

## ICF raise was no secret, report says - Road Home operator's \$156 million justified

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BATON ROUGE -- Former Gov. Kathleen Blanco's 25 percent raise to the operator of the Road Home program went unquestioned and largely unnoticed a year ago, but not because of any intent to conceal the \$156 million increase, according to a state inspector general's report released today.

The change raised the total amount that contractor ICF International Inc. could be paid for its work administering the program to \$912 million. The contract change was made Dec. 7, 2007, about a month before Blanco left office.

Inspector General Stephen Street, an appointee of Gov. Bobby Jindal, said he found no evidence the Blanco administration was trying to hide the raise she gave ICF, though the news media and key state legislators didn't know about it until long after she left office.

He also said the raise was justified because ICF had to handle far more applicants for the homeowner-aid program than initially expected and because 125 policy changes added costs to their work.

But the report says nothing about how ICF's performance, widely derided even by the Blanco team, was itself the cause of many policy changes and increased costs. Street said those questions will be addressed in separate investigations by the legislative auditor.

"The conclusions reached in your investigative report support what I have said from the beginning," Blanco wrote in her official response to the report.

She later wrote that "notwithstanding irresponsible allegations by some who knew or should have known better, there was no effort whatsoever by my administration to conceal Amendment #7 (the raise) from the general public or the legislature."

Street said Blanco's Office of Community Development notified The Advocate in Baton Rouge that the value of the contract would likely be increased, but it offered no specifics. Later, when state staffers were prepared to report on the raise to a legislative budget committee, they were never called to do so.

Rep. John Alario, D-Westwego, then chairman of the committee, told Street that he was unaware of the raise. Sen. Ed Murray, D-New Orleans, another member of the committee and a leading critic of ICF, said he was shocked to hear about the raise when The Times-Picayune discovered and publicized it months later.

--- Internal dissension ---

While ignoring ICF's performance issues, much of Street's report highlights dysfunction in the Blanco administration, saying the ICF contract was poorly managed because the Louisiana Recovery Authority, which oversaw policy, and the Office of Community Development, which controlled the Road Home contract, refused to work together.

Street cites internal state e-mails in which former Community Development Director Suzie Elkins instructed her staff not to share information about the contract amendment with the LRA, saying the LRA would blame her agency in the media. Street argues that the infighting hindered negotiations with ICF and allowed the company to play one state agency off the other.

Current LRA Executive Director Paul Rainwater, who took over Community Development to streamline the state's role after Jindal took office, said ICF acted as though it managed itself. If a raise were necessary, he said, the state should have given the company an incremental increase in its pay cap until it showed it needed more, rather than authorizing the full \$156 million raise at once. That put his team at a disadvantage in negotiations they have tried in 2008, he said.

--- Bloated payments ---

The state has already paid ICF more in two and a half years than the initial contract called for in three. Through Wednesday, the Road Home had been paid \$795 million to administer the homeowner program, plus a small rental program that has produced few tangible results.

In his official response to the audit, former LRA Director Andy Kopplin says many of the "policy changes" were actually restatements of the contract's original intent needed only because of ICF's failure to comply with it.

Kopplin's former LRA spokeswoman, Melissa Landry, represented him at the Capitol on Wednesday and in an interview gave an example of a typical change that should not have justified higher pay. The LRA, she said, had to force ICF to inform homeowners in writing when their grants were changed because Community Development had been allowing the contractor to make major changes over the phone, causing disagreements.

--- Raise's defense affirmed ---

Street also accepted the Blanco administration's argument that the raise was justified because of estimates at the time that 150,000 grants would be paid, rather than the 114,000 envisioned in the original contract.

But as of this month, only 121,000 grants have been paid, and state officials doubt there are even 10,000 eligible applicants still awaiting payment. Rainwater said that's another reason the full raise shouldn't have been given at once.

Rainwater said he is still working to renegotiate labor rates and cut program costs to knock \$20 million off ICF's total bill of \$912 million. Just last week, Legislative Auditor Steve Theriot found more than \$12.7 million in questionable billing by ICF, and Rainwater said some of that is double billing. The LRA director said he's working on recovering that money too.

But negotiations have been difficult ever since the LRA fined the contractor during the summer, Rainwater said. He added that his only real remedy has been to make sure ICF doesn't get more work from the state.

ICF officials declined Wednesday to respond directly to Rainwater's comments, but they did say they are working with the state to adjust administrative costs. They expect to come in under the \$912 million cap.

"We are pleased that the OIG report confirms that the contract amendment was fully justified," said ICF spokeswoman Melissa Walker. "It also confirmed that ICF provided detailed documentation that the original ICF contract was not adequate and was at risk of running out of money, and necessitated a contract amendment."

Bad press about the Road Home hasn't hurt ICF outside Louisiana. The firm continues to land lucrative government contracts as its Road Home work wind down.

ICF's contract ends in June. Rainwater said what Road Home work remains at that point will be either rebid to other contractors or handled in-house.

Road Home provides buyout or repair grants of as much as \$150,000 to homeowners with severe damage from Hurricanes Katrina and Rita. The program is mostly financed with federal money.

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