



OFFICE OF INSPECTOR GENERAL
U.S. Department of Housing and Urban Development

March 23, 2021

MEMORANDUM NO:
2021-GA-0801

Memorandum

TO: Kevin J. Bush
Deputy Assistant Secretary for Grant Programs, DG
Lori Michalski
Deputy Assistant Secretary for Community Planning & Development Operations,
DO

//signed//

FROM: John P. Buck, Deputy Assistant Inspector General for Audit, GA

SUBJECT: HUD and its CDBG-DR grantees have experienced challenges related to the COVID-19 Pandemic

INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), has completed a survey of the impact of the Coronavirus Disease 2019 (COVID-19) pandemic on HUD's Community Development Block Grant Disaster Recovery (CDBG-DR) grantees. Our objective was to determine the challenges that HUD and its CDBG-DR 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 responding to the pandemic.

This memorandum does not contain recommendations.

SCOPE AND METHODOLOGY

We performed our survey from August 18 through September 11, 2020, telephonically and virtually, with HUD officials and CDBG-DR grantees across the country, including grantees in Puerto Rico, the U.S. Virgin Islands, the Northern Marianas, and American Samoa. Our survey covered the period March 23 through September 30, 2020.

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We conducted interviews with HUD's Disaster Recovery Special Issue Director, the Federal Financial Monitor, and 13 CDBG-DR grantees to gain an understanding of how disaster recovery work has been impacted by the pandemic and what plans are in place to maintain operations and meet CDBG-DR program requirements as the pandemic continues. We specifically interviewed the two HUD officials to add operational and programmatic perspective on the impacts of HUD's disaster efforts during the pandemic. The following were the HUD officials and grantees that were interviewed:

- Director, HUD Disaster Recovery Special Issues Division
- HUD Federal Financial Monitor
- American Samoa Government
- California Department of Housing and Community Development
- County of Hawaii Disaster Recovery Office
- Florida Department of Economic Opportunity
- Georgia Department of Community Affairs
- Kauai County Housing Agency
- Missouri Department of Economic Development
- North Carolina Office of Recovery and Resiliency
- Northern Marianas Housing Corporation
- Puerto Rico Department of Housing
- South Carolina Disaster Recovery Office
- Texas General Land Office
- Virgin Islands Housing Finance Authority

Our interviews focused on five key questions regarding the COVID-19 challenges and experiences:

1. What, if any, challenges have you experienced as a result of the COVID-19 pandemic?
2. Do HUD's revised CDBG-DR program requirements address these challenges?
3. What additional support would you need to effectively administer the CDBG-DR program during the COVID-19 pandemic?
4. What future challenges in administering the CDBG-DR program do you anticipate as a result of the COVID-19 pandemic and its impact on program operations?
5. To what extent has the COVID-19 pandemic impacted your ability to monitor CDBG-DR activities?

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To accomplish our objective, we

- Reviewed Federal Register Notice (Volume 85, No. 159), Department of Housing and Urban Development [Docket No. FR-6226-N-01] Waivers, Alternative Requirements and Extensions for Community Development Block Grant Disaster Recovery Grantees, issued August 17, 2020.
- Reviewed CDBG-Disaster Recovery Grant History Report 1992 – 2020 as of March 31, 2020.
- Selected a non-statistical sample of 13 CDBG-DR grantees from a universe of 49 CDBG-DR grantees who received HUD’s disaster assistance funds between 2016 and 2019.
- Reviewed draft CDBG-DR FACT SHEET: COVID-19 EXTENSIONS .
- Reviewed OIG’s prior audits related to the grantees and websites to gain background information on the grantees, HUD, and the Federal Financial Monitor.
- Analyzed each of the interviews to identify key themes and summarized and documented the analysis of the grantee’s responses to each theme.

We identified a universe of 49 CDBG-DR grantees receiving HUD’s disaster assistance funds between 2016 and 2019 that were impacted by hurricanes, wildfires, volcanic eruptions, mitigation, flooding, and storms. We selected a non-statistical sample of 13 CDBG-DR grantees (27 percent of our universe) awarded grants totaling over \$38 Billion¹ from

- (1) hurricanes, wildfires, volcanic eruptions, and other events – 2018;
- (2) the Mitigation Fund – February 9, 2018;
- (3) Harvey, Irma, and Maria and other events – 2017;
- (4) Louisiana floods and other disasters – 2016; and
- (5) floods, wildfires, and other events – 2017-2019.

The results of this sample cannot be projected to the population of CDBG-DR grantees.

Our sample represents a cross section of grantees from different geographic locations and in different phases of the grant implementation process. Although our sample included a total of 13 grantees, we conducted a total of 18 interviews with 36 participants. Regarding the 18

¹ See Appendix A: Funding of Sample CDBG-DR Grantees by State, territory and public law.



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interviews, 16 interviews were conducted with 13 grantees². The other two interviews were of HUD officials.

During our review, there were two scope limitations:

- (1) CDBG-DR Grantees responses reflect a point in time (August 18 – September 11, 2020), but the pandemic continues to affect CDBG-DR funded program operations. Since our interviews, some grantees challenges may have worsened and others may have improved.
- (2) We did not independently verify the information reported by CGBD-DR Grantees. Rather, we report on grantees' experiences and perceptions as they were conveyed to OIG.

We completed this survey under the authority of the Inspector General Act of 1978 as amended and in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency (January 2012).

BACKGROUND

The pandemic prompted a national emergency declaration by the President on March 13, 2020 and HUD issued its' CDBG-DR COVID 19 fact sheet a week later. However, this did not trigger new CDBG-DR funding or allow grantees to repurpose existing appropriations or allocations to mitigate the effects of the pandemic.

Before HUD issued the Federal Register notice in August 2020, HUD's Disaster Recovery Special Issues (DRSI) Division staff contacted eight 2016 and 2017 grantees to determine how COVID-19 was affecting their long-term disaster recovery efforts and what additional flexibility grantees needed from HUD to continue and sustain their recovery efforts. DRSI contacted the following 2016 and 2017 grantees³:

- California
- Florida
- Georgia
- North Carolina

² Since all of the officials responsible for the disaster funding could not be interviewed at the same time, we conducted two interviews with three grantees, resulting in a total of six interviews. For the remaining 10 grantees, only one interview was conducted with each of those ten grantees.

³ All of the CDBG-DR grantees listed above were also included in our sample of 13 grantees.



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- Puerto Rico
- South Carolina
- Texas
- U.S. Virgin Islands

On August 17, 2020, HUD published CDBG-DR COVID-19 Notice of Waivers, Alternative Requirements, and Extensions, in the Federal Register.⁴ This notice governs CDBG-DR funds awarded under several appropriations. It provides additional flexibility to CDBG-DR grantees as they continue their disaster recovery efforts while also responding to the Coronavirus pandemic.

Among other things, the notice provides

- An automatic 1-year extension of its previously established expenditure deadline for CDBG-DR funds under certain public laws in response to a 2015, 2016, or 2017 disaster.
- Grantees with the option to request an additional expenditure extension beyond the 1-year extension, for a maximum total extension of 2 years.
- Submission extensions to CDBG-DR grantees for their certifications, implementation plan and capacity assessment, and action plan in response to a 2018 or 2019 disaster.
- A new provision that allows grantees of a 2018 or 2019 disaster to request additional submission extensions.

Our objective was to determine the challenges that HUD and its CDBG-DR 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 responding to the pandemic.

RESULTS OF REVIEW

HUD's CDBG-DR grantees across the country reported facing similar challenges and experiences related to the COVID-19 pandemic. The most significant challenges faced during the pandemic and reported by grantees were systems-technology and communications. The grantees also reported substantial challenges with project construction delays and incurring additional costs during the pandemic. HUD assistance at this stage of the pandemic emerged as a challenge; however, grantees described DRSI actions as supportive and helpful because of the revisions made to the CDBG-DR requirements, adding flexibilities and extensions to existing expenditure deadlines. Grantees also expressed major concerns about the possibility their staff could be infected with the COVID-19 virus and their desire to keep their staff safe during the

⁴ Federal Register, 85 FR 50041 - <https://www.federalregister.gov/documents/2020/08/17/2020-17886/waivers-alternative-requirements-and-extensions-for-community-development-block-grant-disaster>

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pandemic. Other challenges reported by the grantees included monitoring, construction resources-lack of capacity, travel restrictions and telework, and work-home balance.

We determined that there were eight recurring themes faced by CDBG-DR grantees and HUD officials during the COVID-19 pandemic. With the exception of HUD assistance, the grantees and HUD officials cited seven specific challenges affecting their programs in 195 instances during our interviews.

The following table summarizes the interview themes and the number of times the themes occurred during our interviews.

Biggest COVID-19 challenges-themes from grantees and HUD officials

Theme no.	Biggest challenges-themes from grantees and HUD officials	Number of times theme was cited
1	Systems-technology and communication	59
2	Project delays and additional costs	52
3	Fear of possible COVID-19 infection and case resurgence	23
4	Monitoring	18
5	Construction resources and lack of capacity	17
6	Travel restrictions	14
7	Telework and work-home balance	12
	Total	195

HUD Assistance

Although HUD assistance emerged as a recurring theme during our survey, grantees identified a range of actions and coordination efforts that they received from DRSI staff in response to COVID-19. Therefore, we believe that HUD assistance is not a challenge but an opportunity for DRSI staff to continue to cultivate its relationship with these grantees and collaborate with them by helping them to navigate and maintain continuity of operations during this emergency situation.

Grantees reported the benefits of receiving HUD assistance to meet COVID-19 challenges. The grantees described DRSI staff actions as supportive and helpful because of the revisions made to the CDBG-DR requirements, adding flexibilities and extensions to existing expenditure deadlines.

Specifically, South Carolina officials stated that the revised CDBG-DR requirements were very helpful, especially the deadline extensions for submitting their action plan. Officials from the

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Virgin Islands, Puerto Rico, and North Carolina stated that HUD held biweekly meetings with them and was accessible if they had questions or concerns. In particular, Puerto Rico's officials expressed having a great working relationship with HUD officials.

All of the grantees were aware of the recent Federal notices that authorized extensions to expenditure deadlines and the suspension of in-person public meetings. According to HUD officials, they reached out to grantees to ensure that they were aware of program modifications cited in the August 17, 2020, Federal Register notice. In addition, HUD officials stated that although the technology to work remotely and communicate with grantees was in place before the pandemic, HUD staff was spending much more time to accomplish tasks, such as monitoring and providing remote technical assistance to address new issues that arose from the pandemic.

Themes Echoed During the Survey Interviews with Grantees and HUD Officials

Systems-Technology and Communication

The most significant challenge grantees faced during the pandemic pertained to systems-technology and communications, which were reported 59 times by 12 of the 13 grantees interviewed. North Carolina and California officials stated that upgrading systems, using different technologies to communicate with grantee staff, subrecipients, contractors, and local governments, was a major challenge. The North Carolina Office of Resiliency and Recovery expressed concerns about its ability to communicate with program participants, contractors, and local governments that did not have up-to-date technology available to conduct remote meetings or send documents electronically. Prior to the pandemic, grantee officials met and interacted with local officials and program participants in person to deliver CDBG-DR program information and assistance. Because of the pandemic, grantee had to use alternative communication means, such as telephone calls and U.S. mail to obtain application information, to enter participant data into its system to continue program operations. Some program participants were reluctant to mail sensitive personal documents such as tax returns, deed information, and other private documents needed to process their applications. Additionally, Georgia and Florida officials were concerned that they would be unable to communicate CDBG-DR program information to program applicants who lived in rural areas because of the lack of internet access and an inability to submit applications online. While this was a challenge for the grantees and program participants, pivoting to these alternative forms of organizational systems, technology, and communication was a necessary measure due to the pandemic.

Project Delays and Additional Costs

During interviews with 11 of the 13 grantees, project construction delays and incurring additional costs were cited 52 times as challenges faced during the pandemic. Grantees provided varying reasons why projects would be delayed or would have additional costs due to the pandemic. For example, officials from Puerto Rico stated that the governor of their State issued executive orders that shut down construction projects. As a result, projects involving

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construction were delayed or postponed until construction was allowed. Project delays were widely cited by grantees because various States ordered shutdowns, which directly affected progress on their construction projects. In addition to the shutdown orders, Puerto Rico officials stated that homeowners refused to have contractors and inspectors enter their homes due to fears of exposure to the virus. Further, American Samoa officials stated that project costs increased due to the scarcity of materials during the pandemic. The grantee explained that getting materials during the pandemic was much harder than before the pandemic, which added additional costs to the project.

Fear of Possible COVID-19 Infection and Case Resurgence

During our interviews, grantees expressed concerns 23 times regarding the possibility of becoming exposed to the virus and becoming infected with COVID-19. Of the 13 grantees, 7 had major concerns about their staff possibly becoming infected with the virus and their desire to keep all staff safe during the pandemic. For example, North Carolina's Office of Resiliency and Recovery cancelled all in-person meetings out of an abundance of caution for its staff's well-being; despite the insistence of some contractors and local governments for in-person meetings. Puerto Rico's officials expressed concerns that they learned that a staff member working in the office had become infected with the virus. Two grantees, Puerto Rico Department of Housing and Florida Department of Economic Opportunity, had employees that tested positive for the virus and allowed these staff members to use COVID-19 leave so that other staff members would not possibly be exposed to the virus. To prevent other staff members from possibly being exposed to the virus, staff was allowed to telework for the recommended 14 days in accordance with Centers for Disease Control and Prevention guidance. Staff members became fearful of returning to the office when they learned of the positive COVID-19 infection cases. Grantees also expressed concerns regarding the future challenges of operating during the pandemic and how management would maintain a safe work environment. Grantees from Florida and North Carolina stated that they would like to resume face-to-face interactions with contractors-subrecipients in the hurricane centers; however, it would be too risky. Therefore, they were having applicants submit applications online and via the mail.

Monitoring

Of the 13 grantees, 8 expressed concerns and thoughts 18 times on how the pandemic affected monitoring the progress of CDBG-DR projects and activities. Puerto Rico and Virgin Islands officials stated that challenges arose from switching from face-to-face to virtual monitoring. Those challenges included adjusting to the technology for virtual monitoring, ensuring that program staff and participants had internet access and the ability to use that technology. California Housing Community and Development officials stated that it had to adjust to virtual monitoring because smaller subgrantees and local government had limited access to technology. California staff spent more time scheduling meetings and conducting follow-up calls to get program records for monitoring. According to North Carolina's officials, it was especially challenging reaching out to those program participants in more rural parts of the State where

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internet access is limited or unreliable. Florida officials also stated that finding vendors that could provide Workforce Recovery Training Program for its participants became an issue. The pandemic created issues for grantee monitoring of subrecipient activities, especially at construction rehabilitation sites. In addition, Florida Department of Economic Opportunity officials expressed an interest in looking into go-pros and drones to assist with onsite monitoring during the pandemic. This grantee stated that the office was looking into innovative ways to continue onsite monitoring, especially on construction projects. Florida officials also stated that monitoring subrecipients and contractors would be a challenge in the future.

HUD DRSI officials stated that onsite monitoring had been suspended for the rest of the year. Further, DRSI officials stated that staff started remote monitoring, which was an easy transition, because they had a mobile unit equipped with laptops and the technology necessary to conduct remote monitoring. However, one challenge expressed by the DRSI officials was the difficulty in providing grantees technical assistance virtually rather than by the normal onsite monitoring and face-to-face interaction, which was more effective.

Construction Resources and Lack of Capacity

Of the 13 grantees, 3 grantees cited construction resources and a lack of capacity 17 times as operational challenges during the pandemic. Grantees from the more remote territories cited the pandemic's effect on their ability to procure construction materials and resources and obtain the personnel needed to administer increased program funding and operations. During the pandemic, it is especially difficult to operate, plan, and forecast projects in remote geographic locations. For example, officials from Hawaii, American Samoa, and the Northern Marianas stated that the pandemic had crippled the importation of building materials needed for their housing rehabilitation programs. In the case of American Samoa and the Northern Marianas, the ability to bring workers, especially from foreign countries, to their islands to work on the construction sites was impossible due to the pandemic. Capacity issues were raised in the interview with Georgia officials because hiring of staff had to be put on hold due to a lack of required background checks and drug testing services during the pandemic.

Travel Restrictions

As State and local government officials applied travel bans and restrictions to curb the pandemic, grantees experienced delays in completing their project activities, especially tourism-based ones funded by CDBG-DR. Of the 13 grantees, 6 cited travel restrictions 14 times as an operational challenge. Grantees and HUD officials stated that travel restrictions have been challenging during the pandemic and will continue to be a challenge until the pandemic ends. Specifically, grantees stated that some of their CDBG-DR programs involved tourism, so those projects would experience delays. Officials from the Virgin Island stated that the ports had been closed and travel was suspended by an executive order, effectively shutting down their travel and hospitality program. Puerto Rico's officials expressed concerns that some hotels had closed due to the pandemic and their CDBG-DR-funded tourism program was put on hold. These challenges have

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a huge impact on grantees' program operations. Other grantees from island territories and commonwealths stated that the pandemic travel restrictions made it difficult to import goods and services. Additionally, some of the grantees rely on other States for contracting and landfill services, etc. For example, Virgin Islands officials stated that they had major concerns about their landfills overflowing due to the pandemic, as they were having a hard time finding someone to come and empty the landfill, which also created delays in projects.

HUD officials also stated that travel restrictions have been a challenge during the pandemic because they have prevented HUD staff from conducting onsite monitoring. However, HUD staff is able to focus on policies and procedures and conduct remote monitoring.

Telework and Work-Home Balance

Striking a balance between telework, office work, and home life during the pandemic was a theme and challenge echoed 12 times by the grantees we interviewed. Nine of the 13 grantees stated that moving from an in-person work environment to working from home (telework) was one of the biggest challenges. Missouri officials stated that they were unable to telework due to the issues with their broad band. Georgia officials stated that they waited more than 6 weeks of shipping delays to obtain essential equipment, such as computers and cell phones. North Carolina officials stated that telework was not only a challenge for their employees, but also for some subrecipients, contractors, and local governments with which they conducted business to run their grant program. For example, North Carolina's staff members experienced difficulties in managing telework and balancing home life because schools were closed, and children were being home schooled. Similarly, officials from the Virgin Islands stated that staff experienced difficulties in teleworking, especially when schools were shut down, as employees had to manage work and home schooling their children. Officials stated that employees' email responses regarding work assignments would arrive later than usual.

Although teleworking was a challenge, many grantees stated that they use Microsoft Teams and other software and technologies to maintain operations. Further, grantees stated that teleworking has helped to continue operations during the pandemic. While telework came easy for some, it was more of a challenge for other grantees. For example, officials from the Puerto Rico Department of Housing and the Virgin Islands Housing Finance Authority stated that telework was very challenging when they experienced power outages. Overall, most grantees have grown accustomed to teleworking, and some grantees have staff members who occasionally work from the office.

CONCLUSION

HUD's CDBG-DR grantees across the country reported facing similar challenges and experiences related to the COVID-19 pandemic. We anticipate that many of the challenges

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highlighted by these grantees in our review, such as systems-technology and communications, delays in construction projects, and incurring additional costs may persist due to the lingering pandemic. Monitoring and providing onsite technical assistance and in-person meeting with subrecipients, contractors, and local government will continue to be challenges for grantees. Telework remains a viable solution to continue and maintain program operations during the pandemic. Despite facing these major challenges and being compelled to devise creative solutions to continue programmatic and operational plans, grantees are optimistic that HUD will continue to keep the lines of communication open to be responsive to their organizational needs as the pandemic continues to affect program operations.

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Appendix A

Funding for Sample CDBG-DR Grantees by State, Territory, and Public Law

Grantee Name	Harvey, Irma & Maria & other Events 2017 PL115-56	Hurricanes, Wildfires, Volcanic Eruptions and other Events 2018-PL115-254	Flood, Wildfires & other Events 2017-2019 - PL116-20	Mitigation Fund PL 115-123	Louisiana Floods & other Disaster 2016 PL 114-223	Disaster Grant Amount
American Samoa		\$23,039,000				\$23,039,000
California	162,212,527	1,017,399,000		88,219,000		1,267,830,527
Florida	812,235,745	735,553,000		633,485,000	117,937,000	2,299,210,745
Georgia	50,958,596	41,837,000		26,961,000		119,756,596
Hawaii		83,841,000				83,841,000
Kauai		9,176,000				9,176,000
Missouri	68,382,018		30,776,000	41,592,000		140,750,018
North Carolina		542,644,000		168,067,000	236,529,000	947,240,000
Northern Mariana		243,946,000				243,946,000
Puerto Rico	11,938,162,230			8,285,284,000		20,223,446,230
South Carolina		72,075,000		157,590,000	95,086,000	324,751,000
Texas GLO	5,676,390,000	72,913,000	212,741,000	4,297,189,000	238,895,000	10,498,128,000
Virgin Islands	1,143,142,884			774,188,000		1,917,330,884
Total	\$19,851,484,000	\$2,842,423,000	\$243,517,000	\$14,472,575,000	\$688,447,000	\$38,098,446,000

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Appendix B

HUD Comments

On March 16, 2021, Kevin Bush, Deputy Assistant Secretary for Grant Programs acknowledged receipt of the report and indicated that his office had no comments.

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