

STATE OF LOUISIANA

OFFICE OF STATE INSPECTOR GENERAL



ICF CONTRACT AMENDMENT #7

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STATE OF LOUISIANA
OFFICE OF
STATE INSPECTOR GENERAL



ICF CONTRACT AMENDMENT #7

Stephen B. Street, Jr.
State Inspector General

Approved by:
 **Governor Bobby Jindal**

December 1, 2008

File No. 1-08-0019

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BOBBY JINDAL
GOVERNOR



STEPHEN B. STREET, JR.
STATE INSPECTOR GENERAL

State of Louisiana
Office of the Governor
Office of State Inspector General

December 1, 2008

Honorable Bobby Jindal
Governor of the State of Louisiana
P.O. Box 94004
Baton Rouge, LA 70804-9004

Re: Case No. 1-08-0019

Dear Governor Jindal:

At your request and that of LRA Executive Director Paul Rainwater, our office conducted an investigation of Amendment #7 to the contract between ICF Emergency Management Services, LLC (ICF) and the State of Louisiana to manage the implementation of *The Road Home* program. The enclosed report details the results of our investigation.

We provided drafts of the report to Governor Kathleen Blanco, LRA Executive Director Paul Rainwater, retired OCD Executive Director Susan Elkins, Commissioner of Administration Angele Davis and former LRA Executive Director Andy Kopplin. Written responses from Governor Blanco, Paul Rainwater, Susan Elkins and Andy Kopplin are attached to the report as Appendix A.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen B. Street, Jr.", written over the typed name.

Stephen B. Street, Jr.
State Inspector General

SBS/tdr
Enclosure

Executive Summary

At the request of Governor Bobby Jindal and Louisiana Recovery Authority (LRA) Director Paul Rainwater, the Office of the State Inspector General (OIG) undertook an investigation of Amendment #7 to the contract between ICF Emergency Management Services, LLC (ICF) and the State of Louisiana to manage the implementation of *The Road Home* program. Amendment #7 raised the maximum amount payable to ICF -- also known as the "ceiling capacity" -- by \$156 million. The scope of the investigation included determining whether the amendment was justified, how it was negotiated, and whether there was any effort to conceal it from the public and/or the Louisiana Legislature.

The investigation revealed that Amendment #7 was justified due to a significantly higher number of eligible applicants and closings than what was anticipated in the original contract. Further, the State of Louisiana through LRA and the Office of Community Development (OCD) Disaster Recovery Unit (DRU) adopted numerous policy and procedure changes concerning the contract, some of which slowed the process and significantly increased costs. As of December 2007, 125 changes were approved in areas including method of appraisal, title verification and validation of occupancy. The change in the method of appraisal alone cost the state \$48 million dollars not reflected in the original contract, according to former Governor Kathleen Blanco. Some of these changes required ICF to go back and re-do unit price activity on large numbers of applications that had already been processed.

The investigation also revealed that during the time period relevant to Amendment #7, the relationship between LRA and OCD was at best dysfunctional and at worst openly hostile, to the point where OCD staff was ordered by its Executive Director on at least one occasion not to share information with LRA concerning the contract. The relationship between the two agencies deteriorated so much that Jimmy Clarke, Governor Blanco's Chief of Staff, was asked to come in and mediate. Despite this, the conflict between the two agencies continued.

The conflict between the two agencies was apparently rooted in disagreements over changes in policy and procedure concerning the *Road Home* program. The constant tension and disagreement between the two agencies was a significant distraction and may have hindered the best and most efficient oversight of the contract with ICF. The problem of the hostile relationship between LRA and OCD appears to have since been resolved when Governor Bobby Jindal placed Paul Rainwater in a position of authority over both agencies and the staff of each agency merged into one unit.

In spite of this, the investigation did not reveal any evidence to suggest an effort to conceal Amendment #7 from the public or the Louisiana Legislature. Shortly prior to the execution of Amendment #7, OCD issued a statement to the *Baton Rouge Advocate* indicating that a raise in the contract ceiling would be necessary. Further, on December 10, 2007 John Carpenter, Staff Director for the Joint Legislative Committee on the Budget, indicated that he was receiving many questions and objections concerning Amendment #7. LRA, OCD and ICF were all asked to come to the December 19, 2007 meeting of the Joint

Legislative Committee on the Budget prepared to make a full presentation on Amendment #7. They did come to the meeting fully prepared to make a detailed presentation, but were never called by the committee to do so.

Background

In response to the devastation caused by Hurricanes Katrina and Rita, Governor Kathleen Blanco issued an Executive Order in October of 2005 creating the Louisiana Recovery Authority (LRA). The LRA was placed into law in the First Special Legislative Session of 2006. Andy Kopplin was appointed by Governor Blanco to be LRA's first Executive Director.

To further assist with recovery efforts, the Division of Administration's (DOA) Office of Community Development (OCD) created the Disaster Recovery Unit (DRU) to administer the Community Development Block Grants (CDBG) Disaster Recovery funds allocated to Louisiana by Congress after the hurricanes.

The OCD/DRU and the LRA were given the task of developing programs through which to administer these funds. According to the Memorandum of Understanding between the LRA and DOA, the LRA would develop and implement broad policy and program decisions for the Disaster Recovery funds programs consistent with LRA's oversight and guidance of the rebuilding effort. The OCD/DRU would be the fiscal agent responsible to the U.S. Department of Housing and Urban Development (HUD) for the disaster relief funds with responsibility for auditing, monitoring, internal controls, cash management, reporting, and various other fiscal services.

In furtherance of this mission, Governor Blanco, LRA and OCD created *The Road Home* program with the approval of the Legislature during the 2006 regular session. *The Road Home* program was designed to provide compensation to Louisiana homeowners who sustained damage to their homes by Hurricanes Katrina or Rita. *The Road Home* program is the largest single housing recovery program in U.S. history. Through *The Road Home* program, eligible homeowners may receive up to \$150,000 in compensation for their uninsured losses.

In June 2006, OCD selected ICF Emergency Management Services, LLC, a company from Virginia, to manage the implementation of *The Road Home* program. The production phase, the actual processing of applications and disbursement of grant awards began after the agreement was signed in October 2006. The program was initially projected to serve 123,000 applicants and 100,000 closings based on estimates provided by FEMA.

As of June 12, 2008, *The Road Home* weekly statistics report states there are 156,107 eligible applicants for assistance received and 110,298 closings held with an average award disbursed of \$58,868. This amounts to a 27% increase over the original estimate of eligible applicants and a 10% increase in the original estimate of closings provided by FEMA.

When it became clear that the number of eligible applicants and closings would be higher than initial projections, the state's contract with ICF was amended to increase the ceiling capacity to \$912 million – an increase of \$156 million. This was done in the form of Amendment #7, executed by then Commissioner of Administration Jerry Luke Leblanc on December 7, 2007.

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Scope and Methodology

We conducted our investigation in accordance with Principles and Standards for Offices of Inspector General as promulgated by the Association of Inspectors General.

The scope of our investigation included determining whether the amendment was justified, how it was negotiated and whether there was any effort to conceal it from the public and/or the Louisiana Legislature. The investigation included:

- Reviewing the initial ICF contract along with the six prior amendments to gain a better understanding of the contract
- Reviewing correspondence in reference to Amendment #7 of the ICF contract
- Reviewing supporting documentation and records
- Reviewing e-mail of key personnel from October through December 2007
- Detailed interviews with individuals involved in the process, including:
 - Governor Kathleen Blanco
 - Jimmy Clarke, Governor Blanco's Chief of Staff
 - Office of Community Development/Disaster Recovery Unit personnel
 - Louisiana Recovery Authority personnel including former Executive Director Andy Kopplin and current Executive Director Paul Rainwater
 - Former Commissioner of Administration Jerry Luke LeBlanc and Deputy Commissioner Jean Vandal
 - Former staff director and former chairman for the Joint Legislative Committee on the Budget
 - Frank Abramcheck, Program Executive, The Road Home Program, Senior Vice President, ICF
 - Lobbyists employed by ICF

The Contract

Through competitive proposals, the Office of Community Development selected ICF Emergency Management Services, LLC, to manage the implementation of *The Road Home* program. According to the Solicitation for Offers (SFO), ICF is to act as the State's agent to operate Housing Assistance Centers, conduct outreach, accept and process applications for financial assistance, verify applicants' eligibility, determine amounts of assistance in accordance with State guidelines, provide advisory services to property owners, negotiate purchases and sales of properties (or assignments or options), assist owners in clearing land titles, create/maintain a comprehensive management information system, provide a process for mediation of disputes between vendors and homeowners, perform other duties as required to manage the program, and comply with all federal, state and local laws, regulations and contractual requirements.

The production phase, the actual processing of applications and disbursement of grant awards, began after the agreement was signed in October 2006. The maximum amount payable to ICF prior to Amendment #7 was \$756 million over three years, based on serving approximately 123,000 applicants and 100,000 closings.

Justification For Amendment #7

During the Fall of 2007, top officials in Governor Blanco's administration, including those in DOA, LRA, and OCD, were advised by ICF that there was an increased number of applicants needing assistance, thus causing a potential financial shortfall in *The Road Home* program. The November 16, 2007 letter from ICF advising of the potential shortfall is attached as Exhibit A.

ICF and OCD began working on Amendment #7 to increase the contract ceiling capacity to cover the shortfall. Governor Blanco and the LRA requested additional funding from Congress to fully fund the program. In November 2007, Congress appropriated an additional \$3 billion for *The Road Home* program, ensuring that every remaining eligible homeowner would be served.

On December 7, 2007, the Commissioner of Administration approved Amendment #7, increasing the maximum amount payable to ICF by \$156 million.

Negotiation of Amendment

When Suzie Elkins, Executive Director of OCD, received the November 16, 2007 letter from ICF, she sent an e-mail to Jean Vandal, Deputy Commissioner of Administration, requesting guidance from the Commissioner of Administration. Ms. Vandal forwarded the e-mail to Jerry Luke LeBlanc, Commissioner of Administration, Jimmy Clarke (Governor Blanco's Chief of Staff) and Andy Kopplin to get their input on which direction the State should proceed. A number of meetings were held with Governor Blanco's top officials to project as accurately as possible the number of applicants that would be served.

After a deadline of December 1, 2007 for applicant appointments had passed, OCD, LRA and ICF were able to obtain a better count of the additional applicants. According to *The Road Home* daily fact sheet provided to the Governor and the weekly *Road Home* Pipeline report, 186,044 applications for assistance were recorded by ICF as of December 3, 2007. This was a 66% increase in the number of applicants originally budgeted.

Due to the number of changes in the program and the increased number of applicants, it was apparent that the original ICF contract capacity was not adequate and the program was at risk of running out of money. Governor Blanco stated during our interview that she did not believe it would benefit anyone to shut down *The Road Home* program and have to wait 3 to 6 months to find another contractor to re-start the program. Governor Blanco also informed us

that until the additional monies were received from Congress, there were no additional funds available for the ICF contract to cover project delivery costs.

Using an alternative calculator designed by LRA and ICF, high, low, and likely scenarios of applications for closings were calculated. The following is a copy of the alternative calculator used with data provided by ICF as of December 3, 2007.

Alternative Calculator as of December 3, 2007		Likely Scenario	Low Scenario	High Scenario
Data				
Applications Received (GR)		229,312	229,312	229,312
Applications Not Valid for Processing (GR)		-43,268	-43,268	-43,268
Applications Recorded (GR)		186,044	186,044	186,044
Closings Held (GR)		74,165	74,165	74,165
Post-appt 1 inactive applications		916	916	916
Pre-appt 1 inactive applications		3,891	3,891	3,891
Pre-appt 1 ineligible		3,518	3,518	3,518
Number under duplicate review (pre-appt 1)		1,958	1,958	1,958
Step 1: Estimate post-appointment 1 eligibles				
Initial Appointments Held		165,814	165,814	165,814
Determined Ineligible post-appt 1		-1,442	-1,442	-1,442
Sold Home	A	0	0	0
		164,372	164,372	164,372
Estimated additional post-appt 1 ineligible	B	-8% -6,882	-12% -10,825	-4% -3,441
Estimated additional post-appt 1 inactives		-5% -8,219	-8% -12,328	-3% -4,109
Estimated post-appt 1 that will remain inactive	C	-50% -458	100% -916	-30% -275
TOTAL POST-APPT ELIGIBLE		148,814	140,303	156,547
Step 2: Estimate pre-appt 1 eligibles				
Pre-appointment 1 applications	D	20,230	20,230	20,230
Estimated ineligible from duplicate review process	E	100% -1,958	100% -1,958	100% -1,958
Estimated add'l ineligible	F	-68% -12,425	-73% -13,339	-63% -11,511
Estimated number to remain inactive	G	100% -3,891	100% -3,891	100% -3,891
TOTAL PRE-APPT ELIGIBLE		1,956	1,042	2,870
TOTAL ESTIMATED ELIGIBLE		150,770	141,346	159,417

Notes

- A. Clarity required as to whether these are treated as ineligible or inactive- may require separate calculation. This model treats them as ineligible.
- B. (Applications with first appointment that could be eligible minus those already closed) times (percent estimated ineligible)
- C. (Percent current inactives x estimated percent to remain inactive)
- D. Applications recorded minus initial appointments held
- E. Duplicates under review x the percent expected to be ineligible
- F. (Pre-appt apps minus already ineligible minus estimated dups) x (percent expected to be additionally ineligible)
- G. Pre-appt 1 applications in an inactive status x percent expected to remain inactive

The high scenario of estimated eligible applicants determined by the use of the alternative calculator was 159,417. This was a 62% increase in the number of closings originally budgeted.

On December 3, 2007, ICF issued an updated estimated cost to complete to Ms. Elkins. The letter, signed by Frank Abramcheck, Senior Vice President of ICF and Program Executive for The *Road Home* Program, stated:

On November 16, 2007, I transmitted to you an estimated cost to complete (ETC) the Road Home Program (RHP). Since that communication we have completed the process of scheduling first appointments and therefore are positioned to more accurately project the number of eligible applications and the number of anticipated grant closings. As a result we can provide a more accurate ETC.

Please find enclosed a revised attachment B.

Attachment B

Road Home Program Summary

	Original Budget Amount	Estimated Cost to Complete Amount	Cost Incurred as of 30-Sep-07	Estimated Total Cost at Completion Amount	Delta
Phase 1					
Time & Maintenance	\$ 25.77	\$ -	\$ 25.77	\$ 25.77	\$ -
Fixed Price	\$ 43.87	\$ -	\$ 43.87	\$ 43.87	\$ -
Unit Price	\$ 2.96	\$ -	\$ 2.96	\$ 2.96	\$ -
Total Phase 1	\$ 72.60	\$ -	\$ 72.60	\$ 72.60	\$ -
Phase 2&3					
Labor	\$ 400.68	\$ 214.07	\$ 170.58	\$ 384.65	\$ (16.03)
Other Direct Charges	\$ 90.20	\$ 43.66	\$ 52.02	\$ 95.68	\$ 5.48
Fixed Mgmt Fee	\$ 13.53			\$ 13.53	\$ -
Travel	\$ 19.14			\$ 19.14	\$ -
Unit Price	\$ 159.84	\$ 166.30	\$ 159.25	\$ 325.55	\$ 165.83
Total Phase 2&3	\$ 683.40	\$ 424.03	\$ 381.85	\$ 838.55	\$ 155.28
Total Project	\$ 756.00	\$ 424.03	\$ 454.46	\$ 911.16	\$ 155.28

** Assumes 165,814 Applicants with Appointments

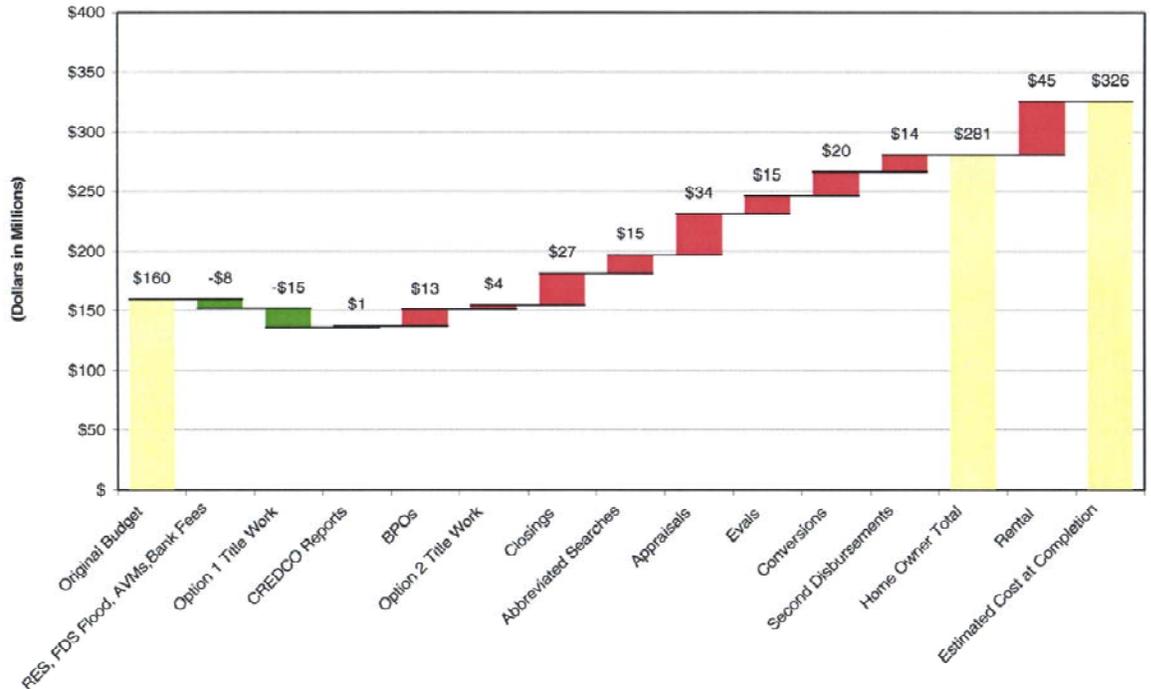
** Assumes 159,417 Closings

Attachment B illustrates the new shortfall amount for *The Road Home* program to be approximately \$156 million, the amount used in Amendment #7. The Unit Price for Phase 2 & 3 showed a difference of \$166 million. However, funds were used from labor costs to help reduce the total projected shortfall amount of the program.

ICF provided OCD an in-depth summary that detailed the unit price per the estimated number of closings. The following graph was included in the summary detailing the estimates in millions for each unit price service.

Estimate to Complete – Unit Price Services

- Unit priced services increase by \$166 M due to increase in total applicants and number of per unit products per applicant
- Assumes 165,814 Applicants with Appointments & 159,417 Closings



Changes To The Contract

In addition to the higher than anticipated number of applicants, it is clear that changes in policy and procedure for the *Road Home* program contributed significantly to the increased cost and delay that made Amendment #7 necessary. Between September 2006 and December 2007, 125 changes were adopted in areas including method of appraisal, title verification and validation of occupancy. According to the former LRA director Andy Kopplin, many of these changes had no fiscal impact on the program. However, the change in the method of appraisal alone cost the state \$48 million dollars not reflected in the original contract, according to former Governor Kathleen Blanco. Some of these changes required ICF to go back and re-do unit price activity on large numbers of applications that had already been processed, adding to the cost and delay.

Disagreements between LRA and OCD over some of these policy changes caused the relationship between the two agencies to deteriorate. OCD Executive

Director Suzie Elkins indicated that because of her disagreement with some of the policy changes, her approval signature on those included a statement that even though she was signing it, she disagreed with the change and warned that it would cost the state a lot of money.

Conflict Between LRA and OCD

During the time period relevant to Amendment #7, the relationship between LRA and OCD was at best dysfunctional and at worst openly hostile. The relationship between the two agencies deteriorated so much that Jimmy Clarke, Governor Blanco's Chief of Staff, was asked to come in and mediate. Despite this, the conflict between the two agencies continued.

When *The Road Home* program was created, LRA and OCD were each given specific roles. LRA's role was to determine policy, and OCD was to implement that policy and act as a fiscal agent for the program with the U. S. Department of Housing and Urban Development (HUD). Significant conflict between the agencies arose because of this.

Virtually everyone we interviewed agreed and acknowledged the conflict between LRA and OCD:

Suzie Elkins (Executive Director of OCD):

"There was always a conflict between the LRA and our office because of the policies that they would give us to implement. Some of them were absolutely ridiculous and cost the state mega-bucks. Okay? There's always been this conflict."

"I think what they should have done to start with is have policy people with the implementers, that way, you know, people, you know, they know what you're doing and they didn't. They split them up and that, it didn't work because you have people who had never implemented a program in their life, making policy. You can't always implement that policy, especially with federal programs"

"There's a hundred and thirty something policy changes. Constant. So there was this conflict that was horrible."

Andy Kopplin (First Executive Director of LRA):

"I think that was the, you know, we kept, my comment was, you know, we're the ones who are fighting for the homeowners who are trying to get, you know, the money that they deserve, fair treatment, etcetera, and OCD, you ought to be on our side fighting ICF right along with us cause this is inadequate."

"I think the inclination of OCD was to defend its contractor against other critics, whether they be from the public, the legislature, or the LRA."

“And that was our perception, was that more often than not, OCD and ICF did not appreciate the criticism and scrutiny from the LRA and were likely to stand together in opposing what we had to say than for OCD to join the LRA in fighting ICF. I mean, it was much more often that we were fighting, you know, my staff would talk about it all the time, it’s like, whose side are they on? And I don’t think it was about nefarious coziness, I think it was sort of, you know, they made the selection of the contractor, they signed the contract, and so, some criticism of ICF, therefore applied to OCD and so they felt defensive about it rather than a responsibility to beat up the contract.”

Jimmy Clarke (Governor Blanco’s Chief of Staff):

“... because of the ongoing historical relation of some level, acrimony or suspicion on the two that went back to the beginning when LRA was prevented from taking the full role that they expected and anticipated, and when they didn’t, things kind of just didn’t work as well as it should have.”

“And when things transpired and LRA was not authorized or given the authority over the allocation of funding, or whatever, and they could do policy, but not, you know, that just created this schism that was never overcome in terms of internal workings.”

“... it was downright ugly from that stand point what LRA was not going to do, and they were not going to do it, and at the same time LRA was saying, wait a minute, you know, we’re a board of these, you know, people volunteering, and we have the expertise what we want to do, so then there was this line, well what is policy, what is not, they would change policy, it would impact, and it would affect, you know, the delivery of the system, ICF would get frustrated, ICF would, you know, blast Suzie and them saying how can you make us do this, we’re not making you do this, this is LRA ... and so that’s where the contentiousness I think comes into play and if they were defensive, then it would have been in that context, of maybe defending or, or feeling like LRA had done something that collectively was causing them both problems as a result.”

Jerry Luke Leblanc (Former Commissioner of Administration):

“That was just how it was. Every day seemed to, you know obviously, I didn’t have time to fool with that on a daily basis, but over two years, every once in a while, you know a flare up will get to my desk.”

“And then I’d, you know, have to intercede, and try and, you know, okay, you know calm OCD down, try and calm LRA down, everybody needs to make nice.”

The relationship between LRA and OCD deteriorated to the point where it sometimes impeded the free flow of information between the two agencies.

On November 2, 2007, there was a meeting held between LRA, OCD and ICF concerning the possibility of *The Road Home* program running out of money towards the end of December 2007, prior to serving 90,000 applicants. Dave

Bowman, Director of Research and Special Projects for LRA, sent an e-mail recapping the meeting, in part as follows:

“Additionally, OCD is working out the amount of funds that will be required for additional program costs that will need to be added to the congressional ask. These are program costs not in the original ICF contract to cover appraisal, etc. on the additional 50,000 or so homes. Steve Green will provide an estimate by Monday.

Finally we also agreed that as a next step we need to convene leadership at the LRA, Governor’s office and OCD to strategize gap funding if budget relief doesn’t come from congress prior to our money running out. As more time passes, it seems more and more likely that there will be a potential gap and it would be costly and difficult to shut down the process and start it up again.”

On November 7, 2007 Dave Bowman followed up by e-mail to Steve Green, Financial Manager for OCD/DRU, asking if he had a chance to hammer out the cost of serving the additional applicants. Mr. Green replied, but did not answer Mr. Bowman’s question. Mr. Bowman then replied and specifically asked for the cost of 45,000 additional appraisals and title searches. Finally, OCD Executive Director Suzie Elkins instructed Steve Green by e-mail, saying:

“Don’t give him nothing.”

When Ms. Elkins was asked about her statement in the e-mail, she said she was talking about Dave Bowman because of conflict between LRA and OCD and the fact that they (OCD), per instructions from Governor Blanco’s office, were not allowed to discuss the matter with the press:

“Because everything that we gave the LRA, they would say that it was our fault. So we wanted them to come up with their own numbers so they couldn’t blame us for anything that happened. Because that’s what they did.”

“How can it be successful when someone goes to the press and beats the crap out of you and you can’t defend yourself, and mainly the problems are because of the policies that we’re trying to implement. But we can’t say that.”

This is one example of the constant tension and disagreement between the two agencies, a distraction that may have hindered the best and most efficient oversight of the contract with ICF.

Changes made to OCD and LRA with New Administration

In December 2007, then Governor-Elect Bobby Jindal announced that Paul Rainwater would succeed Andy Kopplin as the Executive Director of LRA.

After Mr. Rainwater was named Executive Director, he was tasked to manage OCD/DRU as well as the LRA staff. The staffs of the LRA and OCD's Disaster Recovery Unit merged into one unit. The goal was a more unified management of programs created through the LRA and implemented by the OCD/DRU.

According to Mr. Rainwater, these changes have significantly improved the relationship between the two entities.

Notification Process

Our investigation did not reveal any evidence to suggest an effort to conceal Amendment #7 from the public or the Louisiana Legislature.

Statement From OCD To The Baton Rouge Advocate

On November 28, 2007, approximately 10 days prior to the signing of Amendment #7, OCD issued a statement to *The Advocate* when asked about ICF wanting more money for administrative costs. The statement is quoted below:

The Road Home Program decided from the very beginning that it would pay for homeowner costs associated with many services that homeowners normally pay for when they buy or sell a home. They include for each homeowner items such as closing costs, appraisals, title searches, and recording fees. The program was originally budgeted to pay these costs for 123,000 homeowners. As of yesterday there were over 185,000 applications recorded, so it is clear that the program is substantially larger than anticipated.

In anticipation of this increased size, OCD is working with the program manager ICF, to determine what level of additional funds will be required to cover these homeowner costs. Because of the December 1st appointment deadline, we expect to have firmer estimates for the actual number of homeowners for who these services need to be provided in the next couple of weeks.

When the estimate is determined, it will be necessary to raise the ceiling amount of the ICF contract so that the funds necessary to cover the increased cost can be accommodated. Actual costs will depend upon the final level of services necessary to close all of the qualified program recipients.

Joint Legislative Committee on the Budget

On December 10, 2007 John Carpenter, Staff Director for the Joint Legislative Committee on the Budget, sent an e-mail to Mike Taylor, Assistant Executive Director of OCD/DRU, advising him that he (Carpenter) was getting questions, more in the line of objections, to the proposed increase in the ICF contract. Mr. Carpenter asked Mr. Taylor if he could shed some light on the subject.

John Carpenter (Staff Director, Joint Legislative Committee On The Budget):

"...anything that had to do with ICF that hit the street in any way, was creating, you know, objections. The committee got to the point that they basically hated to hear anything that said ICF, and that's another topic for discussion, but I, you know, I don't remember, like I said, what, you know what I specifically, you know, had requested, but, somewhere, and I don't remember what forum, I had one time I thought it might have been in the newspaper, but somewhere an item came out publicly about this proposed contract. Some two weeks or so I think before our meeting. It got discussed in a meeting, or it got, you know, somewhere it got out, because I do remember getting some calls, you know, about it."

On December 13, 2007, Mr. Carpenter requested OCD, LRA and ICF to be prepared to discuss Amendment #7 at the Joint Legislative Committee on the Budget during the December 19, 2007 meeting. Representatives of all three attended the meeting and came prepared to give a detailed presentation on Amendment #7. A PowerPoint presentation was prepared by ICF detailing the estimated cost at completion, but a review of the video archive of the December 19th meeting revealed that the matter was neither called nor discussed.

The following persons we interviewed confirmed this:

Suzie Elkins (Executive Director of OCD):

"... it wasn't something that was done in secret. I mean, the Governor's Office knew, everybody knew. The letter the John Carpenter, he knew. I mean, that's with the legislature. I mean, this wasn't a big secret. It had been all in the paper that we didn't have enough money to, you know, finish the program. I mean, and everybody was worried about where we're going to get the dollars. It was all across the news."

Jimmy Clarke (Governor Blanco's Chief of Staff):

"... Andy and Suzie and Mike and others were prepared to speak at the Joint Legislative Budget Committee. They certainly were, that was expected, that was intended, I had no idea that this perception of secrecy had been there. It just, it was never from an internal stand-point. Never. Was not even close to that circumstance."

Governor Kathleen Blanco:

“That is, to me, the only situation that’s regretful, is that the committee met, there were people there prepared to present with a detailed presentation, who were not brought up to the table for the presentation.”

Jean Vandal (Deputy Commissioner of Administration):

“But, you know, I don’t think anybody should have been surprised by that development. But no, I don’t, there was no effort to keep it quiet as far as I know, I mean, certainly, you know, we didn’t put out a press release about it, but, you know, to my knowledge, there was no effort to keep it quiet.”

We also interviewed Senator John Alario, Chairman of the Joint Legislative Committee on the Budget. Senator Alario stated that Amendment #7 was not called up for discussion at the meeting because he was not aware of it. Senator Alario did state, however, that he did not feel that the amendment was being kept a secret.

Office of the Legislative Auditor

A review of e-mail correspondence concerning Amendment #7 revealed that although the Louisiana Legislative Auditor was made aware that negotiations were ongoing concerning the contract ceiling, it was not made aware of the specific contract adjustment until after Amendment #7 was executed. The Louisiana Office of the Legislative Auditor was not provided a copy of Amendment #7 until December 10, 2007, three days after it was signed by the Commissioner of Administration

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Conclusion

The intent of this report is not to question the good faith or tireless effort of the individual officers and employees of the agencies involved in administering *The Road Home* program. The Inspector General does not doubt that all involved had the best interests of the people of Louisiana in mind at all times. The scope of our inquiry, rather, was narrowly defined to include determining whether Amendment #7 was justified, how it was negotiated, and whether there was any effort to conceal it from the public or the Legislature. Because of this narrow scope, the investigation did not include any evaluation of the quality, or lack thereof, of ICF's performance under the contract, and this report does not address nor reach any conclusions one way or the other concerning that issue.

Our investigation revealed the following:

Amendment #7 was clearly necessary due to a higher than anticipated number of applicants and closings and policy changes concerning the contract that significantly added to the cost and delay.

Disagreements between LRA and OCD over some of these policy changes caused the relationship between the two agencies to deteriorate. It seems clear that this conflict was inevitable in light of an unsustainable command structure that had one agency (LRA) in charge of policy and the other (OCD/DRU) in charge of figuring out how to pay for it. One cannot fairly evaluate Amendment #7 without considering the likelihood that a different structure – one that allowed the agencies to better work together on both policy and fiscal implementation – would have significantly reduced the number of policy changes that had such an impact on the cost of the program. Such a structure now exists under the direction of Paul Rainwater, with a single chain of command and the staffs of both agencies merged into one unit.

Finally, we found no evidence to suggest an effort to conceal Amendment #7 from the public or the Louisiana Legislature.

EXHIBIT A
Letter from ICF, International



November 16, 2007

Ms. Suzie Elkins
Executive Director, Office of Community Development
State of Louisiana
Baton Rouge, Louisiana

Dear Ms. Elkins:

As you know, our targets for closings are much more ambitious than the ones specified when we began the contract. The ICF budget was based on the estimate set forth by the State of Louisiana in the SFO that there would be approximately 123,000 applicants and our joint assumption that there would be 100,000 recipients of grants under the homeowner program. Currently we are processing 186,000 applicants (+51%) and could provide grants to as many as 160,000 recipients (+60%). This has meant that our costs for such things as home evaluations, appraisals and closings, which are functions of the number of homeowners in the program, have increased proportionally and significantly.

As a result of the significant increase in the size of the homeowner program and of the increased pace at which we were directed to operate, we will essentially complete the originally projected and budgeted volume in January, as shown in attachment A. As we have discussed with you, the current program delivery budget for the homeowner assistance program is projected to realize a \$175 million shortfall as summarized in attachment B.

Let me assure you that ICF remains committed to achieve the 2007 performance targets specified in the Road Home contract. Assuming we maintain sufficient budget in the contract to complete the Small Rental Program, the other small programs being conducted under the contract, and enough for close-out activities, the amount of funding allocated to the homeowner program for project delivery will be depleted in January. If you notify us that additional project delivery monies will not be available, the requirements of the WARN Act mandate that we either need to provide 60 days notice to the staff that will be laid-off, or pay them a substantial amount of severance when they are laid-off. If we are to issue the notices, we should do that within the next two weeks. If we instead pay the required severance amount for failure to provide the notice, it would cost approximately \$117,000 per day.

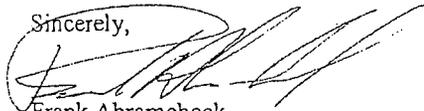
Please understand that if it is necessary to start down the course of phasing out, and the State later decides to provide additional funding to the Road Home contract, there will be delays and added costs to get the program back up and running at its current rate. Once we issue the notices of lay-off, I would anticipate that many of those receiving the notices will look for and find other jobs and will not be available to the Road Home program thereafter.

Also, if we significantly reduce our use of the subcontractors providing unit price services, they will lose staff and may not be able to resume working at their current pace immediately upon our issuing them new task orders. This will extend the time required to complete the homeowner program.

As an aside, please note that the preponderance of the additional funds requested here are directly payable to Louisiana-based subcontractors or employees for services rendered to Louisiana homeowners as shown in the unit price category in attachment C.

Please be assured that we will work with you to minimize any disruptions that could jeopardize the expeditious completion of the homeowner assistance program. We await your direction.

Sincerely,



Frank Abramcheck
Program Executive
The Home Program

cc: Michael Taylor

ATTACHMENT A
Financial Overview of Road Home Contract

<u>Category</u>	<u>Amount (\$)</u>
Invoiced	
Invoiced and Paid by 10/19	392,900,000
Invoiced and Unpaid by 10/19	39,625,000
Total Invoiced as of 10/19	432,525,000
Costs Incurred but not Invoiced as of 10/19	
Unit Price	9,750,000
ODCs	10,000,000
Subcontractor Labor	27,975,000
Less: October costs billed thru 10/19	(5,150,000)
Subtotal	42,575,000
Projected Total Expenditures as of 9/30	475,100,000
Current Contract Ceiling	756,000,000
Remaining Funds as of 9/30	280,900,000
Estimated Q4 Expenditures (Based on Q3 run rate - see note 1)	123,000,000
Contract Funds Remaining as of 1/1/08	157,900,000
Allocation of Remaining Funds	
Small Rental Program (Including rental program staff and support from Outreach, Communications, MIS, Management, Contracts, Finance, HR, etc.)	103,900,000
Set Aside for Closedown Activities	
Severance	7,000,000
Data Warehouse	2,500,000
Transition to State	2,000,000
Documentation (Complete applicant files)	9,700,000
Facilities (Rent through end of lease terms and lease buyouts)	6,600,000
Audit (Support to ongoing and new audits)	1,900,000
Fixed Price Contractual Obligations	11,800,000
Subtotal Set Aside for Closedown Activities	41,500,000
Homeowner Program (Remaining on 1/1/08)	12,500,000

Note 1. Expenditures on labor and other direct costs in Q4 are expected to be very similar to Q3 (~ \$25M per month). Expenditures on unit priced items should remain high (~\$16M per month) with more closings expected in Q4 than in Q3 and with a continuing need for home evaluations, market assessments, and other services to applicants.

ATTACHMENT B
Estimate to Complete — Summary

ITEM	ORIGINAL BUDGET PHASE 2 & 3	ESTIMATED COST TO COMPLETE	INCURRED TO DATE	ESTIMATED COST AT COMPLETION	DELTA
Labor	\$395.9	\$271.1	\$108.6	\$379.8	-\$15.2
ODC	\$90.2	\$53.9	\$41.4	\$95.3	\$5.1
Fixed Mgmt Fee	\$13.5	N/A	N/A	\$13.5	\$0.0
Travel	\$19.1	N/A	N/A	\$19.1	\$0.0
Unit Price	<u>\$159.8</u>	<u>\$236.6</u>	<u>\$107.7</u>	<u>\$344.3</u>	<u>\$184.5</u>
TOTAL	\$677.6	\$582.1	\$270.3	\$852.1	\$175.0

ATTACHMENT C
Dollars Retained Within Louisiana To Date

Item	Total	LA-Based
Labor		
ICF Labor Total	86,424,405	
Total to LA Employees		\$62,548,074 72.37%
<hr/>		
Subcontractor Labor	100,071,778	
Non LA Firms		
KPMG	8,517,519	
EAD	1,278,770	
LA Based		
Deltha		3,265,429
Franklin		4,247,342
IEM		2,922,902
Providence		1,781,143
Peter A Mayer		205,517
LA-Based Quadel		26,447,923
Shaw		26,739,985
Other		1,529,956
Total LA Based Sub Labor		67,140,198 67.09%
<hr/>		
ODCs	57,007,332	
LA Based ODCs		41,936,120 73.56%
<hr/>		
Unit Price	170,699,618	
Total LA Based		142,629,122 83.56%
<hr/>		
Mgmt Fee		7,226,660
<hr/>		
Travel	11,095,207	
Travel in LA		7,766,645 70.00%
<hr/>		
Total in LA		322,020,157
Total	432,525,000	73%

APPENDIX A
Management's Responses

Governor of Louisiana

2004-2008

Kathleen Babineaux Blanco



Kathleen Babineaux Blanco
Governor of Louisiana
2004-2008

November 12, 2008

Stephen B. Street, Jr.
State Inspector General
Office of the Governor
State Capitol Building
Baton Rouge, Louisiana 70804

Re: Response to Case No. 1080019

Dear Mr. Street:

I want to thank you for the professional demeanor in which you conducted the investigation of Amendment #7 to the contract between ICF Emergency Management Services and the State of Louisiana.

The conclusions reached in your investigative report support what I have said from the beginning. Your report concludes that the ICF contract extension was justified to compensate for the larger universe of eligible applicants than anticipated by the original contract. Your report further concludes that, notwithstanding irresponsible allegations by some who knew or should have known better, there was no effort whatsoever by my Administration to conceal Amendment #7 from the general public or the legislature.

As the report points out, the Road Home program is the largest housing recovery program in the history of the United States; that is, no one ever faced the task of putting such a program in place under such circumstances. Nevertheless, in spite of the considerable federally mandated complexities that slowed down the process at every step of the way, I am proud that we kept pushing through the red tape to keep the program moving to help the people of Louisiana. I fought for this unprecedented form of assistance so that the more than 119,000 families that now have relief checks in hand would be able to rebuild. The average Road Home award exceeds \$61,000. This is real money – more than \$7.3 billion in federal funding now in the pockets of Louisiana homeowners – that is making a difference.

Please do not hesitate to contact me if I can be of further assistance.

Sincerely yours,

Kathleen Babineaux Blanco
Governor of Louisiana, 2004-2008

Mr. Paul Rainwater
Executive Director
Louisiana Recovery Authority

November 28, 2008

Stephen B. Street, Jr.
Louisiana Inspector General
P.O. Box 94095
Baton Rouge, LA 70804-9095

Dear Mr. Street,

Thank you for your report on the previous administration's amendment to its contract with ICF International, which included an increase in the contract ceiling for ICF International that raised the value of the contract to more than \$900 million. Though I am disappointed that the public was not notified of this contract amendment, I am glad that your investigation found no evidence of wrongdoing. However, I find a number of aspects of the report particularly troubling, including:

The dysfunctional nature of the relationship between the staffs of the Louisiana Recovery Authority and the Office of Community Development, which prevented proper oversight of the contractor. Though I certainly had heard anecdotally about disagreements and witnessed strained relations between the agencies when I took over the LRA in January, it is inconceivable to me that during such a critical time frame, personality conflicts and disagreements prevented collaboration on project as large, complicated and important as administering aid to more than 100,000 families to rebuild their homes. In order for any program to be successful, the policy must be in line with sound implementation strategies. By viewing each other as the enemy, the LRA and OCD lost sight of their actual focus, which should have been helping homeowners. I have spent the last 11 months realigning the organization based on skill sets of personnel.

That so many parties had knowledge of Amendment 7, yet no one would talk about it publicly. Transparency and accountability should be the cornerstone of everything we do in government. Indeed, though no one knows or will admit exactly how, lawmakers and legislative staffers had knowledge of the contract amendment, but no one stepped in to ask questions about it in the public arena. By not disclosing the amendment, the appearance was that the former Governor sought to sneak it past the public in the waning days of her administration. This decision to quietly sign in the amendment in last days was short sighted and validated an untrusting public's opinion of the program – that the contractor somehow was aligned with the administration and that those overseeing the Road Home cared more about the contractor and the program's bureaucracy than the applicants.

That the former administration did not include performance measures for the program or renegotiate labor rates with ICF while it was negotiating Amendment 7. There had been much public outcry over the lack of performance measures in the original ICF contract and the amount of the payment to ICF and each quarter new performance measures had to be negotiated. That the former administration did not stipulate that these measures be put in place before the contractor could have its ceiling lifted put the state at a disadvantage in negotiations. When negotiating any amendment to the contract, the state should always be looking for cost savings and ways to improve performance.

That the former administration offered one lump sum contract amendment when several smaller amendments could have been negotiated. It was unnecessary to lift the ICF contract by the full \$156 million all at once – this did not benefit the state, the program or the citizens. In fact, in doing so, the state lost much leverage in future negotiations. The sensible thing would have been to negotiate a smaller addition to the contract to ensure the solvency of the program and then add to this as necessary. By giving



BOBBY JINDAL
GOVERNOR

ANGELE DAVIS
COMMISSIONER
OF ADMINISTRATION

PAUL W. RAINWATER
EXECUTIVE DIRECTOR

DAVID VOELKER
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CHESTER F. MORRISON
SEAN E. REILLY
JOHN E. SMITH

EX-OFFICIO MEMBERS

SEN. JOEL CHAISSON
PRESIDENT OF THE SENATE

SEN. SHARON WESTON BROOME
PRESIDENT PRO TEMPORE

REP. JIM TUCKER
SPEAKER OF THE HOUSE

REP. KAREN CARTER PETERSON
SPEAKER PRO TEMPORE

150 North 3rd Street Suite 200
Baton Rouge, LA 70801
25.342.1700 [p] • 225.342.1726 [f]
www.lra.louisiana.gov

AN EQUAL OPPORTUNITY EMPLOYER



ICF the full increase in the contract amount and not waiting for further data analysis after the final appointment deadline and end of the year, the state lost an opportunity to ensure future programmatic savings. The Blanco administration relied too heavily on ICF's read of the situation when the contractor clearly was biased – it wanted the contract signed at once because its fiscal quarter was ending and because it knew the incoming Jindal administration was less likely to agree to such a large increase. The disconnect between the LRA and OCD exacerbated the problem, as the agencies were busy fighting and not driving a hard bargain with the contractor. Smaller contract amendments would have allowed for more public transparency.

Since the Jindal administration came into office in January, I am happy to report that we have instituted a number of changes, even before the completion of this report, that have improved efficiencies within all recovery programs and ensured greater oversight of ICF International. These include:

Combining the staffs of the Louisiana Recovery Authority and the Office of Community Development.

By putting these two staffs together, we have policy makers and implementers on the same team, attending the same meetings and looking at the same data. I serve as the head of both the LRA and OCD. Ultimately, all staff report to me. Though there certainly was a transition period and our staffs had to work through lingering issues and some members chose to leave, I am proud of the way our new team has come together toward a common goal of serving our citizens as best we can. We measure each program not by what we have done, but by what we haven't. Having closed more than 30,000 of the most difficult Road Home cases this year, we have between 9,000 and 10,000 applicants remaining to close, have paid out almost \$500 million in elevation grants and are poised to begin paying those applicants who sold their homes at a loss before the Road Home could help them. We would not be at this place in the program without the dramatic change in course the state took earlier this year.

Aggressively managing our contractor ICF International. The state, not the contractor, is in charge of the Road Home program. We have been very public in some of our disagreements with ICF International over missed benchmarks and lagging progress. The Blanco administration left us with very little leverage in an abysmally designed contract. This has not stopped up from issuing large programmatic fines. We have been engaged in labor rate negotiation with ICF for many months and are refusing to pay \$2 million in overtime costs that the company is attempting to pass on to the state, despite the fact that these are not included in the contract. In addition, we have had a transition team working for months to determine how the state can best take over and manage the program when ICF's contract ends next year. We will not be signing a new contract with ICF, though I understand that the previous administration envisioned keeping the company on for a total of five, not three, years.

Finding savings in the contract. In addition to overtime costs, we have taken several pieces of the program from ICF, including the recapturing overpaid dollars, much of the appeals process and the post-closing reviews. This not only saves us money on the contract with ICF, but it also gives the state more sway in these critical aspects of the Road Home.

Thank you again for your work on this report. Should you need any additional information from me or any LRA or OCD staff member for this or any other investigation, do not hesitate to contact our office at 225.342.1700.

Sincerely,



Paul Rainwater
Executive Director, Louisiana Recovery Authority
Executive Director, Office of Community Development

Ms. Susan Elkins
Retired Executive Director
Office of Community Development

Susan Elkins
Baton Rouge, Louisiana 70810
Phone: (225) 769-8019

November 14, 2008

Mr. Stephen B. Street, Jr.
State Inspector General
Office of the Governor
State Capitol Building
Baton Rouge, Louisiana 70804

RE: Response to Case No. 1080019

Dear Mr. Street:

Thank you for the opportunity to respond to the draft report on the results of your investigation into Amendment #7. As stated in your report, the scope of the investigation included whether the amendment was justified, how it was negotiated, and whether there was any effort to conceal it from the public and/or the Louisiana Legislature. The investigation revealed that Amendment #7 was justified due to a significantly larger universe of eligible applicants than anticipated by the original contract, and that there were no efforts made to conceal it from the public. Your investigation revealed that none of the accusations reported in the newspapers were true—no bonus, no raise and no secret meetings. I fully concur with these findings.

I am, however, somewhat puzzled as to how “conflict between two agencies” fits into the scope of this investigation. Surely, there is nothing illegal or unexpected in the existence of conflicts between agencies. In my 36 years of working in State government, there has always been and will always be some conflicts or friction between agencies and within agencies. Since I remain friends with many of my previous staff, I know that merging the two agencies has not entirely eliminated the “conflict.” I personally believe that Governor Jindal made a wise decision merging the two offices. Policy makers should be closely aligned with the implementing group in order to produce quality results. However, let me assure you that I never allowed petty differences to distract me and my staff from proceeding with the true purpose of the program---to help the homeowners of this state get back into their homes as quickly as possible, and at the same time, to provide transparency and accountability for the tax dollars being used to fund these programs.

You are correct in your statement that *The Road Home* program was the largest single housing recovery program undertaken in U.S. history. One can well imagine the extreme stresses placed on employees during this particular time, working seven days a week and often 10 to 14 hours a day. OCD actually placed over \$6 billion dollars into the hands of homeowners in a period of

Mr. Stephen B. Street, Jr.

November 14, 2008

Page 2

one year while undergoing multiple audits by the LLA, HUD staff, and the HUD OIG, and administering over twenty other programs with a staff of about 40 people. I would agree that there was conflict between OCD and LRA, probably more exacerbated by the disaster environment, federal regulations, and the many policy changes that were made during implementation. It was very difficult, and at times almost impossible, to implement programs that were being changed continually. The Road Home counselors were unable to keep up with all the rapid changes and provide accurate information to the homeowners, causing the homeowners to become even more frustrated. I believe that although many of the policy changes were for the betterment of the program, the frustrations which it caused at the staff and homeowner level; not to mention the resulting huge increases in cost of the program, were often overlooked, and not considered by the policy makers. You should note that the original concept was for the program to last 48 months, and the program was to be a case management type program. Because of so many changes, and the push to complete the program in a year and one-half, case management was thrown out, and the controls that were in place, such as insurance verification, occupancy verification, etc., were moved to the very end of the program. OCD is now struggling with the consequences of those decisions—e.g., the costs associated with second disbursements, recapture of funds, multiple appraisals, etc.

On a relatively personal note, and in reference to the email I sent to Steve Green relating to Dave Bowman's data request, you should also be aware, and possibly include in your report, that I have hundreds of emails from Dave Bowman requesting data. To my knowledge, I always provided him with the data he needed and requested if I had access to it. I will be glad to forward to you any or all of those emails if you feel that it is necessary. You will note the email that I sent to Steve Green was at 4:27 p.m., saying "don't send anything." That advice was given because we had been told not to discuss anything with anyone about the meeting because the administration wanted to discuss this with the transition team, and, secondly, to give us time to review the data provided to us by ICF before dispersing it outside the office. Since we were told not to discuss the matter, I emailed Steve and requested that he not send anything to Dave. I then, TWO minutes later, at 4:29 p.m., sent an email to Steve, Andy and Dave Bowman, explaining to them why we couldn't send the data.

Again, I appreciate the opportunity to comment on this report. Your staff was very professional and courteous in conducting this investigation and I thank them for displaying that professionalism.

Sincerely,



Susan Elkins

/se

Attachments

Angela Lathan

From: Suzie Elkins [Suzie.Elkins@LA.GOV]
Sent: Wednesday, November 07, 2007 4:29 PM
To: David Bowman; Steven Green
Cc: Andy Kopplin
Subject: Re: Additional program costs

I thought we were instructed not to discuss this.
Suzie Elkins

----- Original Message -----

From: David Bowman
To: Steven Green
Cc: Suzie Elkins; Andy Kopplin
Sent: Wed Nov 07 15:28:12 2007
Subject: RE: Additional program costs

Steve,

I'm pretty sure I was at that meeting unless there was a separate discussion. The issue was how we would describe the costs, but we still need to know what the 45,000 or so additional appraisals, title searches etc. are going to cost as these will still contribute to our shortfall.

Dave

David J. Bowman

Louisiana Recovery Authority

Director, Research and Special Projects

(225) 342-1718 (o)

(225) 978-7184 (c)

www.lra.louisiana.gov

-----Original Message-----

From: Steven Green

Sent: Wednesday, November 07, 2007 3:23 PM
To: David Bowman
Cc: Suzie Elkins
Subject: Re: Additional program costs

Dave

I think Andy was part of a discussion on this.

Steve Green

----- Original Message -----

From: David Bowman

To: Steven Green

Cc: Suzie Elkins

Sent: Wed Nov 07 15:09:37 2007

Subject: Additional program costs

Steve,

Have you had a chance to hammer out the cost of serving the additional applicants yet?

Dave

David J. Bowman

Louisiana Recovery Authority

Director, Research and Special Projects

(225) 342-1718 (o)

(225) 978-7184 (c)

www.lra.louisiana.gov

Mr. Andy Kopplin
Former Executive Director
Louisiana Recovery Authority

Andy Kopplin
735 North 8th Street
Baton Rouge, Louisiana 70802

November 19, 2008

Inspector General Street
Stephen B. Street, Jr.
Office of State Inspector General
P.O. Box 94095
Baton Rouge, LA 70804-9095

Dear Inspector General Street:

Thank you for the opportunity to comment on your report, which concludes that Amendment # 7 regarding the contract between ICF Emergency Management Services and the State of Louisiana was justified and no efforts were made to conceal it from the public or the Louisiana Legislature.

The board members and staff of the Louisiana Recovery Authority took our charge from Governor Blanco and the Louisiana Legislature as a sacred trust. We fought aggressively on Capitol Hill to help the Governor and our congressional delegation secure tens of billions of dollars for our recovery, including more than \$10 billion for the Road Home program. So when ICF failed to live up to its commitments to Louisiana families and our expectations for quality customer service and performance, we spoke out and demanded that improvements be made, even though the Louisiana Recovery Authority did not hire ICF nor manage ICF's contract.

By listening to homeowners and working directly with advocacy groups such as the Citizens Road Home Action Team (CHAT) and the Jeremiah Group, we identified problems with ICF's processes and proposed common sense solutions. These interventions resulted in the use of Louisiana licensed appraisers to determine fair and accurate home values, rather than computer automated appraisals generated by ICF. They led to more timely resolution and appeals processes and a requirement that ICF provide homeowners with written notifications regarding changes to their awards. And they resulted in the creation of aggressive timetables and performance requirements linked to multi-million dollar penalties—some of which have been assessed against ICF.

We did call for these and other key improvements to be made to the program when ICF's processes were not working for Louisiana citizens. However, the suggestion that there were 125 changes to policy and procedure in the report is both inaccurate and misleading. The vast majority of the items cited as "changes" were not changes at all, but merely the articulation in writing of original implementation procedures for ICF to follow. For example, one of the so-called "changes" in the list referenced by your report is the establishment of the original procedure for determining how ICF should calculate the cost

of damages for condominiums. The creation of this original procedure could hardly be described as a “change,” and having these procedures documented in writing was absolutely critical to the state’s ability to hold ICF accountable for executing their work in a consistent manner and for giving homeowners and advocacy organizations the ability to validate whether specific cases had been handled properly.

Our recovery from the devastating hurricanes of 2005 has not been without setbacks, but the Louisiana Recovery Authority never stopped fighting for the people of Louisiana. We have always been grateful for the dedication of our colleagues at the Office of Community Development and others across state and local government, in the private and not-for-profit sectors, and in faith-based organizations who joined us in doing the most important work of our lives. Because we were working for Louisiana citizens who were facing devastation and extraordinary circumstances in their own lives, though, we didn’t hesitate to speak up and do what was necessary to help address their needs.

Sincerely,

A handwritten signature in black ink that reads "Andy Kopplin". The signature is written in a cursive, slightly slanted style.

Andy Kopplin

Appendix B
Inspector General's Comments

Inspector General's Comments

Suzie Elkins' Response

The Office of the Inspector General was in the possession of the e-mails attached to Ms. Elkins' response from the onset of the investigation. The e-mails, and the portion of Ms. Elkin's response addressing her reasons for not sharing information with Dave Bowman of LRA, are contradicted by her own statements to this office when interviewed. We asked Ms. Elkins directly about the e-mail she sent instructing her staff not to give information to LRA. She stated that "we wanted them to come up with their own numbers so that they could not blame us for anything that happened." There was no mention at that time of OCD being instructed not to discuss the matter with the people who attended a joint meeting with them on Amendment #7 just five days earlier. Our investigation revealed that, at most, OCD was instructed not to discuss the matter with the press. Using this to justify withholding information from LRA representatives who were at the same meeting on Amendment #7 further demonstrates the level of conflict that existed between the two agencies.

Andy Kopplin's Response

In his written response, Mr. Kopplin states that "the suggestion that there were 125 changes to policy and procedure is both inaccurate and misleading." The Office of Inspector General determined the actual number of changes in policy and procedure by reviewing a document entitled "Change Control Board Tracking Log". This document was generated and maintained by the *Road Home* program and indicates that between September 2006 and December of 2007, 125 changes in policy and procedure were implemented concerning the ICF contract. This document is still maintained on the *Road Home* portal. If indeed some of the entries listed as "changes" on the "Change Control Board Tracking Log" were not changes at all, as Mr. Kopplin suggests, then it is not the Inspector General's report, but rather the title of the document that is inaccurate and misleading. It should be noted that out of numerous individuals from the *Road Home* program interviewed during our investigation, Mr. Kopplin is the only person to have suggested that the number of policy changes reflected in our report was inaccurate.

Thirty-one copies of this public document were published in this first printing at a cost of \$158.08. The total cost of all printings of this document, including reprints is \$158.08. This document was published by the Office of State Inspector General, State of Louisiana, Post Office Box 94095, 150 Third Street, Third Floor, Baton Rouge, LA 70804-9095 to report its findings under authority of LSA-R.S. 39:7-8. This material was printed in accordance with the standards for printing by state agencies established pursuant to LSA - R.S. 43:31.

A copy of this report has been made available for public inspection at the Office of State Inspector General and is posted on the Office of State Inspector General's website at www.doa.louisiana.gov/oig/inspector.htm. Reference should be made to Case No. 1-08-0019. If you need any assistance relative to this report, please contact Bruce J. Janet, CPA, State Audit Director at (225) 342-4262.

REPORT FRAUD, WASTE, AND ABUSE

To report alleged fraud, waste, abuse, or mismanagement relative to state programs or operations, use one of the following methods:

- Complete complaint form on web site at www.doa.Louisiana.gov/oig/inspector.htm
- Write to Office of State Inspector General, P. O. Box 94095, Baton Rouge, LA 70804-9095
- Call the Office of State Inspector General at (225) 342-4262