

EXECUTIVE DEPARTMENT  
STATE OF LOUISIANA



MANAGEMENT LETTER  
ISSUED JUNE 23, 2010

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
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BATON ROUGE, LOUISIANA 70804-9397**

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**DIRECTOR OF FINANCIAL AUDIT**

THOMAS H. COLE, 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. Five copies of this public document were produced at an approximate cost of \$23.40. 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. 3533 or Report ID No. 80090049 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.

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

May 21, 2010

**HONORABLE BOBBY JINDAL, GOVERNOR**  
**EXECUTIVE DEPARTMENT**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2009, we considered the Executive Department's internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Reports of the Executive Department are not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the Executive Department for the year ended June 30, 2008, we reported findings related to inadequate controls over the Road Home Homeowner Assistance Program and inadequate controls over the Temporary Assistance to Needy Families Program. The finding related to the Temporary Assistance to Needy Families Program has been resolved by management. The finding related to the Road Home Homeowner Assistance Program is addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* have also been included in the State of Louisiana's Single Audit Report for the year ended June 30, 2009.

**Inadequate Controls Over the Road Home  
Homeowner Assistance Program**

For the third consecutive year, the Louisiana Office of Community Development (OCD) has not fully implemented adequate controls over the administration of the Road Home

Homeowner Assistance Program of the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CDBG, CFDA 14.228).

During fiscal year 2009, ICF Emergency Management Services (ICF), as the state's contracted program manager, was responsible for awarding funds to recipients in accordance with the program regulations and action plans. OCD, as the state's designated recipient and administrator of the CDBG funds, was responsible for ensuring ICF's compliance with program regulations. The Code of Federal Regulations (24 CFR 570.501) provides that "The recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, subrecipients, or contractors does not relieve the recipient of this responsibility."

Good internal controls over program compliance should include policies and procedures to ensure that applicants are eligible and that award calculations are made correctly based on accurate data prior to the disbursement of program funds. When relying on information in a data warehouse, adequate controls should include sufficient testing to ensure the accuracy and reliability of that data. According to *Control Objectives for Information and Related Technology* published by the IT Governance Institute, entities should:

- Ensure their data are accurate, complete, valid, and up-to-date
- Edit or send back invalid data for correction in a timely manner
- Continuously monitor, benchmark, and improve their IT control environment
- Obtain assurance on an external service provider's internal controls
- Maintain a quality assurance function with appropriate quality assurance systems, controls and communications expertise
- Follow formal change management procedures to handle all change requests
- Implement division of roles and responsibilities to prevent a single individual from compromising a critical process
- Enable logs for use in reconstruction of data, review of operations, and the prevention and/or detection of abnormal activities
- Follow user account management procedures with user access approved by the data or system owner

Good internal controls over program compliance should also include policies and procedures to ensure that administrative expenses are adequately supported and that contract deliverables are met.

OCD lacked proper oversight and monitoring of its contracted program manager, ICF, as follows:

- In fiscal year 2009, OCD relied heavily upon services provided by ICF, but did not obtain independent assurance on the controls over those services. In a report on *Data Warehouse Reliability* issued by the Louisiana Legislative Auditor (LLA) in January 2009, data used to determine eligibility and calculate award amounts were determined to be unreliable because homestead exemption data were loaded into the database using outdated specifications; inappropriate data fields were used in determining applicant occupancy; and incomplete or unverified data were obtained from insurers.
- To follow up on these previously reported issues regarding ICF, OCD contracted with a CPA firm and paid the firm \$220,000 in federal funds to obtain a SAS 70 Type II audit (report on controls placed in operation and tests of operating effectiveness) for the fiscal year ending June 30, 2008. However, after being provided a draft of the audit report, OCD did not pursue issuing the final report, which was the stated deliverable in the contract. Therefore, we consider these questioned costs.
- In addition to the lack of an external review of controls, OCD did not have a quality assurance function or conduct any internal information technology (IT) audits to ensure the adequate monitoring of IT operations.
- OCD did not require ICF to establish and follow adequate change control procedures. As a result, ICF did not properly segregate incompatible duties and allowed programmers to move their own changes to production. Furthermore, neither OCD nor ICF used system logs to monitor changes.

The IT Division of the LLA performed follow-up procedures to determine if OCD adequately addressed the issues noted in the *Data Warehouse Reliability* report. The IT division determined that, as of April 2009, OCD did not obtain additional supporting documentation necessary to reassess the eligibility of applicants previously determined based on outdated, inaccurate, or incomplete data. In addition, the IT division found that OCD did not adequately use its Access Management Console in fiscal year 2009 for granting, revoking, and monitoring user accesses to the data warehouse. Furthermore, OCD did not monitor security logs, lacked a formal policy governing remote access, and did not prevent sharing passwords.

At the request of OCD, the Recovery Assistance Division (RAD) of the LLA performed agreed-upon procedures to review the administrative payments made by OCD to ICF. In the two reports issued on June 10, 2009, and October 14, 2009, RAD reported that OCD paid CDBG funds to ICF for administrative expenses that were not adequately supported. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, states that to be allowable under federal awards, costs must be necessary and reasonable and adequately documented. After additional review under OMB Circular A-87, we have

determined that unresolved expenses of \$765,958 are considered questioned costs because they were either not supported by adequate documentation prior to payment or they were not reasonable considering program requirements, ICF's contract with OCD, and sound business practices.

OCD did not (1) dedicate adequate resources to ensure proper controls over ICF's operations; (2) obtain additional supporting documentation necessary to reassess the eligibility of applicants previously determined eligible based on outdated, inaccurate, or incomplete data; (3) follow appropriate procedures for granting, revoking, and monitoring access to the data warehouse; and (4) ensure adequate supporting documentation for administrative payments to ICF. Because of these pervasive weaknesses in controls at ICF and the lack of adequate monitoring by OCD over ICF, we are unable to determine whether program disbursements, as of June 30, 2009, were in substantial compliance with program regulations.

Management of OCD should continue working to establish adequate controls over the Road Home Homeowner Assistance Program. Management should also review previously disbursed awards to identify program funds that were not disbursed in accordance with the applicable program regulations and should actively pursue the recoupment of overpayments, as well as ensuring that underpaid recipients are fully compensated. In addition, management should ensure (1) reliability of data in ICF's data warehouse, (2) allowability of expenditure reimbursements prior to disbursement of federal funds, and (3) federally funded contract deliverables are obtained. Management concurred in part with the finding and outlined a plan of corrective action (see Appendix A, pages 1-4).

**Additional Comments:** In management's response, it stated that OCD is continuously working to validate homeowner data and verify insurance amounts paid. Although OCD is continuously working to validate the accuracy of homeowner data, the extent and timeliness of corrections made were not adequate to ensure that CDBG awards were made in accordance with program requirements during the fiscal year under audit.

OCD maintains that funds paid to a CPA firm are not questioned costs; however, the contract states that the "contractor shall provide an independent service auditor's report." OCD did not authorize the contractor to issue the final version of the report; therefore, the usefulness of a draft report is limited since the report is not considered complete and cannot be relied on by the Transition Team. Also, we do not consider a draft report as full compliance with contract requirements which causes us to question the allowability of those payments to the contractor.

In its response, OCD maintains that ICF provided additional documentation to support billings in question totaling \$727,000 and disallowed the remaining \$39,000 in questioned costs; however, this additional documentation was not provided to our office to resolve the noted questioned costs identified.

### **Inadequate Controls Over the Hazard Mitigation Grant Program**

OCD did not have adequate controls over the administration of the Hazard Mitigation Grant Program (HMGP, CFDA 97.039). Critical data, such as homestead exemption, occupancy, and insurance data, in the Road Home Program's data warehouse used to support HMGP eligibility determinations and award calculations were not accurate and reliable. Good internal controls over program compliance should include policies and procedures to ensure that, prior to the disbursement of program funds, eligibility requirements are met and award amounts are calculated correctly based on accurate and reliable data.

In fiscal year 2009, OCD made 54 mid-point payments to HMGP applicants totaling \$1,065,556. These payments were made based on HMGP eligibility determinations that relied on summary information obtained from eGrants, the Road Home Program's system of record. A primary source for eGrants summary information is the Road Home data warehouse. In a report on *Data Warehouse Reliability* issued by the Louisiana Legislative Auditor in January 2009, certain data in the Road Home data warehouse used to determine eligibility and calculate award amounts were determined to be unreliable because homestead exemption data were loaded into the database using outdated specifications; inappropriate data fields were used in determining applicant occupancy; and incomplete or unverified data were obtained from insurers. Additional weaknesses in OCD's monitoring of this data warehouse and its contracted program manager are cited in our finding titled "Inadequate Controls Over the Road Home Homeowner Assistance Program."

Although the reliability of certain data in the Road Home data warehouse has been questioned, OCD did not implement compensating controls to ensure that summary information obtained from eGrants to support HMGP eligibility determinations was supported by documentation other than data contained in the Road Home data warehouse. As a result, OCD may need to obtain additional documentation from these 54 applicants to verify HMGP eligibility determinations and award calculations.

OCD management should implement procedures to ensure that HMGP applicant eligibility and award calculations are supported by other appropriate documentation, rather than being based solely on data contained in the Road Home Program's data warehouse. Management did not concur with the finding, but generally concurred with the recommendations and outlined a plan of corrective action (see Appendix A, pages 5-7).

**Additional Comments:** In management's response, it stated that OCD is continuously working to validate homeowner data and verify insurance amounts paid. Although OCD is continuously working to validate the accuracy of homeowner data, the extent and timeliness of corrections made were not adequate to ensure that CDBG awards were made in accordance with program requirements during the fiscal year under audit.

In addition, management's response stated that "HMGP staff members have reviewed the 20 files that the LLA reviewed and determined that all 20 applicants were eligible for the program, that all grant calculations were correct, and that all supporting documentation is available in accordance with HMGP and program guidelines." Although requested by the auditors, OCD provided no additional evidence to support HMGP eligibility determinations or award calculations.

### **Inadequate Subrecipient Monitoring of the CDBG Disaster Recovery Program**

OCD did not comply with the subrecipient monitoring requirements for the disaster recovery programs under the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CDBG, CFDA 14.228).

OMB A-133 requires a pass-through entity to (1) ensure subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have a single audit and the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensure the subrecipient takes timely and appropriate corrective action on all audit findings.

OCD program management did not obtain and review all the required single audits for its subrecipients of the Business Recovery Grant and Loan Program and the Primary and Secondary Education Infrastructure Program which are subprograms under CDBG. OCD management indicated that the audit for one subrecipient that received \$27.9 million in program funds did not have any findings related to this program; however, there was no evidence documenting a review process of single audits for any of the four subrecipients of these two programs that received a total of \$99.2 million in program funds. In addition, OCD does not have a process in place to (1) identify all subrecipients of CDBG program funds; (2) ensure required audits have been performed; and (3) address any findings and issues noted in those reports as required by OMB A-133.

OCD's management has not dedicated adequate resources to ensure that the subrecipient monitoring requirements of the program are met. Failure to adequately monitor its subrecipients impairs OCD's ability to evaluate the impact of its subrecipients' activities on overall compliance with program requirements and could result in disallowed costs.

Management should implement procedures to ensure that all subrecipients obtain the required single audits. Management should also implement procedures to review all required single audits from subrecipients, issue a management decision on any relevant findings, and ensure appropriate corrective action is taken as required by OMB A-133. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 8-10).

### Noncompliance With A-87 Allowable Cost Principles

The Division of Administration (DOA), OCD has not established uniform policies for the payment of overtime reimbursed by federal programs and is therefore in violation of federal regulations. OMB Circular A-87 provides guidelines for determining the allowability of costs charged to federal programs. One of the basic guidelines is that costs must be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit. Compensation for personal services is allowable if the total compensation for employees is reasonable for services rendered and conforms to the established policy of the governmental unit consistently applied to both federal and nonfederal activities.

The DOA Personnel Policy No. 22, *Overtime, Compensation for Overtime, and Fair Labor Standards Act Status (Exempt and Non-Exempt)*, states that “. . . all or part of a balance of time and one-half and/or straight time compensatory leave may be paid to the employee at the discretion of the Appointing Authority at any time.” The DOA, OCD has received approval and pays overtime by pay period for employees working on federal programs that are 100% federally funded; however, other employees accumulate compensatory leave balances and can be paid upon approval of the Appointing Authority, which is typically done twice each year. This causes an inconsistency in the application of this policy.

In fiscal year 2009, OCD paid \$18,468 in overtime to employees working on the Hazard Mitigation Grant Program (HMGP, CFDA 97.039) and \$59,436 in overtime to employees working on the Community Development Block Grants program and Non-Entitlement Grants in Hawaii (CDBG, CFDA 14.228). These costs, which were subsequently reimbursed by the federal government, are not allowable costs per the guidelines established in OMB Circular A-87 and are considered questioned costs.

DOA management should ensure the uniform application of its overtime policies across all federal programs and other activities of the division in accordance with OMB Circular A-87 when requesting reimbursement for overtime charged to federal programs. Management concurred in part with the finding and recommendation and outlined a plan of corrective action. Management does not concur with the conclusion that amounts paid in overtime are considered questioned costs (see Appendix A, pages 11-12).

**Additional Comments:** As mentioned above, OMB Circular A-87 provides guidelines for determining the allowability of costs charged to federal programs. Because overtime costs have not been charged using a consistent policy applied uniformly to federal awards and other activities of the DOA, we believe this causes the allowability of those costs to be in question and have therefore questioned the amount of those payments.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. Findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

In addition, we have included Budgetary Comparison Schedules, which were prepared from the Annual Fiscal Reports of the Executive Department and from additional data in the Integrated Statewide Information System (ISIS), the state's accounting system. These schedules are presented as additional information but have not been subjected to auditing procedures.

This letter is intended for the information and use of the department and its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

CR:ETM:BQD:THC:dl

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BUDGETARY COMPARISON SCHEDULES (UNAUDITED)

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UNAUDITED

**EXECUTIVE DEPARTMENT  
AGENCY 100 - EXECUTIVE OFFICE**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$7,760,138		\$7,760,138	\$8,741,095	(\$980,957)
General Fund - fees & self-generated	1,407,841		1,407,841	3,394,979	(1,987,138)
General Fund - IAT	10,690,803		10,690,803	11,507,483	(816,680)
Federal funds	2,122,480		2,122,480	3,469,411	(1,346,931)
Disability Affairs Trust Fund	154,621		154,621	199,000	(44,379)
Oil Spill Contingency Fund	2,204,962		2,204,962	3,825,310	(1,620,348)
Rural Development Fund	74,457		74,457	74,457	
La Interoperability Communications Fund	807,629		807,629	807,629	
<b>Total Appropriated Revenues</b>	<b>\$25,222,931</b>	<b>NONE</b>	<b>\$25,222,931</b>	<b>\$32,019,364</b>	<b>(\$6,796,433)</b>

**APPROPRIATED EXPENDITURES**

	ADMINISTRATIVE	OFFICE OF COASTAL ACTIVITIES	ACT 672 & HIRING FREEZE	TOTAL
Salaries	\$4,846,200	\$777,252		\$5,623,452
Other compensation	248,066	17,049		265,115
Related benefits	1,541,084	210,860		1,751,944
Travel & training	21,259			21,259
Operating services	236,573			236,573
Supplies	347,147			347,147
Professional services	385,610			385,610
Other charges	13,644,719	246,806		13,891,525
Capital outlay	1,904,087			1,904,087
IAT	743,070			743,070
Total appropriated expenditures before adjustments	23,917,815	1,251,967	NONE	25,169,782
System adjustments	(592)	(247)		(839)
<b>Total Appropriated Expenditures</b>	<b>23,917,223</b>	<b>1,251,720</b>	<b>NONE</b>	<b>25,168,943</b>
Revised Budget	29,763,455	1,965,879	\$290,030	32,019,364
<b>Variance Favorable (Unfavorable)</b>	<b>\$5,846,232</b>	<b>\$714,159</b>	<b>\$290,030</b>	<b>\$6,850,421</b>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
AGENCY 101 - OFFICE OF INDIAN AFFAIRS**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$75,212		\$75,212	\$86,021	(\$10,809)
General Fund - fees & self-generated	6,000		6,000	25,575	(19,575)
Avoyelles Parish Local Government Gaming Mitigation Fund	1,311,466		1,311,466	2,300,000	(988,534)
<b>Total Appropriated Revenues</b>	<b>\$1,392,678</b>	<b>NONE</b>	<b>\$1,392,678</b>	<b>\$2,411,596</b>	<b>(\$1,018,918)</b>

**APPROPRIATED EXPENDITURES**

<u>ADMINISTRATIVE</u>	
Salaries	\$50,000
Related benefits	14,839
Travel & training	5,443
Operating services	766
Supplies	654
Other charges	1,311,465
IAT	9,511
Total appropriated expenditures before adjustments	1,392,678
System adjustments	(116)
<b>Total Appropriated Expenditures</b>	<b>1,392,562</b>
Revised Budget	2,411,596
<b>Variance Favorable (Unfavorable)</b>	<b>\$1,019,034</b>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
AGENCY 102 - OFFICE OF INSPECTOR GENERAL**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$1,629,147	NONE	\$1,629,147	\$1,658,181	(\$29,034)

**APPROPRIATED EXPENDITURES**

	<u>ADMINISTRATIVE</u>
Salaries	\$1,056,545
Related benefits	241,080
Travel & training	38,096
Operating services	36,456
Supplies	25,902
Professional services	36,384
Capital outlay	61,334
IAT	133,350
Total Appropriated Expenditures	1,629,147
Revised Budget	1,658,181
Variance Favorable (Unfavorable)	\$29,034

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
AGENCY 103 - MENTAL HEALTH ADVOCACY SERVICE**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$1,727,341		\$1,727,341	\$2,009,713	(\$282,372)
General Fund - IAT	174,491		174,491	287,132	(112,641)
Indigent Parent Representation Program Fund	237,500		237,500	237,500	
<b>Total Appropriated Revenues</b>	<b>\$2,139,332</b>	<b>NONE</b>	<b>\$2,139,332</b>	<b>\$2,534,345</b>	<b>(\$395,013)</b>

**APPROPRIATED EXPENDITURES**

	ADMINISTRATIVE	ACT 672 & HIRING FREEZE	TOTAL
Salaries	\$1,317,958		\$1,317,958
Other compensation	35,618		35,618
Related benefits	403,388		403,388
Travel & training	114,062		114,062
Operating services	124,022		124,022
Supplies	30,867		30,867
Professional services	69,728		69,728
Capital outlay	12,969		12,969
IAT	30,720		30,720
Total appropriated expenditures before adjustments	2,139,332	NONE	2,139,332
System adjustments	(251)		(251)
<b>Total Appropriated Expenditures</b>	<b>2,139,081</b>	<b>NONE</b>	<b>2,139,081</b>
Revised Budget	2,329,123	\$205,222	2,534,345
<b>Variance Favorable (Unfavorable)</b>	<b>\$190,042</b>	<b>\$205,222</b>	<b>\$395,264</b>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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**EXECUTIVE DEPARTMENT  
AGENCY 107 - DIVISION OF ADMINISTRATION**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$70,472,590		\$70,472,590	\$79,205,001	(\$8,732,411)
General Fund - fees & self-generated	32,321,111		32,321,111	36,518,004	(4,196,893)
General Fund - IAT	32,711,927		32,711,927	407,905,792	(375,193,865)
Federal funds	1,876,754,831		1,876,754,831	6,189,811,800	(4,313,056,969)
Louisiana Technology Innovations Fund	68,780		68,780	582,021	(513,241)
2004 Overcollections Fund	27,856,288		27,856,288	44,115,204	(16,258,916)
State Emergency Response Fund	15,974,720		15,974,720	20,198,655	(4,223,935)
Community Water Enrichment Fund	19,900		19,900	9,500,000	(9,480,100)
<b>Total Appropriated Revenues</b>	<b>\$2,056,180,147</b>	<b>NONE</b>	<b>\$2,056,180,147</b>	<b>\$6,787,836,477</b>	<b>(\$4,731,656,330)</b>

**APPROPRIATED EXPENDITURES**

	EXECUTIVE ADMINISTRATION	COMMUNITY DEVELOPMENT BLOCK GRANT	AUXILIARY FUNDS - DOA	ACT 672 & HIRING FREEZE	TOTAL
Salaries	\$39,185,728	\$7,516,815	\$462,497		\$47,165,040
Other compensation	1,314,890	306,066	802		1,621,758
Related benefits	12,538,209	1,936,449	126,003		14,600,661
Travel & training	223,207	206,010			429,217
Operating services	30,394,963	852,313			31,247,276
Supplies	1,891,301	68,096			1,959,397
Professional services	3,117,743	103,791			3,221,534
Other charges	51,193,530	1,733,246,386	9,634,733		1,794,074,649
Capital outlay	402,016	20,502			422,518
Major repairs	18,686				18,686
Debt services		341,944			341,944
IAT	15,144,082	138,891,977	99,960		154,136,019
Total appropriated expenditures before adjustments	155,424,355	1,883,490,349	10,323,995	NONE	2,049,238,699
System adjustments	(5,590)	(5,845,640)	(21,696)		(5,872,926)
<b>Total Appropriated Expenditures</b>	<b>155,418,765</b>	<b>1,877,644,709</b>	<b>10,302,299</b>	<b>NONE</b>	<b>2,043,365,773</b>
Revised Budget	188,039,390	6,549,879,753	49,484,728	\$432,606	6,787,836,477
<b>Variance Favorable (Unfavorable)</b>	<b>\$32,620,625</b>	<b>\$4,672,235,044</b>	<b>\$39,182,429</b>	<b>\$432,606</b>	<b>\$4,744,470,704</b>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
AGENCY 114 - OFFICE ON WOMEN'S POLICY**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$4,870,396		\$4,870,396	\$4,873,604	(\$3,208)
General Fund - fees & self-generated	400,284		400,284	450,000	(49,716)
General Fund - IAT	1,200,000		1,200,000	1,200,000	
Federal funds	1,364,694		1,364,694	1,468,316	(103,622)
Battered Women Shelter Fund	130,389		130,389	147,308	(16,919)
Overcollections Fund	41,192		41,192	47,500	(6,308)
	<u>\$8,006,955</u>	<u>NONE</u>	<u>\$8,006,955</u>	<u>\$8,186,728</u>	<u>(\$179,773)</u>

**APPROPRIATED EXPENDITURES**

	<u>ADMINISTRATIVE</u>
Salaries	\$209,440
Other compensation	8,594
Related benefits	79,390
Travel & training	14,186
Operating services	9,838
Supplies	1,946
Professional services	103,091
Other charges	7,554,311
IAT	26,159
Total appropriated expenditures before adjustments	8,006,955
System adjustments	(23,351)
	<u>7,983,604</u>
Total Appropriated Expenditures	7,983,604
Revised Budget	<u>8,186,728</u>
Variance Favorable (Unfavorable)	<u>\$203,124</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
AGENCY 116 - LOUISIANA PUBLIC DEFENDER BOARD**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
DNA Testing Post-Conviction Relief for Indigents	\$10,791		\$10,791	\$28,500	(\$17,709)
Indigent Parent Representation Program Fund	488,305		488,305	488,305	
2004 Overcollections Fund	88,421		88,421	88,421	
Louisiana Public Defender Fund	<u>27,279,971</u>		<u>27,279,971</u>	<u>27,417,541</u>	<u>(137,570)</u>
 Total Appropriated Revenues	 <u>\$27,867,488</u>	 <u>NONE</u>	 <u>\$27,867,488</u>	 <u>\$28,022,767</u>	 <u>(\$155,279)</u>

**APPROPRIATED EXPENDITURES**

	<u>ADMINISTRATIVE</u>
Salaries	\$760,662
Other compensation	18,829
Related benefits	188,412
Travel & training	16,417
Operating services	135,430
Supplies	18,137
Professional services	18,188
Other charges	26,592,865
Capital outlay	69,287
IAT	<u>49,261</u>
 Total Appropriated Expenditures	 27,867,488
 Revised Budget	 <u>28,022,767</u>
 Variance Favorable (Unfavorable)	 <u>\$155,279</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
AGENCY 259 - LOUISIANA STATE BOARD OF COSMETOLOGY**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - fees & self-generated	\$3,468,247	NONE	\$3,468,247	\$1,688,392	\$1,779,855

**APPROPRIATED EXPENDITURES**

	STATE BOARD OF COSMETOLOGY
Salaries	\$745,733
Other compensation	56,143
Related benefits	304,106
Travel & training	130,792
Operating services	140,850
Supplies	13,002
Professional services	61,563
Major repairs	3,350
IAT	183,559
Total appropriated expenditures before adjustments	1,639,098
System adjustments	(310)
Total Appropriated Expenditures	1,638,788
Revised Budget	1,688,392
Variance Favorable (Unfavorable)	\$49,604

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
ANCILLARY FUNDS  
AGENCY 805 - ADMINISTRATIVE SERVICES**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - fees & self-generated	\$81,597		\$81,597	\$223,421	(\$141,824)
General Fund - IAT	10,607,269		10,607,269	9,112,420	1,494,849
 Total Appropriated Revenues	 <u>\$10,688,866</u>	 <u>NONE</u>	 <u>\$10,688,866</u>	 <u>\$9,335,841</u>	 <u>\$1,353,025</u>

**APPROPRIATED EXPENDITURES**

	ADMINISTRATIVE SERVICES
Salaries	\$1,942,669
Other compensation	134,417
Related benefits	723,991
Travel & training	4,183
Operating services	965,627
Supplies	3,253,937
Capital outlay	165,553
Major repairs	5,695
IAT	860,434
Total appropriated expenditures before adjustments	8,056,506
System adjustments	(960)
 Total Appropriated Expenditures	 8,055,546
 Revised Budget	 <u>9,335,841</u>
 Variance Favorable (Unfavorable)	 <u>\$1,280,295</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
ANCILLARY FUNDS  
AGENCY 806 - LOUISIANA PROPERTY ASSISTANCE AGENCY**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - fees & self-generated	\$9,068,843		\$9,068,843	\$6,378,491	\$2,690,352
General Fund - IAT	1,094,306		1,094,306	857,553	236,753
 Total Appropriated Revenues	 <u>\$10,163,149</u>	 <u>NONE</u>	 <u>\$10,163,149</u>	 <u>\$7,236,044</u>	 <u>\$2,927,105</u>

**APPROPRIATED EXPENDITURES**

	LOUISIANA PROPERTY ASSISTANCE PROGRAM
Salaries	\$1,324,804
Other compensation	150,850
Related benefits	491,511
Travel & training	17,629
Operating services	625,894
Supplies	89,926
Other charges	108,267
Capital outlay	88,735
Major repairs	25,687
IAT	2,130,073
Total appropriated expenditures before adjustments	<u>5,053,376</u>
System adjustments	(88)
 Total Appropriated Expenditures	 <u>5,053,288</u>
 Revised Budget	 <u>7,236,044</u>
 Variance Favorable (Unfavorable)	 <u>\$2,182,756</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
ANCILLARY FUNDS  
AGENCY 807 - FEDERAL PROPERTY ASSISTANCE**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - fees & self-generated	\$3,522,896		\$3,522,896	\$3,510,573	\$12,323
General Fund - IAT	1,870,872		1,870,872	1,350,671	520,201
 Total Appropriated Revenues	 <u>\$5,393,768</u>	 <u>NONE</u>	 <u>\$5,393,768</u>	 <u>\$4,861,244</u>	 <u>\$532,524</u>

**APPROPRIATED EXPENDITURES**

	FEDERAL PROPERTY ASSISTANCE
Salaries	\$455,384
Other compensation	23,299
Related benefits	192,080
Travel & training	7,671
Operating services	429,479
Supplies	2,479,524
Professional services	58,294
Capital outlay	479,366
IAT	50,820
Total appropriated expenditures before adjustments	4,175,917
System adjustments	(128)
 Total Appropriated Expenditures	 4,175,789
 Revised Budget	 <u>4,861,244</u>
 Variance Favorable (Unfavorable)	 <u>\$685,455</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
ANCILLARY FUNDS  
AGENCY 814 - PATIENT'S COMPENSATION FUND  
OVERSIGHT BOARD**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	<u>TOTAL BEFORE ADJUSTMENTS</u>	<u>AGENCY ADJUSTMENTS</u>	<u>ADJUSTED TOTAL</u>	<u>REVISED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Patient Comp Fund - board expense	<u>\$3,719,252</u>	<u>NONE</u>	<u>\$3,719,252</u>	<u>\$4,158,031</u>	<u>(\$438,779)</u>

**APPROPRIATED EXPENDITURES**

	<u>ADMINISTRATIVE</u>
Salaries	\$1,973,013
Other compensation	60,429
Related benefits	620,586
Travel & training	22,915
Operating services	272,490
Supplies	28,845
Professional services	396,142
Other charges	47,642
Capital outlay	83,818
IAT	<u>213,372</u>
Total Appropriated Expenditures	3,719,252
Revised Budget	<u>4,158,031</u>
Variance Favorable (Unfavorable)	<u>\$438,779</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
ANCILLARY FUNDS  
AGENCY 829 - OFFICE OF AIRCRAFT SERVICES**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - fees & self-generated	\$183,043		\$183,043	\$59,768	\$123,275
General Fund - IAT	1,520,000		1,520,000	1,734,433	(214,433)
 Total Appropriated Revenues	 <u>\$1,703,043</u>	 <u>NONE</u>	 <u>\$1,703,043</u>	 <u>\$1,794,201</u>	 <u>(\$91,158)</u>

**APPROPRIATED EXPENDITURES**

	FLIGHT MAINTENANCE
Salaries	\$221,299
Other compensation	5,370
Related benefits	71,089
Operating services	12,708
Supplies	913,035
Capital outlay	389
Major repairs	2,844
IAT	<u>20,279</u>
 Total Appropriated Expenditures	 1,247,013
 Revised Budget	 <u>1,794,201</u>
 Variance Favorable (Unfavorable)	 <u>\$547,188</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
OTHER REQUIREMENTS  
AGENCY 906 - DISTRICT ATTORNEYS AND  
ASSISTANT DISTRICT ATTORNEYS**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$24,047,625		\$24,047,625	\$24,905,056	(\$857,431)
Video Draw Poker Device Fund	5,400,000		5,400,000	5,400,000	
Overcollections Fund				142,500	(142,500)
<b>Total Appropriated Revenues</b>	<b>\$29,447,625</b>	<b>NONE</b>	<b>\$29,447,625</b>	<b>\$30,447,556</b>	<b>(\$999,931)</b>

**APPROPRIATED EXPENDITURES**

	DISTRICT ATTORNEYS AND ASSISTANT DISTRICT ATTORNEYS
Other charges	\$29,447,625
<b>Total Appropriated Expenditures</b>	<b>29,447,625</b>
Revised Budget	30,447,556
<b>Variance Favorable (Unfavorable)</b>	<b>\$999,931</b>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
OTHER REQUIREMENTS  
AGENCY 929 - PATIENT'S COMPENSATION FUND**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	<u>TOTAL BEFORE ADJUSTMENTS</u>	<u>AGENCY ADJUSTMENTS</u>	<u>ADJUSTED TOTAL</u>	<u>REVISED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
State Treasurer Patient's Compensation Fund	<u>\$115,000,000</u>	<u>NONE</u>	<u>\$115,000,000</u>	<u>\$115,000,000</u>	<u>NONE</u>

**APPROPRIATED EXPENDITURES**

	<u>PATIENT'S COMPENSATION FUND</u>
Other charges	<u>\$115,000,000</u>
Total Appropriated Expenditures	115,000,000
Revised Budget	<u>115,000,000</u>
Variance Favorable (Unfavorable)	<u>NONE</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
OTHER REQUIREMENTS  
AGENCY 933 - GOVERNOR'S CONFERENCES AND  
INTERSTATE COMPACTS**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	<u>TOTAL BEFORE ADJUSTMENTS</u>	<u>AGENCY ADJUSTMENTS</u>	<u>ADJUSTED TOTAL</u>	<u>REVISED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
General Fund - direct	<u>\$491,352</u>	<u>NONE</u>	<u>\$491,352</u>	<u>\$580,911</u>	<u>(\$89,559)</u>

**APPROPRIATED EXPENDITURES**

	<u>GOVERNOR'S CONFERENCES AND INTERSTATE COMPACTS</u>
Operating services	<u>\$491,352</u>
Total Appropriated Expenditures	491,352
Revised Budget	<u>580,911</u>
Variance Favorable (Unfavorable)	<u>\$89,559</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**EXECUTIVE DEPARTMENT  
OTHER REQUIREMENTS  
AGENCY 977 - DOA DEBT SERVICE AND MAINTENANCE**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES**

	<u>TOTAL BEFORE ADJUSTMENTS</u>	<u>AGENCY ADJUSTMENTS</u>	<u>ADJUSTED TOTAL</u>	<u>REVISED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
General Fund - direct	\$22,940,151		\$22,940,151	\$22,943,114	(\$2,963)
General Fund - fees & self-generated	138,034		138,034	138,034	
General Fund - IAT	52,189,393		52,189,393	53,026,277	(836,884)
Total Appropriated Revenues	<u>\$75,267,578</u>	<u>NONE</u>	<u>\$75,267,578</u>	<u>\$76,107,425</u>	<u>(\$839,847)</u>

**APPROPRIATED EXPENDITURES**

	<u>DOA - DEBT SERVICE AND MAINTENANCE</u>
Other charges	\$20,396,430
Debt services	<u>54,871,148</u>
Total Appropriated Expenditures	75,267,578
Revised Budget	<u>76,107,425</u>
Variance Favorable (Unfavorable)	<u>\$839,847</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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Management's Corrective Action  
Plans and Responses to the  
Findings and Recommendations



**BOBBY JINDAL**  
GOVERNOR



**ANGELE DAVIS**  
COMMISSIONER OF ADMINISTRATION

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

March 22, 2010

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

Dear Mr. Purpera:

As per your letter dated March 10, 2010, the Division of Administration, Office of Community Development (OCD) is providing the Louisiana Legislative Auditor (LLA) with its response to the Office of Management and Budget (OMB) Circular A-133 audit finding titled "Inadequate Controls Over the Road Home Homeowner Assistance Program."

The auditors, in support of their finding of inadequate controls, rely on the LLA Performance Audit Division's (PAD) "Data Warehouse Reliability" report issued in January 2009. The A-133 finding cites from the Data Warehouse Reliability report that data used to determine eligibility and to calculate award amounts were determined to be unreliable because homestead exemption data was loaded into the database using outdated specifications; inappropriate data fields were used in determining applicant occupancy; and incomplete or unverified data were obtained from insurers. The finding further states that, "as of April 2009, OCD did not obtain additional supporting documentation necessary to reassess the eligibility of applicants previously determined based on outdated, inaccurate, or incomplete data." OCD does not concur with this finding for the reasons stated below.

The homestead exemption data was loaded into the database by ICF, the prior Road Home contractor, using outdated specifications that were provided by the Louisiana Tax Commission. In 2008, when the PAD brought this to the attention of OCD and ICF, the tax data was reloaded and files where there was no longer a tax match were identified and flagged. OCD issued some policy changes which allowed other forms of documentation to be used to support applicant occupancy. ICF has obtained the additional documentation to support occupancy for most of the files that were initially matched, but with the reloading of the tax files, the data no longer matched. In May 2009, prior to the expiration of the ICF contract, ICF provided OCD a spreadsheet identifying those files with documentation supporting occupancy and those whose occupancy is still in question. OCD is continuously working to validate the accuracy of the

information supporting occupancy and to obtain documentation from applicants to support occupancy.

The auditor discusses in the finding that incomplete or unverified data was obtained from insurers. It has been difficult to obtain third party verification of insurance payments for the Road Home Program since its inception. Insurance companies have been slow and non-responsive to requests to verify payments. The State and the prior Road Home contractor have gone to great lengths to request information from insurance companies, but the companies are not required to cooperate with the Program and have not always done so. In August 2008 and again in January 2009, ICF requested updates to insurance values from the insurance companies.

OCD does not concur that funds paid to a CPA firm are questioned costs. OCD did contract with a with a local CPA firm to obtain a SAS 70 Type II audit of ICF's control environment for the fiscal year ending June 30, 2008. OCD made a conscience decision to not have the draft watermark removed from the SAS 70 report and accept the draft version as the final product. Because the SAS 70 audit of ICF was to be used internally, OCD wanted to provide some degree of confidentiality to the document. The SAS 70 audit report was provided to the Transition Team to inform them of deficiencies noted in the audit so corrective actions could be taken. The team consists of OCD employees, two employees on loan from the Office of Information Technology, one from the Office of Information Services and contractors overseeing the transition of ICF's functions to a replacement contractor.

OCD concurs that it did not have a quality assurance function or conduct any internal information technology (IT) audits to ensure the adequate monitoring of IT operations. OCD, since the beginning of this program, has requested IT support and or in-house positions but never received approval to fill such positions. In October 2008, when the Transition Team was formed, three highly qualified individuals with IT backgrounds, two employees from the Division of Administration, Office of Information Technology, and one employee from the Office of Information Services were assigned to assist and assess issues involving the IT transition. Since the Transition, OCD has employed one of these individuals as its IT Director.

The audit states that, "OCD did not require ICF to establish and follow adequate change control procedures." OCD did expect ICF to establish and follow adequate change control procedures. The report further states that, "As a result, ICF did not properly segregate incompatible duties and allowed programmers to move their own changes to production. Furthermore, neither OCD nor ICF used system logs to monitor changes." As stated above, OCD did not have the in-house technical expertise to evaluate whether incompatible duties were properly segregated, that programmers could move their own changes to production, or that system logs were not used to monitor changes. If these conditions existed within ICF, OCD concurs with the issues stated in the finding.

OCD does not agree with the auditor's determination that "unresolved expenses of \$765,958 are questioned costs because they were either not supported by adequate documentation prior to payment or they were not reasonable considering program requirements, ICF's contract with OCD, and sound business practices." For fiscal year ending 2009, ICF billed OCD

approximately \$205 million for the administration of the Road Home Homeowner Assistance Program. OCD and the LLA's Recovery Assistance Division (RAD) entered into an agreed upon procedures engagement where the RAD was to review and report on all ICF invoices billed to OCD. In that review process, the RAD identified approximately \$766,000 in questionable billings which constitutes 0.37% of the total ICF billings to OCD.

In response to the RAD review and in an effort to be paid, ICF provided additional supporting documentation or justification for the billings the RAD found questionable. OCD management within the financial and executive departments reviewed the additional documentation and justification presented by ICF. After careful review, management's decision was that \$727,000 of the \$766,000 in question was adequately supported, consisted of reasonable program expenses within ICF's contract with OCD, and followed sound business practices. The remaining \$39,000 was disallowed and not paid.

Subsequent to the end of the ICF contract term, OCD has taken steps to establish adequate controls over the Road Home Homeowner Assistance Program. Intentions are to implement proper internal controls with the assistance of RAD so that OCD meets the requirements of all federal and state regulations.

In the OMB Circular A-133 report, the LLA concludes that it is not able to determine whether program disbursements were in substantial compliance with program regulations. OCD management's opinion is that program disbursements are in substantial compliance with program policies and regulations.

OCD generally concurs with the recommendations provided in the finding, and will continue improving the internal controls established within the Road Home Homeowners Assistance Program. Lara Robertson and Richard Gray, both OCD/DRU Deputy Directors, are the contact persons responsible for corrective action.

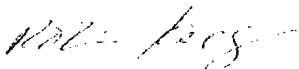
OCD has or will begin implementing the following procedures to improve controls within the program:

- Validating information provided by ICF to establish occupancy for those applicants who no longer had a tax match because of the reloading of tax information.
- Continue working with applicants in obtaining documentation to support occupancy.
- Obtained confirmation from HUD that OCD and ICF acted with due diligence in attempts to obtain third party verification of insurance.
- Developing and implementing a recapture and recovery process.
- Transitioning of the ICF contract to the two replacement contractors, HGI and CGI.
- Employing an IT Director.

- Continue working with program management and contractors to determine methods and processes to ensure that all data from outside sources are accurate, complete and up-to-date.
- Continuing to reassess applicant eligibility where questionable data may have been relied upon.
- Requiring HGI to implement a due diligence process.
- Requiring HGI re-verify all applicant information prior to processing an initial or additional disbursement (i.e. if there are ownership/occupancy/income documents missing, HGI will not process the file until documentation has been provided).
- Requiring OCD/DRU to review 100% of all files to be transmitted to the title company to ensure that all documentation is complete.
- Requiring CGI to implement a formal Change Control process. No changes can be made to eGrants of JIRA unless approved by the OCD/DRU IT Director and program staff.
- Requesting the IT contractor to activate security logging of the data warehouse that is limited to the database team and establish a process for reviewing the logs by a separate team. Activating the security logging of the data warehouse will require additional system and staff resources.
- Finalizing a remote access policy that has already been drafted and is under review.
- Requesting the IT contractor to once again review the procedures for accessing the data warehouse with the program areas and review compliance on a quarterly basis.
- Continue engaging the LLA RAD to review the ICF replacement contractors' invoices.

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

Sincerely,



Robin Keegan, Executive Director  
Office of Community Development/DRU

RK/SU

C: Ms. Angele Davis  
Mr. Thomas Brennan  
Ms. Lara Robertson  
Mr. Richard Gray  
Ms. Susan Pappan  
Mr. Robbie Viator

Ms. Marsha Guedry

BOBBY JINDAL  
GOVERNOR



ANGELE DAVIS  
COMMISSIONER OF ADMINISTRATION

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

March 22, 2010

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

RECEIVED  
LEGISLATIVE AUDITOR  
2010 MAR 22 PM 4:45

Dear Mr. Purpera:

As per your letter dated March 10, 2010, the Division of Administration, Office of Community Development (OCD) is providing the Louisiana Legislative Auditor (LLA) with its response to the Office of Management and Budget (OMB) Circular A-133 audit finding titled, "Inadequate Controls Over the Hazard Mitigation Grant Program (HMGP)."

The auditors, in support of their finding of inadequate controls, rely on the LLA Performance Audit Division's (PAD) "Data Warehouse Reliability" report issued in January 2009. The OMB Circular A-133 finding cites from the Data Warehouse Reliability report that certain data used to determine eligibility and to calculate award amounts were determined to be unreliable because homestead exemption data was loaded into the database using outdated specifications; inappropriate data fields were used in determining applicant occupancy; and incomplete or unverified data were obtained from insurers. OCD does not concur with this finding for the reasons stated below.

The homestead exemption data was loaded into the database by ICF, the prior Road Home contractor, using outdated specifications that were provided by the Louisiana Tax Commission. In 2008, when the PAD brought this to the attention of OCD and ICF, the tax data was reloaded and files where there was no longer a tax match were identified and flagged in eGrants, the Road Home Program's system of record. OCD issued some policy changes which allowed other forms of documentation to be used to support applicant occupancy. ICF has asserted that it obtained the additional documentation to support occupancy for most of the files that were initially matched but with the reloading of the tax files, the data no longer matched. In May 2009, prior to the expiration of the ICF contract, ICF provided OCD a spreadsheet identifying those files with documentation supporting occupancy and those whose occupancy is still in question. OCD is continuously working to validate the accuracy of the information supporting occupancy and to obtain documentation from applicants to support occupancy.

The auditor discusses in the finding that incomplete or unverified data was obtained from insurers. It has been difficult to obtain third party verification of insurance payments for the Road Home Program since its inception. Insurance companies have been slow and non-responsive to requests to verify payments. The State and the prior Road Home contractor have gone to great lengths to request information from insurance companies, but the companies are not required to cooperate with the program and have not always done so. For this reason, OCD/DRU and insurance providers have instituted a third party verification process to confirm insurance amounts paid out for Hurricanes Katrina and Rita.

The LLA finding states that, "In fiscal year 2009, OCD made 54 mid-point payments to HMGP applicants totaling \$1,065,557. These payments were made based on HMGP eligibility determinations that relied on summary information obtained from eGrants, the Road Home Program's system of record." OCD wants to emphasize that the finding does not identify any of these payments as being ineligible because of unreliable data obtained from eGrants or the Road Home Program's data warehouse. HMGP staff members have reviewed the 20 files that the LLA reviewed and determined that all 20 applicants were eligible for the program, that all grant calculations were correct, and that all supporting documentation is available in accordance with HMGP and program guidelines.

OCD generally concurs with the recommendations provided in the finding, and will continue assessing the program to determine if additional procedures should be implemented to ensure that HMGP applicant eligibility and award calculations are supported. Lara Robertson, OCD/DRU Deputy Director, and Bill Haygood, HMGP Manager, are the contact persons responsible for corrective action.

OCD's corrective actions as presented in another finding titled "Inadequate Controls Over the Road Home Homeowners Assistance Program" have and will improve the data reliability issues identified in this finding as well as corrective actions specific to the HMGP. These actions include:

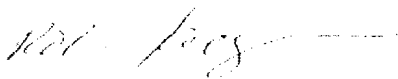
- Validating information provided by ICF to establish occupancy for those applicants who no longer had a tax match because of the reloading of tax information.
- Continue working with applicants in obtaining documentation to support occupancy.
- Obtained confirmation from HUD that OCD and ICF acted with due diligence in attempts to obtain third party verification of insurance.
- Using a separate software solution as a system of record for the HGMP Program. EGrants information is only used to obtain administrative data (Road Home Identification numbers, grant amounts, etc.) and only serves as an initial starting point for building an applicant's file.
- Not processing HMGP applicants that have Road Home grant eligibility or award amount variances until they have been reviewed and cleared for processing.

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- Requiring that any file that is undergoing HGI's (one of the ICF replacement contractors) due diligence process cannot be processed until all documentation is in the file and a disbursement can be made under the Road Home Program.
- Continue working with program management and contractors to determine methods and processes to ensure that all data from outside sources are accurate, complete, and up-to-date. The program receives duplication of benefits (DOB) data directly from the U.S. Small Business Administration and flood insurance data from the National Flood Insurance Program. Homeowners also certify the accuracy of the information included in their grant calculation by signing a grant agreement form and the Hazard Mitigation Covenant. It is the responsibility of the homeowner to provide accurate information to the program. Persons who misrepresent program eligibility or under report DOB information will be pursued as part of the grant recovery process.

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

Sincerely,



Robin Keegan, Executive Director  
Office of Community Development/DRU

RK/SU

C: Ms. Angele Davis  
Mr. Thomas Brennan  
Ms. Lara Robertson  
Mr. Bill Haygood  
Ms. Susan Pappan  
Mr. Robbie Viator  
Ms. Marsha Guedry





**BOBBY JINDAL**  
GOVERNOR

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**State of Louisiana**  
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March 22, 2010

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

Dear Mr. Purpera:

As per your letter dated March 10, 2010, the Division of Administration, Office of Community Development (OCD) is providing the Louisiana Legislative Auditor (LLA) with its response to the Office of Management and Budget (OMB) Circular A-133 audit finding titled, "Inadequate Subrecipient Monitoring of the CDBG Disaster Recovery Program." OCD concurs with this finding.

To date, the Louisiana Recovery Authority (LRA) and OCD have dispensed over 9.4 billion dollars in federal CDBG disaster related funds. In an effort to expedite funding to the recovery efforts, the LRA and OCD developed programs to help meet the needs of the State and its citizens as quickly as possible with the appropriate levels of documentation to support each grant dollar distributed. As a result of these accelerated timelines, much of the documentation and implementation of required administrative audit functions began to take place much later, but are nonetheless a vital component in the overall responsibility and success of the recovery efforts.

As outlined in OMB Circular A-133, it is the responsibility of the pass through entity (OCD) to ensure that subrecipients expending \$500,000 or more in federal awards in the subrecipient's fiscal year have a single audit performed and delivered to the pass through entity within nine months of the subrecipient's audit period.

**Inadequate Subrecipient Monitoring of the CDBG Disaster Recovery Program**

The OMB Circular A-133 finding states that OCD did not take adequate measures to document a review process of all single audits, specifically for the Business Recovery Grant and Loan Program and the Primary & Secondary Education Infrastructure Program. The finding also states that OCD does not have a process in place to identify all subrecipients of CDBG program

funds, to ensure that required audits have been performed, and to address any findings and issues noted in the single audit reports as required by OMB Circular A-133. It is also noted that OCD has not dedicated adequate resources to ensure that the subrecipient monitoring requirements of the program are met.

As required by OMB Circular A-133, OCD has documented within each program, a listing of subrecipients receiving CDBG funds for each program. However, these subrecipient listings were held by each program manager and were not centralized. As of January 7, 2010, OCD has assigned one OCD employee and one Shaw employee, acting as staff augmentation, to further develop an OMB Circular A-133 audit tracking and review system that will aid in the single audit review and monitoring of findings and corrective action plans for subrecipients receiving federal funds through OCD. This will also centralize the entire population of subrecipients and will allow for greater internal controls over the subrecipient tracking and monitoring process.

As part of these efforts, mapping of all programs within OCD is being laid out to cumulatively identify subrecipients for all programs. This includes programs implemented under Hurricanes Katrina and Rita as well as Hurricanes Gustav and Ike. Checklists that include the requirements of OMB Circular A-133, subrecipient tracking and monitoring systems, and training related to these new procedures is currently being developed.

As it relates to subrecipient monitoring from a programmatic standpoint, OCD's Compliance and Monitoring Department has components built into the current compliance and monitoring guidelines that include OMB Circular A-133 requirements for subrecipient monitoring. OCD also has a risk based monitoring system that was developed by one of its contractors, Reznick Group, that also includes subrecipient monitoring requirements of OMB Circular A-133. This work began in June of 2009.

OCD generally concurs with the recommendations included in the finding that management should implement procedures to ensure that all subrecipients obtain the required single audits and implement procedures to review all required single audits, issue a management decision on any relevant findings, and follow up on all corrective action taken as required by OMB Circular A-133.

Lara Robertson and Richard Gray, both OCD/DRU Deputy Directors, are the contact persons responsible for corrective action.

OCD is in the process of developing and implementing the following improvements to its subrecipient monitoring process as required by OMB Circular A-133:

- Documenting procedures for the review of required single audit reports for all subrecipients
- Reviewing staffing needs as appropriate for review and tracking of OMB Circular A-133 audits

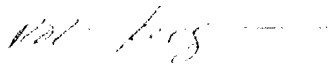
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- Implementing procedures to ensure that all audits have been performed and audit findings have been addressed as required by OMB Circular A-133
- Developing a single audit tracking and monitoring system that will meet the requirements of OMB Circular A-133 by:
  - ensuring that all required audits are received
  - a management decision is issued on findings as required
  - all corrective actions are taken and are deemed adequate

The above mentioned corrective actions have an anticipated completion date of June 30, 2010.

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

Sincerely,



Robin Keegan, Executive Director  
Office of Community Development/DRU

RK/SU

C: Ms. Angele Davis  
Mr. Thomas Brennan  
Ms. Lara Robertson  
Mr. Richard Gray  
Ms. Susan Pappan  
Mr. Robbie Viator  
Ms. Marsha Guedry





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**State of Louisiana**  
Division of Administration  
Office of the Commissioner

March 22, 2010

Mr. Daryl G. Purpera, CPA  
Temporary Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Re: Non-Compliance with A-87 Allowable  
Cost Principles

Dear Mr. Purpera:

Thank you for the opportunity to submit our response. We concur in part with your finding that the Division of Administration (DOA) has not established uniform policies for the payment of overtime reimbursed by federal programs. The DOA's practice for paying employees for overtime is applied uniformly to both federal awards and other activities of the governmental unit. The timing of when the overtime is paid, however, has been different for employees working on federal programs within certain sections of the DOA.

At the discretion of the appointing authority, DOA's general practice has been that any employee with an unused compensatory leave balance at the end of the fiscal year has the option of being paid for that leave whether their salary is federally or state funded. Currently, salaries of the employees that work in the Disaster Recovery Unit (DRU) and the Community Development Block Grant (CDBG) Program under the Office of Community Development (OCD) are charged to federal programs. DRU administers seven federal programs that are charged with personnel costs of employees of the unit.

Costs for overtime earned by OCD employees that work 100% on federal programs has been paid to those employees each pay period rather than once during the fiscal year. Paying overtime each pay period for employees that work 100% on federal programs allows leave and benefit costs to be captured and allocated against the appropriate federal programs on a bi-weekly basis. Accounting for personnel costs to multiple federal programs on a bi-weekly basis is more manageable than doing so once each fiscal year. All other DOA employees have been paid for their unused compensatory leave at the end of the fiscal year whether their salary is federally or state funded.

Overtime compensation on a bi-weekly basis for employees in the OCD - DRU was restricted in early 2009. OCD has recently changed its policy to conform to the policy for all DOA employees, including those that work in the CDBG Program. On March 16, 2010, an email was sent to OCD employees by Tom Brennan, the Executive Assistant Director, that states, "this Office will no longer pay out on a payroll basis, overtime incurred. Rather we will follow DOA

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policy to classify all time as compensatory leave earned. DOA management will then determine on an annual or semi-annual basis, if this time will be paid out to those who have earned.”

We do not concur with your conclusion that the amounts paid in overtime to employees working on the Hazard Mitigation Grant Program and the CDBG Program should be considered questioned costs. The overtime costs were incurred by employees that worked on these federal programs, thus the costs were appropriately charged.

We appreciate the cooperation and diligence of your staff during the course of the audit. Should you have any further questions or concerns, please feel free to contact me or Marsha Guedry, Internal Audit Administrator.

Sincerely,



Angele Davis

Commissioner of Administration

Cc: Barbara Goodson, Deputy Commissioner, DOA  
Robin Keegan, Executive Director, OCD  
Tom Brennan, Executive Assistant Director, OCD  
Marianne Patin, Acting Director, OFSS  
Suzette Meiske, Director, OHR  
Marsha Guedry, Internal Audit Administrator, DOA