

Written statement prepared for the
Subcommittee on Oversight and Investigations,
Committee on Financial Services,
U.S. House of Representatives hearing entitled:

“Ensuring Equitable Delivery of Disaster Benefits to Vulnerable Communities and Peoples:
An Examination of Key GAO Findings”



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Testimony Before the Subcommittee on Oversight and Investigations, Committee on Financial Services, U.S. House of Representatives hearing entitled “Ensuring Equitable Delivery of Disaster Benefits to Vulnerable Communities and Peoples: An Examination of Key GAO Findings”
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Chairman Green, Ranking Member Emmer, and Members of the Subcommittee:

Thank you for the opportunity to testify before this Subcommittee about our office’s work related to the U.S. Department of Housing and Urban Development’s (HUD) disaster recovery and mitigation programs. HUD is one of a handful of Federal departments that play a critical role in assisting States, localities, and territories in recovering from and preparing for disaster events. HUD is one of the largest distributors of disaster recovery funding, focusing on long-term recovery and mitigation needs that are unmet following initial disaster relief efforts.

From 2001 to 2021, Congress appropriated \$87.8 billion to HUD to provide for disaster recovery and mitigation. HUD has allocated \$85.8 billion of this grant funding through the Community Development Block Grant Disaster Recovery (CDBG-DR) and CDBG Mitigation (CDBG-MIT) programs to various States, cities, counties, parishes, and territories. Of the \$85.8 billion in disaster allocations, nearly \$61.9 billion has been obligated, and more than \$47.5 billion had been disbursed by grantees as of January 7, 2022.¹

The HUD Office of Inspector General (OIG) provides robust oversight of HUD disaster assistance programs through audits, evaluations, investigations, and reviews. Given the magnitude of the damage caused by recent disasters, the large supplemental appropriations provided to address unmet and mitigation needs, and the importance of HUD’s disaster recovery programs in achieving its equity-related goals, oversight of HUD’s disaster programs will continue to be a priority for HUD OIG.

We are pleased to assist the Subcommittee in its study of the issues outlined in the U.S. Government Accountability Office (GAO) report, “Disaster Recovery: Better Data Are Needed to Ensure HUD Block Grant Funds Reach Vulnerable Populations.”² The findings in that report will assist HUD in enhancing the equitable delivery of disaster assistance, and the report helps inform future objectives in HUD OIG’s disaster oversight. HUD OIG’s testimony will describe the most critical challenges HUD faces in administering disaster assistance as well as recent oversight work. We hope to provide context for the broader challenges HUD faces when addressing equity-related issues like those raised in the GAO report.

¹ Congress appropriated \$88.6 billion for this period, but the total amount was reduced by budgetary sequestration which affected P.L.113-2.

² [GAO-22-104452](#), Published Nov. 10, 2021

The CDBG-DR and CDBG-MIT Programs

The CDBG program provides grant funds to localities and States to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income. To achieve these goals, the CDBG authorizing statute³ and regulations⁴ set forth eligible activities and national objectives that each activity must meet. The three national objectives are (1) benefit to low- and moderate income (LMI) persons, (2) aid in the prevention or elimination of slums or blight, and (3) meet an urgent need.

HUD provides disaster recovery and mitigation assistance through the traditional CDBG framework, which provides recipients with broad flexibility to perform a wide range of eligible activities to address the unmet needs of communities following initial disaster response. However, unlike the traditional CDBG program, the program requirements for the CDBG-DR and CDBG-MIT programs are announced through Federal Register notices rather than being set out in HUD's regulations. The CDBG-DR program has historically been the largest disaster-oriented HUD program, and the CDBG-MIT program was created in 2018 to fund mitigation activities to increase resilience to, and lessen the impact of, future disasters.

Complementing the national objectives, HUD noted in its September 2021 "Climate Adaption Plan" its focus on using the more than \$67 billion in active CDBG-DR and CDBG-MIT grants to address equity-related issues, including better integrating resilience and environmental justice principles into the CDBG-DR program.⁵ HUD also demonstrated this focus in its November 2021 allocation of more than \$2 billion in CDBG-DR and CDBG-MIT funding, announcing that it "will go to recover from and build resilience to natural disasters, including climate disasters, with a specific focus on low- and moderate-income populations."⁶

Administering Disaster Recovery Assistance Is a Top Management Challenge for HUD

HUD OIG issues an annual "Top Management Challenges" report summarizing our independent determination of the most serious management and performance challenges facing HUD.⁷ This year, HUD OIG identified two related challenges: (1) Administering Disaster Recovery and (2) Grants Management – both of which identify challenges that affect HUD's ability to implement grant programs like CDBG-DR and CDBG-MIT. We believe that a number of the findings in the GAO report evaluating the delivery of CDBG-DR assistance to vulnerable populations are consistent with what HUD OIG reported as the Top Management Challenges facing HUD.

³ Housing and Community Development Act of 1974 (codified at 42 U.S.C. (United States Code) § 5301, *et seq*)

⁴ 24 CFR part 570

⁵ HUD Climate Adaption Plan (Sept. 2021), available at: <https://www.sustainability.gov/pdfs/hud-2021-cap.pdf>

⁶ HUD Press Release No. 21-181 (Nov. 1, 2021), available at https://www.hud.gov/press/press_releases_media_advisories/HUD_No_21_181

⁷ HUD OIG [Report](#), Top Management Challenges Facing the U.S. Department of Housing and Urban Development in FY2022 (November 12, 2021)

HUD has made progress in improving the assistance its disaster recovery programs provide, but it continues to face the following key challenges in administering and overseeing disaster recovery grants:

- the need to codify the CDBG-DR and CDBG-MIT programs;
- ensuring that expenditures are administered in a timely manner, and are eligible and supported; and
- addressing concerns that people encounter when seeking disaster recovery assistance.

In addition to the two challenges listed above, HUD has faced many of the same difficulties that other federal departments and agencies face, such as human capital management, increasing efficiency in procurement, fraud risk management, and management and oversight of information technology, that also affect its disaster recovery programs.

The Need to Codify the CDBG-DR and CDBG-MIT Programs

The specific requirements for CDBG-DR and CDBG-MIT programs are not codified in HUD's regulations as they are for the traditional CDBG program. Instead, HUD establishes program requirements for each disaster using notices in the Federal Register.

After a disaster occurs, Congress may provide supplemental appropriations of disaster relief funding through HUD's CDBG program, and these supplemental appropriations also provide HUD with broad authority to waive CDBG program requirements and establish alternative requirements via Federal Register notices. HUD then issues Federal Register notices for each supplemental appropriation to allocate funds and set requirements for the grantee designated to receive funds for the applicable disaster. With each newly issued Federal Register notice, grantees must study the notice and develop an action plan outlining the programs it will implement to address the unmet recovery or mitigation needs of their communities using HUD disaster grant funds. HUD must approve each grantee action plan and then enter into a grant agreement for each specific grant, which may impose additional or unique conditions on the use of those grant funds. Upon execution of the grant agreement, grantees can begin submitting activities to HUD for approval and disbursement of grant funds.

Each of these initial steps is expected to be completed during a time of great uncertainty, when grantees' personnel and communities' infrastructure may have been severely impacted by the disaster. Navigating HUD's process simply to gain access to grant funds can take grantees many months and in extreme cases, years.⁸ Further, grantees that receive funding for different disaster events must follow the respective Federal Register notices related to each disaster, which can be confusing.

⁸ [“The Evidence Base on How CDBG-DR Works for State and Local Stakeholders”](#), Carlos Martin, Senior Fellow, Urban Institute, testimony before the Subcommittee on Oversight and Investigations, Committee on Financial Services, U.S. House of Representatives (May 17, 2018). See also GAO Report, Disaster Recovery: Better Monitoring of Block Grant Funds Is Needed, GAO-19-232, March 25, 2019 (<https://www.gao.gov/assets/700/697827.pdf>).

More than 80 Federal Register notices have been issued since the funding of the 9/11 disaster-recovery efforts in 2001. An example of the complexity an individual grantee faces navigating disaster-related Federal Register notices is Texas, which has 14 disaster recovery grants totaling more than \$14 billion covering multiple disasters occurring from 2005 to 2018. Fifty-nine separate Federal Register notices govern how the funds must be managed. Some of the notices apply to one or several specific grants, and some notices apply to all. Tracking requirements that are laid out in this complex structure is time intensive for grantees.

Since 2017, both OIG and GAO have recommended that HUD seek to codify the CDBG-DR program. In its November 2021 report, GAO again concluded that establishing permanent statutory authority for a disaster program would provide a more consistent framework for administering funds, which could lead to more clearly defined requirements for grantees serving vulnerable populations with program funds.

HUD Secretary Marcia Fudge has expressed support for permanent authorization of the CDBG-DR program and said that HUD would work with Congress on codification proposals. Bipartisan, bicameral congressional support for codification has resulted in proposed legislation, in the House and Senate versions of the Reforming Disaster Recovery Act, which are responsive to OIG's and GAO's recommendations to codify the CDBG-DR and CDBG-MIT programs.

While we recognize that codification will not resolve all the challenges in HUD's disaster programs, we believe it would result in disaster assistance reaching communities and individuals faster, and that it would produce better outcomes for them.

Codification Would Help HUD Make Funding Available to Grantees More Quickly

The recent GAO report⁹ noted that grantee and organization officials described the timeliness of funding as a challenge in administering CDBG-DR, an issue HUD OIG has identified in our oversight work as relating, in part, to the disaster programs' not being codified. We first recommended that HUD codify its CDBG-DR program using its regulatory authority in a July 2018 audit report, in which we highlighted the challenges grantees face in navigating applicable Federal Register notices.¹⁰ In response to that report, HUD did not agree that codification was necessary, and it stated that Congress had not permanently authorized the CDBG-DR. It was HUD's position that authority to operate the CDBG-DR program was provided in each supplemental appropriation from Congress and, therefore, HUD could issue new regulations for each of those appropriations but that it was more efficient to use Federal Register notices to communicate program requirements for each appropriation. We disagreed with the Department's position and our recommendation remains open and unresolved.

In an April 2021 report, we found that HUD was significantly delayed in publishing Federal Register notices and entering into grant agreements for 2017 disaster recovery and mitigation grantees in the aftermath of Hurricanes Irma, Maria, and Harvey. We found that the primary causes for the delays were HUD's extensive negotiations with the Office of Management and

⁹ [GAO-22-104452](#), Published Nov. 10, 2021

¹⁰ HUD OIG Audit Report [2018-FW-0002](#), HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program, issued July 23, 2018

Budget regarding requirements to be included in the Federal Register notices allocating funds to the grantees. We found these negotiations also delayed HUD’s ongoing efforts to enhance the requirements outlined in its standard CDBG-DR grant agreements and in its development of CDBG-MIT grant agreements.¹¹

Our report recommended that HUD codify the CDBG-DR and CDBG-MIT programs to (1) create a standardized framework for future disasters, (2) reduce the volume of Federal Register notices needed for the program, (3) standardize rules for grantees and clarify the scope of HUD’s authority in this area, and (4) ensure that funds can be disbursed in a timely manner. Taking action to address these recommendations could streamline the initial phase of the grant cycle for HUD and grantees and ultimately speed up grantees’ access to grant funds.

Before our April 2021 report, research suggested that HUD had been improving its efficiency in allocating disaster funds to grantees, as the time between the initial supplemental appropriation and the allocation of funds shortened during the period studied and the time between funding allocation and completion decreased by an average of 7.2 percent per year from 2005 to 2015.¹² However, recent data shows that the time between appropriation and allocations varied and steadily increased from 2017 through 2019. Our findings in the April 2021 report related to the delays in allocating the 2017 disaster funding highlight the need for standardization and streamlining of HUD’s process to avoid future instances of delays in making disaster funding available to grantees.

Standardized Program Requirements Would Help Grantees Deliver Assistance More Effectively

We have also identified that codification of program requirements could provide grantees with greater clarity and certainty about core requirements. This measure would make grantee and subrecipient planning efforts more straightforward and reduce the amount of time it takes to design programs. Further defining certain requirements could help ensure that HUD grantees are delivering assistance equitably and in accordance with HUD’s policy and guidance. An example of a requirement that could benefit from additional clarity is the “affordability period,” which is the length of time a project is required to be affordable to low- and moderate-income households.

In a September 2019 report, we found that the Texas General Land Office (Texas GLO) implemented inconsistent affordability periods for its homebuyer assistance and housing assistance programs that a subrecipient operated in the aftermath of Hurricane Ike.¹³ Texas GLO established a 10-year affordability period for homebuyer assistance that exceeded \$40,000 but only a 3-year affordability period for its housing assistance program, in which nearly all of the 125 homes built or assisted exceeded \$100,000. Under the housing assistance program, Texas GLO allowed its subrecipient to spend \$17 million to build 120 replacement homes to assist

¹¹ HUD OIG Report [2019SU008945I](#), Review of HUD’s Disbursement of Grant Funds Appropriated for Disaster Recovery and Mitigation Activities in Puerto Rico, issued April 20, 2021

¹² 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

¹³ HUD OIG 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

those households.¹⁴ In comparison, the same subrecipient operated a program under a previous round of Hurricane Ike funding, spent \$5.6 million, and assisted 102 households. Further, the prior program limited assistance to \$85,000 for reconstruction and \$35,000 for rehabilitation.

We found that Texas GLO's affordability period appeared to be unreasonable considering the significant government investment made to build each of the homes, especially when compared to the 10-year affordability period for homebuyer assistance exceeding \$40,000. We reported that the inconsistent affordability periods resulted in the grantee's and its subrecipient's not assisting as many homeowners as they could have and the government's investment benefiting a relatively small number of low- and moderate-income persons for a short time.

In response to our report, the grantee maintained that it had appropriately created guidelines for its affordability period in the absence of criteria established by HUD, and it stressed the need for guidance at the CDBG-DR program level on the affordability period to ensure consistency in how the standard is applied across grants.

In a report issued this month, we found that the City of Houston, a subrecipient of Texas GLO for Hurricane Harvey CDBG-DR funding, was slow in establishing many of its programs and was delayed or unable to meet its planned targets for the number of households assisted.¹⁵ We reported that as of August 2020, the City had spent only \$22.8 million (1.8 percent) of its \$1.275 billion suballocated grant funds and had assisted only 297 of 8,784 participants (3.4 percent) in its housing programs, leaving affected Houstonians without the help they needed. We identified that a cause of the City's delays was its significant disagreement with the primary grantee, Texas GLO, about program requirements. These disagreements resulted in the City's rewriting of various program guidelines, which ultimately delayed its implementation of the programs and offering of assistance to victims of the storms.

Several of the disagreements were related to how best to design a program that would deliver assistance equitably. A prominent disagreement that resulted in delayed program implementation was the City's request for a waiver from Texas GLO that would have allowed it to rebuild houses to prestorm conditions regardless of the number of family members in a household. Texas GLO denied this waiver on the basis that it could result in a reduction of overall households served, an inequitable distribution of assistance for localities across the State, and noncompliance with Federal laws and regulations. The City and Texas GLO also disagreed about the affordability period for housing that would be rehabilitated or reconstructed with CDBG-DR funds. The City proposed a 20-year period to ensure that benefits from the investments would continue to flow to low-income families for future decades, but the Texas GLO believed a 3-year period was sufficient.

In response to our report, the City emphasized that its focus had been on equitable program design and not simply the speedy expenditure of available grant funds. We acknowledged that the City's efforts were intended to increase the effectiveness of its programs and that it spent

¹⁴ The other five assisted homes were not construction or reconstruction homes and no households were assisted under the homebuyer assistance program.

¹⁵ HUD OIG Audit Report [2022-FW1001](#), The City of Houston, Houston, TX, Faced Challenges in Administering Its Hurricane Harvey Program and Risked Losing its Funding, issued January 4, 2022

significant time designing programs that would provide equitable outcomes for the communities it serves. However, the City's requests for these waivers were not approved by Texas GLO and ultimately resulted in delays in the City's use of grant funds to help victims of Hurricane Harvey.

Additionally, in our July 2018 report recommending that HUD codify the CDBG-DR program, we noted that grantees struggled to manage the number of notices that applied to a given grant, which could contain repetitive and confusing language, and found that standardizing the program could help grantees avoid common weaknesses with procurement requirements and closing out grants in a timely manner.¹⁶

While it would not eliminate all future disagreements among HUD, grantees, and subrecipients, codification would provide additional clarity and would help define core requirements of the programs. The delays and inconsistencies caused by program design disagreements jeopardize the effectiveness of the CDBG-DR program overall and present challenges for HUD in ensuring that its grantees are meeting its national objectives and goals for equitably serving vulnerable populations.

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

For HUD's programs to deliver the best outcomes for disaster victims in need, it is imperative that grantees use funds timely and appropriately. In our November 2021 report on HUD's Top Management Challenges, we identified grants management as a departmentwide challenge as we find that, across grant programs, HUD and its grantees face consistent challenges in ensuring that grant funding is fully utilized in accordance with program requirements and that assistance is provided timely to eligible beneficiaries.¹⁷ We highlighted similar findings specific to CDBG-DR grants in a separate November 2021 report outlining lessons learned and key considerations from 132 prior HUD OIG oversight reports.¹⁸

In that report, we found that in 44 percent of our prior reviews, grantees did not comply with program and grant agreement requirements, lacked support for the eligibility of grant awards, or needed to enhance monitoring of the subrecipients and contractors. We found that these conditions existed because the grantees were unfamiliar with program requirements and lacked sufficient controls and policies to comply with them and that grantees lacked adequate capacity to administer programs and monitor subrecipients and contracts.

¹⁶ HUD OIG Audit Report [2018-FW-0002](#), HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program, issued July 23, 2018

¹⁷ HUD OIG [Report](#), Top Management Challenges Facing the U.S. Department of Housing and Urban Development in FY2022 (November 12, 2021)

¹⁸ HUD OIG Audit Report, [2022-FW-0801](#), Lesson Learned and Key Considerations From Prior Audits and Evaluations of the CDBG Disaster Recovery Program, issued November 2, 2021. The objective of our report was to summarize the common CDBG-DR program weaknesses and risks for HUD's Office of Community Planning and Development (CPD) to consider as it manages CDBG-CV program operations and provides oversight and assistance to grantees, and included our assessment of 132 HUD OIG audits and evaluations of the CDBG-DR program issued from May 2002 to March 2020.

To address these issues, we recommended that HUD consider several corrective actions that are particularly relevant to this hearing, including:

- providing grantees with training or other technical assistance to help familiarize them with program requirements;
- ensuring that grantees without disaster experience become familiar with the program rules and have the capacity to directly administer the coronavirus funding if they choose to directly administer the funds instead of passing the funds through to units of general local government;
- ensuring that grantees are aware of the requirements to prevent duplication of benefits issues related to other agencies and entities providing coronavirus relief to the same applicants; and
- ensuring that grantees become familiar with Federal procurement requirements, cost principles, and other administrative requirements.

Building Grantee Capacity To Deliver Effective and Timely Assistance

GAO's November 2021 report notes that grantees and vulnerable populations may be challenged by grantee capacity, notably when there is a large influx of funding following a disaster. The GAO report findings are consistent with our Top Management Challenges report, as well as several recent HUD OIG reviews of CDBG-DR grantees' capacity to administer substantial grant funding. These reviews have shown that nearly all grantees, even those with prior experience administering CDBG-DR grants, will face challenges in standing up new programs and quickly disbursing funds after a disaster occurs. Additionally, many grantees struggle to build the capacity to effectively oversee how their subrecipients operate their local programs.

In our March 2020 audit of the Puerto Rico Department of Housing's capacity to administer CDBG-DR funds provided to Puerto Rico in response to Hurricanes Maria and Irma, we found the agency struggled early to stand up financial and procurement systems, policies, and procedures to administer the significant \$20 billion grant it was awarded. This was due in part to the agency's lack of prior experience administering CDBG-DR grants or grant funds of such a significant amount. The agency also faced difficulties retaining adequate staffing to establish its programs and implement the systems, policies, and procedures necessary to administer its grant.¹⁹ Six of the report's sixteen recommendations remain open.

In May 2018, we audited Texas GLO's capacity to administer Hurricane Harvey relief funds. We found Texas GLO, an experienced CDBG-DR grantee, struggled to retain the staff necessary to update its disaster recovery policies and incorporate new requirements from more recent Federal Register notices. Texas GLO acknowledged that its staff was facing challenges in understanding the changes in requirements for each of the disaster grants that it was administering. Additionally, in an example of how issues with capacity can be exacerbated by a lack of codification, Texas GLO told us during that audit that it would benefit from standardized HUD requirements, as its staff was already overwhelmed with administering other grants and

¹⁹ HUD OIG Audit Report, [2020-AT-0002](#), The Puerto Rico Department of Housing, San Juan, PR, Should Strengthen Its Capacity To Administer Its Grants, issued March 16, 2020

needed to implement an additional \$5 billion grant for Hurricane Harvey with different requirements. Texas GLO noted it could have begun its CDBG-DR planning shortly after Hurricane Harvey. Instead, it had to wait for HUD's publication of the Federal Register notice before it could commit to plans and dedicate resources to building capacity and controls.²⁰

Recent OIG audits have also highlighted the risk that delays in building capacity and establishing strong internal controls present for grantees and subrecipients in later phases of the grant cycle. In June 2021, we found that Harris County, a Hurricane Harvey CDBG-DR subrecipient of Texas GLO, was overwhelmed by the number of programs it intended to operate. At the time of our review, Harris County had assisted only 112 participants out of the 4,513 it had planned to assist. As Harris County received nearly 22 percent of Texas GLO's Hurricane Harvey grant funding and, like the City of Houston, the slow spending rates by Harris County contributed to Texas GLO's being labeled as slow-spending grantee by HUD.

We found that Harris County's delayed spending was a result of its inability to gain approval from Texas GLO to use grant funds for projects and applications for assistance. Despite its prior CDBG-DR experience, Harris County was unable to provide sufficient documentation to meet new Texas GLO program requirements created for Hurricane Harvey grant funds. Additionally, we found Harris County did not respond effectively to guidance and training from Texas GLO.

We also identified that Harris County was not prioritizing low- and-moderate income applicants in accordance with Texas GLO requirements, and was instead providing assistance on a first-come, first-served basis.²¹ As a result of Harris County's challenges, Texas GLO reduced the number of Harris County programs and removed \$338.7 million from Harris County's control.²²

As referenced earlier in this testimony, we reported earlier this month on the significant spending delays of another Texas GLO Hurricane Harvey subrecipient, the City of Houston, due its disagreements with Texas GLO about program designs and requirements. An issue that we identified in both the audits of Harris County and the City of Houston was the need for Texas GLO to provide enhanced programmatic benchmarks in its agreements with the subrecipients so that it could hold them accountable to performance expectations. We recommended in both reports that the Office of Community Planning and Development's (CPD's) Office of Block Grant Assistance require Texas GLO to take the following actions for the subrecipients: provide monitoring plans of their performance, set performance milestones and deadlines, provide additional training, and review subrecipient policies to ensure compliance with grantee requirements.

²⁰ HUD OIG Audit Report, [2018-FW-1003](#), The Texas General Land Office, Austin, TX, Should Strengthen Its Capacity To Administer Hurricane Harvey Disaster Grants, issued May 7, 2018

²¹ As an example, our report identified that one of the first assisted household had income and assets valued at nearly \$400,000 for its two-member family, while a substantial number of larger LMI families continued to wait for assistance

²² HUD OIG Audit Report, [2021-FW-1001](#), Harris County Community Services Department, Houston, TX, Was Inefficient and Ineffective in Operating Its Hurricane Harvey Program, issued June 2, 2021

HUD Can Enhance Its Oversight and Monitoring of Disaster Grantees

In addition to delays grantees face in accessing disaster grant funds and limited operational capacity, HUD must provide ongoing oversight and monitoring of disaster grantees and subrecipients to ensure that vulnerable populations and communities will receive effective disaster recovery and mitigation assistance through HUD's programs. With disasters occurring with increasing frequency and severity, and as HUD continues to administer its uncodified programs, HUD faces challenges in providing effective oversight and monitoring of its disaster grantees, identifying risks to the success of its programs, and assisting grantees in overcoming them.

In a January 2022 report, we examined CPD's monitoring and oversight of slow spending CDBG-DR grantees.²³ We found that CPD has several tools available to evaluate grantee activities, performance, and timeliness to ensure consistency with each grantee's action plan, but that the use of the tools should be enhanced. However, only one tool was focused on slow spending and it was limited to spending in the near term.

CPD historically reported on slow-spending grantees in its Monthly CDBG-DR Grant Financial Report, which used a methodology that examined expenditures over the most recent 3-month period. If grantees were spending less than 90 percent of the pace required to exhaust grant funds by the target closeout date, CPD would designate them as slow spenders. CPD suspended its use of this methodology during the coronavirus pandemic. We found that this methodology did not accurately reflect expenditure patterns in the long term, which CPD acknowledged. CPD plans to enhance the methodology by including input that accounts for the complexity of projects, the time needed for grantees to establish operations and build capacity, and other factors that might affect the timeliness of expenditures. CPD told OIG they planned to implement the enhanced methodology early in Fiscal Year 2022.

We also found that CPD could enhance its use of information that grantees report regularly to identify and engage with grantees that are not spending funds in a timely manner. For example, HUD uses the Disaster Recovery Grant Reporting (DRGR) system to create "red flags" that identify issues with grantee compliance with HUD requirements through the grant life cycle, but CPD does not require grantees to resolve these red flags until the grant is closed out. Similarly, we found that grantees provide CPD with expenditure projections regularly, but that CPD does not regularly review the projections against actual expenditures and, instead, waits until it conducts a monitoring review of the grantee.

Our report noted that CPD could be missing opportunities to identify and assist grantees with addressing problems they are facing with spending grant funds. We recommended CPD require grantees to resolve red flags in a more timely manner and to explain variances in projected versus actual expenditure rates.

Additionally, we found that CPD staff was inconsistent in documenting its reviews of grantee quarterly performance reports and the results of monitoring reviews. Increased consistency in

²³ HUD OIG Audit Report, [2022-AT-0001](#), Opportunities Exist To Improve CPD's Oversight of and Monitoring Tools for Slow-Spending Grantees, issued January 5, 2022

supporting conclusions about a grantee’s progress could improve CPD’s ability to help grantee achieve expenditure targets and deliver assistance effectively. HUD OIG looks forward to continuing our engagement with the Department on closing these recommendations.

Addressing Concerns That People Encounter When Seeking Disaster Recovery Assistance

In our Top Management Challenges report, HUD OIG raised concerns that individuals 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.²⁴ 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. For example, in our January 2022 audit examining CPD’s monitoring and oversight of slow-spending CDBG-DR grantees, one grantee explained that it was working to alleviate confusion because homeowners did not understand that if they were impacted by 2015 floods they could still be assisted with damage caused by Hurricane Harvey in 2017.²⁵ 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 individuals to prepare for future disasters. We see GAO’s recommendation that HUD “should collect, analyze, and publish demographic data from CDBG-DR grantees on vulnerable populations who apply for and receive assistance” consistent with our prior work.

Other Management Challenges Affect HUD Disaster Recovery Programs

Many of HUD’s challenges are not unique to HUD. For example, Departments across the Federal government face challenges related to data reliability and completeness, managing human capital, procurement, and managing information technology. These challenges affect HUD’s ability to meet its mission broadly, but can and do have an impact on HUD’s disaster recovery programs.

HUD Needs Reliable and Complete Data to Perform Oversight and Prevent Fraud, Waste, and Abuse

Our Top Management Challenges report also highlighted the need for reliable and complete financial and performance information from grantees. HUD needs to collect this information to evaluate whether grant funds are spent properly and achieve the intended results. HUD’s systems primarily maintain data at the grantee level, but many disaster grants are distributed at the subrecipient level or to contractors. HUD does not have access to much of this data, which creates challenges for oversight and monitoring for both HUD and HUD OIG. Inaccurate, delayed, or incomplete data increase the risk of improper payments and wasted funds.

²⁴ Evaluation Memorandum 2017-OE-0002S, Navigating the Disaster Assistance Process, issued April 10, 2017.

²⁵ HUD OIG Audit Report, [2022-AT-0001](#), Opportunities Exist To Improve CPD’s Oversight of and Monitoring Tools for Slow-Spending Grantees, issued January 5, 2022

Under the Payment Integrity Information Act, HUD is required to identify programs and activities that may be susceptible to significant improper payments, and to estimate and report potential improper payments annually.²⁶ We reported in May 2021 that HUD did not comply with this requirement, as it did not develop a methodology capable of providing a comprehensive estimate for three programs, including nearly \$34 billion in CDBG-DR funding for Hurricanes Harvey, Irma, and Maria (HIM) identified.²⁷ Because it lacked a comprehensive methodology, HUD reported zero deficiencies in sampled payments from the CDBG-DR HIM funding and reported that there were \$0 in improper payments for CDBG-DR HIM in 2020. Further, it did not report a significant estimate of potential improper payments, HUD also did not report on any corrective actions it would take to address potential improper payments in those programs.

HUD was challenged in gathering the documentation from field offices and grantees during 2020 and 2021, which was necessary to provide a comprehensive estimate for its improper payments. As a result, we concluded that HUD's programs were vulnerable to the adverse effects of improper payments and HUD would likely continue to miss opportunities to prevent, identify, reduce, and recover improper payments. Not all improper payments are fraudulent, but HUD is exposed to increased risk that improper payments will negatively affect CDBG-DR program success while it is out of compliance with the Payment Integrity Information Act and not testing the complete payment life cycle.

We identified improper payment risk in our Top Management Challenges report in the context of HUD's departmentwide challenge with fraud risk management, and we noted specifically that the CDBG-DR program is especially vulnerable to fraud risk.²⁸ Our report highlighted a May 2021 GAO report that evaluated fraud risk in the CDBG-DR program and the actions HUD has taken to assess and mitigate fraud risks in the program.²⁹ GAO found that CDBG-DR to have a decentralized risk environment in which funds do not flow directly from HUD to beneficiaries as they may be distributed to grantees, subrecipients, or contractors. GAO stated that although HUD has certain controls in place to ensure that grant funds are used appropriately, HUD's decentralized environment exposes CDBG-DR to multiple fraud risks and create opportunities for fraudulent activity in the program. GAO also found that HUD had taken steps to address fraud risk agencywide, but that CPD had not done a comprehensive analysis of fraud risk for CDBG-DR and noted that its current approach does not involve relevant stakeholders, such as grantees. GAO recommended that HUD complete a comprehensive fraud risk analysis specific to the CDBG-DR program and involve relevant stakeholders. Both recommendations remain open.

We noted in our Top Management Challenges report that HUD has reported progress in mitigating fraud risk through its establishment of the Accountability, Integrity, and Risk team and its Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Compliance and

²⁶ Payment Integrity Information Act of 2019, Pub. L. 116-117, 134 STAT. 113 (Mar. 2, 2020), codified at Subchapter IV, Chapter 33 of Title 33, United States Code.

²⁷ HUD OIG Audit Report, [2021-AT-0002](#), HUD Did Not Fully Comply with the Payment Integrity Information Act of 2019 (issued May 17, 2021)

²⁸ HUD OIG [Report](#), Top Management Challenges Facing the U.S. Department of Housing and Urban Development in FY2022 (issued November 12, 2021)

²⁹ GAO Report, [GAO-21-2177](#), Disaster Recovery: HUD Should Take Additional Action to Assess Community Development Block Grants Fraud Risks, issued May 5, 2021

Response Team. HUD also reported that it has provided training to its managers on how to identify and report fraud, and used its Risk Management Council as a focal point for making decisions about enterprise fraud risk. In the CDBG-DR context, HUD has developed training for how to comply with duplication of benefits requirements and revised its monitoring exhibits to include this guidance.

In 2019, OIG also began partnering with HUD's Disaster Recovery Special Issues Division, the National Center for Disaster Fraud, and the U.S. Department of Justice to provide disaster and fraud training to CDBG-DR grantees, subrecipients, and contractors. The training provides resources to assist grantees in understanding fraud schemes in the context of the CDBG-DR program and identifies best practices for preventing and detecting fraud. More than 1,900 individuals have attended 9 training events to date, and we will continue conducting similar training events in 2022.

It is important that HUD take action to assess the potential for improper payments and fraud risks in the CDBG-DR program to ensure that it can make program enhancements that promote effective and efficient delivery of disaster assistance. Dollars lost to fraud are dollars that are not available to assist communities and individuals in need.

Enterprise-wide Top Management Challenges that Affect HUD's Disaster Recovery Programs

HUD faces many of the same challenges that Departments across the Federal government face challenges related to managing human capital, ensuring efficiency in procurement, and managing and overseeing information technology. These challenges also affect its disaster recovery programs.

For example, in the past decade, HUD staffing levels have decreased while its program responsibilities and Federal funding have increased. This issue has been front and center for several administrations. Secretary Fudge highlighted in her June hearing before Senate appropriators the need to hire more people and hire them faster, as well as ensure that those people have the right skill sets. This is a long-standing issue that cannot be resolved easily. It will require additional resources and continuous attention from senior leadership going forward. In the context of disaster recovery, HUD has previously struggled to staff the Office of Block Grant Assistance (OBGA) in a way that matches how the programs have grown in funding and complexity.

HUD has reported that it began staffing additional position to assist with monitoring and oversight. However, HUD's challenge is further complicated due to OBGA's now being responsible for overseeing more than 1,200 grantees with the addition of CARES Act awards in addition to its current CDBG, CDBG-DR, and CDBG-MIT portfolios. While many of these grantees have prior experience with other CDBG programs, they are likely to face new pandemic challenges for which they have limited or no experience. OBGA will have to use its limited resources to address the elevated risk that CDBG CARES grantees may not properly administer their funds. Hiring of additional staff has not been commensurate with this increase, even accounting for smaller individual award amounts for some of the newer grantees.

Conclusion

OIG recognizes the important role that HUD's disaster programs play in helping communities recover from and mitigate the future effects of disasters. We also appreciate the dedication and commitment that HUD CPD's staff and their grantee partners show in carrying out these critical programs. We will continue conducting rigorous oversight to identify opportunities to improve the effectiveness and efficiency of HUD's disaster assistance programs, and to prevent fraud, waste, and abuse from undermining the integrity of disaster assistance.

OIG continues to support codification of the CDBG-DR and CDBG-MIT programs and strongly recommend a clear and permanent framework for this program. We believe codification will reduce the time between appropriation and disbursement, and will provide much needed clarity and consistency for grantees and subrecipients about program requirements. Although codification is not a cure-all, it represents a clear opportunity to help HUD's programs serve disaster victims faster and better.

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