

Written statement prepared for the
U.S. Commission on Civil Rights

“Civil Rights and Protections in the Federal Response to
Hurricanes María and Harvey”



Testimony of
Stephen M. Begg, Deputy Inspector General
Office of Inspector General
U.S. Department of Housing and Urban Development

June 25, 2021



U.S. Housing and Urban Development, Office of Inspector General

Written statement prepared for the U.S. Commission on Civil Rights briefing
“Civil Rights and Protections in the Federal Response to Hurricanes María and Harvey,” June 25, 2021

Introduction

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG) provides independent oversight of HUD programs and operations. HUD OIG conducts audits, evaluations, investigations, and other reviews with the goal of assisting HUD in progressing and succeeding in its mission to create strong, sustainable, inclusive communities and quality affordable homes for all. OIG uses traditional and innovative approaches to assess risk in HUD programs and provide recommendations to improve the economy, efficiency, and effectiveness in the administration of HUD programs, and to protect the integrity of those programs by preventing fraud, waste, abuse, or mismanagement.

HUD plays a critical role in assisting States, localities, and territories in their long-term recovery and mitigation efforts that are unmet following initial disaster relief efforts. HUD provides disaster recovery assistance primarily through the Community Development Block Grant Disaster Recovery (CDBG-DR) program. The CDBG Mitigation (CDBG-MIT) program was created in 2018 to fund mitigation activities to increase resilience to, and lessen the impact of, future disasters. After the President declares a disaster, Congress may appropriate grant funds specifically for a broad range of initiatives and activities specific to each disaster. CDBG-DR and CDBG-MIT funds are not provided under a codified program in the Code of Federal Regulations; instead, HUD publishes notices in the Federal Register outlining the rules applicable to each disaster-related appropriation.

HUD is often one of the largest, if not the largest, recipient of disaster recovery funding. Since fiscal year 1992, HUD has allocated \$89.8 billion in CDBG-DR and CDBG-MIT grants to help cities, counties, and States recover from presidentially declared disasters. Of the \$89.8 billion in disaster allocations that has been allocated nationwide, nearly \$69.3 billion has been obligated, and more than \$45.3 billion had been disbursed as of March 31, 2021.

HUD OIG’s role includes providing robust, comprehensive oversight of how HUD administers disaster recovery assistance through its various programs, which OIG has provided for almost two decades. OIG oversight often starts with an audit to assess the recipient’s capacity to administer the funds in accordance with program and Federal requirements. As funds are spent, OIG will conduct additional audits to determine whether the expenditures met applicable requirements. OIG conducts performance reviews to assess whether there are more efficient and economical ways to operate disaster recovery programs.

HUD OIG also investigates allegations of fraud in these programs related to contract awards and performance, falsified eligibility for benefits, duplicate benefit payments, and public corruption. Given the magnitude of the damage caused by recent disasters, such as those caused by Hurricanes Harvey, Irma, Maria, and Nate, and the extensive reconstruction and recovery efforts needed, oversight of HUD’s disaster programs will continue to be a priority for HUD OIG. In this briefing, HUD OIG will cover

what it believes are the most critical challenges HUD faces in administering disaster responses, recent key findings or reports, and a few examples of relevant ongoing work.

Administering Disaster Recovery Assistance Is a Top Management Challenge for HUD

HUD OIG issues an annual “Top Management Challenges” report summarizing our independent perspective on the most serious management and performance challenges facing HUD in the future. The report expresses HUD OIG’s views on priority management challenges, but it is based on OIG’s oversight reports and research published by OIG and other oversight bodies, as well as perspectives from key HUD officials. HUD OIG has identified administering disaster recovery assistance as a Top Management Challenge for HUD for more than a decade.

Although HUD has made progress in assisting communities recovering from disasters, it continues to face the following key challenges in administering and overseeing disaster recovery grants, which are explained in more detail below:

- Codifying the CDBG-DR and CDBG-MIT programs
- Addressing concerns that people encounter when seeking disaster recovery assistance
- Ensuring that expenditures are eligible, supported, and administered in a timely manner
- Preventing fraud in disaster recovery assistance

Codifying the CDBG-DR and CDBG-MIT Programs

As was noted by the Texas Advisory Committee’s March 2021 Advisory Memorandum to this Commission, the CDBG-DR and CDBG-MIT funds are not provided under a codified program in the Code of Federal Regulations like other CDBG grants.¹ The CDBG program requirements contained in the Code of Federal Regulations (CFR) at 24 CFR part 570 outline the framework for providing the funds. Several additional actions must occur before grant funds are disbursed to support recovery or mitigation activities. In addition, before grantees can officially formulate plans, HUD must issue Federal Register notices for each supplemental appropriation, setting requirements for the grantee designated to receive funds for the applicable disaster. More than 80 Federal Register notices have been issued since the funding of the 9/11 disaster-recovery efforts. With each newly issued Federal Register notice, recipients must study the notices and develop a program outlined by an action plan to address the unmet recovery or mitigation needs of their communities. All of these steps are expected to be completed during a time of great uncertainty, given that personnel and infrastructure may have been impacted, and can create delays up to 9 to 12 months.² Further, grantees that receive funding for different disaster events must follow all Federal Register notices related to each disaster, which can be confusing. For example, in February 2017, Texas had 6 open grants and was required to follow 48 different Federal Register notices to administer them.

Since 2017, OIG has recommended that HUD seek to codify the CDBG-DR program to simplify the process and standards and speed up the allocation of funds to recipients. For example, HUD OIG

¹ An Advisory Memorandum of the Texas Advisory Committee to the U.S. Commission on Civil Rights: Government Response to Hurricane Disasters (March 2021).

² The Evidence Base on How CDBG-DR Works for State and Local Stakeholders by Carlos Martin, Senior Fellow at the Urban Institute. See also U.S. Government Accountability Office (GAO) report, Better Monitoring of Block Grant Funds Is Needed, GAO19-232, March 25, 2019 (<https://www.gao.gov/assets/700/697827.pdf>).

recommended that HUD consider defining invariable program requirements such as “affordability period,” which is the length of time a project is required to be affordable to low- and moderate-income households. An OIG audit found that a CDBG-DR grantee arbitrarily chose an affordability period that was not consistent with other parts of the program and that the same grantee did not have a process in place for enforcing the affordability period requirements.³ OIG has also recommended that HUD consider limiting its current practice of providing maximum feasible deference to grantees’ interpretations of statutory and programmatic requirements. States operate their nondisaster CDBG programs as a pass-through program, and HUD has historically granted maximum feasible deference to a State’s interpretation of the statutory and programmatic requirements as long as the State’s interpretations are not plainly inconsistent with the Housing and Community Development Act of 1974, as amended. Additionally, HUD requires that a State’s definitions of requirements be explicit and reasonable. Notably, the term of maximum feasible deference is not in the Housing and Community Development Act of 1974. Instead, HUD’s Office of Community Planning and Development (CPD) stated in its public guidance regarding State CDBG programs that the term was created by HUD’s Office of General Counsel. The guidance states that HUD created the theory of maximum feasible deference to (1) provide for minimal regulation beyond the statute and (2) allow States to adopt more restrictive requirements as long as they do not contradict or are not inconsistent with the 1974 Act. In practice, however, States have used this concept, with the implicit support of HUD, to adopt less restrictive requirements, which are generally not treated like pass-through funds. This has made it harder for HUD to ensure consistent implementation of Federal standards, such as procurement standards, and to address identified weaknesses. It also complicates HUD’s monitoring efforts, as program staff must learn and account for unique State procurement standards to oversee the funds.

Addressing Concerns That People Encounter When Seeking Disaster Recovery Assistance

OIG has raised concerns that citizens who apply for disaster recovery assistance encounter a convoluted process and face substantial difficulties, depending on how, when, and where they submit a request for Federal assistance.⁴ People may experience lengthy delays between the initial application process and the closing of their application or case due to inconsistent communication, coordination, and collaboration between HUD and the grantees. Applicants may also experience delays in funding, receive duplicative benefits, and experience other challenges after the application process for disaster grant funds is completed. OIG suggested that HUD improve communication, coordination, and collaboration among nonprofits and volunteers, as well as Federal and State agencies with disaster-related roles, before the next disaster occurs. OIG has also suggested that HUD document any challenges reported by citizens to prepare for future disasters.

As noted in OIG’s Top Management Challenges, research shows that people of lower socioeconomic status are less prepared and are more vulnerable to the impact of disasters.⁵ On February 19, 2020, the U.S. Government Accountability Office (GAO) notified HUD that it intends to review the type of disaster

³ Audit Report 2019-FW-1007, The Texas General Land Office, Jasper, TX, Did Not Ensure That Its Subrecipient Administered Its Disaster Grant in a Prudent and Cost-Effective Manner, issued September 30, 2019.

⁴ Evaluation Memorandum 2017-OE-0002S, Navigating the Disaster Assistance Process, issued April 10, 2017.

⁵ Substance Abuse and Mental Health Services Administration Disaster Technical Assistance Center Supplemental Research Bulletin Greater Impact: How Disasters Affect People of Low Socioeconomic Status https://www.samhsa.gov/sites/default/files/dtac/srb-low-ses_2.pdf

assistance needed among the various demographic groups. The outcome of this review should shape HUD's policy on administering assistance to its most vulnerable populations.

Ensuring That Expenditures Are Eligible, Supported, and Administered in a Timely Manner

HUD disaster relief assistance has funded a broad range of activities over the course of many years, making it difficult for HUD to provide sustained oversight. HUD had been improving its efficiency in providing disaster funds, as the time between the initial supplemental appropriation and the allocation of funds decreased an average of 7.2 percent per year from 2005 to 2015.⁶ That being said, more progress is needed to ensure that disaster recovery assistance is timely and that expenditures are eligible and supported.

As disaster funding has grown in size and complexity, the staffing levels at HUD's Office of Block Grant Assistance (OBGA) have not kept up with the changes. A March 2019 GAO report found that HUD was not sufficiently staffed to meet its oversight objectives. The report noted that HUD needed to hire dedicated staff specifically trained in disaster recovery who did not have competing obligations, such as oversight of regular CDBG activities.⁷ To ensure that disaster-response funding reaches those who need it, HUD must ensure that grantees have the capacity to administer the funds and are using disbursed disaster funds for eligible and supported items. The March 2019 GAO report noted that HUD's monitoring plan for the 2017 disaster funding was insufficient because the onsite monitoring visits were not defined and the risk analyses were deficient.

In the wake of Hurricanes Maria and Irma, which both struck in September 2017, Puerto Rico was awarded more than \$20 billion in CDBG-DR funds, which is the largest allocation of funds in the history of the program.⁸ According to HUD, the first wave of funding was used to establish best practices and test systems and controls designed to prevent waste, fraud, and misuse of funds. In a recent audit of Puerto Rico's capacity to administer disaster funds, OIG recommended that the Puerto Rico Department of Housing (1) review and update its policies and procedures to prevent duplication of benefits, (2) review and update its procurement policies and procedures, and (3) continue to fill its job vacancies.⁹

As noted in OIG's Top Management Challenges report, as of February 28, 2020, HUD had identified 49 grantees as "slow spenders"¹⁰ for disasters that impacted major areas from 2011 to 2017. HUD needs to ensure that funds are disbursed in a timely manner to benefit those impacted. This delay in funding increases the risk of not meeting program objectives and results in victims waiting for assistance years after the disasters. To better understand this issue, HUD OIG is currently auditing HUD's oversight and monitoring of disaster recovery grantees deemed slow spenders.

⁶ See Carlos Martín, Brett Theodos, Brandi Gilbert, Dan Teles, and Christina Plerhoples Stacy: Improving the Speed of Housing Recovery after Severe Disaster: A Mixed-Methods Analysis of HUD's Community Development Block Grant Disaster Recovery Program.

⁷ GAO, Report to Congress March 2019—Disaster Recovery-Better Monitoring is Needed (GAO-19-232).

⁸ CDBG-Disaster Grant History 1992-2020 dated March 31, 2020
<https://files.hudexchange.info/resources/documents/CDBG-DR-Grant-History-Report.pdf>.

⁹ Audit Report 2020-AT-1002, The Puerto Rico Department of Housing, San Juan, PR, Should Strengthen Its Capacity To Administer Its Disaster Grants, issued March 16, 2020.

¹⁰ HUD defines "Slow Spender" as "[s]pending 10% less than the monthly pace required to fully use the grant by target closeout date."

Preventing Fraud in Disaster Recovery Assistance

A dollar lost to fraud is a dollar that will not properly reach the intended recipient. In a recent review of grant fraud risks in disaster recovery, GAO noted, “[f]raud can have nonfinancial impacts as well, such as fraudulent contractors obtaining a competitive advantage and preventing other businesses from obtaining contracts.”¹¹ OIG investigations of alleged fraud in disaster recovery assistance have resulted in many indictments and convictions and have led to substantial recoveries. HUD OIG has also partnered with the U.S. Department of Justice, HUD, and other Federal agencies to deliver disaster fraud training for grantees and subrecipients across the nation.¹² With a large amount of funds available for disaster recovery, preventing fraud, waste, and abuse in these programs remains a major challenge for HUD.

Prevalent fraud schemes identified by OIG investigators and others during previous disasters include:

Grantee fraud: Corruption in administering the funds, procurement fraud, or embezzlement

Contractor-subgrantee fraud: Contractors not completing contracted work after being paid, collusion, or embezzlement

Recipient fraud: Homeowners fraudulently identifying a second home or an investment property as their primary residence, homeowners falsely purporting damage to properties that did not sustain damage during the disaster, homeowners disregarding the program requirements, or sale of a rental property before the receipt of the homeowner rental assistance grant

Third-party fraud: Identity theft using documents or materials left in evacuated areas, or identity theft by unscrupulous actors posing as government officials or contactors

Additionally, a May 2021 GAO analysis identified other fraud risks in HUD CDBG disaster response programs, including contractors and vendors participating in bid rigging or misrepresenting qualifications or eligibility and bribery and kickbacks in general.¹³ OIG will continue to work to bring those involved in schemes to defraud HUD and HUD programs to justice. OIG has opened more 600 investigations involving HUD disaster recovery programs and operations since 2002, and we outline below several case examples exhibiting fraud schemes OIG has encountered.

Contractor To Serve 10 Years in Prison for Disaster Fraud

A contractor and Landlord Repair Program (LLRP) grant recipient was sentenced in State Superior Court in connection with a guilty plea to money laundering, theft by deception, distribution of a controlled substance, and conspiracy to distribute a controlled substance. The contractor was sentenced to 10 years incarceration and ordered to pay more than \$1 million in restitution, more than \$229,000 of which is due to HUD-funded programs. Between August 2013 and February 2016, the contractor was awarded \$500,000 in LLRP grant funds for a property in which he had partial ownership. Shortly after receiving the grant award, the contractor withdrew the majority of these funds using his father’s name and Social Security number. No construction permits were applied for, and no work was done on the property. Additionally, a Rehabilitation, Reconstruction, Elevation, and Mitigation (RREM) grant recipient contracted with the contractor’s construction company to repair a home damaged by Hurricane Sandy.

¹¹ GAO-21-177, Disaster Recovery: HUD Should Take Additional Action to Assess Community Development Block Grant Fraud Risks, (May 5, 2021).

¹² Federal Register Notice 83 FR 5844 requires States to attend and to require subrecipients to attend fraud related training provided by HUD OIG to assist in the proper management of CDBG-DR grant funds.

¹³ GAO-21-177, Disaster Recovery: HUD Should Take Additional Action To Assess Community Development Block Grant Fraud Risks (May 5, 2021).

The victim paid the company more than \$1 million for the work, which included \$150,000 in RREM funds. Rather than repair the home, the contractor used the money for personal expenditures. As both LLRP and RREM are HUD CDBG-DR-funded programs, the contractor's actions led to a total government loss of more than \$379,000. HUD OIG, the Ocean County Prosecutor's Office, and the New Jersey Division of Criminal Justice conducted this investigation.

Construction Companies and Owners Sentenced for Disaster Fraud

The owners of two construction companies were sentenced in State Superior Court in relation to their earlier guilty pleas to theft by failure to make required disposition of property received. One owner was sentenced to 7 years in State prison, while the other was sentenced to 5 years probation. The two were ordered to pay \$620,691 in restitution to 23 victims and \$56,000 and \$53,000 in State tax restitution, respectively, and one of the owners was ordered to forfeit her Tiffany & Co engagement ring. Both construction companies received a \$250,000 antiprofitereering penalty as well as forfeiture of assets due to the fraud. In addition, the owners were ordered to pay jointly and severally more than \$1.35 million as part of a civil judgement, and each was issued a permanent prohibition from operating a home elevation or contracting business in the State of New Jersey. Between 2013 and 2015, the two contracted with homeowners awarded the RREM grant following Hurricane Sandy and performed minimal or no work. These actions led to a loss of \$581,691 in government funds. HUD OIG and the New Jersey Division of Criminal Justice conducted this investigation.

State Senator Sentenced for Disaster Fraud

A Louisiana State Senator, was sentenced in U.S. District Court to 4 years probation and ordered to pay restitution in the amount of \$188,000 to the State of Louisiana, Office of Community Development, Disaster Recovery Unit. The senator was sentenced in relation to his guilty plea to making false statements for defrauding the Louisiana Road Home Program, Small Rental Property Program (SRPP). The senator received \$188,000 in Disaster Recovery funds as an incentive to repair his rental property. In exchange, the senator agreed to rent out the property at affordable rates to low-income tenants. The senator provided falsified documents to the SRPP by misrepresenting that the property was occupied by low-income tenants when it was vacant. The documents in question were backdated and contained forged signatures. HUD OIG and the Federal Bureau of Investigation conducted this investigation.

COVID-19 and Disaster Recovery

The pandemic caused by the coronavirus disease of 2019 (COVID-19) created unprecedented challenges for American families, communities, and the economy. Congress has provided approximately \$22 billion in funding to HUD to assist renters, landlords, vulnerable populations, and impacted communities in preventing, preparing for, and responding to the COVID-19 pandemic through its grant programs. In June 2020, the Pandemic Response Accountability Committee released its report on Top Challenges Facing Federal Agencies: COVID-19 Emergency Relief and Response Efforts, which included HUD OIG's assessment of the top challenges HUD faced in the early phases of the pandemic.¹⁴ That report included OIG's analysis of the challenges the pandemic presented to (1) rental assistance programs, (2) mortgage loan forbearance administration, (3) assistance for vulnerable populations, (4) assistance for communities' response, and (5) HUD's mission performance. HUD, like all Federal agencies, was challenged initially with implementing the substantial program changes required by the Coronavirus Aid, Recovery, and Economic Security (CARES) Act and communicating to the public and program administrators about those changes during a rapidly evolving pandemic that required nearly all staff to work remotely. Additionally, the pandemic presents new challenges for HUD and its program participants in implementing necessary changes to their program operations, including those for responding to disasters.

OIG is concerned that the pandemic will exacerbate HUD's already existing Top Management Challenges. To evaluate HUD's pandemic response, OIG has initiated agile engagements, some of which are described below, that are limited in scope so that OIG can complete this work quickly and offer insights to policymakers and the public in a timely manner. Through OIG's initial work and continuous risk assessments, as well as its communications with HUD leadership and its program participants, OIG has identified several ongoing challenges: (1) ensuring that the public receives accurate information about HUD's pandemic response and relief programs, (2) ensuring that CARES Act grant funds reach intended beneficiaries in a timely manner and are used appropriately, (3) implementing mortgage loan forbearance requirements in HUD's programs, and (4) performing HUD's mission operations through the pandemic.

OIG's Disaster Recovery Oversight Portfolio

As mentioned above, OIG must provide comprehensive, robust oversight of all aspects of HUD's programs and operations, with additional responsibility including how HUD responds to disasters. OIG often first conducts an audit to assess the recipient's capacity to administer the disaster response funds in accordance with program and Federal requirements. OIG conducts additional audits after funds are spent to determine whether the expenditures met applicable requirements. Performance reviews are also conducted to assess whether there are more efficient and economical ways to operate the program. Additionally, HUD OIG investigates fraud and other misconduct in the disaster response program. Recent examples of OIG's disaster response oversight work that relate to Hurricanes Maria and Harvey or the local implementing partners involved include the following:

¹⁴ Top Challenges Facing Federal Agencies: COVID-19 Emergency Relief and Response Efforts, June 17, 2020 (<https://www.oversight.gov/report/prac/top-challenges-facing-federal-agencies-covid-19-emergency-relief-and-response-efforts>).

[Review of HUD's Disbursement of Grant Funds Appropriated for Disaster Recovery and Mitigation Activities in Puerto Rico¹⁵](#)

OIG opened this review in March 2019 after receiving a congressional request to examine alleged delays in the disbursement of approximately \$20 billion of CDBG-DR and CDBG-MIT funds appropriated for Puerto Rico following Hurricanes Irma and Maria. OIG's review examined the decisions and actions of HUD officials that affected the timing of HUD's release of three tranches of funds intended to address Puerto Rico's unmet needs for repairs and mitigation efforts. OIG examined (1) the effect that the government shutdown during late 2018 to early 2019 had on the release of these funds; (2) HUD's decision-making process for making the second and third tranches of funding available to the Puerto Rico grantee; and (3) whether the former HUD Deputy Secretary resigned because of undue influence related to HUD's administration of Puerto Rico disaster-recovery funds.

OIG's examination of HUD officials' decision-making in this review included inquiry into their interactions with Office of Management and Budget (OMB) and White House officials regarding the execution of HUD's disaster-recovery programs. We also assessed the extent to which OMB or White House officials directed or influenced HUD officials' actions. We found the 2018-2019 government shutdown created incidental delays in HUD's disbursement of the funds, and found that the primary causes for delays were HUD's extensive negotiations with OMB regarding requirements to be included in the Federal Register Notice making CDBG-MIT funds available, and HUD's efforts to revise its CDBG-DR grant agreement

OIG's report made three recommendations to HUD on actions it should take to improve the clarity and consistency of requirements in the CDBG-DR and CDBG-MIT programs, notably through codification of the CDBG-DR and CDBG-MIT programs, and to clarify and streamline its process for administering funds to grantees in those programs.

[The Puerto Rico Department of Housing, San Juan, PR, Should Strengthen Its Capacity To Administer Its Disaster Grants¹⁶](#)

HUD OIG audited the Puerto Rico Department of Housing (PRDOH) in accordance with OIG's goal to review disaster funding and based on a congressional request for OIG to conduct capacity reviews for Hurricanes Harvey, Irma, and Maria grantees. The audit objectives were to determine whether the PRDOH had the capacity to (1) administer its CDBG-DR grants in accordance with applicable regulations and requirements and (2) whether it had in place financial and procurement policies and procedures that promoted the expenditure of funds and the acquisition of goods and services in accordance with Federal requirements.

HUD OIG found that PRDOH should strengthen its financial and procurement capacity to administer its CDBG-DR grants in accordance with applicable regulations and requirements. Specifically, OIG found PRDOH should strengthen its capacity by (1) improving its financial controls, (2) improving its processes for preventing duplication of benefits, (3) improving its procurement controls, and (4) continuing to

¹⁵ Review of HUD's Disbursement of Grant Funds Appropriated for Disaster Recovery and Mitigation Activities in Puerto Rico, April 20, 2021 (https://www.hudoig.gov/sites/default/files/2021-04/HUD%20OIG%20Final%20Report_2019SU008945I.pdf).

¹⁶ The Puerto Rico Department of Housing, San Juan, PR, Should Strengthen Its Capacity To Administer Its Disaster Grants, issued March 16, 2020 (<https://www.hudoig.gov/sites/default/files/2020-03/2020-AT-1002.pdf>)

increase its staffing. Strengthening its capacity would help ensure that the PRDOH properly administers more than \$19 billion in CDBG-DR funds in accordance with applicable requirements.

Additionally, the PRDOH did not follow Federal and its own procurement requirements when it acquired goods and services. As a result, HUD had no assurance that purchases totaling \$416,511 were reasonable, necessary, and allowable.

HUD OIG recommended that HUD require the PRDOH to (1) develop adequate procedures outlining steps for tracking monthly grant expenditures and reprogramming funds and program income and develop and implement a financial management system for its 2008 CDBG-DR grant, (2) review and update its policies and procedures to prevent duplication of benefits, (3) review and update its procurement policies and procedures, and (4) continue to fill its vacancies. In addition, HUD should require the PRDOH to submit supporting documentation showing compliance with procurement requirements and that \$416,511 were reasonable and necessary costs or reimburse the program \$55,010 from non-Federal funds and cancel \$361,501 in CDBG-DR obligations. Of the 16 recommendations HUD OIG made in this report, 7 have been closed and 9 remain open.

[The Texas General Land Office, Austin, TX, Should Strengthen Its Capacity To Administer Its Hurricane Harvey Disaster Grants¹⁷](#)

HUD OIG reviewed the Texas General Land Office (Texas GLO) in accordance with HUD OIG's goal to review disaster funding and based on a congressional request for HUD OIG to conduct capacity reviews for Hurricanes Harvey, Irma, and Maria grantees. OIG's audit objectives were to determine whether the State of Texas had the capacity to follow Federal procurement regulations when procuring contracts with CDBG-DR funds and to spend its CDBG-DR funds in accordance with applicable requirements.

Our report identified opportunities for the Texas GLO to strengthen its capacity to follow Federal procurement regulations when procuring contracts with CDBG-DR funds and to spend those funds in accordance with applicable requirements. Specifically, it could strengthen its capacity by (1) reviewing and updating its procurement and expenditure policies and procedures to ensure that they are implemented and working as designed, (2) increasing staffing to ensure that appropriate resources are available to administer the disaster funds, and (3) improving its processes for preventing duplication of benefits. It should also ensure that false statement and false claim warnings are included in all of its contract-related forms.

HUD OIG noted that these challenges exist because the agency will have responsibility for administering significantly more disaster grant funding than it has managed in the past. Further, the agency could benefit from a standard set of basic disaster recovery guidelines, established by HUD, to assist it in providing needed relief to affected communities. Strengthening its capacity to administer disaster funds would help ensure that the agency properly spends more than \$5 billion in CDBG-DR funding in accordance with applicable requirements.

OIG recommended that HUD's Acting Director for the Office of Block Grant Assistance (OBGA) require the Texas GLO to (1) ensure that its procurement and expenditure policies and procedures are implemented and working as designed, (2) fill vacancies to ensure that staffing levels remain adequate

¹⁷ The Texas General Land Office, Austin, TX, Should Strengthen Its Capacity To Administer Its Hurricane Harvey Disaster Grants, issued May 7, 2018 (<https://www.hudoig.gov/sites/default/files/documents/2018-FW-1003.pdf>).

and its staff is properly trained to administer disaster funds, (3) take steps to mitigate potential duplication of benefit risks, and (4) ensure that false statement and false claim warnings are included in all of its contract-related forms. All of the recommendations in the report have been closed.

[Harris County Community Services Department, Houston, TX, Was Inefficient and Ineffective in Operating Its Hurricane Harvey Program](#)¹⁸

HUD OIG audited the Harris County Hurricane Harvey CDBG-DR program. We initiated this audit as part of OIG's commitment to helping HUD address its top management challenges and to support HUD's strategic objective to support effectiveness and accountability in long term disaster recovery. Further, Congress has expressed strong interest in HUD's disaster programs.

OIG's objective was to assess the efficiency and effectiveness of Harris County's Hurricane Harvey CDBG-DR program and whether the program was assisting disaster participants in a timely manner; specifically, to examine the status of its HUD-approved activities and challenges, if any, in implementing the activities.

OIG found that Harris County had not efficiently or effectively operated its Hurricane Harvey CDBG-DR program. Specifically, 3 years after Hurricane Harvey, Harris County had assisted only 112 of 4,513 planned program participants and had spent less than 1 percent of its grant funds. Harris County's challenges included an inability to effectively assist applicants and inefficiencies in its reimbursement program. These conditions occurred because Harris County was overwhelmed by the number of programs it intended to operate and its staff did not respond effectively to Texas GLO guidance and training. As a result, the Texas GLO reduced the number of Harris County's programs and assumed control of \$338.7 million (27 percent) of its \$1.2 billion Hurricane Harvey grant suballocation.

OIG recommended that the Director of OBGA require the Texas GLO to (1) provide its plan to continuously monitor Harris County's pace and performance in its remaining program and take appropriate action to ensure that program goals are met; (2) set performance and financial milestones for all programs and activities funded under Harris County's subrecipient agreement; (3) monitor Harris County's capacity to manage its funds and address duplicative, inefficient, and cost-prohibitive processes or positions; and, (4) review Harris County's priorities for providing assistance to program participants. Implementation of these recommendations would include determining whether additional activities need to be combined or eliminated and repurposing additional grant funds if necessary. All of the recommendations HUD OIG made in this report remain open.

[Memorandum: HUD and Its CDBG-DR Grantees Have Experienced Challenges Related to the COVID-19 Pandemic](#)¹⁹

OIG completed a survey of the impact of the COVID-19 pandemic on CDBG-DR grantees to determine the challenges that HUD and its grantees are experiencing related to the COVID-19 pandemic and to help inform the Office of Community Planning and Development and Congress on the issues faced in

¹⁸ Harris County Community Services Department, Houston, TX, Was Inefficient and Ineffective in Operating Its Hurricane Harvey Program, issued June 2, 2021 (<https://www.hudoig.gov/sites/default/files/2021-06/2021-FW-1001.pdf>).

¹⁹ Audit Memorandum 2021-GA-0801, HUD and Its CDBG-DR Grantees Have Experienced Challenges Related to the COVID-19 Pandemic, issued March 23, 2021 (<https://www.hudoig.gov/sites/default/files/2021-03/2021%20GA%200801.pdf>).

responding to the pandemic. The survey focused on key questions regarding the grantees' challenges and experiences with respect to their ability to monitor CDBG-DR activities, future challenges in administering the program as a result of the pandemic, additional support they will need to effectively administer the program, and whether HUD's revised requirements address the challenges.

Many CDBG-DR grantees reported facing challenges with alternative systems-technology and communications with program participants, subrecipients, contractors, and local governments and reported substantial challenges with project construction delays and incurring additional costs due to State-ordered shutdowns and scarcity of materials. Other challenges reported by the grantees included adjusting to the technology for virtual monitoring, construction resources and lack of capacity, travel restriction impact on tourism-based project activities, fear of possible COVID-19 infection and case resurgence, telework and managing work-home balance, and ensuring having essential equipment and technology. OIG determined that there were eight recurring themes faced by CDBG-DR grantees and HUD officials during the COVID-19 pandemic.

Although HUD's assistance emerged as a recurring theme, grantees identified a range of actions and coordination efforts they received from HUD in response to the pandemic. OIG did not identify HUD assistance as a challenge but an opportunity for HUD to continue to cultivate its relationship with the grantees and collaborate with them to help them navigate and maintain continuity of operations during this emergency situation. The memorandum contained no recommendations.

Relevant Ongoing Oversight by HUD OIG

Below are brief summaries of relevant ongoing audits, evaluations, and reviews, that may be of interest to the Commission and this briefing either because they directly relate to disaster recovery or, though not directly related, could involve disaster recovery through a topic that may be of interest to the Commission.

HUD's Office of Fair Housing and Equal Opportunity Complaint Intake Process

HUD OIG is auditing HUD's Office of Fair Housing and Equal Opportunity (FHEO) complaint intake process. The complaint intake process is one of the initial stages in HUD's FHEO mission to eliminate housing discrimination, promote economic opportunity, and achieve diverse, inclusive communities. The audit objective is to assess HUD's Title VIII fair housing complaint intake process for complaint inquiries that result in formal filed complaints and those that are closed during the intake stage. Specifically, OIG will assess the thoroughness and consistency of 1) complaint inquiry data recorded in HUD's Enforcement Management System, and 2) jurisdiction determinations made during the intake process.

Fraud Risks Related to CDBG and ESG CARES Act Funds

HUD OIG is reviewing HUD's fraud risks identified for funds received from the CARES Act for the CDBG and Emergency Solutions Grant (ESG) programs. The objective is to gain an understanding of HUD's fraud risk management practices and the fraud risks HUD has identified for the CDBG and ESG funds appropriated under the CARES Act and develop an inventory of fraud risks not already identified by HUD.

HUD's Assurance of Public Housing Agencies' Processing of Reasonable Accommodation Requests

HUD OIG is conducting an audit to assess HUD's assurance of public housing agencies' processing of reasonable accommodation requests. Reasonable accommodations are an essential tool to protect the housing rights of tenants with disabilities. The audit objective is to determine whether HUD's Office of Public and Indian Housing (PIH) had adequate policies and procedures for ensuring that its public housing agencies properly addressed, assessed, and fulfilled requests for reasonable accommodations, including COVID-19-related requests.

Puerto Rico Community Development Block Grant - Disaster Recovery (DR) Program, Home Repair, Reconstruction or Relocation Program

HUD OIG is auditing Puerto Rico's Community Block Grant - Disaster Recovery (CDBG-DR) program, Home Repair, Reconstruction, or Relocation (R3) program. HUD awarded Puerto Rico more than \$9 billion in R3 program funding. The review objective is to determine whether the R3 program funds were spent in accordance with Puerto Rico's plan and applicable requirements.

Public and Indian Housing and Multifamily Vacancies During a Disaster Declaration

HUD OIG is researching PIH's and Multifamily Housing's use of vacant units during previously Presidentially Declared Disasters and the COVID-19 declared disaster, as well as PIH's and Multifamily's ability to place a waitlist preference for the homeless and how many homeless individuals had a 50058 or 50059 new move-in during the COVID pandemic. Since the introduction of the CARES act, there has been an emphasis on reviewing how HUD has reacted to the COVID-19 disaster. HUD allocated \$1 billion to keep America's homeless population safe. The purpose of this research is to issue memorandums for both PIH and Multifamily addressing the research topics

Texas Subrecipient's Hurricane Harvey Grant

HUD OIG is performing an audit of a Texas subrecipient's 2017 disaster program. In 2018, HUD directed its grantee to allocate \$1.1 billion of its \$5.024 billion Hurricane Harvey grant to the subrecipient. The audit objective is to assess the efficiency and effectiveness of the subrecipient's Hurricane Harvey CDBG-DR program.

Audit of Texas Grantee's 2015 Disaster Program

HUD OIG is auditing a Texas grantee's 2015 disaster program. In 2016 and 2017, HUD awarded the grantee more than \$87 million to address unmet needs from disasters that occurred in 2015. The audit objective is to determine whether the grantee ensured that it maintained adequate supporting documentation for disbursements and its program complied with procurement requirements.

Fair Housing Auditability Survey

HUD OIG is conducting a limited scope review of HUD FHEO to identify potential audit areas. The mission of FHEO is to eliminate housing discrimination, promote economic opportunity, and achieve diverse, inclusive communities by leading the Nation in the enforcement, administration, development, and public understanding of Federal fair housing policies and laws. The review will help OIG understand the office's processes and programs while identifying potential risks and identify where OIG should allocate limited oversight resources.

HUD Oversight and Monitoring of Slow-Spending Disaster Recovery Grantees

HUD OIG is auditing HUD's oversight and monitoring of Disaster Recovery Grantees deemed to be slow spenders. A March 2019 GAO report, *Disaster Recovery – Better Monitoring of Block Grant Funds is Needed*, found that HUD did not have the guidance and monitoring plans it needs to provide adequate grantee oversight of CDBG-DR funds for 2017 hurricanes. The audit objective is to determine whether HUD provided effective and efficient oversight and monitoring of its slow spending disaster grantees and identify the root cause of grantee delays in spending funds.

Conclusion

HUD OIG recognizes the important role that the CDBG-DR's program plays in stabilizing and helping the Nation's communities after natural disasters strike. To assist the Department in carrying out its mission, we conduct rigorous oversight to identify opportunities to improve the effectiveness and efficiency of the CDBG-DR, and to prevent fraud, waste, abuse, or mismanagement from undermining the program.

There are many aspects of the CDBG-DR program that we are focused on, but there is one open recommendation for corrective action that we want to raise to this Commission's attention: codification of the CDBG-DR and -MIT programs. The concerns about how long it takes CDBG-DR funds to reach those in need are well documented. The process that grantees must navigate to determine how to design and implement their local programs is lengthy and confusing. Often, primary grantees are new or inexperienced, and they typically lack the capacity to set up and administer a CDBG-DR program, further complicating an already cumbersome process. OIG strongly recommends a clear and permanent framework for this program, which would reduce the existing volume of Federal Register notices and standardize disaster recovery rules. This framework would also allow grantees to develop program plans when disaster events occur instead of waiting for HUD to publish applicable Federal Register notices. We believe codification will reduce the time between appropriation and disbursement, and will provide consistency surrounding the requirements of the CDBG-DR program upon which grantees and the public can rely.

It is an honor to participate in this briefing, and HUD OIG looks forward to continuing the conversation regarding HUD OIG's oversight of HUD's role in responding to disasters.