



May 24, 2021

The Honorable Brian Schatz
Chair
Transportation, and Housing and Urban
Development, and Related Agencies
Subcommittee on Appropriations
United States Senate
S-128, The Capitol
Washington, DC 20510

The Honorable Susan Collins
Ranking Member
Transportation, and Housing and Urban
Development, and Related Agencies
Subcommittee on Appropriations
United States Senate
S-128, The Capitol
Washington, DC 20510

The Honorable David E. Price
Chair
Transportation, and Housing and Urban
Development, and Related Agencies
Subcommittee on Appropriations
United States House of Representatives
2358-A Rayburn House Office Building
Washington, DC 20515

The Honorable Mario Diaz-Balart
Ranking Member
Transportation, and Housing and Urban
Development, and Related Agencies
Subcommittee on Appropriations
United States House of Representatives
2358-A Rayburn House Office Building
Washington, DC 20515

Re: HUD OIG's risk-based approach to future oversight of the Lower Manhattan
Development Corporation's administration of 9/11 CDBG disaster funds

Dear Chairman Schatz, Chairman Price, Ranking Member Collins, and Ranking Member Diaz-Balart,

In the aftermath of the September 11, 2001, terrorist attacks on the World Trade Center, Congress enacted a supplemental appropriation, the "Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the U.S. Act, 2002" (the Act).¹ Though not in the Act itself, the accompanying Committee Report directed the U.S. Housing and Urban Development Office of Inspector General (HUD OIG) to perform semiannual audits of the Lower Manhattan Development Corporation (LMDC). LMDC is the entity designated by the State of New York to administer \$2.783 billion in HUD Community Development Block Grant (CDBG) Disaster Recovery funds appropriated through the Act.² After almost two decades of auditing LMDC on a semiannual, then annual basis, HUD

¹ 107 Pub. L. 117, 115 Stat. 2230.

² *Senate Report (S. Rpt. 109) for the DEPARTMENT OF DEFENSE APPROPRIATION BILL, 2002 AND SUPPLEMENTAL APPROPRIATIONS, 2002 (Dec 5, 2001)*: "The HUD Inspector General shall submit a semi-

OIG has decided to take a risk-based approach towards future oversight of LMDC in lieu of auditing LMDC on an annual basis.

The majority of HUD OIG's 23 audits of LMDC have contained no significant findings and no recommendations. We repeatedly found that LMDC had generally administered its disaster recovery-funded program in accordance with applicable requirements. Notably, HUD OIG's audits have not resulted in a recommendation for corrective action in almost a decade.³

As of March 2021, HUD had approved 15 partial action plans and multiple amendments, which allocated the \$2.783 billion to various programs and activities. LMDC has obligated 100% of the funds and reported disbursing approximately \$2,616,702,222, or 94 percent, of the \$2.783 billion appropriated.⁴

As a result of the risk profile of the auditee and the percentage of funding remaining, HUD OIG has decided to discontinue auditing LMDC on an annual basis. HUD OIG will instead take the same rigorous, risk-based approach to its oversight of LMDC's use of CDBG Disaster Recovery funds as it does with all HUD programs and operations.

Should you or your staff have any questions, please do not hesitate to contact Kathleen Hatcher, Director of Congressional Affairs, khatcher@hudoig.gov.

Sincerely,



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

annual report to the Committees on Appropriations regarding all activities of, and payments made by, the Corporation.”

³ The last LMDC audit to contain a recommendation was issued July 27, 2012, which covered LMDC's administration of the funds covering the period April 1, 2010 through March 31, 2011 ([2012-NY-1010](#)).

⁴ Approximately \$166,297,778 remains available to LMDC for expenditure in accordance with the Act.