

JOINT COMMITTEE ON GOVERNMENT AND FINANCE
WEST VIRGINIA OFFICE OF THE LEGISLATIVE AUDITOR

POST AUDIT DIVISION

LEGISLATIVE AUDIT REPORT

RISE WEST VIRGINIA - FLOOD RECOVERY PROGRESS UPDATE

Legislative Auditor: Aaron Allred
Post Audit Division Director: Justin Robinson



GENERALLY ACCEPTED GOVERNMENT
AUDITING STANDARDS STATEMENT

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (**GAGAS**). 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

POST AUDIT DIVISION
Director, Justin Robinson

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RISE WEST VIRGINIA FLOOD RECOVERY PROGRAM UPDATE REPORT ON PROGRAM PROGRESS

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Background

In June, the Legislative Auditor released a report to the Post Audits Subcommittee analyzing contracts entered into by the West Virginia Development Office (Development Office) related to CDBG-DR funded recovery programs. The Legislative Auditor concluded that the Development Office had entered into six illegal contracts with the vendor Horne LLP and paid over \$96,000 for services rendered under one of those illegal contracts. Further, the Legislative Auditor found that the Development Office had entered into seven construction contracts with the vendors Thompson Construction Group, Danhill Construction, and Appalachian Service Project before receiving approval from the U.S. Department of Housing and Urban Development (HUD), in violation of federal law. The Development Office also failed to process these seven contracts through the State Purchasing Division, in violation of State purchasing law.

The Legislative Auditor also questioned whether any homes had been built through the RISE Program. Analysis of paid invoices showed that vendors had received the funds to begin reconstruction projects, but none had been paid for successful completion of a home. Governor Jim Justice stated in a press release, dated June 24, 2018, that 17 homes had been built as of that date.

On June 4, 2018, management of the federal flood recovery funds was transferred to the West Virginia National Guard. Pursuant to the Legislative Auditor's recommendations in the June audit report, the State competitively bid and awarded new construction contracts under the RISE Program, which encompasses both the Housing Restoration Program and the Rental Assistance Program.

This report provides an update to the committee on the progress that has been made since the National Guard took over management of the RISE Program and provides information regarding the number of applications and types of assistance received by each county. The information provided in this report deals exclusively with the Housing Restoration and Rental Assistance Programs (RISE Programs) and is based on flood recovery data provided by the National Guard, covering the period from July 30, 2018 to November 27, 2018. The report lists numbers for the RISE Programs as a whole, combining data from the Housing Restoration and Rental Assistance Programs.

Program Overview

Initial Intake

When the National Guard assumed management responsibility of RISE WV, the programs had received a total caseload of 1,368 housing applications spread across the 12 affected counties. This includes 1,104 applications, or 81 percent of the total, from residents in the HUD-designated “most impacted or distressed areas,” which comprises Greenbrier, Kanawha, Clay, and Nicholas counties. Figure 1 provides the total number of applications received by each county.

Figure 1 Total Applications During Initial Intake By County—August 15, 2018	
County	Applications Received
Greenbrier*	425
Kanawha*	295
Clay*	194
Nicholas*	190
Webster	88
Fayette	83
Roane	37
Summers	22
Jackson	9
Lincoln	10
Monroe	11
Pocahontas	4
Total	1,368

*Designated by HUD as one of the most impacted or distressed areas.
Source: RISE case management data provided by the National Guard.

After the applications are reviewed by a case management team, each is assigned a case number and given a status classification of active, inactive, or closed. Cases that are classified as active indicate that the applicants have been deemed eligible for one of the three types of assistance offered by the Programs, have submitted the proper documentation, and their cases are ready to progress forward. Cases could be labeled as inactive for several reasons, including incomplete paperwork, delinquent property taxes, duplication of benefits¹, or more recently, many applicants’ cases reportedly were moved to inactive status because they were waiting for doublewide mobile homes. Cases labeled as closed indicate applications have been deemed ineligible or the applicant’s housing needs were otherwise met (such as through a nonprofit organization) as of August 15, 2018.

¹Duplication of Benefits refers to the fact that the CDBG-DR funds must be a funding of last resort. As such, program officials must account for the dollar-value of all public and private assistance received by an applicant and adjust their assistance under the RISE programs accordingly.

Of the 1,368 applications received, 517 cases were classified as active (38 percent), 124 as inactive (9 percent) and 727 as closed (53 percent). Eligible applicants are categorized into one of three types of assistance, based upon the estimated cost to repair the flood damage to their home versus the appraised value of the home. The three types of assistance are:

1. Manufactured Housing Units (MHUs),
2. Rehabilitations
3. Reconstructions

Figure 2 provides a breakdown of the total initial intake of applications by type of assistance and status.

Figure 2					
RISE Total Initial Application Intake					
By Assistance Type and Status					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	131	165	221	0	517
Inactive	46	13	47	18	124
Closed	11	1	8	707	727
Total	188	179	276	725	1368
<i>Source: Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018</i>					

The 1,368 applications received as of August 15, 2018 are attributed to each type of assistance as follows:

MHUs

- 188 total applications
- 131 applications deemed eligible and listed as active
- 46 applications listed as potentially eligible but inactive
- 11 applications determined to be ineligible or otherwise had the housing needs met and classified as closed

Rehabilitations

- 179 total applications classified as home rehabilitations
- 165 applications deemed eligible and listed as active
- 13 applications classified as potentially eligible but inactive
- 1 application determined to be ineligible or otherwise had the housing needs met and classified as

Reconstructions

- 276 total applications classified as needing full reconstruction
- 221 applications deemed eligible
- 47 applications classified as potentially eligible but inactive
- 8 applications determined to be ineligible or otherwise had the housing needs met and classified as closed

Unassigned

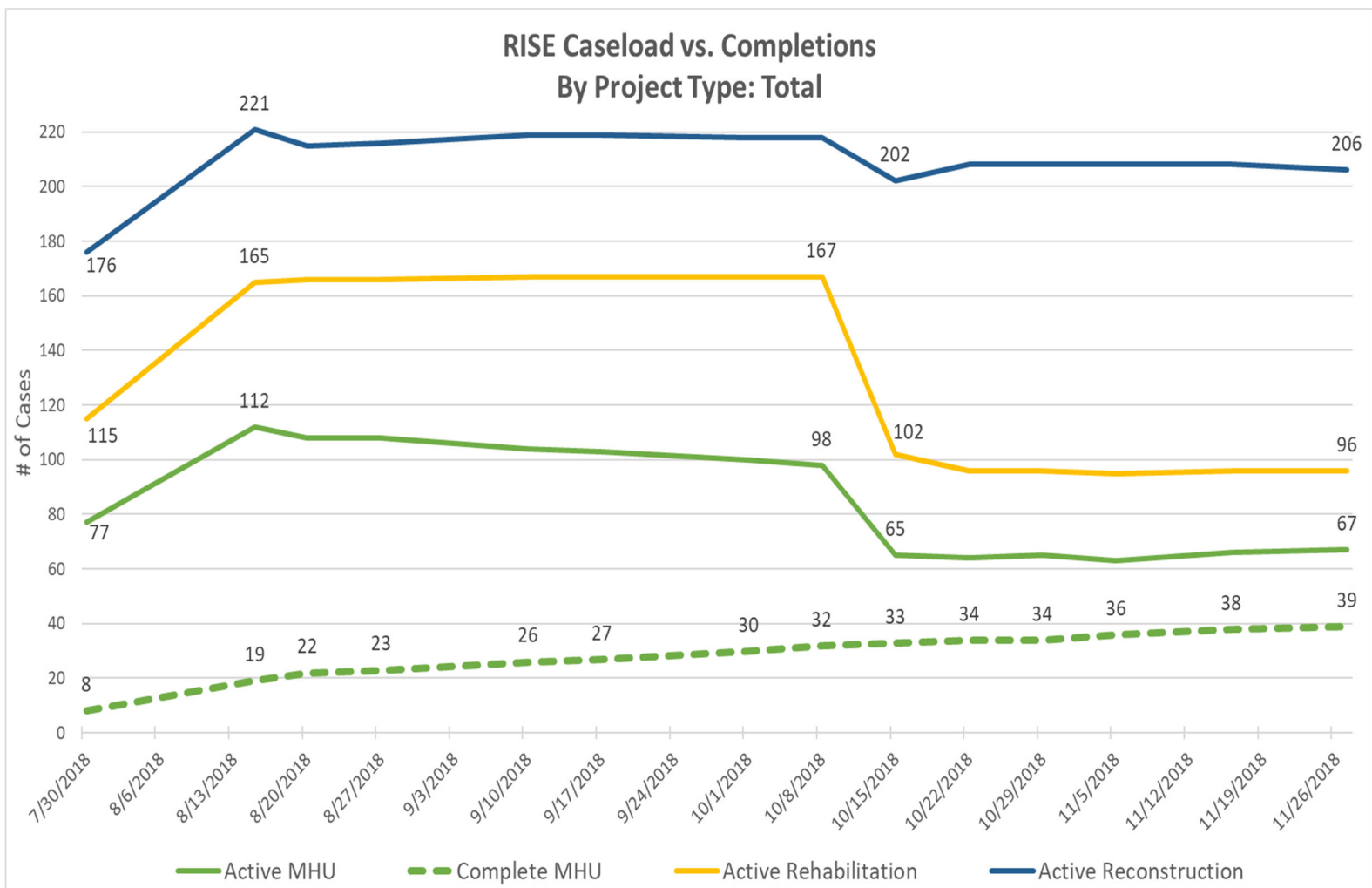
- 18 applications classified as potentially eligible but not assigned an assistance type
- 707 applications were deemed as ineligible and listed as closed

The Legislative Auditor concludes that most of the closed case files were determined to be ineligible at intake because 707, or 98 percent, of cases were never assigned a type of assistance.

Progress

Figure 3 displays the changes in the RISE Programs’ overall caseload and tracks the number of completions over the same period. The only project category for which cases have been completed is MHUs. The number completed has steadily climbed from eight complete MHUs on July 30, 2018 to 39 complete MHUs on November 27, 2018. The number of active MHU cases goes through corresponding decline as cases move from active to complete.

Figure 3: Total Caseload vs. Completions



After the National Guard assumed leadership and responsibility for the day-to-day operations of the RISE WV Programs, many cases that were previously undetermined were assigned an assistance type. This reclassification caused a sharp increase in total active caseload between July 30, 2018 and August 15, 2018.

The Legislative Auditor identified a precipitous drop in all project categories between October 8 and October 15, 2018 for a total reduction of 113 active cases². According to managers with the West Virginia Voluntary Organizations Active in Disaster (VOAD), this drop corresponds to the time period where VOAD took over case management duties from the management consultant, Horne LLP. As VOAD reviewed the cases, they found many cases that could not explicitly be tied to the floods of 2016. Thus, the cases were moved to inactive status until storm damage verification could be obtained and verified.

From October 15 to November 27, 2018, the number of active rehabilitation and reconstruction projects has remained relatively steady. No reconstruction or rehabilitation projects were completed as of November 27, 2018.

²Between October 8 and October 15, total caseload was reduced by one active MHU rental case. The data the Legislative Auditor received after October 8th no longer had a breakdown of active rental cases by county. While analysis of total caseload reflects this change, the Legislative Auditor was unable to determine the county in which the reduction occurred.

RISE County Profiles

Greenbrier County

Initial Intake

Greenbrier County was designated by HUD as one of the “most impacted or distressed areas” after the June 2016 flood. As such, residents of Greenbrier County submitted the greatest number of applications for assistance to the RISE WV Flood Recovery Programs. As of August 15, 2018, the RISE Programs had received and reviewed 425 total applications from residents of the county. This number represents approximately 31 percent of the total number of applications filed for assistance under the RISE Programs.

For Greenbrier County, 147 applications were classified as active, 35 as inactive and 243 as closed. Further, 24 cases were for MHUs, including 14 that were listed as active and seven that were listed as inactive. The county had 70 total applications classified as rehabilitations, 62 of which were active and eight of which were inactive. Finally, Greenbrier County submitted 89 total applicants classified as reconstruction, with 71 active and 15 inactive. Figure 4 provides a full breakdown of Greenbrier County’s initial intake.

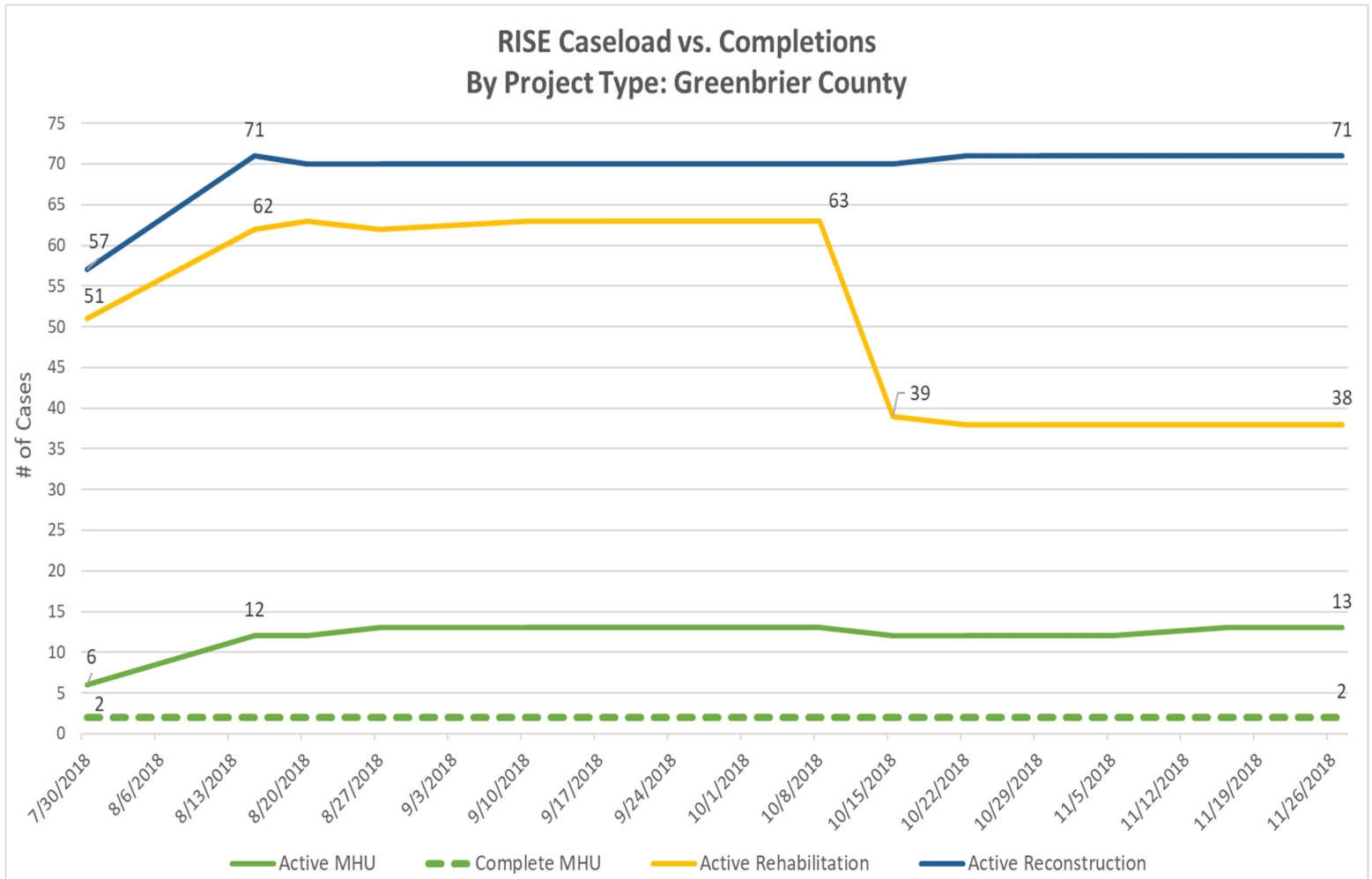
Figure 4					
Greenbrier County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	14	62	71	0	147
Inactive	7	8	15	5	35
Closed	3	0	3	237	243
Total	24	70	89	242	425

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

The increase in active cases in the initial reporting period is attributable to the classification of cases that were previously unassigned. As shown in Figure 5, Greenbrier County had six active MHU cases on July 30, 2018 and 13 by November 27, 2018. Two MHU cases were completed by July 30, 2018. No additional MHU were complete as of November 27, 2018.

Figure 5: Greenbrier County Caseload vs. Completions



Greenbrier County began the reporting period with 51 active rehabilitation cases. Between October 8 and October 15, 2018, the county experienced decrease of 24 rehabilitation cases and ended the reporting period with 38 cases. Finally, the county has experienced an increase in active reconstruction cases from July 30, 2018 to November 27, 2018, starting the period with 57 and ending with 71.

Kanawha County

Initial Intake

Like Greenbrier County, Kanawha County was also designated by HUD as one of the State's most distressed or impacted areas from the June 2016 flooding. As of August 15, 2018, the Programs had received and reviewed 295 total applications, or approximately 22 percent of the total number of applications in the Programs. Kanawha County residents submitted the second largest number of applications for assistance to the RISE Programs.

For Kanawha County, 105 were classified as active, 23 as inactive and 167 as closed. Further, 33 cases were for MHUs, including 22 active cases and nine that were listed as inactive. RISE received 33 total applications from Kanawha County that were classified as rehabilitations, 32 of which were active and one that was designated as inactive. Finally, Kanawha County submitted 60 total applications classified as reconstruction, with 51 active and nine inactive. Figure 6 provides a full breakdown of initial intake.

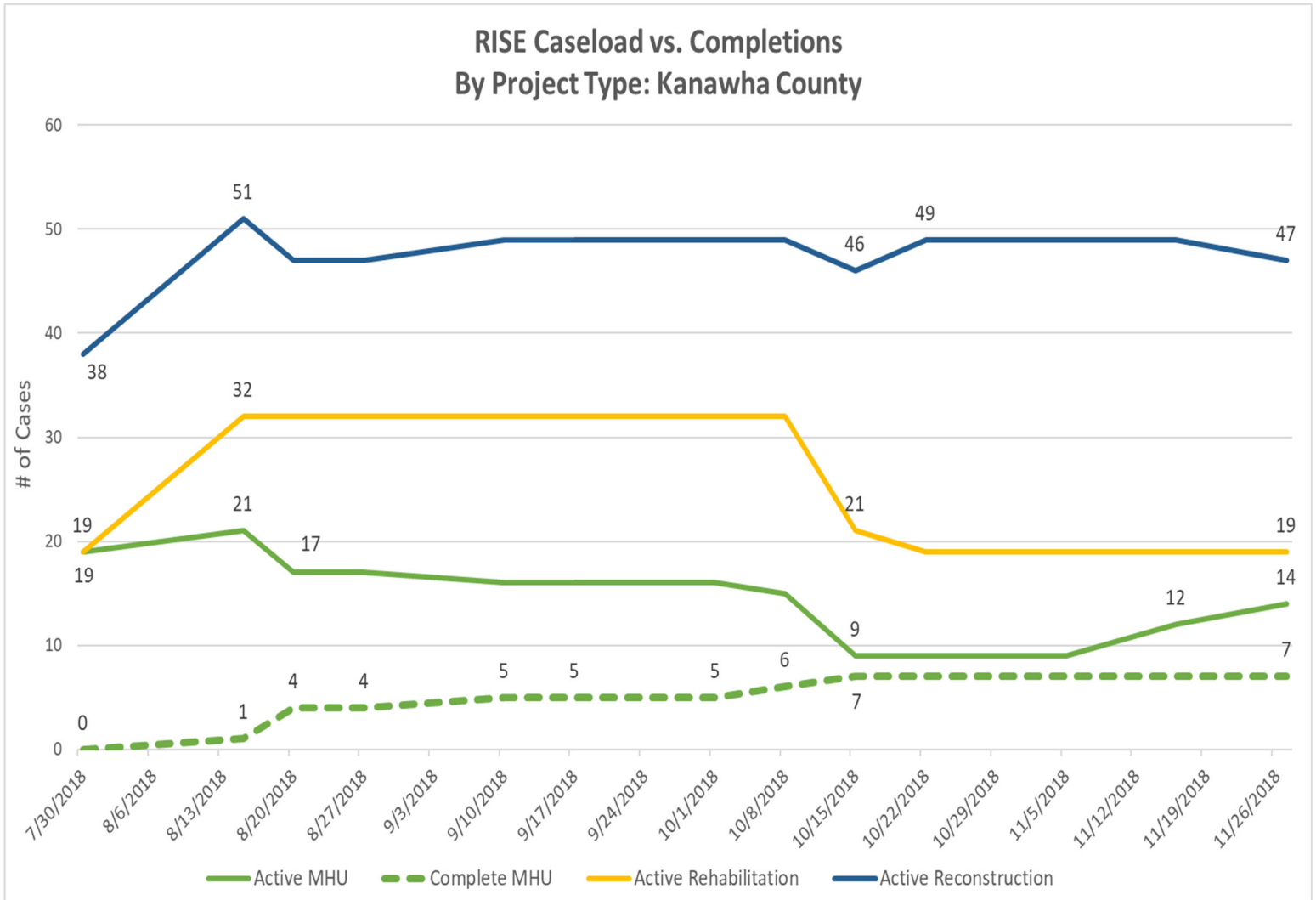
Figure 6					
Kanawha County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	22	32	51	0	105
Inactive	9	1	9	4	23
Closed	2	0	0	165	167
Total	33	33	60	169	295

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

Previously unassigned cases contribute to an increase in active cases in the initial reporting period. As shown in Figure 7, Kanawha County had 19 active MHU cases on July 30, 2018 and 14 by the November 27, 2018. Over the same time period, seven MHU cases in Kanawha County were completed, with the first case being completed as August 15, 2018.

Figure 7: Kanawha County Caseload vs. Completions



The number of active rehabilitation cases for Kanawha County began at 19 but increased to a peak of 32 after the National Guard classified all of the previously unassigned cases. Between October 8 and October 15, 2018, the active rehabilitations dropped to 21 cases, and by the end of the review period, the active caseload for rehabilitations had reverted to 19. The County experienced an increase in active reconstruction cases over the review period from 38 cases on July 30, 2018 to 47 cases on November 27, 2018.

Clay County

Initial Intake

Clay County was also one of the four counties HUD designated as one of the most impacted or distressed areas in West Virginia related to the June 2016 flood. As of August 15, 2018, the RISE Programs had received and reviewed 194 total applications from residents of Clay County, 14 percent of all applications filed.

A total of 88 applications (45 percent) from Clay County were classified as active. An additional 14 applications were classified as inactive and 92 were closed. Further, 57 cases were for MHUs, including 45 that were listed as active and 10 that were listed as inactive. The county had 21 total applications classified as rehabilitations, all of which were listed as active cases. Finally, Clay County submitted 27 total applicants classified as reconstruction, with 22 active and 4 inactive. Figure 8 provides a full breakdown of initial intake.

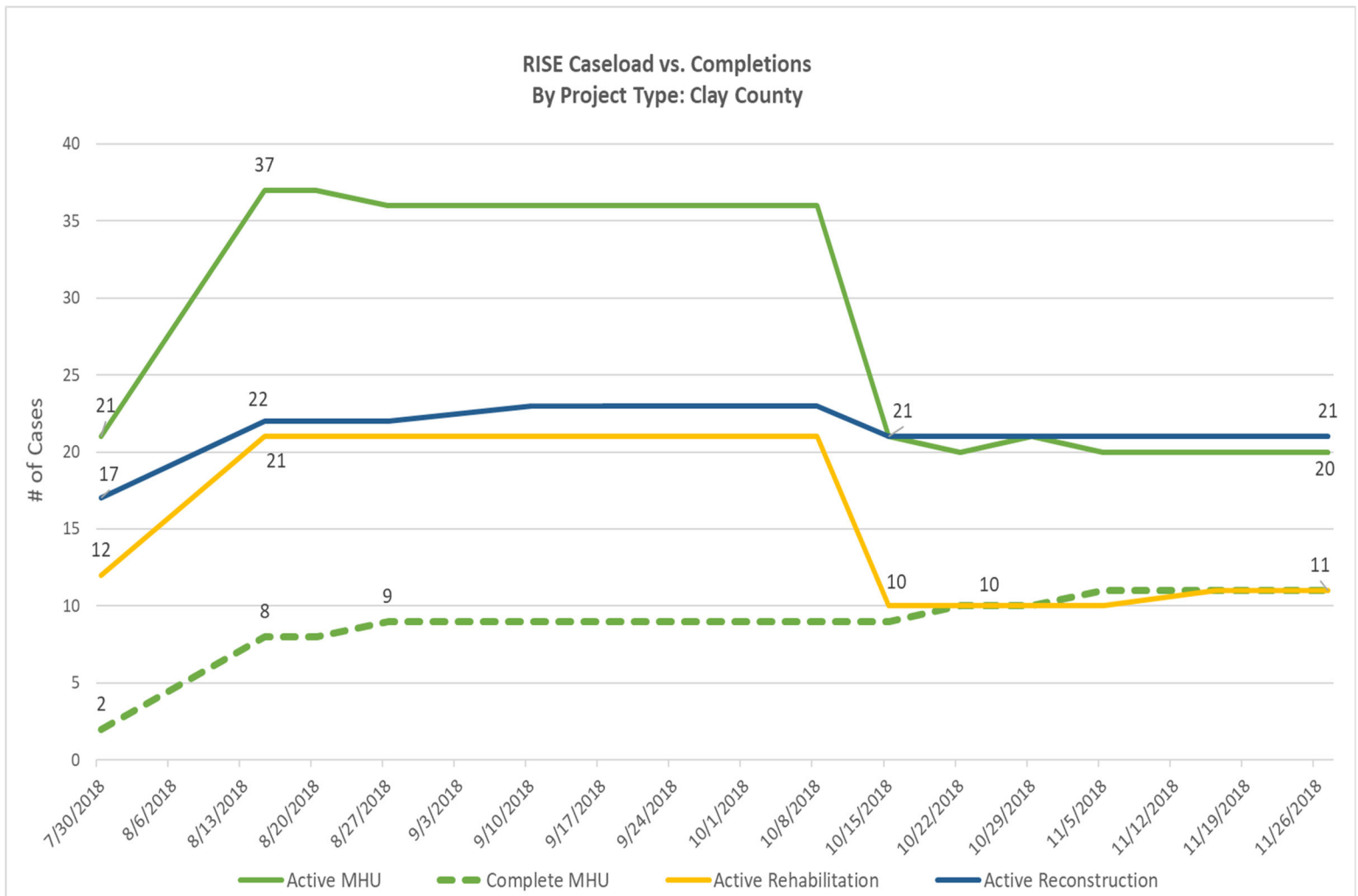
Figure 8					
Clay County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	45	21	22	0	88
Inactive	10	0	4	0	14
Closed	2	0	1	89	92
Total	57	21	27	89	194

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

Previously unassigned cases contribute to an increase in active cases in the initial reporting period. As shown in Figure 9, Clay County had 21 active MHU cases on July 30, 2018. MHU cases peaked a few weeks later on August 20, 2018 at 37 active MHU cases. By the November 27, 2018, Clay County's active MHU caseload had decreased to 20 cases. Over the same time frame, Clay County had 11 MHU cases completed by November 27, 2018, making it one of the counties to have the most completed cases (tied with Nicholas County).

Figure 9: Clay County Caseload vs. Completions



Clay County began the reporting period with 12 active rehabilitation cases. After increasing to 21 active rehabilitation cases, Clay County's caseload ended the reporting period with 11 active rehabilitation cases. The county has experienced an increase in active reconstruction cases over the review period from 17 cases on July 30, 2018 to 21 cases on November 27, 2018.

Nicholas County

Initial Intake

Nicholas County is the final county designated by HUD as one of the most impacted or distressed areas resulting from the flood. The RISE Programs received and reviewed 190 total applications from Nicholas County residents as of August 15, 2018, representing approximately 14 percent of the total number of applications filed.

A total of 67 applications from Nicholas County were classified as active cases. An additional 25 applications were classified as inactive cases and 98 were closed. Further, 32 cases were for MHU replacements, including 21 cases that were listed as active and seven that were listed as inactive. The county had 14 total applications classified as rehabilitations, with 13 active and one inactive. Finally, Nicholas County submitted 45 total applications assigned as reconstruction cases, with 33 active and 10 inactive. Figure 10 provides a full breakdown of initial intake.

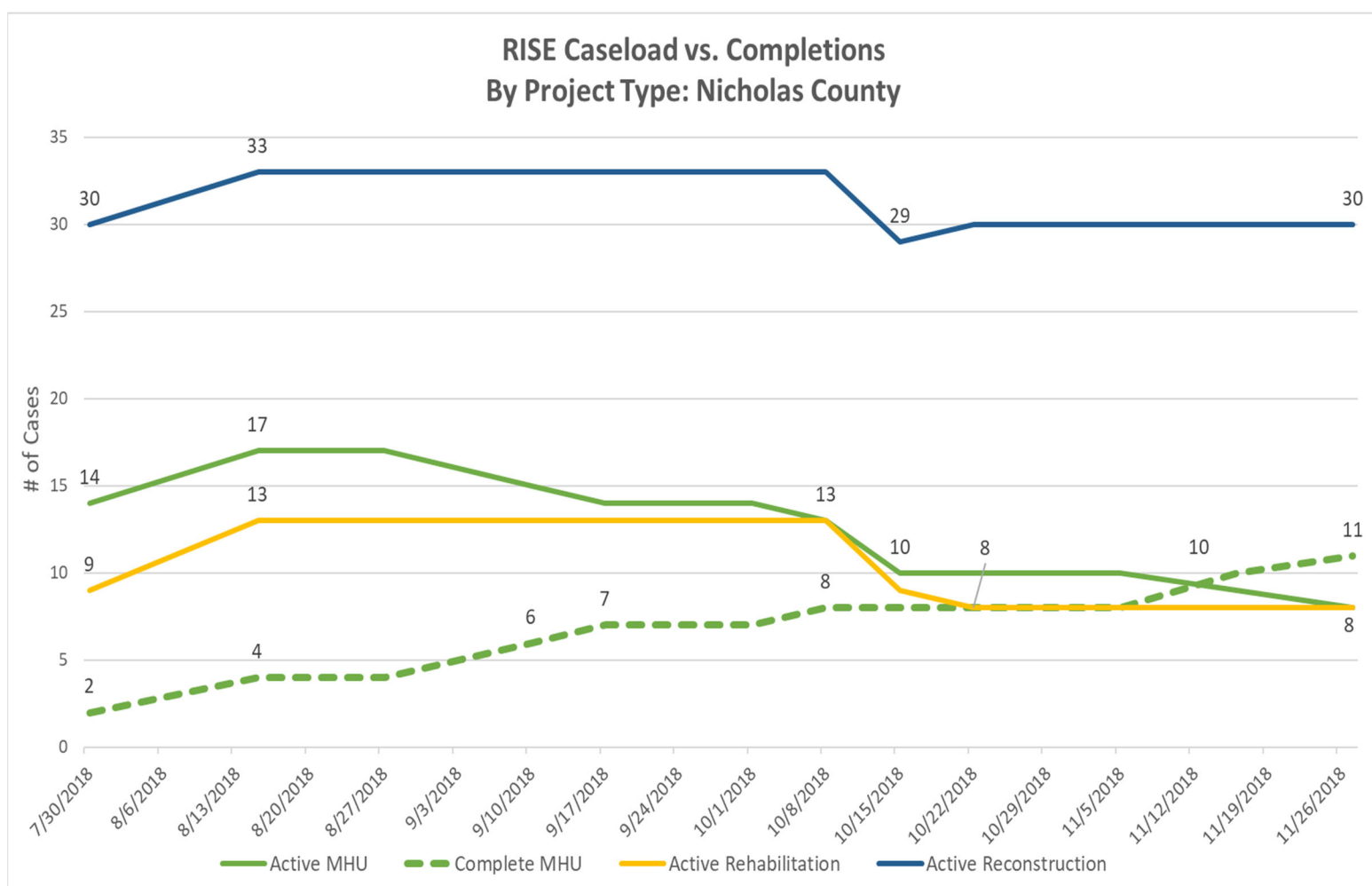
Figure 10					
Nicholas County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	21	13	33	0	67
Inactive	7	1	10	7	25
Closed	4	0	2	92	98
Total	32	14	45	99	190

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

The increase in active cases in the initial reporting period can be explained by case reclassification. As shown in Figure 11, Nicholas County started the review period with 14 active MHU cases on July 30, 2018. Active MHU cases would peak at 17 cases before ending at 8 active MHU cases by November 27, 2018. Two MHU cases had been completed by the July 30, 2018 starting date of this review. Over the reporting period, nine more MHU replacement cases were completed, bringing the total number in Nicholas County to 11 completed MHU cases as of November 27, 2018. Nicholas and Clay counties, each with 11 completed MHU cases, represent the counties with the most completed cases under the RISE Programs.

Figure 11: Nicholas County Caseload vs. Completions



Nicholas County began the reporting period with nine active rehabilitation cases, which increased to a peak of 13 cases after unassigned cases were formally classified in August 2018. By November 27, 2018, Nicholas County had eight remaining active rehabilitation cases. The number of reconstruction cases in the county began and ended the reporting period with 30 active reconstruction cases, peaking at 33 cases in between.

Webster County

Initial Intake

The RISE Programs received and reviewed 88 total applications from Webster County as of August 15, 2018. This number represents approximately six percent of the total number of applications for assistance received by the Programs.

Of applications received from Webster County, 25 were classified as active, five as inactive and 58 as closed. MHU replacements were the largest classification of assistance type for the county with 14 cases, including 12 that were listed as active and two that were listed as inactive. The county had nine total applications classified as rehabilitation cases, all of which were active. Finally, Webster County received six total applicants classified as reconstruction cases, with four active and two inactive. Figure 12 provides a full breakdown of initial intake.

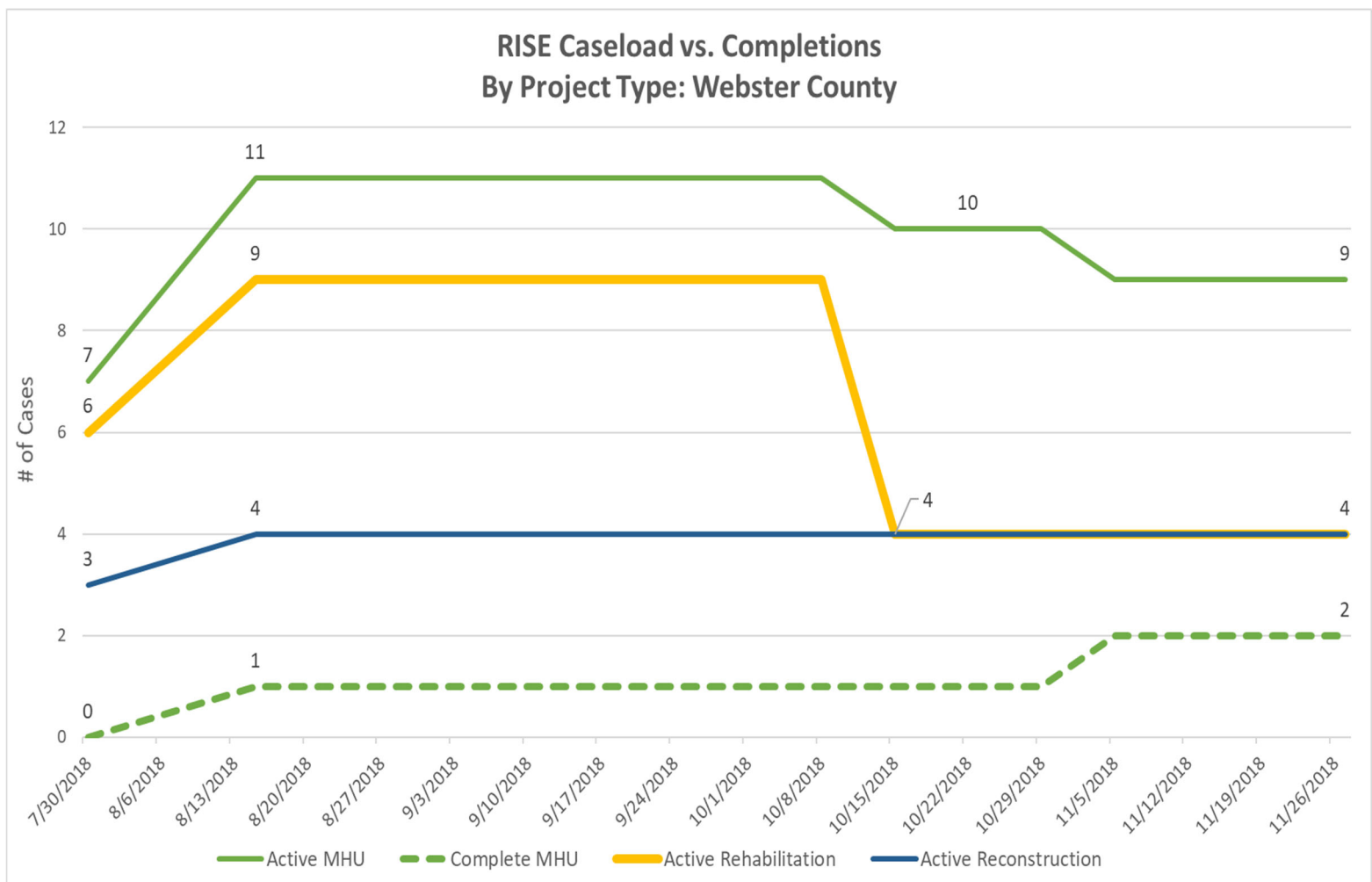
Figure 12					
Webster County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	12	9	4	0	25
Inactive	2	0	2	1	5
Closed	0	0	0	58	58
Total	14	9	6	59	88

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

Classification of the previously unassigned cases contribute to an increase in active cases in the initial reporting period.. As shown in Figure 13, Webster County had seven active MHU cases on July 30, 2018. Active MHU cases would increase to 11 before ending at nine on November 27, 2018. Currently, MHU replacement cases are the largest outstanding case type among the county’s active caseload. The first MHU replacement in Webster County was completed around August 15, 2018. Over the review period, two MHU cases were completed as of November 27, 2018.

Figure 13: Webster County Caseload vs. Completions



Webster County began the reporting period with six active rehabilitation cases, which increased to nine by August 15, 2018. The RISE Programs reported four cases active rehabilitation cases for Webster County as of November 27, 2018. The number of reconstruction cases in Webster County saw a small increase over the scope of this review, growing from three cases to four.

Fayette County

Initial Intake

The RISE Programs received and reviewed 83 total applications from Fayette County as of August 15, 2018, which comprises six percent of the total number of applications for assistance received by the Programs.

Of the total number of applications received, 48 were classified as active, eight as inactive and 27 as closed. Further, eight cases were MHU replacement cases, including six that were listed as active and two that were listed as inactive. The county had 20 total applications classified as rehabilitation cases, 19 of which were active and one inactive. Finally, Fayette County received 27 total applicants classified as reconstruction cases, with 23 active and four inactive. Figure 14 provides a full breakdown of initial intake.

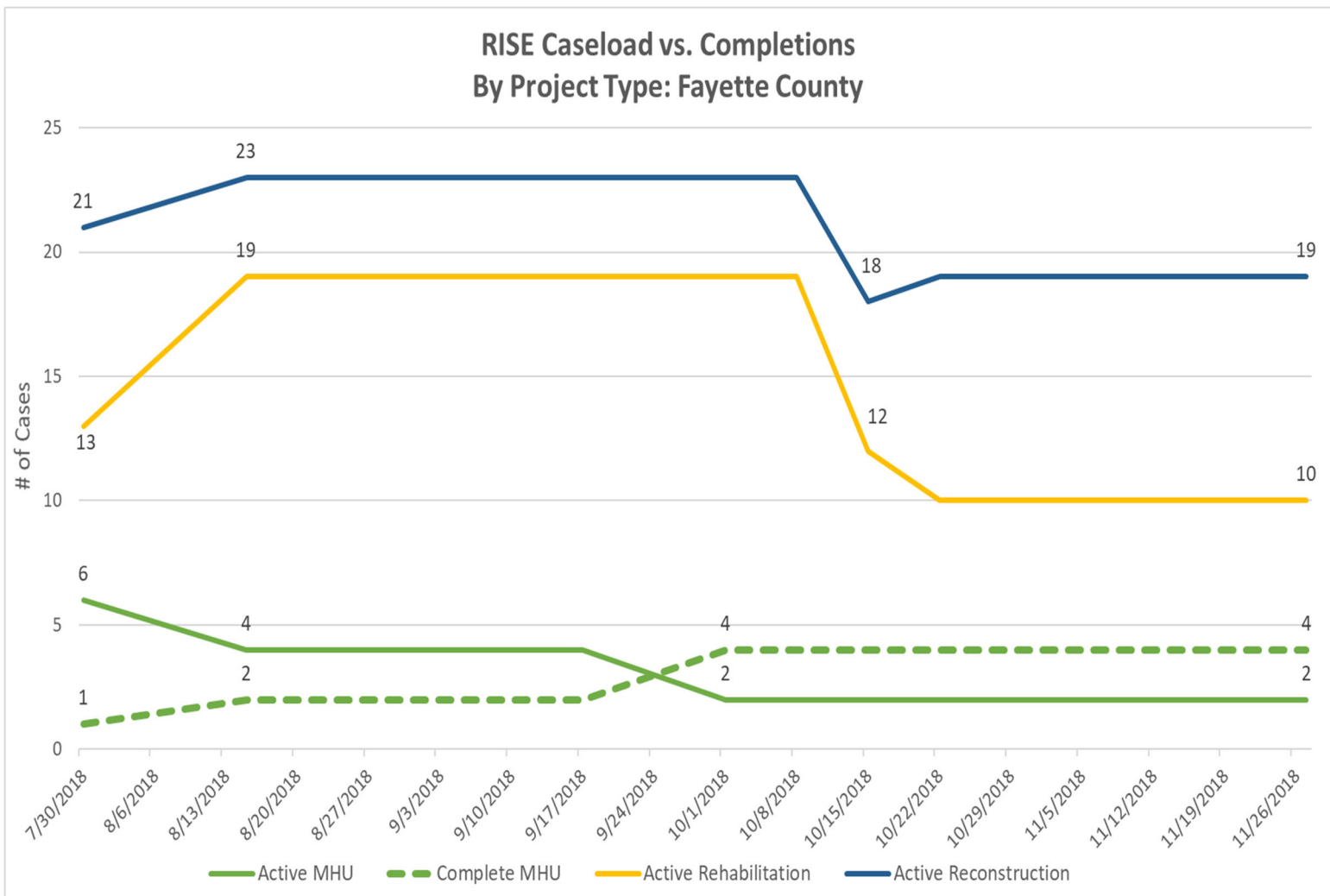
Figure 14					
Fayette County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	6	19	23	0	48
Inactive	2	1	4	1	8
Closed	0	0	0	27	27
Total	8	20	27	28	83

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

As shown in Figure 15, Fayette County had six active MHU cases on July 30, 2018. Over the scope of this review, the number of active MHU cases in Fayette County steadily declined and ended with two active cases as of November 27, 2018. One MHU case had been completed by the July 30, 2018 start date for this review, and three additional MHU cases were completed over the scope bringing the total up to four completed MHU cases as of November 27, 2018. Since October 1, 2018, the number of completed MHUs in Fayette County have surpassed the number of outstanding active MHU cases.

Figure 15: Fayette County Caseload vs. Completions



Fayette County began the reporting period with 13 active rehabilitation cases. The number of active rehabilitation cases grew to 19 before dropping down to 12 on October 15, 2018. The RISE Programs reported 10 active rehabilitation cases as of the final date of this review. Reconstruction cases in Fayette County began the reporting period at 21 active cases and ended with 19 cases.

Roane County

Initial Intake

The residents of Roane County submitted 37 total applications (3 percent) to the RISE Programs as of August 15, 2018. Of those applications, 15 were classified as active, seven as inactive and 14 as closed. Further, 11 cases were MHU replacement cases, including five that were listed as active and six that were listed as inactive. The county had three applications classified as rehabilitations, two of which was active and one inactive. Finally, nine applications were classified as reconstruction cases, all of which were active. Figure 16 provides a full breakdown of initial intake.

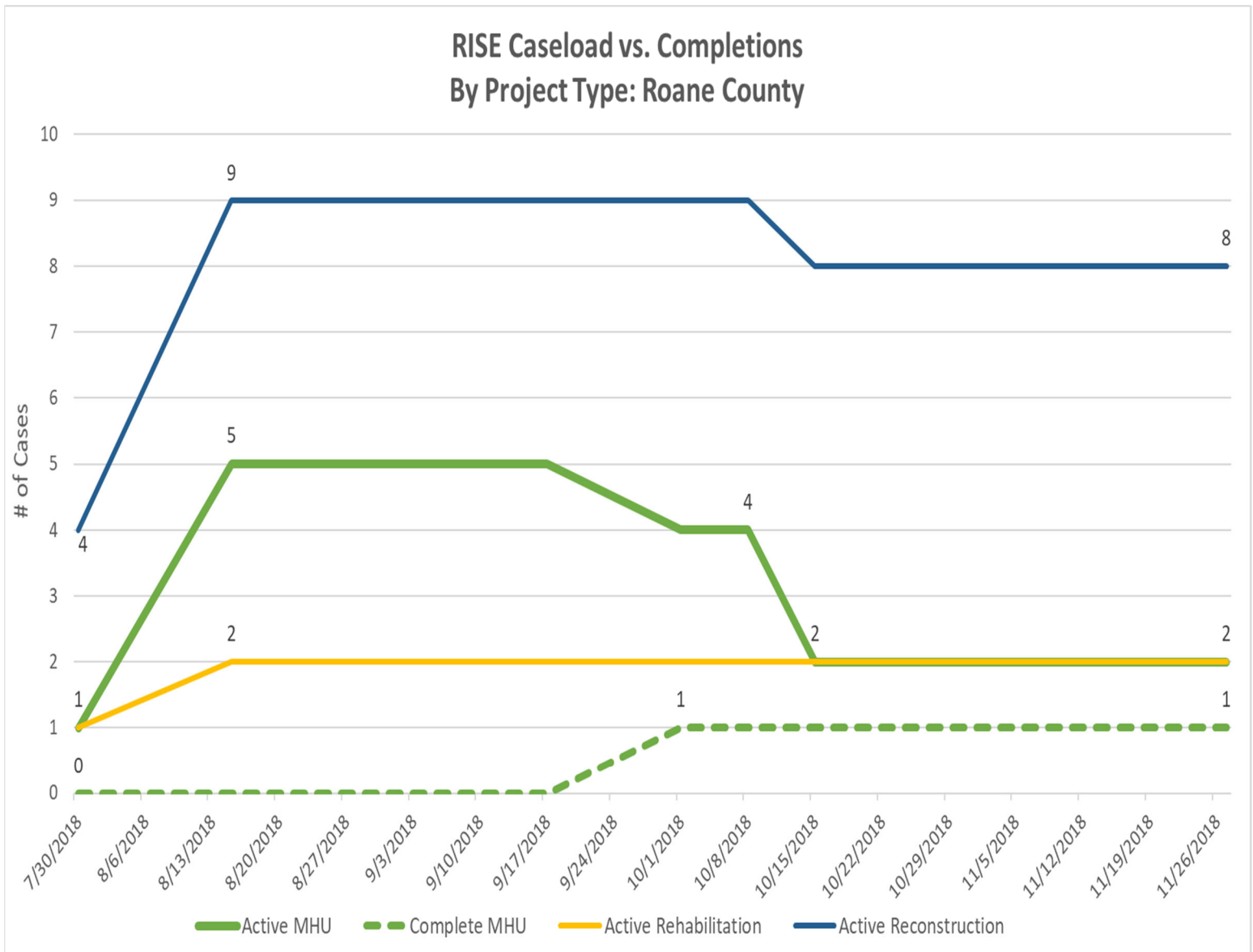
Figure 16					
Roane County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	5	2	9	0	16
Inactive	6	1	0	0	7
Closed	0	0	0	14	14
Total	11	3	9	14	37

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

As shown in Figure 17, Roane County had one active MHU case on July 30, 2018. By August 15, 2018 when the National Guard classified the previously unassigned cases, the number of active MHU cases had increased to five. Active MHU cases steadily declined to two cases by November 27, 2018. According to data from the RISE Programs, the one MHU case completed in Roane County was completed around October 1, 2018.

Figure 17: Roane County Caseload vs. Completions



The number of active rehabilitation cases in Roane County has remained constant at two cases. Meanwhile, the number of active reconstruction cases in the county doubled over the scope of this review, growing from four to eight by November 27, 2018.

Summers County

Initial Intake

The RISE Programs received and reviewed 22 total applications from Summers County residents as of August 15, 2018. Of those applications, six were classified as active, three as inactive and 13 as closed. The county had a single MHU case, which was listed as inactive. The county had five applications classified as rehabilitation cases, three of which were active and one inactive. Finally, Summers County received five applications classified as reconstruction cases, three of which were active and one inactive. Figure 18 provides a full breakdown of initial intake.

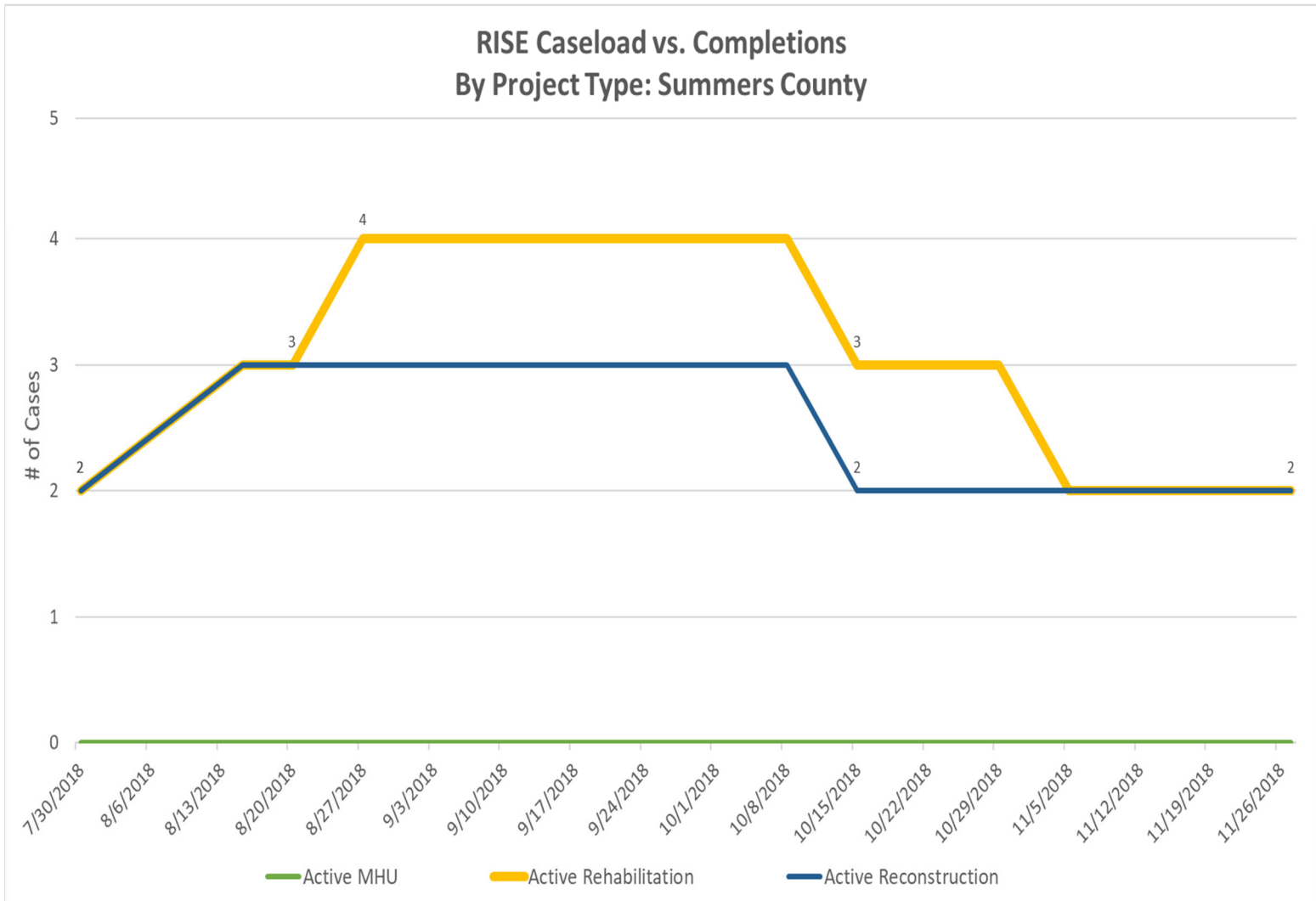
Figure 18					
Summer County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	0	3	3	0	6
Inactive	1	1	1	0	3
Closed	0	1	1	11	13
Total	1	5	5	11	22

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

As shown in Figure 19, Summers County had zero active MHU cases over the scope of this review. Because MHU replacement cases are the only case type to have been completed, this makes Summers County one of four counties eligible for assistance under the RISE Programs to report zero completed cases.

Figure 19: Summers County Caseload vs. Completions



Summers County began the reporting period with two active rehabilitation cases, saw the number of cases double to four active cases, then revert to two. The active reconstruction caseload for the county saw even less movement, starting and ending at two active cases.

Jackson County

Initial Intake

The RISE Programs only received nine applications from Jackson County which is the second fewest applications received from any county. Of those applications, five were classified as active, two as inactive and two as closed. Three cases were MHU cases, including two active and one inactive. The county had one application classified as an active rehabilitation. Finally, Jackson County received three cases classified as reconstruction, with two active and one inactive. Figure 20 provides a full breakdown of initial intake.

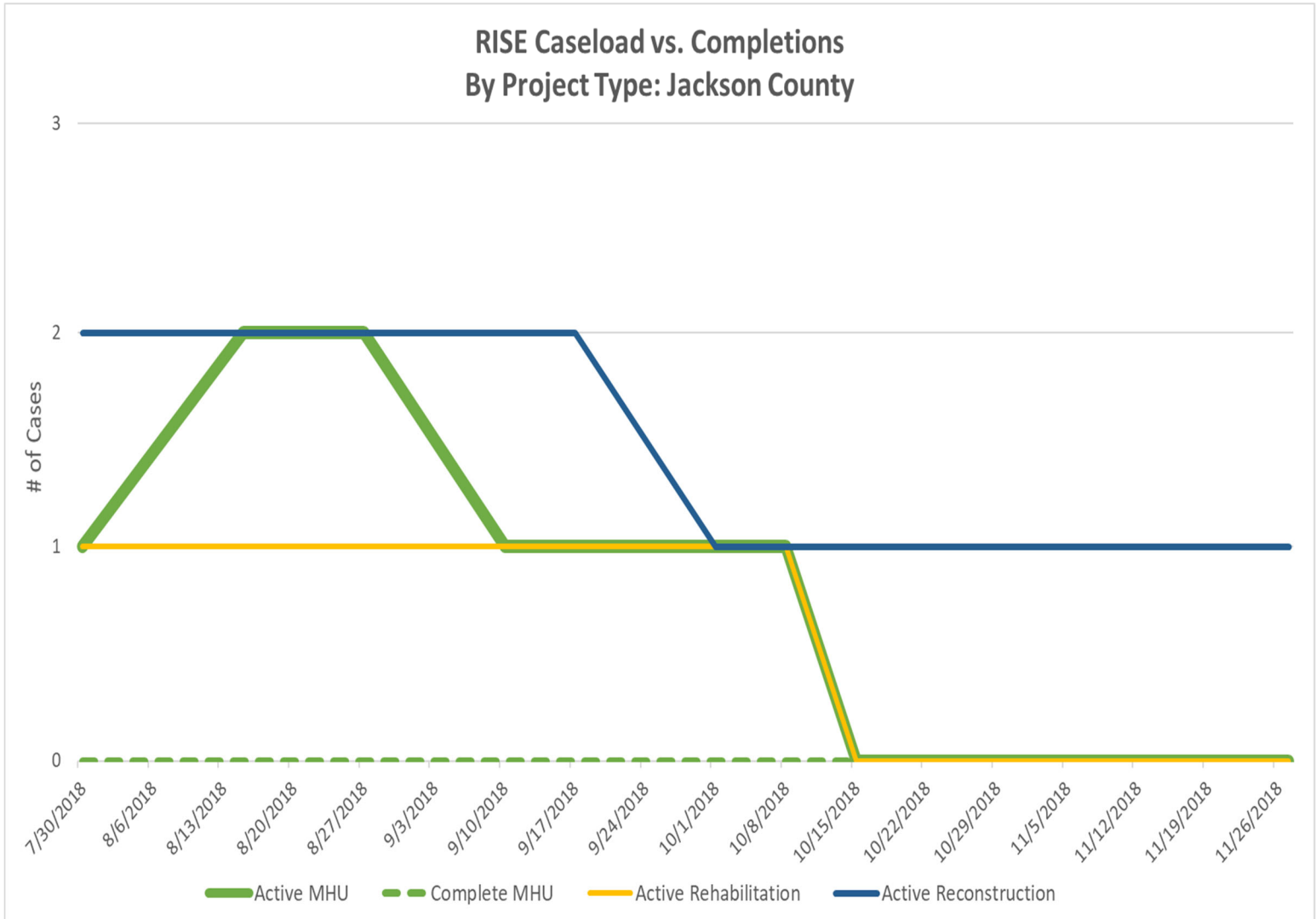
Figure 20					
Jackson County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	2	1	2	0	5
Inactive	1	0	1	0	2
Closed	0	0	0	2	2
Total	3	1	3	2	9

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

As shown in Figure 21, Jackson County had one active MHU case on July 30, 2018. The county added an additional MHU case to the active caseload on August 15, 2018, but fell back to one active case by September 10th, and zero by November 27th. Jackson County is one of four counties to report no completed cases under the RISE Programs.

Figure 21: Jackson County Caseload vs. Completions



Jackson County began the reporting period with one active rehabilitation case and ended with no active cases. Active reconstruction cases in the county began with two active cases and dropped to one by November 27, 2018. The one active reconstruction case is the only active case remaining in Jackson County.

Lincoln County

Initial Intake

Lincoln County residents had submitted ten total applications as of August 15, 2018. Of those, five were active, one inactive, and four closed. Further, four cases were MHU cases, all of which were listed as active. The county had no rehabilitation cases over the scope of this review and only two reconstruction cases—one active and one inactive. Figure 22 provides a full breakdown of initial intake.

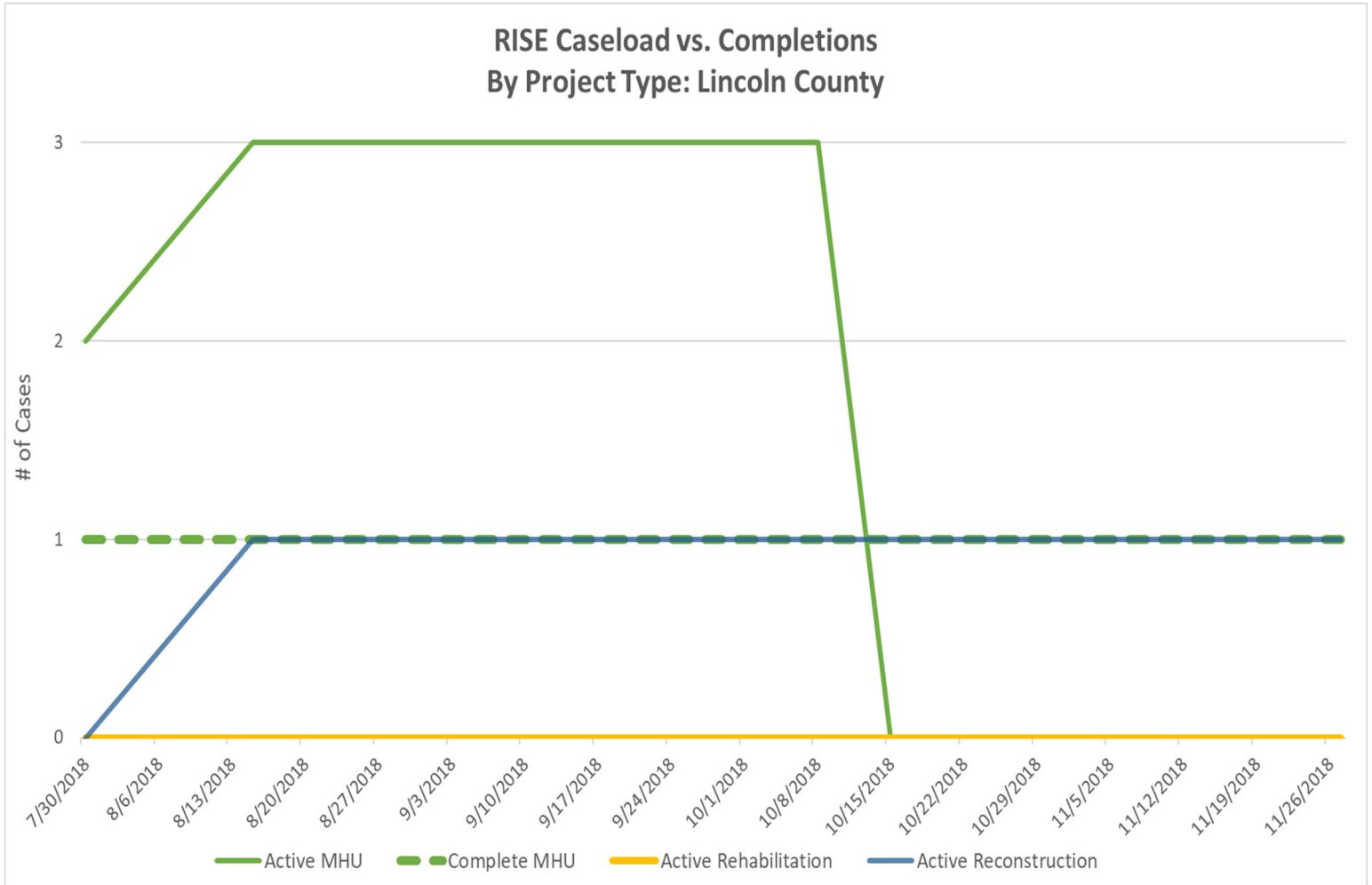
Figure 22					
Lincoln County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	4	0	1	0	5
Inactive	0	0	1	0	1
Closed	0	0	0	4	4
Total	4	0	2	4	10

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

As shown in Figure 23, Lincoln County has one completed MHU case with zero outstanding as active. The county began the reporting period with zero active reconstruction cases and ended with one, which is the only active case remaining in the county.

Figure 23: Lincoln County Caseload vs. Completions



Monroe County

Initial Intake

Monroe County submitted 11 total applications for assistance. Of those, three were classified as active and eight as closed. The county was one of only two counties reporting no active MHU cases. Monroe County had two applications classified as active rehabilitations. Finally, the county received two applications classified as reconstruction, one active and one closed. Figure 24 provides a full breakdown of initial intake.

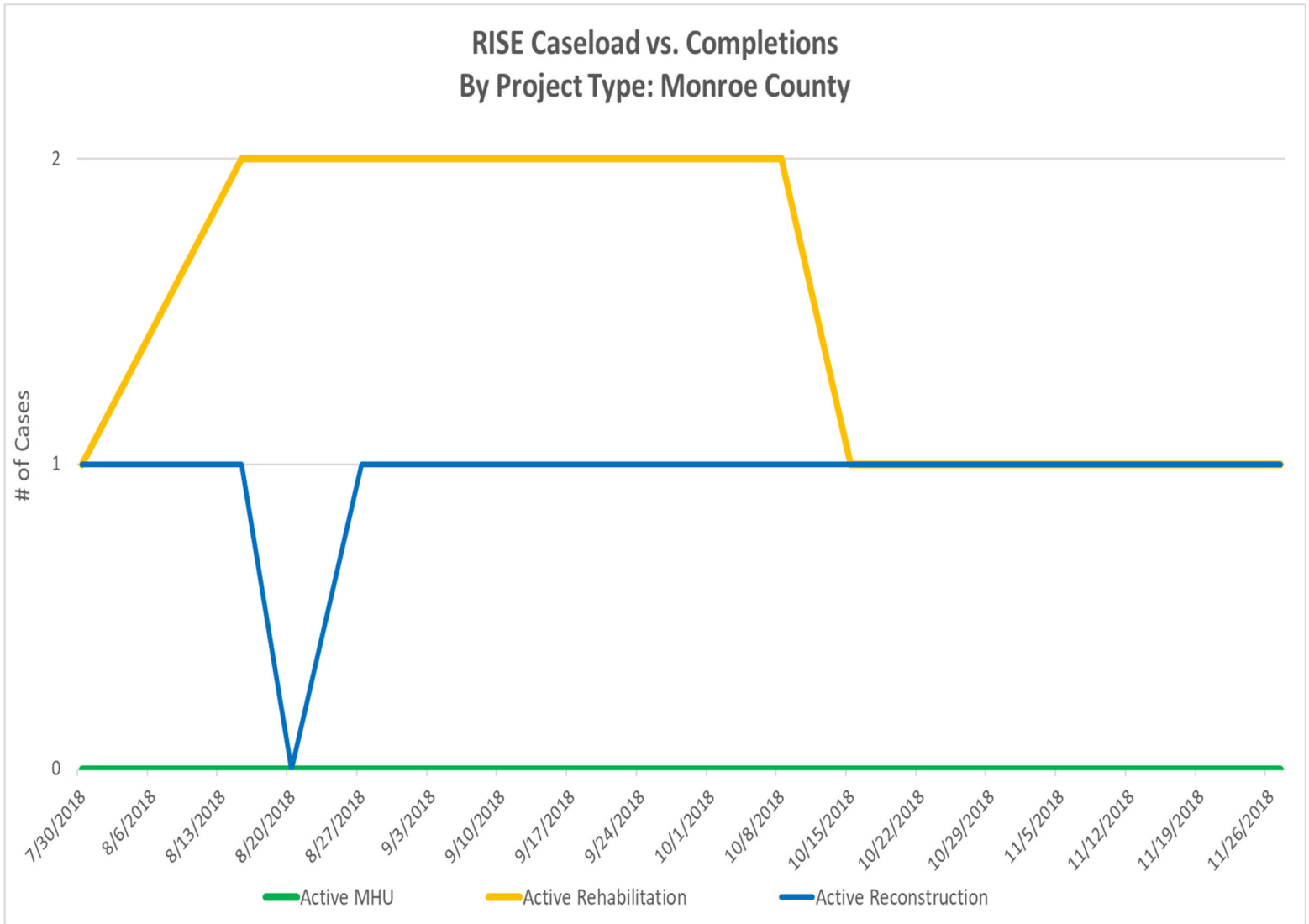
Figure 24					
Monroe County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	0	2	1	0	3
Inactive	0	0	0	0	0
Closed	0	0	1	7	8
Total	0	2	2	7	11

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

Because the county had no active MHU cases over the scope of the review, it is one of four counties to report zero complete projects. Monroe County has two outstanding active cases as of November 27, 2018: one rehabilitation and one reconstruction.

Figure 25: Monroe County Caseload vs. Completions



Pocahontas County

Initial Intake

Pocahontas County submitted the fewest applications in total with only four. Two applications were classified as active, one inactive and one closed. The county was one of only two counties to have had no active MHU cases. Pocahontas County had one active reconstruction case and one active rehabilitation case. Figure 26 provides a full breakdown of initial intake.

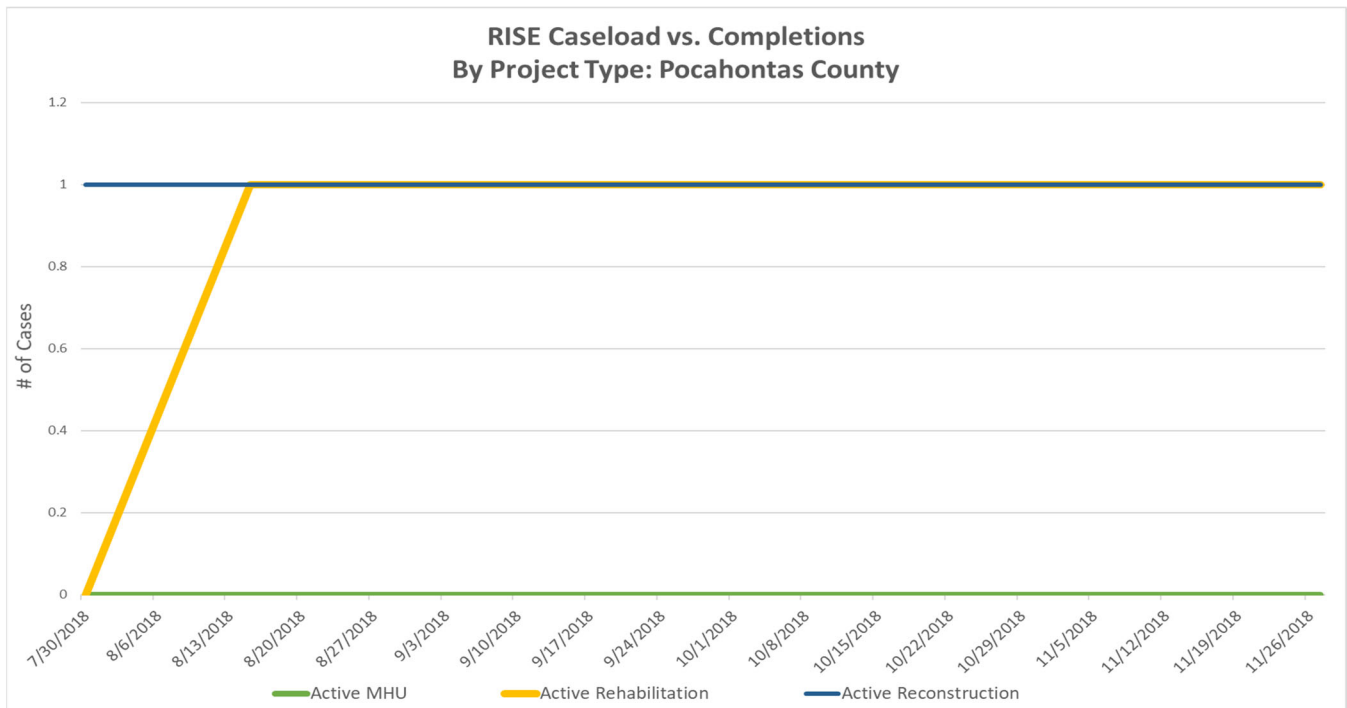
Figure 26 Pocahontas County Initial Intake					
Classification	MHUs	Rehabilitation	Reconstruction	Unassigned	Total
Active	0	1	1	0	2
Inactive	1	0	0	0	1
Closed	0	0	0	1	1
Total	1	1	1	1	4

Source: RISE case management data provided to the Legislative Auditor by the National Guard on August 15, 2018

Progress

As shown in Figure 27, Pocahontas County is the fourth county to report zero complete projects. As of November 27, 2018, there is one outstanding reconstruction and one rehabilitation case remaining in the county.

Figure 27: Pocahontas County Caseload vs. Completions



The RISE West Virginia Flood Recovery Programs Have Executed New Construction Contracts to Handle Its Outstanding Caseload.

Pursuant to the Legislative Auditor’s recommendation in June, the Development Office worked with HUD to phase out its previous construction contracts for MHUs, rehabilitations, and “stick-built” reconstructions. These new contracts were procured via a competitive bidding process through the State’s Purchasing Division, and all had effective dates of October 1, 2018 or prior.

The Development Office awarded four new contracts to Thompson Construction Group for all MHU replacement projects across the 12 affected counties. These contracts have an effective start date of September 1, 2018. The Development Office based the quantity of services solicited on the Programs’ active caseload. Therefore, the four MHU contracts cover 68 units for a total of \$7,140,529. The Legislative Auditor calculated that the average unit cost for a single MHU is \$105,008.

The Development Office similarly entered into four contracts with Thompson Construction Group for all “stick-built” reconstruction project in all four regions. These contracts have an effective start date of October 1, 2018. The contract covers 203 units for a total of \$29,443,299. The Legislative Auditor calculated that the average unit cost for a single home reconstruction is \$145,041.

To handle the home rehabilitation cases, the Development Office executed a subrecipient agreement with The Appalachia Service Project (ASP), designating ASP as a subrecipient of the CDBG-DR funding and committing to ASP a total of \$10,656,449 in disaster recovery funds. This amount is expected to cover all 180 active home rehabilitation projects. Based upon previous experience with rehabilitation cases, the Development Office estimated in the subrecipient agreement with ASP that 30 percent of active rehabilitation cases would convert into stick-built reconstruction cases. Therefore, the ASP subrecipient agreement covers 126 rehabilitation cases and 54 estimated reconstructions. The contract was entered into on August 8, 2018.

Finally, the Development Office executed a subrecipient agreement with VOAD whereby VOAD will handle all aspects of case management for the RISE Programs. This agreement, which was executed on July 27, 2018, allocated \$3,409,763 to VOAD for these services. Figure 28 provides a breakdown of the contracts for each case type.

Figure 28			
Average Unit Costs for Housing Construction			
Type	Contracted Units	Total Contract Cost	Average Unit Cost
MHU	68	\$7,140,529	\$105,008
Reconstruction	203	\$29,443,299	\$145,041
Rehabilitation	180	\$10,656,449	-
Total	271	\$47,240,277	

Source: Legislative Auditor’s calculations derived from the Development Office’s four MHU contracts and four Reconstruction Contracts.

Projections

Using the active caseload data provided by the National Guard as of November 27, 2018—the last data point in the scope of this review—the Legislative Auditor sought to project the total amount of disaster recovery funds that could be expended under the RISE Programs. By multiplying the average unit costs for each type of assistance by the number of units expected to be built, the Legislative Auditor was able to estimate the total costs for the project under a number of different scenarios. Because the solicitations for each construction contract reflected actual cases, the average unit costs for MHUs, reconstructions, and rehabilitations incorporates the estimated qualities and associated costs for additional factors that can increase the cost of a case, such as HVAC work, ADA modifications, elevation, septic tank replacement, etc.

If only the active cases were to be completed, the RISE Programs would expend \$50,121,917 of the \$87,899,250 allocated by HUD. Under this scenario, 408 total cases would be completed (which includes the 39 that were already completed as of November 27, 2018). This comprises 106 MHUs, 67 home rehabilitations, and an estimated 235 stick-built reconstructions.

If the RISE Programs were to complete all 408 active cases as of November 27, 2018 and half the cases that are currently inactive, the Programs' total expenditures would rise to \$61,114,174. When the Legislative Auditor met with a case management team from VOAD on November 30, 2018, representatives from the Programs indicated that VOAD expects approximately 50 percent of the inactive caseload will become active at some point.

Finally, the Legislative Auditor projected the total costs of the Programs if every single case, both active and inactive, were to be completed. In this scenario, the total expenditure would be \$68,096,082, still well below the total allocated funds, of \$87,899,250. Figure 29 shows each projection in detail

Figure 29
Estimated Total Construction Costs
For Active and Inactive Caseload, As of November 27, 2018

Type	Active	Completed	Estimated Inactive**	Average Unit Cost	Total
MHU	67	39	71	\$105,008	\$18,586,377
Reconstruction	206	0	66	\$145,041	\$39,451,120
Rehabilitation	67	0	31.5	\$30,000	\$2,955,000
Rehabilitation*	29		31.5	\$127,342	\$3,693,821
Case Management	-	-	-	-	\$3,409,763
Total-All	369	39	200	-	\$68,096,082
Total + ½ Inactive	369	39	100	-	\$61,114,174
Total-Active Only	369	39	-	-	\$50,121,917

*This rehabilitation category represents the 30 percent of rehabilitation cases that are estimated to convert to reconstructions.

**Because of the change in the availability of case management data after October 8, 2018, inactive caseloads are estimated.

Source: Legislative Auditor's calculations based on case management data provided by the National Guard and the current construction contracts.

The Legislative Auditor then compared the projected total expenditures with the total amount of money allocated to the RISE Housing Restoration and Rental Assistance Programs. Figure 30 shows the estimated surplus expected for each of the three projections.

If only active cases are built, the RISE Programs will have \$37,777,333 in surplus funds. If all the active cases and half the inactive cases are complete, the Programs would be left with an estimated surplus of \$26,785,076. If all projects are complete, active and inactive, the estimated surplus would be \$19,803,168.

Figure 30			
Projected Surplus from RISE Housing Restoration and Rental Assistance Programs			
Completions	Total Cost	Allocated Funds	Surplus
Active Only	\$50,121,917	\$87,899,250	\$37,777,333
Active + ½ Inactive	\$61,114,174		\$26,785,076
All Active + Inactive	\$68,096,082		\$19,803,168
<i>Source: Legislative Auditor's calculations based on case management data provided by the National Guard and the current construction contracts.</i>			

These projections only account for the current caseload of active and inactive cases in the Housing Restoration and Rental Assistance Programs, which are the two largest housing programs, making up approximately 73 percent of the State's total CDBG-DR funding dedicated to housing programs. The RISE Programs are still accepting applications for housing assistance, meaning the total caseloads could rise.

In addition, the broader RISE West Virginia Flood Recovery comprises other, smaller programs under the "housing umbrella," such as the Multi-Family Rental Housing Program, the Bridge Home Project, and the Slum and Blight Removal Program. Therefore, the Legislative Auditor notes that any surplus realized from the Housing Restoration or Rental Assistance Programs may be reallocated to other housing programs, depending on the State's assessment of unmet needs. Any realized surpluses may also be allocated to economic development or infrastructure projects related to the June 2016 floods if the State demonstrates to HUD that the unmet housing need has, or otherwise will, be addressed through other means.

WEST VIRGINIA LEGISLATIVE AUDITOR'S OFFICE

Post Audit Division

1900 Kanawha Blvd. East, Room W-329
Charleston, WV 25305-0610
(304) 347-4880

Justin Robinson
Director



December 6, 2018


Major General James Hoyer, Adjutant General
West Virginia National Guard
1703 Coonskin Drive
Charleston, WV 25311

Dear Major General Hoyer:

This is to transmit a draft copy of our office's report on the RISE West Virginia Flood Recovery Program. This report is tentatively scheduled to be presented during the **December 9, 2018** interim meeting of the Post Audits Subcommittee. The meeting is currently scheduled from 4:00-6:00 p.m. in the Senate Finance Committee Room (451-M). It is expected that a representative from your agency be present at the meeting to respond to the report and answer any questions committee members may have during or after the meeting.

If you would like to schedule an exit conference or otherwise wish to discuss any concerns you may have with the report, please call me at 304-347-4880. In addition, we need any written response you wish to submit by **Saturday, December 8, 2018** in order for it to be included in the final report. Thank you for your cooperation.

Sincerely,


Adam R. Fridley, CGAP
Audit Manager

Enclosure

Objective, Scope, and Methodology

The Post Audit Division within the Office of the Legislative Auditor conducted this review as authorized by Chapter 4, Article 2, Section 5 of the *West Virginia Code*, as amended.

Objectives

The objective of this review was to determine the volume and type of applications for assistance that have been received by RISE West Virginia's Housing Restoration and Rental Assistance Programs and the status of the applications. This objective sought to break these applications down, by county, as follows: active cases, inactive and closed cases, and type of project.

Scope

The scope of this review consists of the all documentation regarding the case management of the RISE West Virginia Flood Recovery program. The scope will involve interviewing select staff with RISE focusing on the case management component. The audit staff will only analyze the status determinations made by program officials for data collection (active, inactive, construction status) and will not analyze the validity of said determinations. Audit staff will focus on the 12 counties deemed eligible for assistance under the state CDBG program: Greenbrier, Kanawha, Clay, Nicholas, Fayette, Webster, Roane, Summers, Jackson, Lincoln, Monroe, Pocahontas. The scope will also include an examination of the current construction contracts, but only to the extent necessary to calculate the average unit price for each assistance type.

Methodology

Post Audit staff gathered and analyzed several sources of information and assessed the sufficiency and appropriateness of the information used as evidence. Testimonial evidence was gathered through interviews with various agencies that oversee, collect, or maintain information. The purpose for testimonial evidence was to gain a better understanding or clarification of certain issues, to confirm the existence or non-existence of a condition, or to understand the respective agency's position on an issue. Such testimonial evidence was confirmed by either written statements or the receipt of corroborating or physical evidence.

Audit staff analyzed various source documents that were either provided to us by the National Guard or are publicly available on the State's public flood recovery website (wvfloodrecovery.com). In addition, information was obtained using the State Auditor's website and directly from the Purchasing Division. Audit staff tracked the changes in caseload from week to week using data from the National Guard.

We conducted this performance 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



DEPARTMENT OF THE ARMY
JOINT FORCES HEADQUARTERS
WEST VIRGINIA ARMY NATIONAL GUARD
1703 COONSKIN DRIVE
CHARLESTON, WV 25311

NGWV-JHQ-RISE

07 December 2018

MEMORANDUM FOR Post Audit Division, West Virginia Legislative Auditor's Office,
1900 Kanawha Blvd. East, Room W-329, Charleston, WV 25305

SUBJECT: Response for Draft Report on RISE WV Flood Recovery Program

1. References:

a. Draft Copy, Out of Office's Report, 06 DEC 18, subject: RISE West Virginia Flood Recovery Program

2. The purpose of this memorandum is to provide a written response on the information depicted in the Draft Report provided on 06 December 2018 by the Post Audit Division of the West Virginia Legislative Auditor's Office. The intent is to provide clarification on several of the points described throughout this report, in an attempt to portray the most accurate information possible. The subsequent paragraphs will outline the points of clarification we are requesting to be made.

3. Program Overview, Initial Intake, Paragraph 2, Sentence 3, Page 2;

a. Please include "duplication of benefits" as a reason for being labeled as Inactive.

4. Program Overview, Initial Intake, Paragraph 2, Sentence 4, Page 2;

a. Please include "or housing needs have been met" as a reason that a Case would be labeled as Closed.

5. Program Overview, Initial Intake, Paragraph 1, Sentence 1, Page 3;

a. Please re-word to state "Eligible applicants are categorized into one of three types of assistance based upon the estimated cost to repair the damage vs. the appraised value of the home, and the type of home prior to the storm:"

1. An applicant cannot chose what type of assistance they will receive. If the estimated cost of repair exceeds 50% + \$1.00 of the appraised value of the home, prior to the incident, it is determined to be a total reconstruction.

2. This is just one of many separate factors utilized in determining what project type a Case will be. One key thing to remember is that this program is entirely voluntary. If a Homeowner chooses not to receive a new home, they have the ability to withdraw from the program. If that happens, we immediately refer them to WV VOAD's volunteer Disaster Case Management Program to receive assistance.

NGWV-JHQ-RISE

SUBJECT: Response for Draft Report on RISE WV Flood Recovery Program

6. Program Overview, Progress, Paragraph 2, Sentence 4, Page 4;

a. Please include “until storm damage verification could be obtained and verified.”

7. Projections, Page 27;

a. Please include data in all paragraphs to show additional factors that will increase the cost such as; HVAC, Elevation, ADA Modifications, Asbestos Testing and Abatement, Septic Tanks, etc. This can be accomplished by include the worst case scenario pricing provided by the WVNG.

1. Due to the increase in costs under the new contracts, a Substantial Amendment was submitted for the Action Plan to increase the maximum price for both the Reconstructions and Mobile Home Replacements (\$124,800 and \$84,502) as well as including a maximum price for Site Conditions (\$83,000). This Site Condition cap will cover items such as HVAC, Elevation, ADA Modifications, Asbestos Testing and Abatement, Septic Tanks, etc.

8. Projections, Page 28;

a. Please include the costs of the Sub-Grant Agreements with WV VOAD and ASP when accounting for the Total Costs.

b. Please include a statement that these costs do not include the salaries of those personnel supporting this program and that these numbers are based solely on the cost of the Construction Contracts.

9. The surplus of federal funding for this project cannot be accurately depicted at this time. The West Virginia Housing Development Fund is currently conducting a study to determine the unmet needs for Multi-Family Housing.

a. We request that the “Projections” portion of this report be re-examined and that a statement be included, that the dollar figures represented in this report do not account for all program expenditures until the Housing Development Fund report has been concluded and new contracts are in place to cover those unmet needs. This would allow for a more accurate portrayal of where the program currently stands on any potential funding expenditures or surplus.

10. For questions or concerns regarding the information contained within this memorandum, please contact the undersigned at 304-541-0384 or by email at justin.r.mcintire.mil@mail.mil.

JUSTIN R. McINTIRE
MAJ, EN, WVARNG
Project Manager – RISE Program



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