St. Tammany Parish, Mandeville, LA

Community Development Block Grant Disaster Recovery Funds

Office of Audit, Region 6
Fort Worth, TX

Audit Report Number: 2017-FW-1004
Date: April 6, 2017

To: Cheryl S. Breaux,
Director, Office of Community Planning and Development, 6HD

//signed//
From: Kilah S. White,
Regional Inspector General for Audit, 6AGA

Subject: St. Tammany Parish, Mandeville LA, Did Not Always Administer Its CDBG Disaster Recovery Grant in Accordance With HUD Requirements or as Certified

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) results of our audit of St. Tammany Parish, Mandeville, LA's Community Development Block Grant (CDBG) disaster recovery grant under the Disaster Relief Appropriations Act, 2013.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, and requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://www.hudoig.gov.

If you have any questions or comments about this report, please do not hesitate to call me at 817-978-9309.

Audit Report Number: 2017-FW-1004
Date: April 6, 2017

St. Tammany Parish, Mandeville LA, Did Not Always Administer Its CDBG Disaster Recovery Grant in Accordance With HUD Requirements or as Certified

Highlights

What We Audited and Why

We audited the St. Tammany Parish grants department's administration of its Community Development Block Grant (CDBG) disaster recovery program, as part of our annual audit plan to review the Disaster Relief Appropriations Act, 2013 funds. Our objective was to determine whether the Parish administered its disaster recovery program in accordance with U.S. Department of Housing and Development (HUD) requirements and in line with its certifications to HUD for its procurement; detection of fraud, waste, and abuse; and Web site maintenance.

What We Found

The Parish did not always administer its disaster recovery program in accordance with HUD requirements and in line with its certifications to HUD. Specifically, it did not (1) support that it performed an independent cost estimate and adequate cost analyses or maintained complete procurement files; (2) maintain a complete monitoring policy and finalize and fully implement its policy to aid in detecting fraud, waste, and abuse or have an internal audit function; or (3) include all required information on its public Web site. These deficiencies occurred because the Parish did not follow and understand the program and its requirements. As a result of these systemic deficiencies, the Parish could not provide reasonable assurance to HUD that it would properly administer, adequately safeguard, and spend its remaining $8.67 million allocated for CDBG disaster recovery funds in accordance with requirements, and paid more than $400,000 in questioned costs.

What We Recommend

We recommend that HUD require the Parish to develop and implement written procedures and take actions that would correct and prevent the deficiencies outlined in the finding to better ensure that the Parish spends its remaining $8.67 million in accordance with program requirements. In addition, we recommend that HUD require the Parish to (1) support or repay $451,894, (2) implement an internal audit function, (3) update its Web site, (4) fully implement or revise its policies to reflect current procedures, and (5) obtain additional technical assistance from HUD regarding program requirements.

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Background and Objective

The St. Tammany Parish (Parish), Mandeville, LA, department of grants is the central administrative unit responsible for securing external resources through grants and contracts and administers the Parish's Community Development Block Grant (CDBG) and CDBG disaster recovery programs, among others. As a unit of general local government direct grantee, the Parish is required to follow the CDBG Entitlement program requirements, except where waived by HUD.

The Disaster Relief Appropriations Act, 2013,[1] made available $15.18 billion in CDBG disaster recovery funds for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization. The Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974 required the use of these funds in the most impacted and distressed areas resulting from major disasters that were declared due to events in calendar years 2011, 2012, and 2013. On May 29, 2013, through Federal Register, Volume 78, Number 103, the U.S. Department of Housing and Development (HUD) made more than $514 million available for recovery in areas that were declared a major disaster in 2011 and 2012. HUD allocated more than $10.9 million in CDBG disaster recovery funds to the Parish to assist with recovery from Hurricane Isaac.[2]

The Act required HUD to certify, before signing the grant agreement, that the Parish had (1) proficient procurement processes; (2) procedures to detect fraud, waste, and abuse of funds; and (3) procedures to maintain a comprehensive Web site.[3] Therefore, HUD required the Parish to make submissions showing evidence that it had adequate processes and procedures in place, including adopting procurement standards in 24 CFR (Code of Federal Regulations) 85.36 and establishing an internal audit function.[4] The Federal regulations also required the Parish to submit a plan detailing its proposed use of funds to address disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas.[5]

On July 1, 2013, the Parish certified to HUD that it had adequate processes and procedures in place to administer its disaster program. The Parish's action plan, dated September 2013, documented its need for funding and stated that it planned to use the funds on three primary projects for housing, economic development, and infrastructure. Of the $10.9 million allocated to the Parish, HUD executed grant agreements with the Parish on March 13, 2014, November 28, 2014, and March 18, 2015, for $329,916, $50,000, and $5.3 million, respectively, requiring an expenditure deadline 2 years from the date of the grant agreements. In the agreements, HUD required the Parish to comply with all Federal Register requirements under the Act. As of

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1 Public Law 113-2, approved January 29, 2013, Title X, Chapter 9, initially authorized $16 billion. On March 1, 2013 the President issued a sequestration order and reduced funding to $15.18 billion.

2 Hurricane Isaac made landfall in Louisiana on August 28, 2012.

3 Public Law 113-2, dated January 29, 2013, Title X, Chapter 9

4 78 FR 43 (March 5, 2013) 14336-14337 and 78 FR 103 (May 29, 2013) 32264

5 78 FR 43 (March 5, 2013) 14330 and 78 FR 103 (May 29, 2013) 32264

September 30, 2016, the Parish had spent more than $1.9 million in administration and project delivery costs for its established projects.

Our objective was to determine whether the Parish administered its disaster recovery program in accordance with HUD requirements and in line with its certifications to HUD for its procurement; detection of fraud, waste, and abuse; and Web site maintenance.

Results of Audit

Finding: The Parish Did Not Always Admininster Its Disaster Recovery Program in Accordance With Requirements or as Certified

The Parish did not always administer its disaster recovery program according to HUD requirements or operate in line with its certifications to HUD regarding the procurement of contracts; detection of fraud, waste, and abuse; and Web site maintenance when administering its disaster recovery program. Specifically, it did not (1) support that it performed an independent cost estimate and adequate cost analyses or maintain complete procurement files; (2) maintain a complete monitoring policy and finalize and fully implement its policy to aid in detecting fraud, waste, and abuse or have an internal audit function; and (3) include all required information on its public Web site. These deficiencies occurred because the Parish did not follow and understand the program and its requirements. As a result of these systemic deficiencies, it could not provide reasonable assurance to HUD that it would properly administer, adequately safeguard, and spend its remaining $8.67 million[6] allocated for CDBG disaster recovery funds in accordance with requirements. In addition, it paid more than $400,000 in questioned costs.

The Parish Did Not Always Comply With Procurement Requirements

The Parish did not always comply with procurement requirements. To support the cost reasonableness of contract payments, Federal regulations required the Parish to (1) make independent cost estimates[7] before receiving bids or proposals; (2) perform a cost analysis[8] when negotiating change orders and executing sole-source procurements;[9] and (3) maintain records sufficient to detail the significant history of procurements, including the basis for the contract price.[10] The Parish also certified to HUD that it had adopted Federal procurement standards. The Parish's procurement policy required it to (1) prepare cost estimates during the requisition phase of contracts; (2) negotiate or bid out for contract change orders; and (3) prepare a justification, cost analysis, and documentation of negotiations for sole-source contracts.[11] Further, the Parish's grants policy required its grants department to maintain complete files.[12]

However, for three contracts reviewed, the Parish could not support the cost reasonableness of $451,894 in contract payments, as it did not have documentation to show that it performed an independent cost estimate for one, adequate cost analyses for one with change orders, and cost

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6 We derived this amount by subtracting the total amount disbursed from the total allocation.

7 HUD's Quick Guide to Cost and Price Analysis for HUD Grantees stated that an independent cost estimate is an in-house document prepared by staff used to compare to costs proposed by offerors.

8 HUD's Quick Guide to Cost and Price Analysis for HUD Grantees stated that a cost analysis evaluates the separate elements that make up a contractor's total cost proposal.

9 24 CFR 85.36(f)(1)

10 24 CFR 85.36(b)(9)

11 Procurement Policy Manual, sections 2.7, 3.1 and 4.2

12 Grants Policy Manual, section 2.3

analysis for one that it sole sourced. See the table below. In addition, the Parish's grants department did not maintain complete files to support compliance with procurement requirements as required by Federal Regulations and its policies.

Table: Procurement deficiencies

Contract type	Procurement deficiency	Payments
Program management consultant	No independent cost estimate	$362,319
Construction (phase 1 of 3[13])	Inadequate cost analysis: • Change order 3 • Change order 5	 23,202 7,500
Surveyor	No cost analysis for sole-sourced contract	58,873
Total		**451,894**

For the consultant contract, the original procurement file did not include an independent cost estimate or documentation to show how the Parish estimated costs. The Parish later provided a rate schedule for another contract procured under its American Recovery and Reinvestment Act[14] program and explained that it used this document to estimate the costs. However, the rate schedule did not sufficiently support the consultant's contract costs. Specifically, the rate schedule did not have a date to support that the rates for its positions were reasonably current. In addition, the rate schedule charged for 7 positions, while the consultant contract included 14 positions. These 14 positions included many that were not listed on the rate schedule, such as the executive sponsor, environmental specialist, technical advisor, compliance and monitoring expert, and outreach coordinator positions. According to the Parish, although the consultant contract listed several other positions, only five core positions were needed for the contract, and these five positions were in line with the rate schedule. However, the Parish did not provide documentation supporting that only 5 of the consultant's 14 positions were core positions. The consultant contract listed the 14 positions as key staff members. Further, the positions did not appear to be similar and the Parish did not provide documentation to support that the positions' roles were similar. See figure 1.

[13] The Parish had not started executing phases 2 and 3 during our audit period.

[14] HUD funded the Recovery Act program in 2009 and the Parish's CDBG disaster recovery program in 2014, a 5-year difference.

Figure 1: Rate schedule excerpts

Recovery Act consultant rate schedule

LABOR SUMMARY

DESCRIPTION	HOURS	$ PER HR.	AMOUNT
Principal/Program Manager		$ 185.00	$ -
Project Manager	160	$ 160.00	$ 25,600.00
Assistant Project Manager		$ 125.00	$ -
Senior Grant Manager	900	$ 145.00	$ 130,500.00
Grant Manager	500	$ 115.00	$ 57,500.00
Grant Specialist 2	300	$ 90.00	$ 27,000.00
Grant Specialist 1		$ 70.00	$ -
Senior Engineer		$ 165.00	$ -
Mid Level Engineer		$ 110.00	$ -
Engineer Intern		$ 75.00	$ -
Senior Architect		$ 120.00	$ -
Mid Level Architect		$ 85.00	$ -
Entry Level Architect		$ 60.00	$ -
CADD Technician		$ 55.00	$ -
Construction Manager		$ 90.00	$ -
Construction Inspector		$ 65.00	$ -
Planner		$ 90.00	$ -
Scheduler		$ 115.00	$ -
Cost Estimator		$ 90.00	$ -
Project Control Specialist	400	$ 110.00	$ 44,000.00
Data Storage Website Manager		$ 125.00	$ -
GIS Specialist		$ 75.00	$ -
Financial Lead		$ 80.00	$ -
Financial Assistant	30	$ 70.00	$ 2,100.00
Clerical/Administrative Assistant	400	$ 55.00	$ 22,000.00
Payroll Review Clerk		$ 58.00	$ -
Interpreter (Spanish)		$ 60.00	$ -
Interpreter (Vietnamese)		$ 60.00	
TOTAL LABOR	2,690		$ 308,708.00

Hurricane Isaac consultant rate schedule

Rate Schedule for Key Staff Members

Project Role	Rate
Executive Sponsor	$ 145.00
Construction Project Manager	$ 140.00
Construction Project Manager	$ 140.00
Environmental Specialist	$ 140.00
Project Manager	$ 135.00
Capital Projects Manager	$ 135.00
Senior Technical Advisor	$ 135.00
Senior Technical Advisor	$ 135.00
Technical Advisor	$ 115.00
Environmental Review Coordinator	$ 115.00
Compliance and Monitoring Expert	$ 135.00
Acquisition Specialist 1	$ 125.00
Acquisition Specialist 2	$ 115.00
Outreach Coordinator	$ 105.00

For the construction contract, the original procurement file did not include cost analyses for change orders 3 and 5. The Parish's engineering consultant and engineering department later provided cost estimates in an effort to support the costs. However, the cost estimates did not include all of the new line items that were approved in the change orders. For change order 3, the cost estimate did not include a new concrete truck argon line item with costs totaling $23,202, and the change order 5 cost estimate did not include one new line item for regrade limestone per redesign, costing $7,500.

For the surveyor contract, the Parish sole sourced the contract, but the procurement file did not include a cost analysis. Although the Parish stated that it contacted the Louisiana State Historic Preservation Office for guidance and other companies, which were unable to provide accurate pricing information to establish cost reasonableness, it did not document these communications. Further, despite the communications, procurement regulations required the Parish to perform a cost analysis.

Further, although required[15], the Parish did not maintain complete files to support compliance with requirements. During the audit review, we followed up with the Parish at various points to obtain documentation to support its procurements. After we ended audit field work, the Parish provided more than 700 pages of documentation in an effort to support that it met the procurement, as well as other requirements, some of which had to be obtained from a consultant

[15] 24 CFR 85.36(b)(9), 24 CFR 570.506(j), and 2 CFR Part 225, appendix C (G)(5), Basically CDBG for Entitlements, Chapters 13.3.2 and 13.3.3 and the Parish Grants Policy Manual Section 2.3.

and another Parish department and should have been included in the original files. While we considered this documentation when finalizing our conclusions, the documentation still did not fully support that the Parish met program requirements.

The Parish Did Not Maintain a Complete Policy, Finalize and Implement the Policy, or Have an Internal Audit Function

Although Federal regulations required the Parish to certify that it had procedures in place to detect fraud, waste, and abuse of funds, including a monitoring policy and a description of an internal auditor's role in detecting fraud, waste, and abuse,[16] the Parish did not include all requirements in its monitoring policy; finalize and implement its policy to aid in detecting fraud, waste, and abuse of funds; or establish an internal audit function. The Parish stated that HUD approved its certifications, confirming that the procedures that the Parish provided met the objectives of the internal auditing function. However, the procedures that the Parish provided to HUD related to certifying that the Parish had proficient financial controls and procurement processes and did not pertain to the Parish's certification for detecting fraud, waste, and abuse (the internal audit function).

The Parish, also stated that HUD approved its action plan, which included a description of controls concerning its monitoring policy. However, HUD did not approve the monitoring policy, and a review of the policy determined that it was effective January 1, 2014, 6 months after the Parish's certification to HUD, and the policy did not include a description of the internal auditor's role in detecting fraud, waste, and abuse as required.

Further, as part of this review, the Parish provided its draft "Anti-Fraud, Waste and Abuse Policy." However, the Parish had not finalized the procedures. In addition, although these drafted procedures stated that the Parish had an office of internal audit, a monitoring and compliance department, and an investigations department to aid in the prevention of fraud, waste, and abuse,[17] a review of the Parish's organizational chart as well as its staff directory and departments on its Web site determined that the Parish had not created these departments. See figure 2.

See appendix C for the Parish's organizational chart.

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[16] 78 FR 43 (March 5, 2013) 14337 and 78 FR 103 (May 29, 2013) 32264

[17] Draft Anti-Fraud, Waste, and Abuse Policy – Monitoring and Compliance and Investigations Departments, and Internal Audit sections

Figure 2: Excerpt from the Parish's Web site staff directory (left) and department listing (right)

Finally, when asked whether the Parish had an internal audit function, the Parish stated that it had an internal analyst within its finance department, but the internal analyst did not perform internal audits or the duties of an internal audit function. Meaning, it did not have an internal audit staff, as required.

The Parish's Web Site Did Not Contain Required Information

The Parish's public Web site did not always contain the information needed to provide the public with reasonable and timely access to information regarding the grant funds.[18] In its certification to HUD, the Parish attested that it had procedures to maintain a comprehensive Web site regarding all disaster recovery activities, including posting action plans and amendments, quarterly performance reports, and information regarding activities in its action plan with applicable Web site updates. The Parish's Web site maintenance procedures[19] required it to post (1) nonsubstantial amendments to the action plan; (2) disaster program policies and procedures; (3) budget and progress reports providing a monthly update for each of the projects being undertaken and project allocations, obligations, and expenditures; and (4) quarterly performance reports detailing the appropriation expenditures, accomplishments, and beneficiaries when they were submitted to HUD.

While the Parish created procedures to maintain the Web site, it did not keep the Web site updated as required. In October 2016, the Web site did not include one of three of the Parish's nonsubstantial amendments or its procurement; monitoring; fraud, waste, and abuse detection; and internal audit policies and procedures. In addition, the Parish had not updated the budget and progress reports since May 2015. See figure 3.

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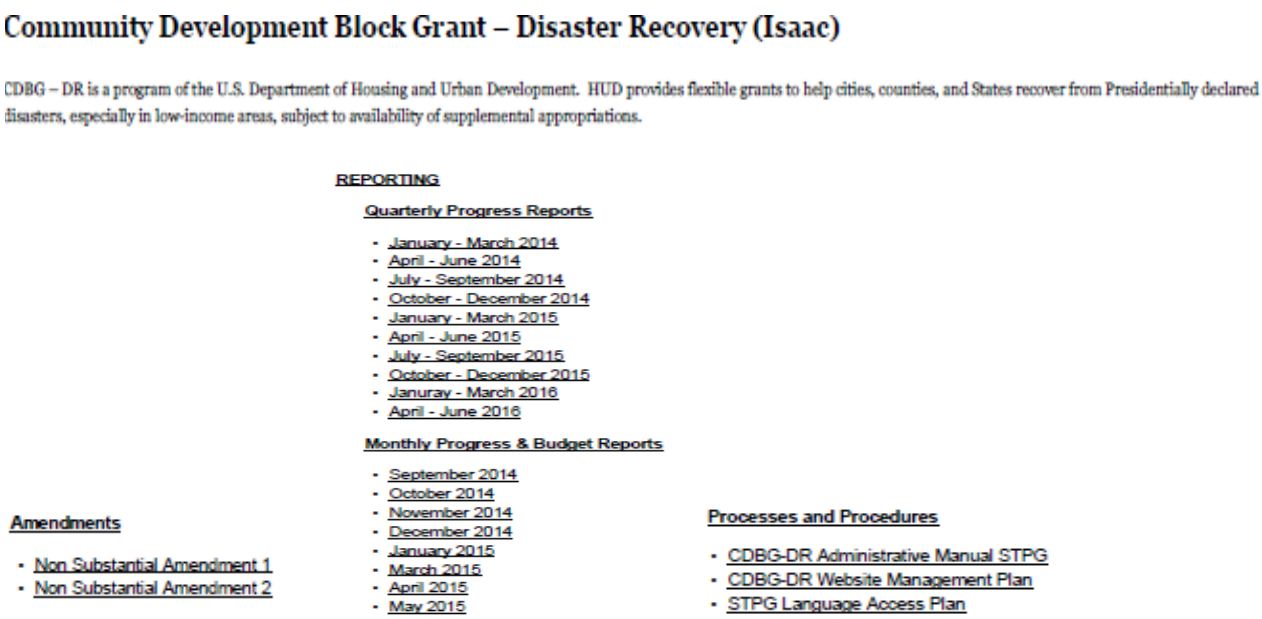
[18] 78 FR 43 (March 5, 2013) 14336 and 14339

[19] Website Maintenance Procedures, section II, III and IV

Figure 3: Excerpts from the Parish's disaster Web site contents as of October 25, 2016



Community Development Block Grant – Disaster Recovery (Isaac)

CDBG – DR is a program of the U.S. Department of Housing and Urban Development. HUD provides flexible grants to help cities, counties, and States recover from Presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

REPORTING

Quarterly Progress Reports

- January - March 2014
- April - June 2014
- July - September 2014
- October - December 2014
- January - March 2015
- April - June 2015
- July - September 2015
- October - December 2015
- Januray - March 2016
- April - June 2016

Monthly Progress & Budget Reports

- September 2014
- October 2014
- November 2014
- December 2014
- January 2015
- March 2015
- April 2015
- May 2015

Amendments

- Non Substantial Amendment 1
- Non Substantial Amendment 2

Processes and Procedures

- CDBG-DR Administrative Manual STPG
- CDBG-DR Website Management Plan
- STPG Language Access Plan

After our December 2016 update meeting with the Parish, it posted the amendments and policies on its Web site, but as of January 2017, it had not updated the budget and progress reports since September 2016 or included a report for February 2015 and did not post the third and fourth quarter 2016 performance reports. See figure 4.

Figure 4: Excerpts from the Parish's disaster Web site contents as of January 31, 2017

Community Development Block Grant – Disaster Recovery (Isaac)

CDBG – DR is a program of the U.S. Department of Housing and Urban Development. HUD provides flexible grants to help cities, counties, and States recover from Presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

Monthly Progress & Budget Reports

- September 2014
- October 2014
- November 2014
- December 2014
- January 2015
- March 2015
- April 2015
- May 2015
- June 2015
- July 2015
- August 2015
- September 2015
- October 2015
- November 2015
- December 2015
- January 2016
- February 2016
- March 2016
- April 2016
- May 2016
- June 2016
- July 2016
- August 2016
- Septermber 2016

Quarterly Progress Reports

- January - March 2014
- April - June 2014
- July - September 2014
- October - December 2014
- January - March 2015
- April - June 2015
- July - September 2015
- October - December 2015
- Januray - March 2016
- April - June 2016

See appendix D for full Web site snapshots.

The Parish Did Not Follow and Understand Requirements

In addition to disregarding HUD's and its own requirements and not operating in line with its certifications to HUD for procurement; detection of fraud, waste, and abuse; and Web site maintenance, the Parish did not understand the requirements. Specifically, the Parish did not understand the procurement requirements regarding the documents needed to support the cost reasonableness of contracts. For the consultant contract, as support that it performed an independent cost estimate, the Parish explained that once it received proposals for this contract's procurement, it evaluated the outlined criteria and hourly rates from all respondents and determined the reasonableness of the hourly rates. However, this is the procedure for performing a cost analysis, not an independent cost estimate. Federal regulations required both an independent cost estimate and a cost analysis.

In addition, the Parish did not understand the internal audit function requirement, as it believed that its departmental expenditure and monitoring processes in conjunction with its contracted auditor who performed the Parish's single audit review[20] satisfied the requirement. However, this process did not satisfy the requirement since an internal auditor is independent of an organization's operations, thus procedures performed by Parish departmental staff when administering the grant would not constitute independence. Further, the functions of external and internal auditors differ. An external auditor gives opinions on annual financial reports, while an internal auditor evaluates and improves the effectiveness of governance, risk management, and control processes. HUD agreed that the Parish's single audit review did not satisfy the requirement and in prior monitoring reviews of other disaster grantees, it required the grantee to hire an internal auditor.

Conclusion

The Parish did not always follow program requirements and its own policies and procedures or understand program requirements. Therefore, it did not always support that it properly administered its program or operated in line with its certifications to HUD since it did not (1) have documentation to support that it performed an independent cost estimate and adequate cost analyses or maintain complete procurement files; (2) maintain a complete monitoring policy and finalize and implement its policy to aid in detecting fraud, waste, and abuse or have an internal audit function; and (3) include all required information on its public Web site. As a result of these systemic deficiencies, the Parish could not provide reasonable assurance to HUD that it would properly administer, adequately safeguard, and spend its remaining $8.67 million allocated for CDBG disaster recovery funds in accordance with the requirements, and could not support more than $400,000 paid to its disaster contractors.

Recommendations

We recommend that the Director of HUD's New Orleans Office of Community Planning and Development require the Parish to

1A. Develop and implement a HUD approved written plan and checklists; and take actions that will correct and prevent the deficiencies outlined in the finding, improve program administration effectiveness, ensure compliance with HUD regulations and the policies and procedures it submitted and certified to HUD, and ensure it has the continuing

[20] See single audit requirements at 2 CFR 200.501(b).

capacity to carry out its activities, as required. Implementing this recommendation should ensure that the remaining $8,679,994 allocated in disaster funding is better used.

1B. Support the cost reasonableness or repay its program from non-Federal funds $362,319 paid to its consultant contractor without an independent cost estimate.

1C. Support the cost reasonableness or repay its program from non-Federal funds $30,702 paid to its construction contractor for cost increases without adequate cost analyses.

1D. Support the cost reasonableness or repay its program from non-Federal funds $58,873 paid to its surveyor contractor for the sole-sourced contract without an adequate cost analysis.

1E. Maintain program files with all required documentation for each activity.

1F. Implement an internal audit function that satisfies program requirements.

1G. Revise its monitoring policy to include the role of the internal auditor once implemented, and finalize and fully implement or revise its fraud, waste, and abuse detection policy to reflect current procedures.

1H. Update its Web site to include current quarterly performance, budget, and progress reports.

1I. Obtain technical assistance concerning the disaster recovery program requirements, including related Federal Register requirements. Specifically, the technical assistance should include guidance on how to satisfy the requirement regarding maintaining an internal audit function and Web site maintenance.

Scope and Methodology

We conducted our audit at the Parish's office in Mandeville, LA, and the HUD Office of Inspector General's (OIG) office in New Orleans, LA, between October 2016 and January 2017. Our audit scope generally covered the Parish's CDBG disaster recovery programs for the period January 29, 2013, through September 30, 2016. We expanded the scope as necessary to accomplish our audit objective.

To accomplish our objective, we reviewed

- Relevant laws, regulations, and program guidance.
- HUD and Parish grant agreement(s).
- HUD's onsite review reports.
- The Parish's organizational structure and written policies for the program.
- The Parish's 2014 and 2015 single audit reports.
- The Parish's action plans.
- The Parish's program procurement and expenditure files.
- The Parish's files for compliance with general program requirements, such as (1) certifications, (2) action plan, (3) project eligibility, and (4) funding obligation requirements.
- The Parish's Hurricane Isaac disaster recovery Web site at http://www.stpgov.org/cdbg-dr, on October 25, 2016, January 11, 17, 23, and 31, 2017 for compliance with Web site maintenance program requirements.

We also interviewed HUD and Parish staff.

For the procurement file review, using a nonstatistical sample, we selected three contracts with disbursements totaling more than $1.7 million, using a universe of 30[21] disaster recovery services awarded through contracts or purchase orders between August 2014 and September 2016 with disbursements of more than $1.87 million. We selected these contracts based on the highest award amounts and disbursements. Although this approach did not allow us to project the results of the sample to the population, it was sufficient to meet the audit objective. We reviewed the procurement files to determine whether the Parish maintained adequate documentation to support compliance with its certification to HUD and procurement requirements. Through the file reviews, we assessed the reliability of the computer-processed data regarding the disbursed amounts for the procured contracts and determined that the data were generally reliable.

To determine the amount of funds to be put to better use, we used the HUD Disaster Recovery Grant Reporting system[22] grant funds financial summary report as of January 31, 2017. We subtracted the total disbursement amount ($2,234,922) from the Parish's total allocation amount ($10,914,916), which equaled $8,679,994.

[21] One contract included two services.

[22] A system used by the Parish to draw down funds and submit action plans and quarterly performance reports. HUD uses the data to review funded activities, prepare reports to Congress, and monitor program compliance.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Effectiveness and efficiency of policies and procedures used to implement its CDBG disaster recovery grant.
- Reliability of data concerning CDBG disaster recovery expenditures.
- Compliance with applicable Federal requirements.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- The Parish did not always follow HUD's and its own requirements regarding procurement; detection of fraud, waste, and abuse; and Web site maintenance. In addition, the Parish did not understand the program requirements regarding supporting cost reasonableness for its procurements or maintaining an internal audit function (finding).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Unsupported 1/	Funds To Be Put to Better Use 2/
1A		$8,679,994
1B	$362,319	
1C	30,702	
1D	58,873	
Totals	**451,894**	**8,679,994**

1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, the issues identified were systemic in nature and not limited to sample items tested. Requiring the Parish to develop and implement written procedures and take actions that would correct and prevent the deficiencies outlined in the finding in addition to ensuring compliance with its certifications to HUD, would better ensure that the Parish spends its remaining $8.67 million in CDBG disaster recovery funds allocated for its disaster programs in accordance with requirements.

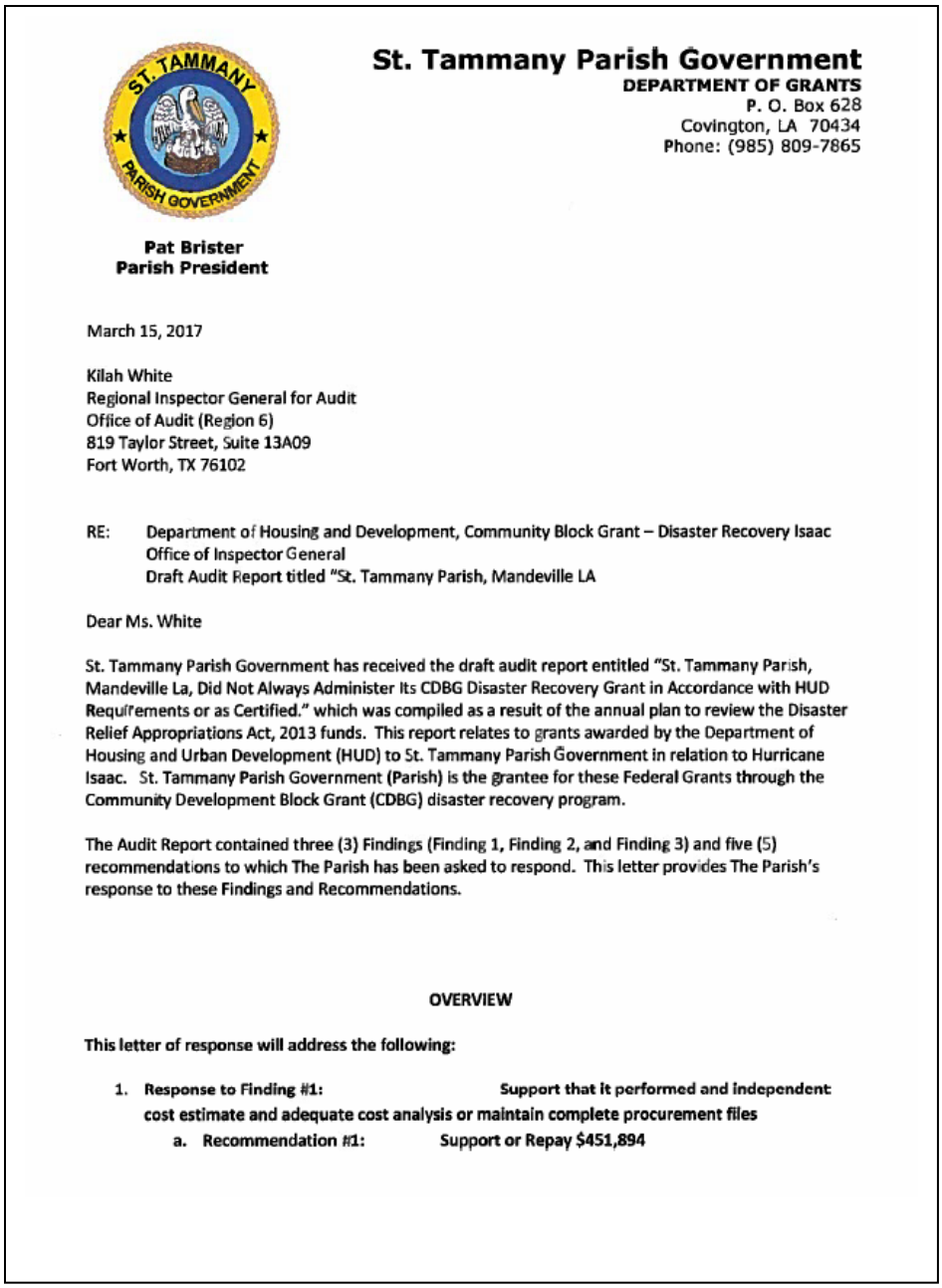
Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1



St. Tammany Parish Government
DEPARTMENT OF GRANTS
P. O. Box 628
Covington, LA 70434
Phone: (985) 809-7865

Pat Brister
Parish President

March 15, 2017

Kilah White
Regional Inspector General for Audit
Office of Audit (Region 6)
819 Taylor Street, Suite 13A09
Fort Worth, TX 76102

RE: Department of Housing and Development, Community Block Grant – Disaster Recovery Isaac
Office of Inspector General
Draft Audit Report titled "St. Tammany Parish, Mandeville LA

Dear Ms. White

St. Tammany Parish Government has received the draft audit report entitled "St. Tammany Parish, Mandeville La, Did Not Always Administer Its CDBG Disaster Recovery Grant in Accordance with HUD Requirements or as Certified." which was compiled as a result of the annual plan to review the Disaster Relief Appropriations Act, 2013 funds. This report relates to grants awarded by the Department of Housing and Urban Development (HUD) to St. Tammany Parish Government in relation to Hurricane Isaac. St. Tammany Parish Government (Parish) is the grantee for these Federal Grants through the Community Development Block Grant (CDBG) disaster recovery program.

The Audit Report contained three (3) Findings (Finding 1, Finding 2, and Finding 3) and five (5) recommendations to which The Parish has been asked to respond. This letter provides The Parish's response to these Findings and Recommendations.

OVERVIEW

This letter of response will address the following:

1. **Response to Finding #1: Support that it performed and independent cost estimate and adequate cost analysis or maintain complete procurement files**
   a. **Recommendation #1: Support or Repay $451,894**

Ref to OIG Evaluation	Auditee Comments

2. Response to Finding #2: Maintain a complete monitoring policy and finalize and fully implement its policy to aid in detecting fraud, waste, and abuse or have an internal audit function
   a. Recommendation #2 : Implement and internal Audit Function
   b. Recommendation #4: Fully implement or revise its policies to reflect current procedures
3. Response to Finding #3: Include all required information on its public website
   a. Recommendation #3: Update its website
4. Response to Recommendation #5: Obtain additional technical assistance from HUD regarding program requirements

DETAILED ANALYSIS

1) OIG Finding #1: Support that it performed and independent cost estimate and adequate cost analysis or maintain complete procurement files
Recommendation No. 1: Support or repay $451,894

Comment 1

Parish's Response:

A) No Independent Cost Estimate: Program management consultant $362,319.00

Comment 1, 2

St. Tammany Parish disagrees with the OIG's recommendation that $362,319.00 be questioned as ineligible due to no independent cost estimate.

Attachment A to this response will indicate that the St. Tammany Parish did prepare an independent cost estimate for the program management consultant.

B) Inadequate Cost Analysis for Change Order 3 ($23,202.00) and Change Order 5 ($7500.00)

Comment 1, 3

St. Tammany Parish disagrees with the OIG's recommendation that $30,702.00 be questioned as ineligible due to no inadequate cost analysis.

Attachment B to this response will indicate that the St. Tammany Parish did prepare an adequate cost analysis to determine reasonableness in regards to Change Order 3 and 5.

C) No Cost analysis for sole sourced contract ($58,873.00)

Comment 1, 4

St. Tammany Parish disagrees with the OIG's recommendation that $362,319.00 be questioned as ineligible due to no independent cost estimate.

Ref to OIG Evaluation

Auditee Comments

Comment 4

Attachment C to this response will indicate that the St. Tammany Parish did prepare an independent cost estimate for the program management consultant.

2) **OIG Finding #2: Maintain a complete monitoring policy and finalize and fully implement its policy to aid in detecting fraud, waste, and abuse or have an internal audit function**
Recommendation No. 2: Implement an internal audit function.
Recommendation No. 4: Fully implement or revise its policies to reflect current procedures

Parish's Response:

Comment 5

Attachment D to this response will indicate that the St. Tammany Parish complies with the internal audit function requirement.

3) **OIG Finding #3: Include all required information on its public website**
Recommendation No. 3: Update its website

Parish's Response:

Comment 6

Attachment E to this response will indicate that the St. Tammany Parish website is fully updated in accordance with program requirements.

4) **Recommendation No. 5: Obtain additional technical assistance from HUD regarding program requirements**

Parish's Response:

St. Tammany fully utilizes and welcomes any and all technical assistance provided by HUD regarding program requirements.

CONCLUSION

Comment 7

St. Tammany disagrees in whole on the recommendations prescribed by OIG in the Audit Report. St. Tammany Parish has accounted for and expended grant funds according to the applicable Federal regulations. The Parish did always administer its disaster recovery program according to HUD requirements and/or operated in line with its certifications to HUD regarding the procurement of contracts; detection of fraud, waste, and abuse; and Web site maintenance when administering its disaster recovery program. Furthermore, The Parish complies with program procurement requirements, The Parish does maintain a complete policy and finalize and implement the policies as well as has an internal audit function. The Parish does follow and understand program requirements and contacts HUD as needed for clarity and guidance regularly. Finally, The Parish website is updated and contains all program requirements.

Ref to OIG Evaluation

Auditee Comments

Comment 2

Attachment A

An independent cost estimate was performed in January 2014 for program management consultant, prior to solicitation of such services. The result of such estimate is evidenced by the screenshot dated 1/1/2014 from the STPG procurement system showing $300,000 as the estimated budget. The analysis performed for the independent cost estimate utilized rates from similar services for (LRA) CDBG-DR Katrina/ Rita disaster funding. The rate schedule in the Louisiana Recovery Act (LRA) Task Order B1402L was utilized by the Parish as a basis for estimating the cost for CDBG-DR Program Management Services. The work being proposed under Task Order B1402L is similar to the scope of services being requested by the Parish through RFP 300-00-14-03-3 Hurricane Isaac CDBG-DR Funds Program Management. Considering the similarity of the work, the Parish estimated the cost of the CDBG-DR Funds Program Management Services at $300,000. The services listed in task order B1402L were originally issued under state contract; in 2013, the state required local jurisdiction to be responsible for such services. These task orders represent the work the Parish would now be responsible for and as such were presented and approved by the Parish. Having received these rates in 2013, proves the rates used for previous disasters are reasonably current. The screenshot and the full task order are attached with markings from estimating. Furthermore, the analysis of the cost reasonableness was part of the procurement and evaluation criteria. The procurement evaluations are attached as part of the support documentation.

Ref to OIG Evaluation

Auditee Comments

Comment 3

ATTACHMENT B

During the recent OIG audit, it was noted that there were inadequate cost analyses completed for Stranco's Change Orders 3 and 5. Both change orders were reviewed and analyzed by Parish policy and in accordance with HUD regulation. As required by Parish policy, each change order was initially reviewed by the project department in this case it was the Parish's Engineering Department. Engineering worked directly with the contractor on the change order and reviewed for cost reasonableness prior to execution and processing. The Engineering Department also managed projects similar in scope which would have been the most knowledgeable regarding the rates and costs of the services provided. The change orders followed STP policy and were then reviewed independently by resident inspection firm for compliance and reasonableness. All parties have signed off on such change order prior to processing.

Specific detail by Change order:

Change Order 3 – Change order 3 resulted in a 77,783.83 increase to the contract due to the installation of sewer lines and manholes to prevent damaging the roads after construction was complete. The attached cost estimate was received from our engineering consultant once final design was complete. The prices in the attached change order were below the item cost specified in the cost estimate. This change order was also reviewed by our engineering consultant for cost reasonableness and it was determined that the prices charged were comparable to other projects they were working on. Many of the items listed on this change order resulted in reduced quantities. The items were reduced at the rate listed in the original schedule of values. Change Order 3 – The issues noted in the report were that cost estimate completed by RCL did not include items that were listed on the change order. The attached documents provide support for the following costs:

- S-3 – Sewer and Manhole Utilities – 99,894.28. The attached cost estimate (Exhibit A) received from Stranco indicates the cost break out for the lump sum item sewer and manhole utilities. The items listed on the cost estimate received from Stranco were also included in the initial cost estimate completed by RCL. The costs received from Stranco to complete the sewer work were less than the costs indicated in RCL's cost estimate.
- S-4 – Extra Clearing – 2,475.00. Also attached is a cost estimate (Exhibit B) received from Stranco that details the amount of clearing that will be added to the contract. The cost estimate indicates that the clearing was "Billed as per contract." The survey cost was also detailed in this cost estimate. A cost analysis was completed to ensure the cost for this service was reasonable.
- S-5 – 6" Barrier Curb – This item was removed in Change Order 5.
- Change Order 5 – Change order 5 resulted in a 57,027.11 increase to the contract due to the installation of temporary site access. Attached is a cost estimate completed by the Parish's engineer at the time of design. The cost estimate is considerably higher than the rates that were utilized in the final change order. Therefore, the Parish's engineer determined the prices were reasonable.

Auditee Comments

Ref to OIG Evaluation

Comment 4

ATTACHMENT C

SURA

The audit also indicated that a cost analysis was not completed for the Phase 2 Cultural Resource Survey completed by SURA. For the first phase of this project, three vendors from SHPO's approved vendor list were contacted through direct solicitation. Each vendor submitted lump sum quotes to complete the initial phase of the project with SURA being the lowest. The second phase was procured by sole source due to SURA's knowledge of the project as evidenced by the Phase II plan approval by SHPO. However, before the contract was issued other archaeological service providers were contacted to establish cost reasonableness. All of the companies contacted indicated that they would be unable to provide accurate pricing information for the completion of a Phase II and their standard practice is for the firm that completed phase one to also complete phase two due to their knowledge and understanding of the project.

In addition to information previously provided, it should also be noted that upon receiving a cost proposal from SURA for phase two of the cultural resource survey, St. Tammany Parish Government contacted the Louisiana State Historic Preservation Office (SHPO) for guidance on this matter. The Parish was advised that it is standard practice to utilize the same firm for both phases of a cultural resource survey due to knowledge and familiarity with the site and project as a whole. SHPO also reviewed the cost proposal provided by SURA and agreed that it was reasonable based on the scope of services being provided.

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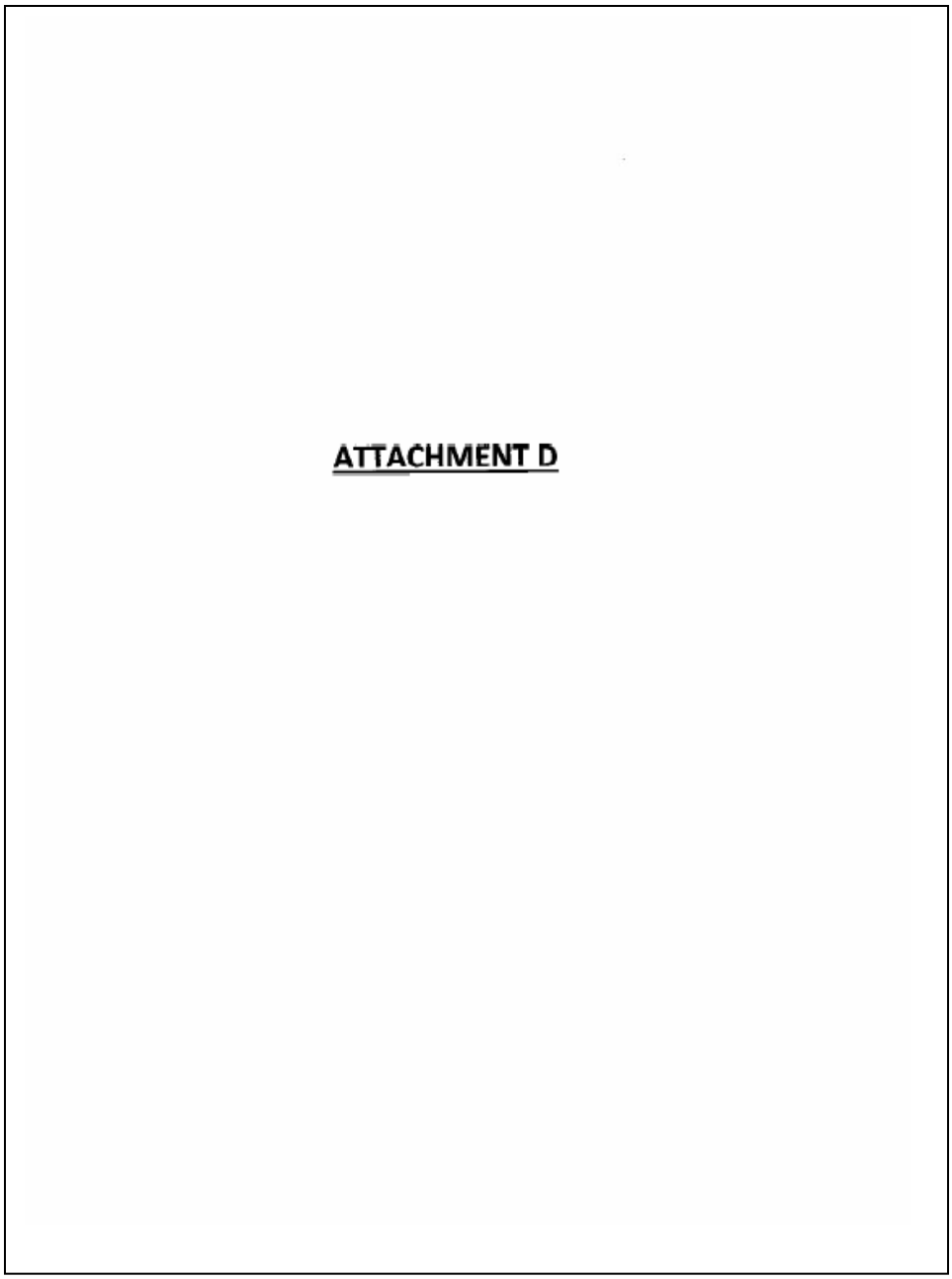
Auditee Comments



Ref to OIG Evaluation **Auditee Comments**

MEMO

ST. TAMMANY PARISH
PATRICIA P. BRISTER
PARISH PRESIDENT

Date: 2/10/2017
To:
From: Angel L. Byrum, Deputy Counsel
CC: Kelly Rabalais, Executive Counsel
Re:

DRAFT Finding 2: The Parish Did Not Always Comply with Program Requirements

Condition – The Parish did not always comply with Public Law 112-3 and its applicable federal register requirements. Specifically, although the Parish had policies and procedures, it did not maintain (1) an internal audit function within the Parish's organizational structure, or (2) a complete public web site that included all quarterly performance reports and status reports.

Proposed Recommendations –

2. Implement an internal audit function that reports independently to the chief officer or board of the organization and provide periodic updates to HUD regarding the progress toward implementing the requirement, or request a waiver from HUD to waiver the requirement.

3. Revise its Anti-Fraud, Waste and Abuse policy to reflect current procedures in place to detect fraud, waste, and abuse.

St. Tammany Parish Government Response

Background

In June of 2013, St. Tammany Parish Government (the "Parish") began the process of applying for CDBG-DR funds. The application process was conducted in accordance with FR-5696-N-01 which provides, in pertinent parts:

> III....In addition to the above, the Appropriations Act requires the Secretary to certify, in advance of signing a grant agreement, that the grantee has in place proficient financial controls and procurement processes and has established adequate procedures to prevent any duplication of benefits as defined by section 312 of the Stafford Act, ensure timely expenditure of funds, maintain comprehensive Web sites regarding all disaster recovery activities assisted with these funds, and detect and prevent waste, fraud, and abuse of funds.
>
> * * *
>
> V. To begin expenditure of CDBG-DR funds, the following expedited steps are necessary:...
>
> - Within 30 days of the effective date of this Notice (or when the grantee submits its Action Plan, whichever is sooner), grantee submits evidence that it has in place proficient

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Ref to OIG Evaluation

Auditee Comments

financial controls and procurement processes and has established adequate procedures to prevent any duplication of benefits as defined by section 312 of the Stafford Act, ... and detect and prevent waste, fraud, and abuse of funds;...

- Grantee responds to public comment and submits its Action Plan (which includes Standard Form 424 (SF–424) and certifications) to HUD no later than 90 days after the effective date of this Notice;
- HUD expedites review of Action Plan...and approves the Plan according to criteria identified in this Notice;
- HUD sends an Action Plan approval letter, grant conditions, and signed grant agreement to the grantee. If the Action Plan is not approved, a letter will be sent identifying its deficiencies; the grantee must then re-submit the Action Plan...

* * *

VI....

A. Grant Administration

1. Action Plan for Disaster Recovery waiver and alternative requirement....During the course of the grant, HUD will monitor the grantee's actions and use of funds for consistency with the Plan, and meeting the performance and timeliness objectives therein. Per the Appropriations Act...the Secretary may disapprove an Action Plan if it is determined that the Plan does not satisfy all of the required elements identified in this Notice.

a. Action Plan....The Action Plan must contain:...

(10) A description of monitoring standards and procedures that are sufficient to ensure program requirements, including nonduplication of benefits, are met and that provide for continual quality assurance and investigation...Grantees must also describe their required internal audit function with an organizational diagram showing that responsible audit staff report independently to the chief officer or board of the organization designated to administer the CDBG-DR award...

(11) A description of the mechanisms and/or procedures that are in place or will be put in place to detect and prevent fraud, abuse, and mismanagement of funds (including potential conflicts of interest);...

h. Review and Approval of the Action Plan....The initial Action Plan must be submitted to HUD...within 90 of the date of this Notice. HUD will expedite its review of each Action Plan – taking no more than 45 days from the date of receipt to complete its review. The Secretary may disapprove an Action Plan if it is determined that the Plan does not meet the requirements of this Notice.

i. Certification of proficient controls, processes and procedures. The Appropriations Act requires that the Secretary certify, in advance of signing a grant agreement, that the grantee has in place proficient financial controls and procurement processes and has established adequate procedures to prevent any duplication of benefits as defined by section 312 of the Stafford Act...and detect and prevent waste, fraud, and abuse of funds.

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Comment 5

> To enable the Secretary to make the certification, each grantee must submit the items listed below to the grantee's designated HUD representative...Grant agreements will not be executed until HUD has issued a certification in response to the grantee's submission...
>
> (6) Procedures to detect fraud, waste, and abuse of funds. A grantee has adequate procedures to detect fraud, waste, and abuse if its procedures indicate how the grantee will verify accuracy of information provided by applicants; provides a monitoring policy indicating how and why monitoring is conducted, the frequency of monitoring, and which items are monitored; and that the internal auditor has affirmed and described its role in detecting fraud, waste, and abuse.

In compliance with the above, the Parish CDBG Administrator (at the time), corresponded with her designated HUD representative from August 14, 2013 through September 24, 2013 in order to supply her with all information and documentation required for HUD approval.[1] Throughout multiple emails, the Parish attempted to answer all questions posed to it by the HUD representative and provided to her the required Exhibit 3-18 with attachments and the Certification Checklist. HUD representative [redacted] executed the Certification Checklist on August 30, 2013, confirming that the processes and procedures provided by the Parish showed that the Parish met the requirements imposed by HUD, including those included in FR-S696-N-01.[2] The Parish's Action Plan was approved by HUD, confirming that it included sufficient processes and procedures, and the Parish was awarded the grant funds in February of 2014 via Award Letter, Grant Agreement, and HUD Form 7082.[3]

[1] *See* Exhibit "A".
[2] *See* Exhibit "B".
[3] Exhibit "C".

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Comment 5

The Parish continues to function in accordance with the procedures described above, which were previously approved by HUD as sufficient to achieve the objective of the internal auditing function. The Parish was never advised during the application process that its policies and procedures were insufficient. To the contrary, the HUD representative affirmatively approved the Parish's controls in the Certification Checklist, the Secretary certified the Parish's policies were sufficient, and the Parish received the grant funds.

Comment 5

Moreover, additional controls are maintained by the Parish which were not included in the original Action Plan. These controls are described as follows:

1. When expenditures are submitted and entered into the financial management software program (as described on page 7 of the Department of Grants Procedures Manual, Exhibit "E"), the software controls will not allow expenditures to be entered which would exceed the amount budgeted for the project in the system. This budget is submitted by the Grants Department, reviewed by the Finance Department, and approved by the Parish Council.
2. The Grants Department does not have the ability to post items on the General Ledger. All transactions are reviewed by the Finance Department and must be adequately supported. The Finance Department posts all transactions to the General Ledger.

Comment 5

3. The Parish retains an independent auditor annually to review its financial records in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. The audit specifically includes an audit of compliance with OMB Circular A-133. A copy of the audit report for the year ended December 31, 2012 was attached to the Comprehensive Annual Financial Report provided as part of the Parish's Exhibit 3-18, and is attached hereto as Exhibit "G". The auditor is retained by the Parish Council (the Parish's legislative branch) and reports to same.
4. As illustrated in the attached organization chart, both the legislative and executive branches of government are involved in the monitoring of grant funds. Each provides checks and balances on the other, ensuring that control of grant funds is not concentrated on one branch of government nor on one ultimate administrator. Please see the attached Exhibit "H" for an illustration of these checks and balances.[7]

Conclusion

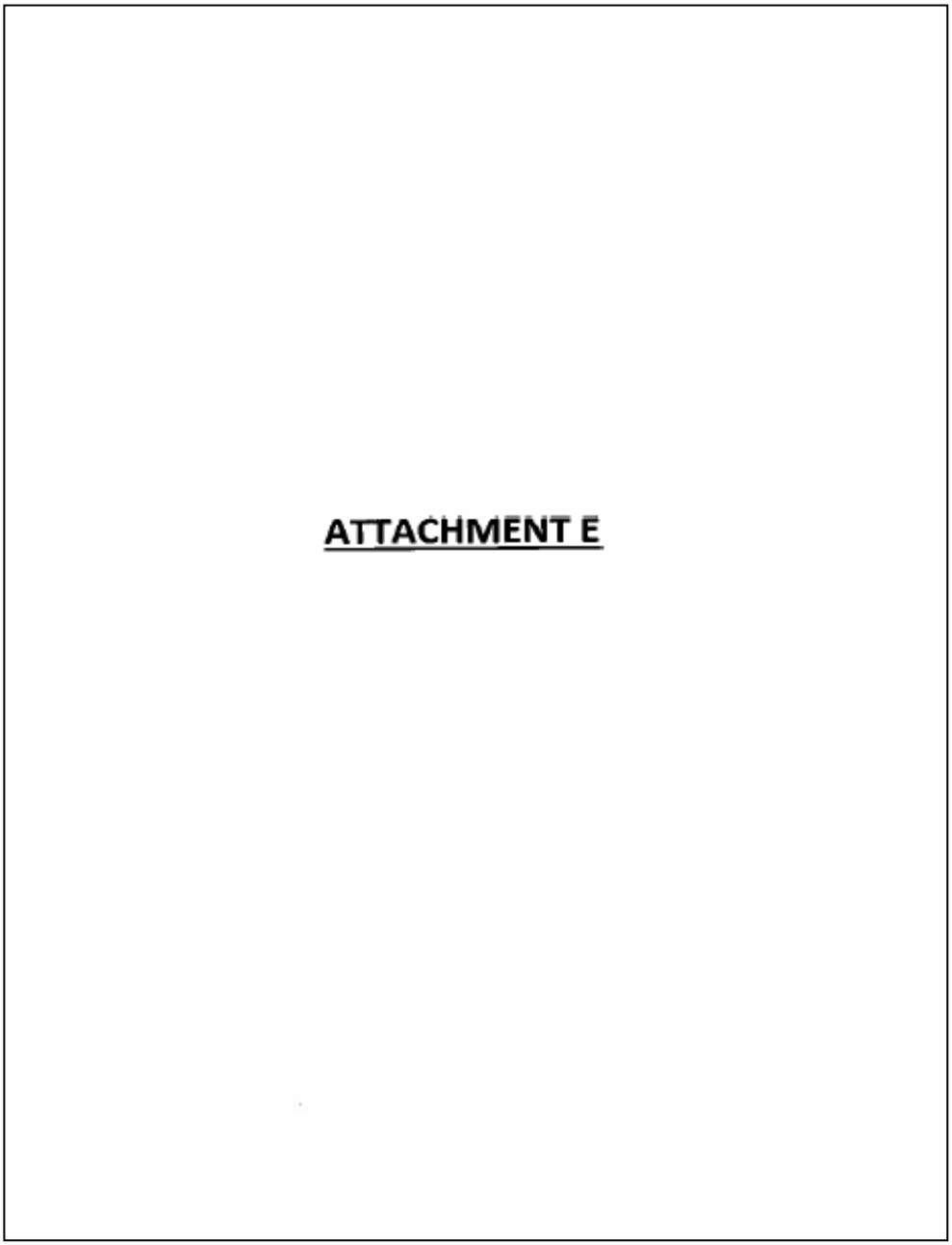
Comment 5

As the Parish continues to operate pursuant to the policies and procedures which were previously approved by HUD as meeting the objectives of an internal auditing function, the Parish respectfully requests that the OIG reverse this finding. In the alternative, the Parish requests that HUD consider the policies and procedures as previously approved, together the additional controls inherent in dividing oversight between various departments and the two branches of Parish government and in retaining an independent auditor annually, as sufficient to satisfy its requirements and that the Secretary waive any additional auditing requirements in consideration for these controls.

[7] Exhibit "H" includes the 2017 St. Tammany Parish Organization Chart as well as a more detailed organizational chart showing how each relevant office monitors grant funds.

Ref to OIG Evaluation

Auditee Comments



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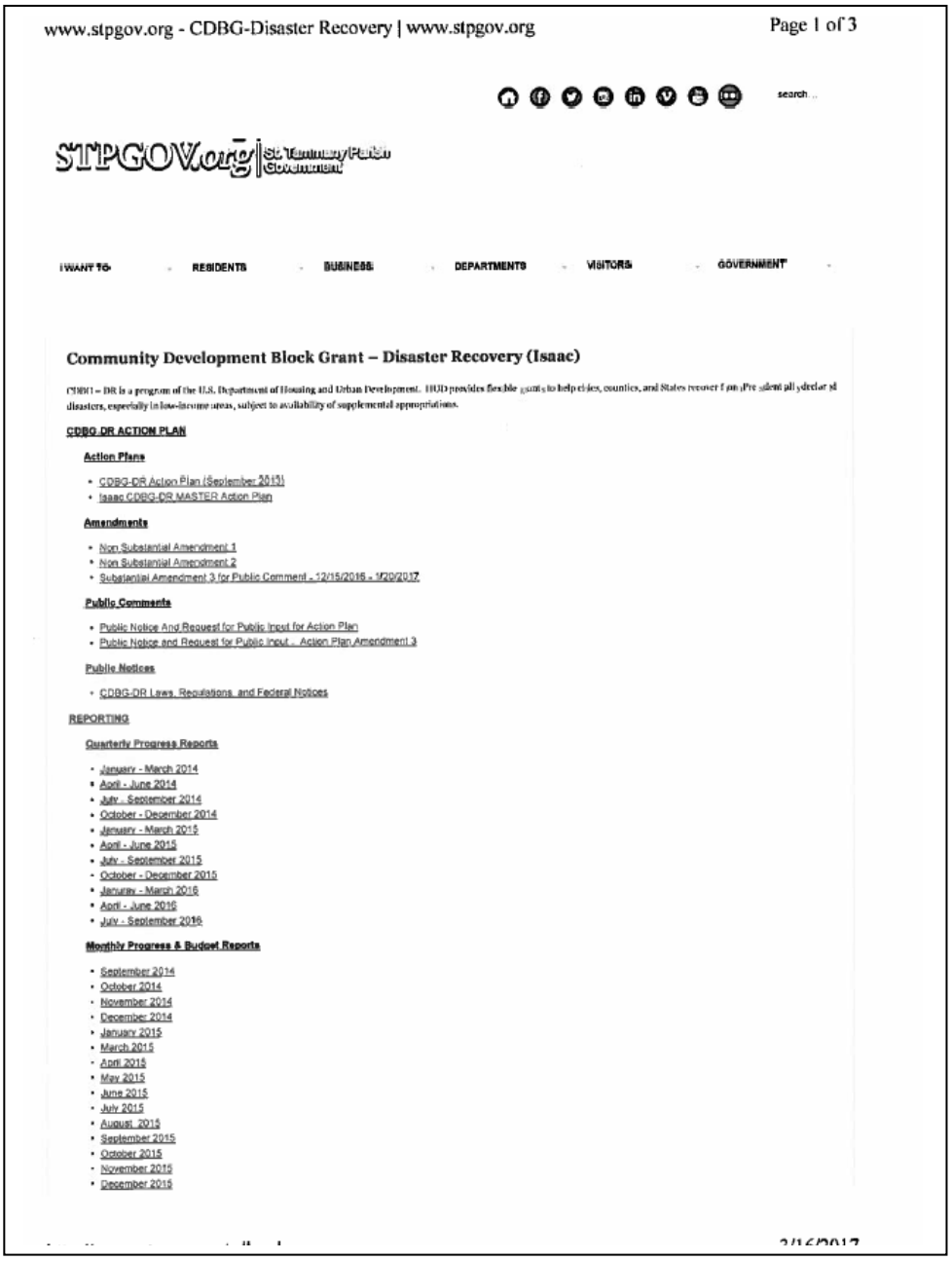

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I WANT TO RESIDENTS BUSINESS DEPARTMENTS VISITORS GOVERNMENT

Community Development Block Grant – Disaster Recovery (Isaac)

CDBG – DR is a program of the U.S. Department of Housing and Urban Development. HUD provides flexible grants to help cities, counties, and States recover from Presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

CDBG-DR ACTION PLAN

Action Plans

- CDBG-DR Action Plan (September 2013)
- Isaac CDBG-DR MASTER Action Plan

Amendments

- Non Substantial Amendment 1
- Non Substantial Amendment 2
- Substantial Amendment 3 for Public Comment - 12/15/2016 - 1/20/2017

Public Comments

- Public Notice And Request for Public Input for Action Plan
- Public Notice and Request for Public Input - Action Plan Amendment 3

Public Notices

- CDBG-DR Laws, Regulations, and Federal Notices

REPORTING

Quarterly Progress Reports

- January - March 2014
- April - June 2014
- July - September 2014
- October - December 2014
- January - March 2015
- April - June 2015
- July - September 2015
- October - December 2015
- January - March 2016
- April - June 2016
- July - September 2016

Monthly Progress & Budget Reports

- September 2014
- October 2014
- November 2014
- December 2014
- January 2015
- March 2015
- April 2015
- May 2015
- June 2015
- July 2015
- August 2015
- September 2015
- October 2015
- November 2015
- December 2015

Comment 6

Comment 6

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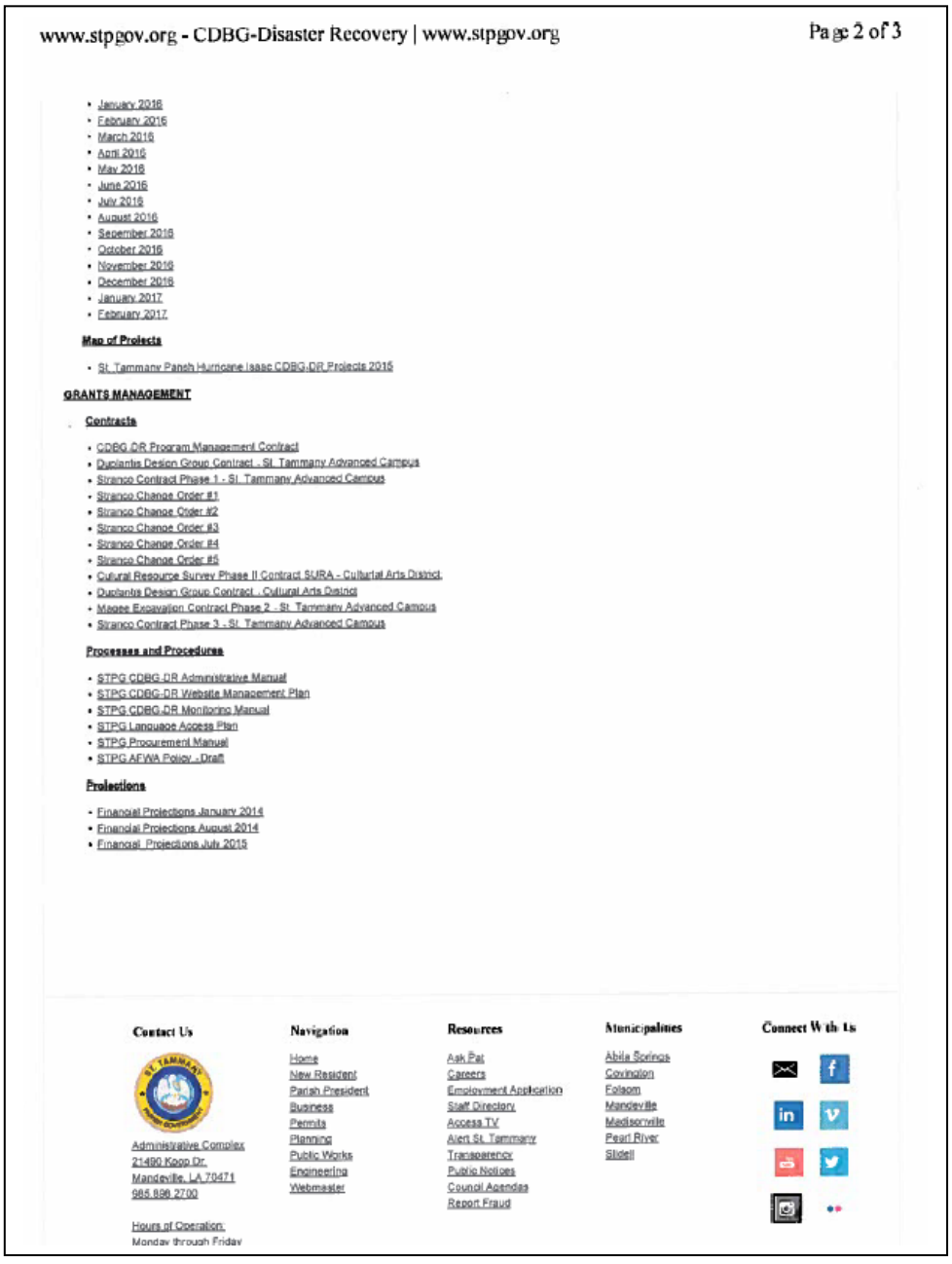
Auditee Comments



- January 2016
- February 2016
- March 2016
- April 2016
- May 2016
- June 2016
- July 2016
- August 2016
- September 2016
- October 2016
- November 2016
- December 2016
- January 2017
- February 2017

Map of Projects

- St. Tammany Parish Hurricane Isaac CDBG-DR Projects 2016

GRANTS MANAGEMENT

Contracts

- CDBG-DR Program Management Contract
- Duplantis Design Group Contract - St. Tammany Advanced Campus
- Stranco Contract Phase 1 - St. Tammany Advanced Campus
- Stranco Change Order #1
- Stranco Change Order #2
- Stranco Change Order #3
- Stranco Change Order #4
- Stranco Change Order #5
- Cultural Resource Survey Phase II Contract SURA - Cultural Arts District
- Duplantis Design Group Contract - Cultural Arts District
- Magee Excavation Contract Phase 2 - St. Tammany Advanced Campus
- Stranco Contract Phase 3 - St. Tammany Advanced Campus

Processes and Procedures

- STPG CDBG-DR Administrative Manual
- STPG CDBG-DR Website Management Plan
- STPG CDBG-DR Monitoring Manual
- STPG Language Access Plan
- STPG Procurement Manual
- STPG AFWA Policy - Draft

Projections

- Financial Projections January 2014
- Financial Projections August 2014
- Financial Projections July 2015

Contact Us

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21490 Koop Dr.
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Hours of Operation:
Monday through Friday

Navigation

Home
New Resident
Parish President
Business
Permits
Planning
Public Works
Engineering
Webmaster

Resources

Ask Pat
Careers
Employment Application
Staff Directory
Access TV
Alert St. Tammany
Transparency
Public Notices
Council Agendas
Report Fraud

Municipalities

Abita Springs
Covington
Folsom
Mandeville
Madisonville
Pearl River
Slidell

Connect With Us

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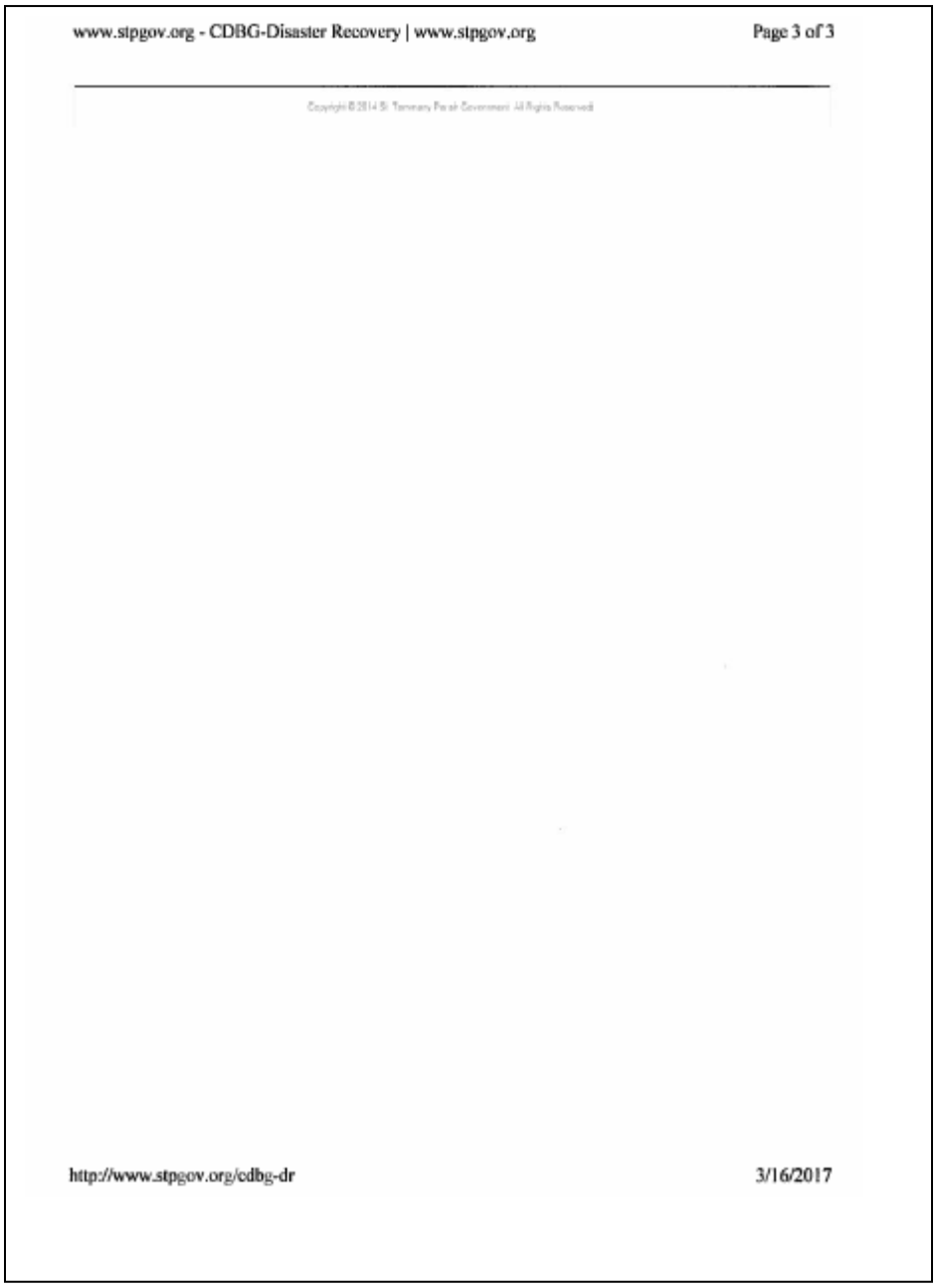
Auditee Comments



OIG Evaluation of Auditee Comments

Comment 1

The Parish commented that the report contained three findings and five recommendations and that recommendation number one was to support or repay $451,894. In addition, it stated that it disagreed that the recommendations be questioned as ineligible.

This is incorrect. The draft report included one finding instead of three; and nine recommendations instead of five. In addition, the recommendation to repay $451,894 was covered under three recommendations, (1B, 1C, and 1D in the draft report), instead of one. Further, we did not question any funds as ineligible.

The Parish included additional documentation with its response; however, due to its volume, the documents were not printed in our report. The additional documents are available upon request.

Comment 2

The Parish disagrees with the OIG recommendation questioning $362,319 due to no independent cost estimate. The Parish asserted that it prepared an independent cost estimate for the program management consultant. In attachment A, the Parish explained that it performed an independent cost estimate in January 2014 for its program management consultant contract, prior to solicitation of the services, evidenced by a screenshot dated January 1, 2014 from the Parish's procurement system showing a $300,000 estimated budget. The Parish also asserted that the analysis performed for the program management consultant's independent cost estimate used a rate schedule from a task order for the Louisiana Recovery Act CDBG-DR Katrina/ Rita disaster funding since the work under the task order was similar to the scope of services being requested by the Parish through the Hurricane Isaac CDBG-DR funds program management request for proposal. In addition, the Parish asserted that the services for the Louisiana Recovery Act CDBG-DR Katrina/ Rita disaster funding task order were originally issued under State contract and in 2013 the State required local jurisdiction to be responsible for such services which were presented and approved by the Parish, proving that the rates were reasonably current.

The Parish did not provide a screenshot with its response to support its assertion. The screenshot provided during the audit showed only the date and the estimated budget amount. The Parish did not provide sufficient documentation to support the date or how it derived the estimated amount. For the rate schedule,

- HUD guidance[23] states that using a prior contractor's actual rates is a technique in performing a *cost analysis* and not an independent cost estimate; and the techniques to aid in a cost analysis review include

[23] HUD's Quick Guide to Cost and Price Analysis for HUD Grantees

using both prior rates of a similar contractor *and* an independent cost estimate. Meaning, using a prior contract's rate schedule is (1) not a part of the independent cost estimate process, but instead the cost analysis process, and (2) not the same as preparing an independent cost estimate as these are two separate items;

- The rate schedule did not sufficiently support the estimated costs. A comparison of the Hurricane Isaac request for proposal to the rate schedule determined that the proposal's scope of work required different detailed work than the rate schedule. Specifically, items required by the proposal, but not the rate schedule included (1) assisting the Parish legal staff with site selection and acquisition of land, (2) assisting with wetlands and coastal use permitting, and (3) coordinating, managing, and assisting the wetlands consultants;

- The Parish provided conflicting documentation. During the audit, the Parish provided the same rate schedule in January and February 2017. With its response, the Parish provided the same rate schedule but with a notation dated January 1, 2014, noting that the schedule was "similar for Isaac". The rate schedules provided during the audit did not include this date and notation; and

- During the audit, the Parish stated that the rate schedule pertained to services for the Louisiana Recovery Act (non-CDBG-DR) [24] and not Hurricanes Katrina/Rita CDBG-DR funds. The Parish now asserts that the rate schedule, approved in 2013, pertained to Katrina/Rita CDBG-DR funds.[25] However, the rate schedule did not show that the Parish obtained the rates in 2013, or that it was for Hurricanes Katrina/Rita; but only that it was to assist with "on-going disaster recovery efforts."

Lastly, the processes described by the Parish in its response, are the processes for performing a cost analysis and not an independent cost estimate. We did not question the cost analysis; but rather the lack of a sufficient independent cost estimate.

Therefore, the Parish did not support the reasonableness of $362,310 in program costs. Because of the discrepancies with the documentation and information provided by the Parish, HUD will need to determine the validity of these items when satisfying the recommendations.

Comment 3 The Parish did not agree with the OIG's recommendation questioning $30,702 due to not having an adequate cost analysis. In attachment B, the Parish asserted that, for the construction contract, the change orders were

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[24] The American Recovery and Reinvestment Act of 2009 funds were coded CDBG-R (Recovery) while the Disaster Relief Appropriations Act, 2013 were coded as CDBG-DR (Disaster Recovery).

[25] Hurricanes Katrina and Rita made landfall in August and September 2005, respectively.

reviewed and analyzed in accordance with HUD regulation and Parish policy. The Parish also asserted that it provided documentation for the sewer and manhole utilities, extra clearing, and barrier curb line items for change order three, and a cost estimate for change order 5.

For change order 3, the Parish provided the same documentation provided during the audit, which was not sufficient to support all of the line items, as discussed in the report. In addition, the report did not question the line items that the Parish described in its response, it questioned a concrete truck argon line item for change order 3 and the documentation provided did not support the line item. For change order 5, the Parish did not provide any additional documentation with its response to support the questioned costs. Therefore, the Parish could not support the reasonableness of $30,702 in program costs.

Comment 4

The Parish did not agree with the OIG's recommendation. In attachment C, the Parish asserted that, for its surveyor contract's sole source procurement, it contacted the Louisiana State Historic Preservation Office for guidance who reviewed the cost proposal provided by the contractor and agreed that it was reasonable based on the scope of services being provided. The Parish also stated that it contacted other companies who were unable to provide accurate pricing information to establish cost reasonableness.

The Parish provided these same explanations during the audit. However, the Parish did not provide written documentation to support these communications, which is required to satisfy the requirement to maintain records sufficient to detail the significant history of procurements.[26] Therefore, $58,873 remains unsupported.

Comment 5

In attachment D, the Parish asserted that, regarding its internal audit function, HUD executed the Parish's certification and approved the action plan confirming that it included sufficient processes and procedures to achieve the objective of the internal auditing function. The Parish also asserted that its policies accompanied with its independent auditor, who conducted annual audits for OMB Circular A-133 compliance[27], was sufficient to meet the requirements. Further, the Parish asserted that it was never advised during the application process that its policies and procedures were insufficient and that HUD affirmatively approved the Parish's controls in the certification and the Secretary certified the Parish's policies were sufficient.

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[26] 24 CFR 85.36(b)(9)

[27] OMB Circular A-133 §___.200(a) and (b) required non-federal entities who expended $500,000 or more in Federal awards in a year to have a single or program-specific audit conducted for that year in accordance with applicable provisions. 2 CFR part 200 superseded OMB Circular A-133 requirements effective December 26, 2013.

Although HUD was a part of the Parish's certification process, the Parish's grant agreement with HUD held the Parish responsible for administering grant funds in accordance with program requirements. Internal auditing is an independent, objective assurance and consulting activity designed to improve an organization's operations. In addition, program requirements state that the internal audit function should include a responsible audit staff that reports independently to the chief officer or board of the organization.[28] However, the processes and procedures described by the Parish are conducted by departmental staff who implement the program, and therefore do not satisfy the internal audit requirement. Further, both the OIG and HUD informed the Parish that the A-133 single audit was not sufficient to meet the requirement. Therefore, the Parish did not comply with the internal audit requirement.

Regarding the Parish's application process, the Parish was advised by HUD, on more than one occasion, that there were concerns. Specifically, HUD notified the Parish on August 14, 2013 and August 29, 2013 that it had to make resubmissions and provide additional documentation and clarification because the Parish's documentation, which included policies and procedures, did not satisfy compliance with its certifications.

Comment 6

The Parish asserted that it had fully updated its public Web site according to program requirements, and provided an attachment E, which included a screenshot of the Parish's public Web site as of March 16, 2017.

Although the Parish asserted that it fully updated the Web site, the screenshot provided in attachment E showed that the Parish was still not fully compliant with program requirements or its policy. Specifically, as of March 16, 2017, the public Web site did not contain the February 2015 budget and progress report and the fourth quarter 2016 performance report and therefore did not include all required[29] information.

Comment 7

The Parish concluded that it disagreed in whole on the recommendations. The Parish asserted that it accounted for and expended grant funds according to the applicable Federal regulations, always administered its program according to HUD requirements, and operated in line with its certifications to HUD. The Parish also asserted that it updated its public Web site and that it contained all program requirements.

As evidenced in the report and comments above, the Parish did not always follow program requirements regarding procurement; detection of fraud, waste, and abuse (internal audit function); and Web site maintenance. In addition, the Parish continued to show that it did not understand the program requirements. For example, regarding procurement requirements,

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[28] 78 FR 43 (March 5, 2013)14334

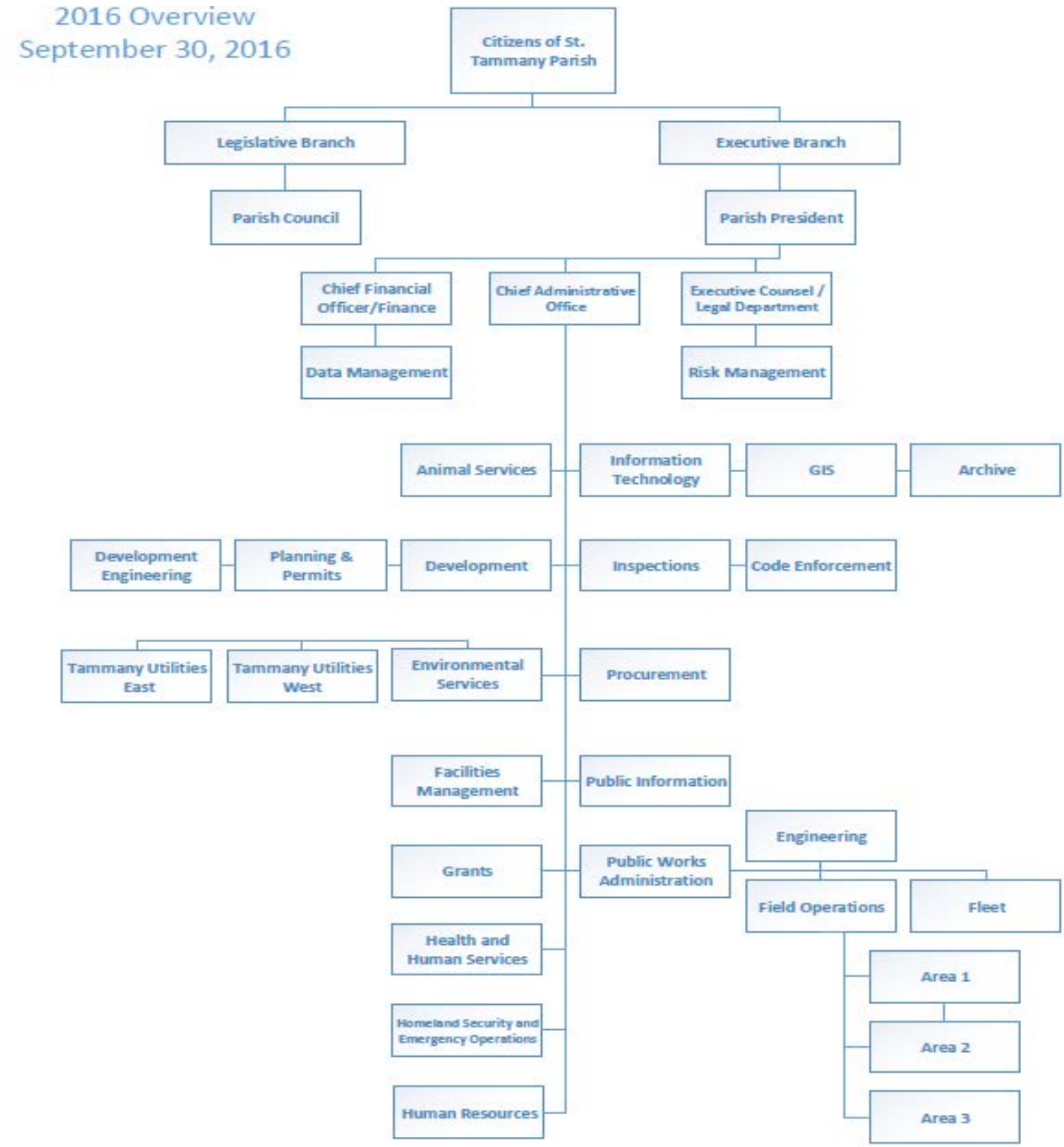
[29] 78 FR 43 (March 5, 2013) 14336-14337 and Website Maintenance Procedures, section III

in addition to the deficiencies outlined in comments 2, 3, and 4 above, throughout its response the Parish used the term independent cost estimate and cost analysis interchangeably, although these processes occur during two separate stages in the procurement process.[30] The Parish will need to provide documentation to and work with HUD to resolve the finding and recommendations during the audit resolution process.

[30] The independent cost estimate is prepared before receiving bids or proposals while the cost analysis is performed after receiving bids or proposals.

Appendix C

Parish Organizational Chart as of September 30, 2016



Appendix D

Excerpts From Parish Disaster Web Site

Web site contents as of October 25, 2016

Community Development Block Grant – Disaster Recovery (Isaac)

CDBG – DR is a program of the U.S. Department of Housing and Urban Development. HUD provides flexible grants to help cities, counties, and States recover from Presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

CDBG-DR ACTION PLAN

Action Plans

- CDBG-DR Action Plan (September 2013)
- Isaac CDBG-DR MASTER Action Plan

Amendments

- Non Substantial Amendment 1
- Non Substantial Amendment 2

Public Comments

- Public Notice And Request for Public Input for Action Plan

REPORTING

Quarterly Progress Reports

- January - March 2014
- April - June 2014
- July - September 2014
- October - December 2014
- January - March 2015
- April - June 2015
- July - September 2015
- October - December 2015
- Januray - March 2016
- April - June 2016

Monthly Progress & Budget Reports

- September 2014
- October 2014
- November 2014
- December 2014
- January 2015
- March 2015
- April 2015
- May 2015

Map of Projects

- St. Tammany Parish Hurricane Isaac CDBG-DR Projects 2015

GRANTS MANAGEMENT

Contracts

- CDBG-DR Program Management Contract
- Duplantis Design Group Contract - St. Tammany Advanced Campus

http://www.stpgov.org/cdbg-dr 10/25/2016

- STRANCO Contract - St. Tammany Advanced Campus
- Stranco Change Order #1
- Stranco Change Otder #2
- Stranco Change Order #3
- Stranco Change Order #4
- Stranco Change Order #5
- CRS_Phase II Contract SURA - Culturtal Arts District
- Duplantis Design Group Contract - Cultural Arts District

Processes and Procedures

- CDBG-DR Administrative Manual STPG
- CDBG-DR Website Management Plan
- STPG Language Access Plan

Projections

- Financial Projections January 2014
- Financial Projections August 2014
- Financial Projections July 2015

Web site contents as of January 31, 2017

Community Development Block Grant – Disaster Recovery (Isaac)

CDBG – DR is a program of the U.S. Department of Housing and Urban Development. HUD provides flexible grants to help cities, counties, and States recover from Presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations.

CDBG-DR ACTION PLAN

Action Plans

- CDBG-DR Action Plan (September 2013)
- Isaac CDBG-DR MASTER Action Plan

Amendments

- Non Substantial Amendment 1
- Non Substantial Amendment 2
- Substantial Amendment 3 for Public Comment - 12/15/2016 - 1/20/2017

Public Comments

- Public Notice And Request for Public Input for Action Plan
- Public Notice and Request for Public Input - Action Plan Amendment 3

Public Notices

- CDBG-DR Laws, Regulations, and Federal Notices

REPORTING

Quarterly Progress Reports

- January - March 2014
- April - June 2014
- July - September 2014
- October - December 2014
- January - March 2015
- April - June 2015
- July - September 2015
- October - December 2015
- Januray - March 2016
- April - June 2016

Monthly Progress & Budget Reports

- September 2014
- October 2014
- November 2014
- December 2014
- January 2015

- March 2015
- April 2015
- May 2015
- June 2015
- July 2015
- August 2015
- September 2015
- October 2015
- November 2015
- December 2015
- January 2016
- February 2016
- March 2016
- April 2016
- May 2016
- June 2016
- July 2016
- August 2016
- Sepember 2016

Map of Projects

- St. Tammany Parish Hurricane Isaac CDBG-DR Projects 2015

GRANTS MANAGEMENT

Contracts

- CDBG-DR Program Management Contract
- Duplantis Design Group Contract - St. Tammany Advanced Campus
- Stranco Contract Phase 1 - St. Tammany Advanced Campus
- Stranco Change Order #1
- Stranco Change Otder #2
- Stranco Change Order #3
- Stranco Change Order #4
- Stranco Change Order #5
- Culural Resource Survey Phase II Contract SURA - Culturtal Arts District
- Duplantis Design Group Contract - Cultural Arts District
- Magee Excavation Contract Phase 2 - St. Tammany Advanced Campus
- Stranco Contract Phase 3 - St. Tammany Advanced Campus

Processes and Procedures

- STPG CDBG-DR Administrative Manual
- STPG CDBG-DR Website Management Plan
- STPG CDBG-DR Monitoring Manual
- STPG Language Access Plan
- STPG Procurement Manual
- STPG AFWA Policy - Draft

Projections

- Financial Projections January 2014
- Financial Projections August 2014
- Financial Projections July 2015