069 in subcontractor costs that “are over billed and did not provide sufficient documentation to support labor charges.”

This was labor expense for two ICF subcontractors, TOP and Providence. The auditors took the position that ICF training costs were not billable, questioning labor costs to provide Road Home policy training to employees. OCD believes that this is an appropriate and allowable charge. Upon further questioning, LLA could not provide further details for TOP questioned costs in the amount of \$2,793 in order for ICF to respond or gather additional documentation. OCD is reviewing the documentation and working with the auditors to resolve these costs.

3. The report states that “ICF did not provide sufficient documentation to support unit costs.” The auditors’ report questions \$2,324 related to units, describing these costs as “duplicate charges” or “over billed.”

ICF has fully explained these questioned costs were charged in accordance with policy. OCD agrees with ICF.

4. The auditors’ report indicates a combined total of \$277,474 in unresolved Other Direct Costs (ODCs) “that are not included in their contract or contract amendments or in ICF’s subcontracts” or “do not appear to be allowable under the contract or benefit the program or not fully supported.”

Other than a listing that applied to Phase 1 of the contract, specific ODCs are not listed in the contract or contract amendments, but clearly the contract envisions the need to incur ODCs and provides the budget for it. Further, it is incorrect for the auditors to conclude that some of the ODCs did not benefit the program.

Of the \$277,474 in questioned costs:

- \$10,463 was related to one vendor, Miller's Office Products, which included items of kitchen utensils (plastic spoons, forks, etc), coffee, and water. The auditors believe these items should be included in overhead and not charged as a direct expense. OCD has audited ICF's overhead rates and understands these items are not included in those rates, thus OCD agrees with ICF that the charges are appropriate.
- \$6,603 was related to various subcontractor and vendor expenses questioned for lacking sufficient documentation in support of the invoiced amount. We believe we have provided sufficient documentation for \$2,212 of these costs. We have requested documentation from our subcontractors for the remaining \$4,391.
- \$2,784 was related to facility rental and staff meals associated with required program outreach events. While the auditors believe these costs, incurred to be able to hold applicant events throughout the affected parishes, should be applied against the fixed price travel budget, . OCD disagrees with this position.
- \$2,308 was related to severance paid to ICF employees assigned to Road Home that was approved by OCD. This cost has been fully documented by ICF.
- The remaining unresolved balance in the amount of \$255,316 was for services provided through Shaw and consisted of the following:
 - \$178,806 - The auditors question charges related to lease charges, security deposits, parking, and janitorial services. OCD is reviewing the documentation and working with the auditors to resolve these costs.
 - \$29,722 – The auditors believe certain items including cable TV (in applicant lobby areas), kitchen utensils (plastic spoons, forks), coffee, and water should be overhead and not charged direct. OCD agrees with ICF that these are allowable costs.
 - \$35,927 – The auditors question the markup charged by Shaw on sales tax. The agreement with Shaw was that they could apply a fixed markup to the cost they incurred for ODCs. This formulaic approach provides a mechanism for

them to recover their costs associated with procuring ODCs. Amendment 3 is clear on ICF's ability to invoice for this cost:

“For ODCs procured by a subcontractor, the Contractor's actual cost shall be defined as the amount paid by it to the subcontractor for the ODC.”

OCD is reviewing the documentation and working with the auditors to resolve these costs.

- \$4,515 - The auditors have questioned the need for furniture, cameras and adobe software. ICF has explained these purchases are applicable to the program and used for the program. OCD is reviewing the documentation and working with the auditors to resolve these costs.
- \$3,502 – The auditors question some telephone charges as being insufficiently documented. ICF has provided all necessary documentation. OCD is reviewing the documentation and working with the auditors to resolve these costs.
- \$2,844 –The auditors question the charge as either missing documentation or whether it was a benefit to the program. OCD is reviewing the documentation and working with the auditors to resolve these costs.

In addition, ICF invoiced costs in the amount of \$220,709 for lawsuit-related legal expenses but have not been paid by OCD after being questioned by LLA. These costs were invoiced in accordance with the contract. The contract is clear on the allowability of such costs:

“Except as provided above in the second and third paragraphs of this Section 5, Contractor shall be allowed to charge as an expense under this Contract, all reasonable costs and fees incurred by it in defending and/or paying any claim brought by any third party against it, arising out of, directly or indirectly, Contractor's performance of its obligations under this Contract.”

We appreciate the auditors' review of our invoices and are available at any time to discuss questioned costs arising from their review. We continue to believe that most of these questioned costs could have been resolved through dialogue and encourage the auditors to consider this route should there be further audit reports. Thank you.