



BOARD OF DIRECTORS

Agenda Item 12

Bradley R. Sweazy, Chief Operating Officer

August 8, 2012

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LOUISIANA HOUSING CORPORATION

The following resolution was offered by _____ and seconded by _____:

RESOLUTION

A resolution authorizing \$6,894,000.00 for the Non-Profit Rebuilding Pilot Program (“NRPP”); and providing for other matters in connection therewith.

WHEREAS, the Louisiana Housing Finance Agency (the “Agency”), on October 14, 2009, approved a resolution authorizing the Agency to administer twenty-four million dollars (\$24,000,000) in Community Development Block Grant (“CDBG”) funds for the Non-Profit Rebuilding Pilot Program (“NRPP”) on behalf of the State of Louisiana Office of Community Development Disaster Recovery Unit (“OCD-DRU”); and

WHEREAS, it has been determined by HUD that up to \$6,894,000 in various costs related to the NRPP may not be considered as eligible costs under CDBG regulations

NOW THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Louisiana Housing Corporation (“Board”), acting as the governing authority of said Corporation, that:

SECTION 1. The Corporation is hereby authorized to direct up to \$6,894,000 of the Corporation’s available funds to cover the costs of the NRPP that are determined by HUD to be ineligible costs under the CDBG regulations.

SECTION 2. The Corporation’s staff and counsel are authorized, empowered and directed to create, change, amend, and revise any existing documents and/or commitments to implement the direction of such funds to the NRPP, the terms of which shall be consistent with the provisions of this resolution.

SECTION 3. The Chairman, Vice Chairman, Executive Director, and/or Secretary of the Agency be hereby authorized, empowered, and directed to execute any such documents and

agreements as may be necessary to implement the direction of such funds to the NRPP, the terms of which shall be consistent with the provisions of this resolution.

This resolution having been submitted to a vote, the vote thereon was as follows:

YEAS:

ABSTAIN:

NAYS:

ABSENT:

And the resolution was declared and adopted on this, the 8th day of August, 2012.

Chairman

Secretary

**STATE OF LOUISIANA
PARISH OF EAST BATON ROUGE**

I, the undersigned Secretary of the Board of Commissioners of the Louisiana Housing Corporation, do hereby certify that the foregoing two (2) pages constitutes a true and correct copy of a resolution adopted by said Board of Commissioners on August 8, 2012 providing approval of a resolution entitled “A resolution authorizing \$6,894,000.00 for the Non-Profit Rebuilding Pilot Program (“NRPP”); and providing for other matters in connection therewith.”

IN FAITH WHEREOF, witness my official signature and the impress of the official seal of the Agency on this, the 8th day of August, 2012.

Secretary

Louisiana Housing Corporation

**Nonprofit Rebuilding Pilot Program
Operational Assessment**

Executive Summary

Tasks Performed, Observations, and Recommendations

August 1, 2012

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Attachment I:NRPP Research Summary

Attachment II:NRPP File Inventory and DocumentAssessment Summary

Attachment III:NRPP Standard Operating Procedures and Exhibits

Attachment IV:LHFA Pre-Transition NRPP Population I Invoice Review Process Flow

Attachment V:Invoice Submittal Policy

Attachment VI:LHFA Pre-Transition NRPP Pre-Closing, Closing, and Post Construction Processes

Summary of Tasks Performed

The Reznick Group team facilitated work sessions with staff from LHFA (Population I) and OCD/DRU (Population II) working the Nonprofit Rebuilding Pilot Program (NRPP) to gain an understanding of current operations and to formulate a plan to fully integrate the program into the Louisiana Housing Corporation (LHC). The team performed an initial assessment of the work-in-progress and contracts associated with the NRPP and provided a preliminary overview to management (NRPP Research Summary, Attachment I).

The Reznick team also performed an assessment of the following areas within the NRPP:

1. LHFA File Management System
2. LHFA and OCD/DRU Invoice Process
3. LHFA Pre-Closing and Closing Processes
4. LHFA and OCD/DRU Post-Closing Processes

The tasks, observations, recommendations, and deliverables associated with these areas are notated within the following sections. For additional detail, see the referenced Attachments.

LHFA File Management System

Tasks Completed

1. Performed file inventory and assessed documentation within hard files.
2. Recommended hard copy file structure.
3. Provided file management training to OCD/DRU staff.

Observations

1. Program Files were maintained in various boxes amongst staff desks.
2. Closing files were maintained in centrally located fireproof cabinets.
3. Both closing and program files were not consistently filed (i.e. by nonprofit, alphabetically).
4. The types of documents maintained within each file were inconsistent.

Recommendations

1. Incorporate a standard filing system.
2. Utilize a Document Checklist to ensure consistency amongst the files.

Deliverables

1. File Inventory and Document Assessment Summary, Attachment II.
2. Program/Closing File Structure, Exhibit A&B of Standard Operating Procedures Manual, Attachment III.

Invoice Process

Tasks Completed

1. Facilitated work sessions with staff to document LHFA invoicing processes.
2. Facilitated work sessions with staff to document OCD/DRU invoicing process.
3. Performed inventory of LHFA work in-progress.
4. Consolidated tracking reports.
5. Populated tracking reports with OSRAP data.
6. Matched consolidated tracking to LHFA accounting spreadsheets.
7. Attempted to locate approved change orders from LHC z:drive, and added to consolidated Tracker.
8. Performed QA of data entry into consolidated Tracker.
9. Facilitated transition of invoice work in-progress from LHFA staff to OCD/DRU staff.
10. Provided support to LHFA and OCD/DRU staff.
11. Formalized recommended invoice process, identified roles and responsibilities.
12. Provided training to OCD/DRU staff to transition responsibilities from LHFA staff.

Observations:

1. The review/approval policies and processes were not documented.
2. Two (2) SharePoint lists were used during the OCD/DRU invoice approval/review process.
3. Four (4) spreadsheets were used during the LHFA invoice approval/review process.
 - a. Spreadsheets were not consistently maintained or reconciled.
 - b. Consistent applicant/invoice identifiers were not included on all invoice documentation.
 - c. Spreadsheets were not updated or reconciled against the actual payment paid by OCD/DRU.
4. Staff persons relied on email chains and color coding to understand invoice review/approval status.
5. At least eleven (11) program staff persons had reviewed invoices since 2012; Eight staff persons were actively reviewing draw requests as of 5/24/2012.
6. Change orders were not consistently documented within the invoices or tracking spreadsheets.
7. There were no thresholds to limit invoice submittal by nonprofits, resulting in inefficient use of resources.

Recommendations

1. Consolidate spreadsheets/lists into a single Budget and Expenditures Tracker¹.
 - a. Utilize one person as the central point-of-contact for incoming and outgoing invoices.
 - b. Periodically reconcile the Tracker to the OSRAP Report and LHC accounting system.
2. Develop a policy to set thresholds regarding invoice submittals.
3. Update documents, lists, and checklists within NRPP Team Room on ePortal as necessary.

¹ Budget and Expenditures tracker is fully operational and being utilized by LHC and OCD/DRU staff members. The Tracker is maintained on the DRU ePortal within the NRPP Team Room (located at <https://eportal.road2la.org/ocd/NRPP/default.aspx>).

Deliverables

1. Standard Operating Procedures and Exhibits, Attachment, III.
2. NRPP Pre-transition Population I Invoice Review Process Flow and Summary, Attachment IV.
3. Budget and Expenditures Tracker, Summary included as Exhibit D of Standard Operating Procedures (Attachment III).
4. Invoice Submittal Policy, Attachment V.

Operational Processes (Pre-Closing/Closing and Post Closing)

Tasks Completed

1. Facilitated work session with staff to document current policies and procedures.
2. Formalized operational processes, identified roles and responsibilities.
3. Consolidated tracking spreadsheets, updated OCD/DRU NRPP Team Room on the ePortal².
4. Formalized operational process, identified roles and responsibilities.
5. Provided training to OCD/DRU staff to transition responsibilities from LHFA staff.

Observations

1. The policies and processes are not documented.
2. LHFA requests for inspections, closings, and other support documentation is performed via email.
3. LHFA logs the status of pre-closing files in a spreadsheet on the z:drive, by marking “X” in each stage. The spreadsheet is periodically sent to OCD/DRU and loaded to a SharePoint list in the NRPP Team Room on the OCD/DRU ePortal. Once sent to closing, the pre-closing stages are deleted and the applicant is moved to a different part of the spreadsheet.
4. The “Closing Checklist” sometimes located in the hard-copy file is not always fully executed.
5. Pre-closing documents are not consistently maintained (either electronically or hard-copy)

Recommendations

1. Request inspections and closing through the NRPP Team Room on the ePortal.
2. Maintain pre-closing documents in a central location.
3. Execute Closing Checklist for all files prior to sending to closing.
4. Document policies/procedures and roles/responsibilities.
5. Utilize one SharePoint list to track all (non-invoice related processes) “operational” stages.
6. Update documents, lists, and checklists within NRPP Team Room on ePortal as necessary.

Deliverables

1. Standard Operating Procedures and Exhibits, Attachment III
2. LHFA Pre-Transition NRPP Pre-Closing, Closing, and Post Construction Processes, Attachment VI
3. Consolidated Operations Tracker, Summary included as Exhibit D of Standard Operating Procedures (Attachment III)

² Operations tracker is fully operational and being utilized by LHC and OCD/DRU staff members. The Operations Tracker is maintained on the DRU ePortal within the NRPP Team Room (located at <https://eportal.road2la.org/ocd/NRPP/default.aspx>).

4. Revised NRPP Process Flows, included as a part of the NRPP Standard Operating Procedures (Attachment III)

Conclusion

With multiple tracking spreadsheets used by LHFA and OCD/DRU throughout the NRPP process, it was difficult to clearly identify budgets, expenditures, pre-closing and post-closing stages. Additionally, the lack of documented policies and procedures led to inconsistent processing of files.

The recommendations contained herein will create less room for data entry error, provide ease of reporting, and place controls within the process. The NRPP Standard Operating Procedures, included as Attachment III, incorporates these recommendations and clearly identifies roles and responsibilities to increase accountability within the Program. The SOP should continually be updated and redistributed as policy and processes change. The recommendations, if implemented, should allow for more accurate status reporting and facilitate a smoother closeout process as the program comes to an end.

NRPP Research Summary

As of May 11, 2012

Based upon current/available research³, Population I and II of the NRPP consist of the following:

Pipeline:

Population I:

Total Properties: 127

Complete: 112 (88% of pipeline, \$11,986,543.71)

Not Complete: 15 (12% of pipeline, \$2,436,202.15)

- Not complete category consists of 7 nonprofits. 7 of the 15 projects in the “not complete” category are less than 50% construction complete

Population II:

Total Properties: 51

Closed/Under Construction: 9 (18% of pipeline)

Not Closed: 42 (82% of pipeline)

Contracts:

Population I:

OCD has a CEA with LHFA with an expiration date of June 30, 2012.

LHFA has a CEA with each Nonprofit with an expiration date of May 31, 2012.

- In accordance with the LHFA/Nonprofit CEAs, all rehab/reconstruction must be completed and expenses incurred by 5/31/12. All requisitions, documentation, and reports submitted by June 15, 2012.
- To meet this deadline, all construction should have been complete by April 30, 2012.

Population II:

OCD has a CEA with 5 Nonprofits with an expiration date of August 31, 2012.

- St. Bernard, United Way, Peoples, Rebuilding Together, Rapides (Southeast and Southwest)
- In accordance with the OCD/Nonprofit CEA's, all rehab/reconstruction must be completed and expenses incurred by July 31, 2012.

Vendor:

There are 22 vendor agreements with LHFA that expire 6/30/12

- 9 agreements have \$0 balance

³ Information identified in this summary taken from the NRPP Team Room and LHFA z: drive folder. Pipeline data has not been verified by LHFA.

NRPP Research Summary

As of May 11, 2012

Issues:

1. As of May 10, 2012, there appears to be 15 Population I properties in various stages of construction.
2. There are 43 Population II properties still in Pre-Closing phase which is managed under the OCD/LHFA contract set to expire June 30, 2012.

Possible Resolutions:

1. Contract Extensions
 - a) Extend OCD/LHFA Agreement
 - i. Administrative costs to only include any post-construction title work and inspections
 - ii. Project cost will remain the same
 - b) Extend LHFA/Nonprofit Agreements
 - i. Extension required for 8 nonprofits: Broadmoor, NENA, People's-Plaquemines, Rapides Southwest, Rebuilding Together, St. Bernard, United Way of Greater New Orleans, United Way of Greater New Orleans – Plaquemines
 - ii. The remaining 3 Nonprofits can continue with program closeout and must have incurred all expenses by May 31, 2012: Catholic Charities, Episcopal Community, Rapides Southeast
 - c) Possible Issues
 - i. LHFA contract extensions may require Board approval. Next Board meeting is June 6, 2012
 - ii. Program Delivery funding availability will have to be addressed with any contract extensions.
2. Incorporate remaining pipeline into OCD CEA's
 - a) OCD has contracts with 5 of the 7 affected Population I nonprofits
 - i. Make amendments to the 5 OCD/Nonprofit CEA's to incorporate the Population I pipelines
 - b) Issues
 - ii. This resolution does not address the 3 remaining Nonprofits (Broadmoor, Nena). OCD could possibly enter into contract with these two nonprofits to complete construction for these two nonprofits.

NRPP Preliminary File Inventory and Document Assessment Summary

Overview

On May 14 thru May 16, 2012 an inventory of Nonprofit Rebuilding Pilot Program (NRPP) hard copy project files was performed by Reznick staff to create a comprehensive file list of all NRPP applicants, both closed and not closed. LHFA NRPP staff provided the files to be inventoried. A random selection of 79 project files was selected across the multiple nonprofits. The files were reviewed to assess the documentation contained within the file. Only files identified as “Closed”⁴ were included in the sample.

On May 15, 2012, a full inventory of hard copy closing files was performed by Reznick staff to obtain a master list of closing files. A random sample of 10% of the closing files was performed to assess the documentation collected within each closing file. This sample of (13 files) represents a minimum of 2 closings from each of the 4 title companies and at least 1 closing from each nonprofit.

NRPP staff have stated that additional documents are maintained electronically, the electronic files were not reviewed as a part of this project. Follow up meetings have not been held with NRPP staff to review the observations documented below. For a full summary of the file inventory and documents assessment resulting from this project, see Tables on pages 3 and 4.

Observations

Homeowner files are labeled by name and address, not by project or application number. There were sometimes variances between the names and addresses on reports, files, and documents.

Project Files

Project files are organized by nonprofit in file boxes maintained at two NRPP staff persons’ desk. The files are stored in boxes organized by nonprofit and are typically organized alphabetically within each of the nonprofit boxes. In general, the documents within the files are not consistently organized and there are multiple copies of the same document within the file. There are typically documents that needed to be filed into the respective applicant file within the nonprofit box.

One staff person maintains the files for Population I: Peoples, Broadmoor, United Way-Plaquemines, United Way-Greater New Orleans, and Rebuilding Together New Orleans applicants.

- The closed and non-closed files are maintained in the same filing boxes.

Another staff person maintains the files for the closed Population II applicants, and Population I: Catholic Charities, Episcopal, NENA, St. Bernard, RSCM Southwest, and RSCM Southeast applicants.

- The closed files are maintained in separate file boxes apart from the non-closed files.
- Closed files for multiple nonprofits may be maintained in the same file box.
- Most of the Population II applicants are in one box.

⁴ LHFA provided the following spreadsheet which was used to determine “Closed” status: *NRPP Summary of Closings with Construction Status – NEW VERSION 5 14 12*

NRPP Preliminary File Inventory and Document Assessment Summary

Summary of Documentation Assessment, Project Files (79 files reviewed):

1. Title – 72% of the files reviewed contained a title report.
2. Income Verification Form – 87% of the files reviewed contained an income verification form. The support documentation referenced on the form was generally not in the project file.
3. Unmet Needs Documentation/Computation Forms – 49% of the files contained unmet needs documentation/computation forms. The support documentation referenced on the form was generally not in the project file.
4. Lead/Asbestos/Termite Inspection – 32% of the files reviewed contained lead inspections; 29% contained asbestos inspections; and 37% contained termite inspections. It was not determined whether or not the inspection was required to be performed for each project. There was no evidence that abatement of any issues was performed.
5. Notice to Proceed – 35% of the files reviewed contained LHFA “Notice to Proceed” forms.

There was little to no correspondence from LHFA or the nonprofit to the applicant within the project files. Spreadsheets that appear to have Road Home grant amounts listed for groups of applicants were sometimes found within the files, but these were not dated and did not contain any firm duplication of benefit decisions.

Closing Documents

The Closing Documents for each applicant are located amongst three drawers of a filing cabinet on the 2nd floor of the LHFA building. The filing cabinet is organized by nonprofit and alphabetically by homeowner last name. Several file folders were mislabeled with either incorrect spelling of property owner and address or incorrect address. 124 files were located in the cabinet drawers identified by LHFA NRPP staff, including 123 closing files and 1 duplicate homeowner closing file. No Population II closing files were located. The documents within each folder varied depending on the Title Company that performed the closing.

Summary of Documentation Assessment, Closing Files (13 files reviewed):

1. Proof of Recordation, Multiple Indebtedness Mortgage and Notice of Contract – 54% of the files reviewed contained proof of recordation of the Mortgage and Notice of contract. The majority files missing this documentation were closed by Team Title.
2. Title Insurance – 54% of sample file review were missing title insurance
3. Warranty – Many files had both the Warranty for Reconstruction and Warranty for Rehab executed.
4. HUD-1 Settlement Statement – 92% of the files reviewed contained the HUD-1 Settlement Statement.
5. Forgivable Promissory Note – 85% of the files reviewed contained the forgivable promissory note.

6. Rehab/Reconstruction Agreement (Construction Contract) – 85% of the files reviewed contained a construction contract. The information within the construction contracts was not reviewed.
7. Scope of Work – 92% of the files reviewed contained a scope of work.

Loans are recorded for the full project cost including the 20% contingency. Through discussions with staff, it was determined that no loan modifications have been recorded to date, although the recordation of these modifications is necessary.

Summary Results of Preliminary NRPP File Inventory and Document Assessment

Summary of Preliminary File Inventory

Nonprofit	Total # of Files	Project Files for Closed Homeowners			Not Closed, on Report ¹	Not Closed, Not on Report ¹
		Total	# Files Located	# Files Not Located	# Files Located	# Files Located
Broadmoor	21	7	7	0	0	14
Catholic Charities	29	8	8	0	0	21
Episcopal	19	9	9	0	0	10
NENA	37	12	12	0	0	25
Peoples	34	6	6	0	2	26
RSCM-Southeast	62	14	14	0	1	47
RSCM-Southwest	18	6	6	0	12	0
RTNO	47	25	23	2	1	21
St. Bernard	33	24	11	13	2	7
UW Multi Parish	48	20	20	0	2	26
UWGNO Plaq	16	8	8	0	1	7
LFRC - SW	24		0	0	0	24
Grand Total	388	139	124	15	21	228

Summary of Preliminary Documentation Assessment, Project Files

Nonprofit	# Files In Sample ²	Documents in File												
		Income Verification Form	Title Report	Advocacy Group Release	UN Docs/ Computation Forms	Unmet Needs RA	Step 1 Inspection ³	Step 2 Inspection ³	Step 3 Inspection ³	Lead Inspection	Asbestos Inspection	Termite Inspection	Closing Checklist	Notice to Proceed
Broadmoor	14	12	11		6		1			9	8	13		5
Catholic Charities	2	1	2	2	2		2	1		2	2	1	2	1
Episcopal	2	2	1		2	2	1	1	1				2	1
NENA	2	1	1		1	1							1	1
Peoples	33	28	23	22	9	9	5	1	1			2	6	6
RSCM-Southeast	4	4	3	3	3	2	2	3	1	4	3	4	3	2
RSCM-Southwest	1	1	1	1	1	1	1						1	1
RTNO	3	2	2	1	2	2	1	1	2	2	2	1	2	1
St. Bernard	2	2	1	1	2		1	1		1	1	2	1	1
UW Multi Parish	2	2	2	2	2	1	1			1	1	1	1	2
UWGNO Plaq	14	14	10	12	9	8	7			6	6	5	5	7
Grand Total	79	69	57	44	39	26	22	8	5	25	23	29	24	28
% of Total		87%	72%	56%	49%	33%	28%	10%	6%	32%	29%	37%	30%	35%

¹"NRPP Summary of Closing with Construction Status - NEW VERSION . Updated 5 14.12"

²Only closed files were reviewed as a part of the sample.

³The HQS Reports are typically not labeled to easily distinguish the inspections (Step 1, Step 2, Step 3 and Final)

Summary of Preliminary Documentation Assessment, Closing Files

Nonprofit	# Files In Closing Files Sample	Documents in File												
		Title Insurance	Proof of Recordation of Mortgage	Proof of Recordation of Notice of Contract	HUD-1 Settlement Statement	Promissory Note	Mortgage	Notice of Contract	Const. Contract	Scope of Work	Closing Certif.	Right of Entry and Access	Subrogation Agreement	Notice of Right to Cancel
Broadmoor	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Catholic Charities	1				1	1	1	1	1	1	1	1	1	1
Episcopal	1				1	1	1	1	1	1	1	1	1	1
NENA	1				1	1	1	1	1	1	1	1	1	1
Peoples	1	1	1		1	1	1	1		1	1	1	1	1
RSCM-Southeast	1				1	1	1	1	1	1	1	1	1	1
RSCM-Southwest	1	1	1	1	1	1	1	1	1	1	1	1	1	1
RTNO	3	3	2	1	3	3	3	3	3	3	3	3	3	3
St. Bernard	1	1	1	1	1		1	1		1	1	1	1	1
UW Multi Parish	1				1	1	1	1	1		1	1	1	1
UWGNO Plaq	1		1				1	1	1	1				
Grand Total	13	7	7	4	12	11	13	13	11	12	12	12	12	12
% of Total		54%	54%	31%	92%	85%	100%	100%	85%	92%	92%	92%	92%	92%

Closing Files, Sample Set

Nonprofit	Foley & Judell	Frontier Title	Southern Title	Team Title	Grand Total
Broadmoor		1			1
Catholic Charities				1	1
Episcopal				1	1
NENA				1	1
Peoples			1		1
RSCM-Southeast				1	1
RSCM-Southwest		1			1
RTNO	1	1		1	3
St. Bernard	1				1
UW Multi Parish				1	1
UWGNO Plaq			1		1
Grand Total	2		23	6	13