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PAUL W. RAINWATER  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
**Office of Community Development**  
**Disaster Recovery Unit**

January 19, 2011

Barbara Major  
Citizens United for Economic Equity  
4650 General De Gaulle Drive, Suite 104  
New Orleans, LA 70131

Re: Monitoring Report  
Revolving Capital Fund (RCF) Monitoring  
Business Recovery Grant and Loan (BRGL) Program

Dear Ms. Major,

On November 19, 2010, a visit to your office was conducted for the purpose of monitoring CUEE's administration of the Revolving Capital Fund (RCF). The RCF was created by the repayment of principle and interest from loans made through the Business Recovery Grant and Loan Program Phases I and II. OCD/DRU was there to monitor CUEE's adherence and compliance to the Revolving Capital Fund Agreement and the internal policies and procedures of your organization. The period under review was May 2008 through the date of the review. We appreciate the courtesy and cooperation extended to the monitoring staff during the RCF review.

The monitoring included the review of loans made from the RCF for adherence to the RCF Agreement's eligibility guidelines and terms as well as adherence to CUEE's internal RCF lending policies. CUEE's financials were also monitored to ensure that no more than 15% of the RCF balance (including principal and interest) was used by the intermediary for administrative expenses and that appropriate documentation was maintained to prove that such costs were reasonable and specific to the administration of the RCF.

There were several findings or areas of major concern revealed by the monitoring visit. Please see below:

**Area of Concern #1:** Loans did not adhere to the policy previously submitted to OCD. CUEE staff indicated that the policy had been revised after submission; however, there was no

indication that any policy was in place or being followed during the loan approval and review process.

**Corrective Action:** CUEE must create and adhere to a loan policy specific to RCF immediately. All previous loans approved must be reviewed for adherence to the policy and be documented for deficiencies.

**Area of Concern #2:** Files did not contain adequate and consistent documentation. Several files were missing loan applications, credit reports, employee information, financial analysis and other pertinent lending information.

**Corrective Action:** CUEE's policy must include documentation requirements that must be uniform for all applicants, including a standard loan application. All existing loan files should be reviewed for missing documentation; missing documents should be collected immediately.

**Area of Concern #4:** Multiple loans were made to related parties with little to no justification.

**Corrective Action:** CUEE must create and adhere to a Conflict of Interest Policy immediately. All loans approved to related parties should follow both the organization's general loan policy and the Conflict of Interest policy. Files for existing related party loans should be reviewed and brought in line with both policies.

**Area of Concern #5:** Signature missing on Promissory note for David St. Etienne (Ultimate Records LLC).

**Corrective Action:** CUEE must have the borrower sign promissory note immediately and check all files to ensure that all promissory notes are signed.

**Area of Concern #6:** CUEE's RCF account balance for July did not match the figures submitted to OCD in the monthly report.

**Corrective Action:** CUEE must correct the report submitted to OCD immediately. The organization must maintain accurate financial records that are accurately reported to the State.

**Area of Concern #7:** Administrative Fees withdrawn were above the 15% maximum allowed. \$25,000 was taken for administrative costs when only \$23,412.60 was allowed, leaving a difference of \$1587.40 which needs to be returned to the RCF fund.

**Corrective Action:** CUEE must return excess funds immediately. In addition, CUEE must routinely monitor the RCF balance and ensure that they are not incurring expenses related to the RCF that exceed 15% of the amount generated. CUEE is contracted to follow the guidelines of the RCF Agreement which states that "*up to 15% of amounts generated by repaid loans, including principal and interest, may be used by the Intermediary for reasonable costs associated with the administration of the Revolving Capital Fund (RCF)*".

**This office plans to conduct a follow-up visit within the next 90 days to ensure that all corrective actions have been followed.**

**Please note that the State reserves the right to request the return of all RCF funds if CUEE fails to comply with the conditions of the RCF agreement or if funds are not being used for the intended purpose of supporting small businesses and general economic development in Louisiana.**

We would like to recognize you on your efforts to follow the requirements of the RCF Agreement with the State for the intended purpose of supporting small businesses and general economic development in Louisiana.

Please submit a response to the issues noted in this report within 30 days of receipt of this letter to:

Theresa Brennan  
Office of Community Development  
1515 Poydras Street, Suite 1100  
New Orleans, LA 70112

If you have any questions on any matters discussed here, please call me at 504-556-9735.  
Thank you.

Sincerely,

Theresa Brennan  
Business Recovery Services  
Compliance Manager