



U.S. Department of Housing and Urban Development, Washington, DC

Disaster Preparedness

**Office of Audit
Kansas City, KC**

**Audit Report Number: 2021-KC-0003
July 26, 2021**





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

To: Janet Golrick
National Disaster Coordinator, H

Jeffrey Little
Associate Deputy Assistant Secretary for Multifamily Housing Programs, HT

Julie Shaffer
Associate Deputy Assistant Secretary for Single Family Housing, HU

Lori Michalski
Deputy Assistant Secretary for Community Planning and Development
Operations, DO

Heidi J. Frechette
Deputy Assistant Secretary for Native American Programs, PN

Felicia Gaither
Deputy Assistant Secretary for Field Operations, PQ

//signed//

From: Kilah S. White
Assistant Inspector General for Audit, GA

Subject: HUD's Major Program Offices Can Improve Their Preparedness To Respond to
Upcoming Natural Disasters

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's disaster preparedness.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act of 1978, Title 5 United States Code, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 202-402-8111, or Ronald Hosking, Audit Director, at 913-551-5870.

Highlights

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) disaster preparedness from 2005 to 2018. We performed this audit due to an agreement with six other Inspectors General as part of a Disaster Assistance Working Group-Cross Cutting Functional Effort by the Council of the Inspectors General on Integrity and Efficiency to determine to what extent the Federal departments were prepared for upcoming natural disasters. (See the Scope and Methodology section for details about the working group.) Our specific audit objective was to determine whether HUD's Offices of Multifamily Housing Programs, Single Family Housing, Community Planning and Development, Native American Programs, and Public Housing can improve their preparedness to respond to upcoming natural disasters.

HUD's Major Program Offices Can Improve Their Preparedness To Respond to Upcoming Natural Disasters

What We Found

HUD's Offices of Multifamily Housing Programs, Single Family Housing, Community Planning and Development, Native American Programs, and Public Housing had weaknesses in their written policies and supervisory controls. The Offices of Multifamily and Single family had control weaknesses in their postdisaster information-gathering activities. The Offices of Community Planning and Development and Native American Programs had weaknesses in their controls to ensure that all affected grantees and housing entities are contacted following a disaster. And, the Office of Public Housing did not track its outreach to PHAs.

What We Recommend

We recommend that the Deputy Assistant Secretary for the Office of Multifamily Housing Programs and the Deputy Assistant Secretary for Single Family Housing establish and implement a process to ensure that policies, procedures, and supervisory controls are effective. We recommend that the Assistant Secretary for Community Planning and Development establish and implement a process to ensure that supervisory controls are effective related to a requirement that staff contact grantees following a disaster. We recommend that the Assistant Secretary for Public and Indian Housing establish and implement a process to ensure that the Office of Native American Programs' policies and procedures are effective. We recommend the Deputy Assistant Secretary for Field Operations improve the Office of Public Housing's procedures with written guidance to ensure that its staff formally tracks outreach to public housing agencies.

Table of Contents

Background and Objective.....	3
Results of Audit	6
Finding 1: The Office of Multifamily Housing Programs’ Written Disaster Policies and Supervisory Controls Had Weaknesses.....	6
Finding 2: The Office of Single Family Housing’s Written Policies and Supervisory Controls Had Weaknesses.....	11
Finding 3: The Office of Community Planning and Development Did Not Implement Supervisory Controls	15
Finding 4: The Office of Native American Programs’ Written Policies Had Weaknesses	18
Finding 5: The Office of Public Housing Did Not Track Its Outreach to Public Housing Agencies	20
Scope and Methodology.....	21
Appendixes.....	30
A. Auditee Comments and OIG’s Evaluation	30
B. Criteria.....	35

Background and Objective

In 2011, President Obama approved Presidential Policy Directive 8, National Preparedness, which directed the Federal Emergency Management Agency (FEMA) to work with interagency partners to publish guidance that serves as a basis for recovery. Under this guidance, the U.S. Department of Housing and Urban Development (HUD) was designated as the lead agency for housing. HUD's mission under this guidance is to address pre-disaster and post-disaster housing issues; coordinate and help with the delivery of Federal resources and activities to assist local, State, and tribal governments in the rehabilitation and reconstruction of destroyed and damaged housing, whenever feasible; and develop other new accessible, permanent housing options. In the wake of a disaster, HUD is one of the primary agencies responsible for community planning and capacity building and is a supporting organization for economic recovery.

The Robert T. Stafford Act defines an emergency as "...any occasion or instance for which, in the determination of the President, Federal assistance is needed to supplement State and local efforts and capabilities to save lives and to protect property..." It also defines a major disaster as "...any natural catastrophe (including any hurricane, tornado, storm, high water, wind driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought), or, regardless of cause, any fire, flood, or explosion, in any part of the United States, which in the determination of the President causes damage of sufficient severity and magnitude to warrant major disaster assistance...to supplement the efforts and available resources of States, local governments, and disaster relief organizations in alleviating the damage, loss, hardship, or suffering caused..." by the disaster.

Each program office within HUD has identified mission-essential functions that support HUD's ability to provide vital services, exercise civil authority, maintain the safety of the public, and sustain the industrial and economic base during an emergency and that must be continued throughout or resumed rapidly after a disruption of normal activities.

The Office of Multifamily Housing Programs administers the Federal Housing Administration's (FHA) mortgage insurance programs for its multifamily housing properties and performs quality assurance for the underwriting of FHA-insured mortgages. It is responsible for ensuring that the residents of FHA-insured multifamily properties can find quality housing after a disaster and to assist the property owners in restoring damaged properties to a decent, safe, and sanitary condition as soon as possible. The Office of Multifamily Housing Programs must also protect properties that are FHA insured, have HUD-subsidized tenants, or both to preserve and restore financial soundness and assist owners in their recovery efforts so that all properties are restored as quickly and efficiently as possible after a disaster with minimal disruption to the residents and the community.

The Office of Single Family Housing administers FHA's mortgage insurance programs for more than 8 million single-family mortgages secured by new or existing single-family homes, condominium units, manufactured homes, and homes needing rehabilitation. It helps individuals to

secure financing when purchasing a home by requiring a reduced downpayment. When borrowers default on their FHA-insured loans and go into foreclosure, HUD sometimes acquires the homes, and they become known as HUD real estate-owned (REO) properties. One of the Office of Single Family Housing's roles is to ensure that FHA-insured and REO properties located in presidentially declared disaster areas are decent, safe, and sanitary. For FHA-insured loans, the lender is responsible for monitoring the conditions of the properties and reporting the results.

The Office of Community Planning and Development's (CPD) mission includes providing funding to and oversight of State and local government grantees, nonprofit organizations, and public housing agencies (PHA) that participate in Community Development Block Grant (CDBG), CDBG Disaster Recovery (CDBG-DR), special needs assistance, Housing Opportunities for Persons With AIDS, and HOME Investment Partnerships programs. These programs are designed to ensure a suitable living environment and expanded economic opportunity; provide emergency shelter, housing, and supportive services; increase affordable housing opportunities; and provide access to decent, safe, and sanitary housing for low- and moderate-income and very low-income individuals and families.

On February 9, 2018, Congress appropriated funds for CDBG-mitigation (CDBG-MIT) activities in the most impacted and distressed areas resulting from major declared disasters that occurred in 2014, 2015, 2016, or 2017. Mitigation activities are defined as those activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship by lessening the impact of future disasters. We performed a limited review of CDBG-MIT to obtain an understanding of the program. As a result, this report contains no conclusions regarding HUD's disaster preparedness in this area.

The Office of Native American Programs (ONAP) administers housing and community development programs that benefit American Indian and Alaska Native tribal governments, tribal members, the Department of Hawaiian Home Lands, Native Hawaiians, and other Native American organizations. Its mission is to increase the supply of safe, decent, and affordable housing available to Native American families; strengthen communities by improving living conditions and creating economic opportunities for tribes and Indian housing residents; and ensure fiscal integrity in the operation of the programs it administers. Following a disaster, ONAP's role is to assist Tribal leadership in coordinating with Federal and local entities. The Imminent Threat Grant is a part of the Indian Community Development Block Grant and is available for Tribes nationwide to rehabilitate damaged housing and infrastructure.

The Office of Public Housing oversees and assists local housing agencies that administer rental housing programs for eligible low-income residents, such as the Housing Choice Voucher Program, in which families are issued housing vouchers to assist in finding a suitable housing unit. The housing comes in various types, from scattered single-family homes to highrise apartments, at rents the residents can afford. The Office of Public Housing provides the PHAs with Federal funds to administer the Housing Choice Voucher Program; subsidies to operate and repair public housing properties; and technical and professional assistance in planning, developing, and managing the public housing developments. After a disaster, the Office of Public Housing contacts the PHAs and works with them to determine the status of their developments, staff, and residents.

Our objective was to determine whether HUD's Offices of Multifamily Housing Programs, Single Family Housing, Community Planning and Development, Native American Programs, and Public Housing can improve their preparedness to respond to upcoming natural disasters.

Results of Audit

Finding 1: The Office of Multifamily Housing Programs' Written Disaster Policies and Supervisory Controls Had Weaknesses

HUD's Office of Multifamily Housing Programs' written disaster policies and supervisory controls had weaknesses. This condition occurred because these program offices did not always have a process in place to ensure that policies, procedures, and supervisory controls were effective or implemented. As a result, HUD may be unable to ensure that staff, lenders, and contractors take the appropriate steps following a disaster.

The Office of Multifamily Housing Programs' Written Policies Had Weaknesses

The Office of Multifamily Housing Programs' written policies had weaknesses in its postdisaster recovery activities. HUD Handbook 4350.1, chapter 38 (see Appendix B for details on the laws, regulations, and policies used throughout this report), did not fully explain how to

- Use the prioritized property list. The Handbook specifies that properties should be prioritized based on level of damage but does not explain how that prioritization should be used. It does not list steps to take with respect to properties that are higher on the prioritization list than others.
- Conduct interim property reassessments and how the reassessments impact the property's disaster code score. The Handbook requires the regional construction analyst or designee to score each property with a disaster code, which would be used when conducting the ongoing reassessments. It also states that this code could change over time. It does not discuss how or when ongoing reassessments should take place and does not explain how or why the code could change.
- Include all required information on the disaster assessment form. The Handbook requires the property owner or agent to identify unit numbers that will remain offline until repaired and specific residents who were displaced by the disaster so that the Office of Multifamily Housing Programs can track these units in the displaced residents and unmet needs section of the preliminary disaster assessment form. However, there is no place in this section or elsewhere on the form for this information. It also was not found on any of the other forms in the Handbook.

The Office of Multifamily Housing Programs Did Not Implement Supervisory Controls

The Office of Multifamily Housing Programs did not implement supervisory controls to ensure that its staff follows all written policies related to conducting preliminary disaster assessments and tracking disaster information in HUD's integrated Real Estate Management System (iREMS). iREMS provides automated support to collect and maintain accurate data and enables program centers and enforcement staff to perform servicing functions and implement enforcement actions where needed.

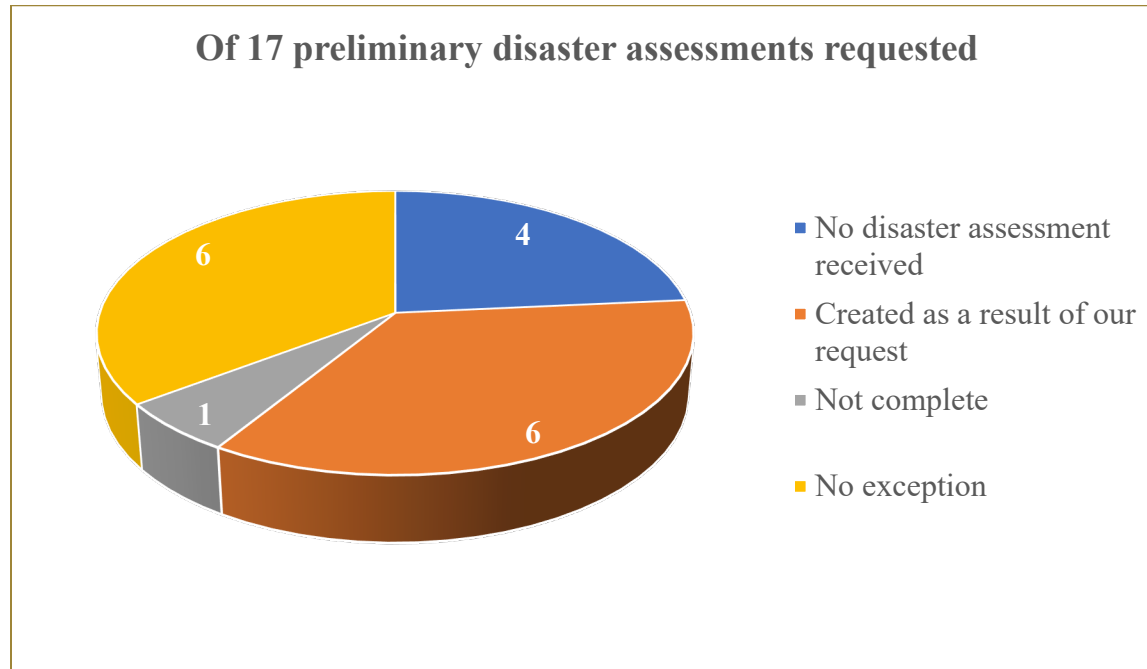
Supervisory controls refer to the processes and activities that are implemented by management to provide reasonable assurance that HUD meets its objectives and goals. Specifically, supervisory controls provide assurance that established policy and procedures are properly followed.

We selected a sample of 22 FHA-insured multifamily housing properties in our disaster areas to test whether the Office of Multifamily Programs properly performed preliminary disaster assessments, updated iREMs with required information, and executed all loan forbearances. See Scope and Methodology, Office of Multifamily Programs section for details on how we selected this sample.

Preliminary Disaster Assessments

Supervisory controls were not implemented to ensure that staff performs preliminary disaster assessments on all FHA-insured multifamily properties in presidentially declared disaster areas. HUD Handbook 4350.1 states that once an area is declared a Federal disaster area by the President, the first step is to conduct a preliminary assessment of the potentially affected portfolio. However, we found no evidence that a supervisory control over this function was implemented.

Of our sample of 22, the Office of Multifamily Programs stated that preliminary disaster assessments were not conducted for 5 of them because FEMA did not offer individual assistance for our sample properties in those areas. We tested the remaining 17 to determine whether preliminary disaster assessments were conducted. We reviewed the sample and found that 6 of 17 were properly completed. The results are shown in the chart below.

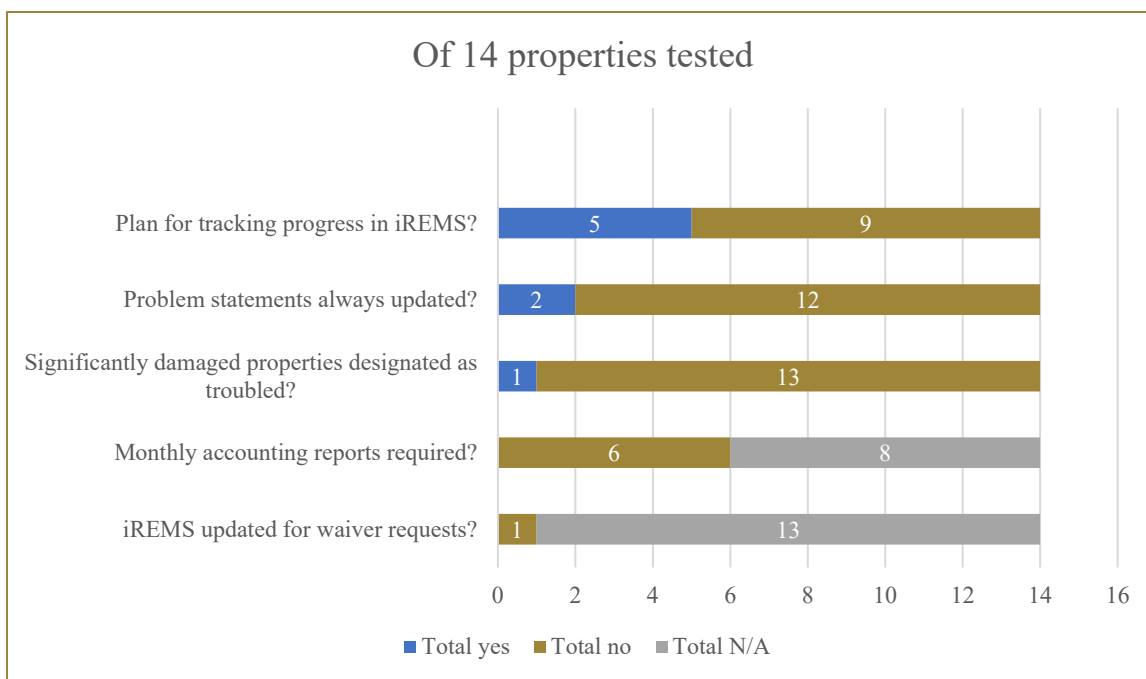


Updates to HUD's integrated Real Estate Management System

Supervisory controls were not implemented to ensure that staff properly updates iREMS with all appropriate information after disasters and properly executes all loan forbearances.

The Handbook requires the Office of Multifamily Housing Programs staff to (1) update iREMS with a plan for tracking progress on repairs, resident displacement, and any other problems that occur; (2) keep the iREMS problem statement updated at all times; (3) designate properties that have significant damage and resident displacement as “troubled”; (4) require monthly accounting reports from disaster-damaged properties with insured or HUD Secretary-held loans; and (5) update the problem statement screen when a waiver is requested, granted, or denied. However, we found no evidence that a supervisory control over these functions was implemented.

We tested 14 of the 22 sampled properties. The remaining 8 of the 22 either did not require iREMS updating or were not significantly damaged by a disaster. Of the 14 properties in past disaster areas, we found 9 deficiencies related to staff’s not updating iREMS with a plan for tracking progress on repairs, resident displacement, and any other problems that occurred; 12 deficiencies related to staff’s not keeping the iREMS problem statement updated at all times; 13 deficiencies related to staff’s not designating in iREMS the properties that had significant damage and resident displacement as “troubled”; 6 deficiencies related to staff’s not obtaining and entering into iREMS the monthly accounting reports from disaster-damaged properties with insured or HUD Secretary-held loans; and 1 deficiency related to staff’s not updating in iREMS the problem statement screen when a waiver was requested, granted, or denied; and the remaining 2 were properly updated. The overall results are summarized below.



Supervisory controls were not implemented to ensure that staff properly executes all loan forbearances. A forbearance is a temporary postponement or reduction of mortgage payments. Of the 22 FHA-insured multifamily properties selected for review from our selected disaster areas, only 1 property requested a waiver for loan forbearance. Contrary to the Handbook, this forbearance agreement was for 12 months rather than in maximum 90-day increments. Although the owner did not initially record the required forbearance agreement or submit a draft, the Office of Multifamily Housing Programs allowed the forbearance to proceed. The forbearance

agreement was not recorded until after we requested documentation of it, which was more than 6 months after the forbearance agreement period was completed.

The Office of Multifamily Housing Programs Did Not Have a Process in Place To Ensure That Policies, Procedures, and Supervisory Controls Were Effective or Implemented

The deficiencies noted above occurred because the Office of Multifamily Housing Programs did not have a process in place to ensure that its policies, procedures, and supervisory controls were effective or implemented.

With respect to assurance that policies and procedures were effective, management assumed that the staff would know how to use the prioritization of damaged properties, when to perform interim assessments, how and when the disaster code should be changed, how and when to contact State housing agencies, how to document the contact, and how to track damaged units and displaced tenants. With respect to assurance that supervisory controls were effective, management further assumed that its staff would comply with its disaster response policies and procedures.

We found no indication from HUD-provided documents that the Office of Multifamily Housing Programs implemented a specific process to ensure that its staff met its Handbook requirements.

The Office of Multifamily Housing Programs May Be Unable To Ensure That It Takes the Appropriate Steps Following a Disaster

As a result of the condition described above, the Office of Multifamily Housing Programs may be unable to ensure that staff, lenders, and contractors take appropriate steps following a disaster. If appropriate steps are not documented in a policy, staff may not understand how to perform the steps, and the steps may not be completed. In addition, contact with State housing agencies may not occur, staff may not know which housing agencies have been contacted, and some could be overlooked.

If the Office of Multifamily Housing Programs does not follow its written disaster policy, it may be unable to ensure that properties damaged by a disaster are always completely repaired and remain in decent, safe, and sanitary condition. For example, the Office of Multifamily Housing Programs did not assess the properties in the Nebraska disaster area for disaster damages because FEMA had not authorized individual assistance for that disaster. Therefore, until we requested a damage status of the 47 properties in Nebraska, the Office of Multifamily Housing Programs was unaware that 9 of them had sustained some disaster damage and remained unaware of whether 7 other properties had any disaster damage because the owners or management agents of those properties did not respond to its requests for information.

Conclusion

The Office of Multifamily Housing Programs did not always have a process in place to ensure that policies, procedures, and supervisory controls were effective or implemented. As a result, it may be unable to ensure that its staff will take the appropriate steps to protect damaged properties following a disaster.

Recommendations

We recommend that the Deputy Assistant Secretary for the Office of Multifamily Housing Programs

- 1A. Establish and implement a process to ensure that The Office of Multifamily Housing Programs' policies, procedures, and supervisory controls are effective. This process should include addressing postdisaster damage assessments, properly updating iREMS, and executing loan forbearances. This process should also integrate with other HUD program offices as appropriate to improve consistency with HUD's overall disaster response and to ensure the effectiveness of disaster controls.

Finding 2: The Office of Single Family Housing's Written Policies and Supervisory Controls Had Weaknesses

HUD's Office of Single Family Housing's written policies and supervisory controls had weaknesses. This condition occurred because these program offices did not always have a process in place to ensure that policies, procedures, and supervisory controls were effective or implemented. As a result, HUD may be unable to ensure that staff, lenders, and contractors take the appropriate steps to protect disaster-damaged properties.

The Office of Single Family Housing's Written Policies Had Weaknesses

The Office of Single Family Housing's written policies had weaknesses in its postdisaster information-gathering activities. The Disaster Relief and Recovery Guidance Manual (Manual), HUD's internal disaster policy, did not fully explain how

- Staff should use the list of FHA-insured properties and to whom the list should be reported. The Manual requires that in the event of a disaster, staff first identify and report FHA-insured properties in the disaster zone. It does not explain how or to whom the results are to be reported.
- Lenders of FHA-insured properties should report the results of their monitoring after a disaster and to whom these results should be reported. The Manual states that lenders have the responsibility to monitor and report the outcome with regard to properties in the presidentially declared disaster zone. It does not identify how or to whom these lenders should report the results of their monitoring.

The Office of Single Family Housing Did Not Implement Supervisory Controls

The Office of Single Family Housing did not implement supervisory controls to ensure that its contractors and staff follow all written policies.

Supervisory controls were not implemented to ensure that contractors assess REO properties specifically for disaster damages. The Manual requires that contractors conduct assessments of all disaster damages to the REO properties in the disaster area after a presidentially declared disaster. However, we found no evidence that a supervisory control over this function was implemented.

We reviewed 20 inspection reports for 20 disaster-affected properties in our REO and Nebraska samples. None of the 20 inspections specifically assessed the properties for disaster damages.

Supervisory controls were not implemented to ensure that HUD assigns a disaster code to all properties in a presidentially declared disaster area. The Manual requires HUD's emergency response coordinator to be proactive and request an inventory list from the contractors in the disaster area. The data are required to be accurate and frequently reviewed for completeness so that reliable tracking reports can be generated. Although this list is to include inspection results for all affected REO properties and these steps were followed in the other disaster areas, they were not followed for the nine properties we reviewed in the Nebraska disaster area, and we found no evidence that a supervisory control over this function was implemented.

The Office of Single Family Housing Did Not Have a Process in Place To Ensure That Policies, Procedures, and Supervisory Controls Were Effective or Implemented

This condition occurred because the Office of Single Family Housing did not have a process in place to ensure that its policies, procedures, and supervisory controls were effective or implemented.

With respect to assurance that policies and procedures were effective, management assumed that its staff and lenders would know what to do with information gathered and with monitoring results. With respect to assurance that supervisory controls were effective, management assumed that its contractors and staff would comply with its disaster policies and procedures.

We found no indication from HUD-provided documents that the Office of Single Family Housing had implemented a specific process to ensure that its staff and lenders properly used, maintained, or reported gathered information or monitoring results. We also found no indication that the Office of Single Family Housing had implemented a specific process to ensure that contractors properly assessed properties for disaster damages or that its staff recorded its findings with appropriate disaster codes.

The Office of Single Family Housing May Be Unable To Ensure That It Takes the Appropriate Steps Following a Disaster

As a result of the condition described above, the Office of Single Family Housing may be unable to ensure that its staff and contractors take the appropriate steps to protect disaster-damaged properties. When staff and headquarters are not given disaster inspection results and a disaster code, they may not be aware of disaster damage. When they are not aware, they cannot take the appropriate steps in properly preserving disaster-damaged properties before they sustain further damage.

For example, we found that the Office of Single Family Housing was not aware of potential disaster damages to one of its REO properties located in the Nebraska disaster area. The inspection report for this property showed that the foundation was bowing inward and there was evidence of flooding, including removed paneling and drywall up to 4 feet from the floor. However, the Office of Single Family Housing's list of disaster-affected properties showed that this property had sustained no damage. The photographs below were taken from the contractor inspection report in which the potential storm damage was identified.

Storm damage to property the Office of Single Family Housing said had no damage



Photo showing inspector's note that the foundation is bowing inward.



Photo showing inspector's note that there is evidence of flooding damage and that drywall has been removed 4 feet from the floor.



Photo showing that drywall has been removed.

Conclusion

The Office of Single Family Housing did not always have a process in place to ensure that policies, procedures, and supervisory controls were effective or implemented. As a result, it may be unable to ensure that its staff will take the appropriate steps to protect damaged properties following a disaster.

Recommendations

We recommend that the Deputy Assistant Secretary for Single Family Housing

- 2A. Establish and implement a process to ensure that the Office of Single Family Housing's policies, procedures, and supervisory controls are effective. This process should address the proper use, maintenance, and reporting of gathered information on disaster-damaged properties as well as the proper assessment of properties with appropriate disaster codes. This process should also integrate with other HUD program offices as appropriate to improve consistency with HUD's overall disaster response and to ensure the effectiveness of disaster controls.

Finding 3: The Office of Community Planning and Development Did Not Implement Supervisory Controls

HUD's Office of Community Planning and Development (CPD) did not implement supervisory controls. This condition occurred because these program offices did not always have a process in place to ensure that supervisory controls were effective or implemented. As a result, CPD staff did not always reach out or offer assistance to grantees after the disasters and in the future, may not be aware of the extent of damages to grantees.

CPD Did Not Implement Supervisory Controls

CPD did not implement supervisory controls to ensure that its staff contacts all disaster-affected grantees following a disaster.

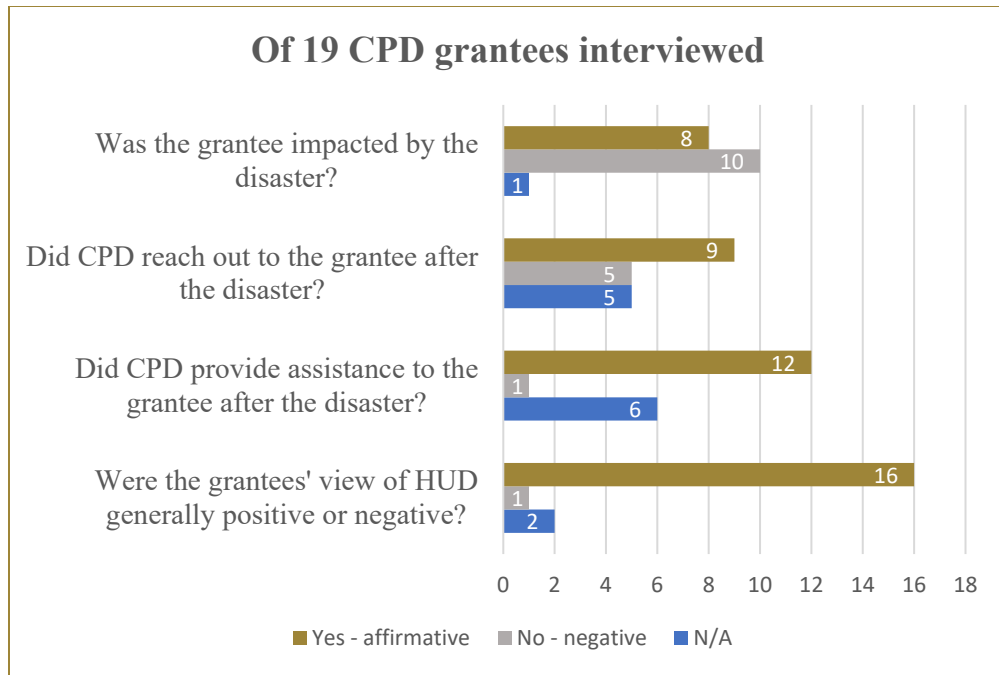
CPD's disaster policy required staff to contact grantees after a disaster to identify the extent of damages and to offer technical assistance on waivers and the use of CPD funds for disaster recovery. However, CPD did not have a specific supervisory control to ensure that this action occurred.

We interviewed 19 grantees and determined that although staff members were generally consistent in the way they interacted with the grantees, they did not always comply with the policy. Based on our interview results, CPD did not reach out to 5 of the 19 grantees and did not provide assistance to 1, but grantees had a generally positive view of CPD's assistance after the disaster.

During each interview, we asked the grantees whether

- They were impacted by one of our sampled disasters,
- CPD reached out to them after the disaster, and
- CPD provided assistance to them after the disaster.

The chart below provides the overall results of our interviews.



We found no other implemented safeguards to ensure that the policy was effectively communicated and staff knew what to do when a disaster occurred.

CPD Did Not Have a Process in Place To Ensure That Supervisory Controls Were Effective or Implemented

This condition occurred because CPD did not have a process in place to ensure that its supervisory controls were effective or implemented. Specifically, management assumed that its staff knew what to do when a disaster occurred. CPD stated that the staff members who needed to know the policies and procedures were aware of them and in general, personnel knew what to do in the event of a disaster due to proper training and the direction of leadership but agreed that it could do a better job of ensuring that all staff members are aware of written policies and procedures.

CPD Did Not Always Reach Out or Offer Assistance to Grantees After the Disasters

As a result of the condition described above, CPD staff did not always reach out or offer assistance to grantees after the disasters and in the future, may not be aware of the extent of damages to grantees. In addition, if current staff becomes unavailable, CPD may not offer grantees the required technical assistance on the use of CPD funds for disaster recovery.

Conclusion

CPD did not have a process in place to ensure that its supervisory controls were effective or implemented. As a result, it did not always reach out or offer assistance to grantees after disasters and may not be aware of the extent of damages to its grantees for future natural disasters.

Recommendations

We recommend that the Deputy Assistant Secretary for Community Planning and Development Operations

- 3A. Establish and implement a process to ensure that CPD's supervisory controls are effective related to its staff's requirement to contact grantees following a disaster. This process should also integrate with other HUD program offices as appropriate to improve consistency with HUD's overall disaster response and to ensure the effectiveness of disaster controls.

Finding 4: The Office of Native American Programs' Written Policies Had Weaknesses

ONAP's written policies had weaknesses. This condition occurred because these program offices did not always have a process in place to ensure that written policies were effective or implemented. As a result, ONAP may be unaware of the impact of disasters on local tribes and may not provide access to necessary regional resources or coordination with other Federal and local entities.

ONAP's Written Policies Had Weaknesses

ONAP's written policies had weaknesses. Its policies did not provide guidance on how to identify presidentially declared disaster areas and they also did not clearly require staff to contact impacted tribes in those areas within stated timeframes.

ONAP's policy did not fully address how its staff is to identify presidentially declared disaster areas for which it would need to contact the tribes. The policy states that the Disaster Area Response Team coordinator would be responsible for monitoring the service area to identify any potential approaching disaster events and facilitate tribal access to all regional resources as necessary, but the policy does not specify how this monitoring is to be done.

ONAP's policy did not clearly require staff to contact impacted tribes within established timeframes. The policy states that staff shall take the initiative to contact the housing entity for each tribe potentially impacted. However, it does not provide specific information on the timeliness of contact.

ONAP Did Not Have a Process in Place To Ensure That Its Policies Were Effective or Implemented

This condition occurred because ONAP did not have a process in place to ensure that its policies were effective or implemented. Specifically, management assumed that its staff would know how to identify when a disaster occurred and when it would need to contact the local tribes. We found no indication from documents that ONAP provided that it had implemented a specific process to ensure that its staff would always identify presidentially declared disasters for which it would need to contact the tribes.

ONAP May Be Unaware of the Impact of Disasters on Local Tribes

As a result of the condition described above, ONAP may be unaware of the impact of disasters on local tribes and may not provide access to necessary regional resources or coordination with other Federal and local entities. In addition, if current staff becomes unavailable, replacement staff may be unaware of how to identify a presidentially declared disaster area for which it would need to contact the tribes if this information is not documented in its policy.

For example, we selected and reviewed a sample of five tribal disaster areas. After the storm in Nebraska, ONAP did not contact either of the two tribes in our sample and was unaware of the storm's impact on the tribes. ONAP took nearly a year after the disaster to contact the two tribes. This action did not occur until after we requested documentation of those communications. During that time, the tribes were hit with another disaster, causing ONAP difficulty in obtaining information about the original disaster.

ONAP discovered that one of the tribes sustained damage in the form of minor roof leaks on its units and shingle damage to some of its homeowner units, but it did not determine during our audit whether the other tribe sustained damage as it did not respond to the enquiry from ONAP.

Conclusion

ONAP did not have a process in place to ensure that its policies were effective or implemented. As a result, it may be unaware of the impact of disasters on local tribes and may not provide access to necessary regional resources or coordination with other Federal and local entities.

Recommendations

We recommend that the Deputy Assistant Secretary for Native American Programs

- 4A. Establish and implement a process to ensure that ONAP's policies and procedures are effective. This process should address the identification of presidentially declared disaster areas and the requirement to contact disaster-affected housing entities. This process should also integrate with other HUD program offices as appropriate to improve consistency with HUD's overall disaster response and to ensure the effectiveness of disaster controls.

Finding 5: The Office of Public Housing Did Not Track Its Outreach to Public Housing Agencies

HUD's Office of Public Housing did not track its outreach to PHAs. This condition occurred because it did not have written disaster policies and procedures. As a result, if it does not track contact with PHAs, that contact may not occur, staff may not know which PHAs have been contacted, and some could be overlooked.

The Office of Public Housing Did Not Track Its Outreach to PHAs

The Office of Public Housing did not track its postdisaster outreach to impacted PHAs.

One of the Office of Public Housing's mission-essential functions is to provide critical information to the PHAs to allow them to determine emergency housing provisions for displaced public housing and Section 8 voucher residents entering their jurisdictions and their own residents that have been or are in the process of being relocated to other areas. The Office of Public Housing did not have a formal method for tracking this outreach after a disaster.

We contacted the 18 PHAs in our sample to verify whether the Office of Public Housing contacted them after the past disaster. Although it did not have a formal method for tracking the outreach, it did fulfill this function for each PHA. However, a tracking system for this function would help to ensure its mission success in case of future disasters.

The Office of Public Housing Did Not Have Written Disaster Policies and Procedures

The Office of Public Housing did not track its outreach because it did not have written policies and procedures that required tracking. It maintained policies and procedures for PHAs to use after a disaster. However, it did not have sufficient written guidance for its own staff.

The Office of Public Housing May Not Contact All Disaster-Affected PHAs for Future Disasters

As a result of the condition described above, if it does not track contact with PHAs, that contact may not occur, staff may not know which PHAs have been contacted, and some could be overlooked.

Conclusion

The Office of Public Housing did not track its outreach because it did not have written policies and procedures that required tracking. As a result, it may not contact all disaster-affected PHAs in the future because it did not have written policies that required tracking.

Recommendations

We recommend that the Deputy Assistant Secretary for Field Operations

- 5A. Improve the Office of Public Housing's procedures with written guidance to ensure that its staff formally tracks outreach to PHAs.

Scope and Methodology

Our audit scope originally covered the period July 1, 2017, through June 30, 2018. We expanded the scope to include Disaster Housing Assistance Program (DHAP) data from August 2005, the date of the first hurricane for which the program was implemented. We performed our audit from August 2018 through March 2020 at HUD headquarters, 451 7th Street SW, Washington, DC, and at the HUD Office of Inspector General (OIG) offices at 909 1st Avenue, Seattle, WA.

To accomplish our objective, we

- Reviewed
 - written policies and procedures and other documents of various program offices;
 - HUD mission-essential functions;
 - interagency agreements and other HUD documentation related to DHAP;
 - public laws passed for disasters during our audit period related to disaster relief, housing, long-term recovery, restoration of infrastructure, and economic revitalization in areas affected by Hurricanes Harvey, Irma, and Maria and the California Wildfires;
 - HUD Federal Register notices published for disasters during our audit period that provided allocation information, common application waivers, and alternative requirements for State CDBG-DR grantees; and
 - prior OIG audit reports and a U.S. Government Accountability Office report that concerned CDBG-DR delivery efficiency.
- Interviewed HUD and U.S. Department of Homeland Security OIG personnel and select HUD partners, including multifamily housing property owners and management agents, CPD grantees, and PHA executive directors or their designees.

Sampling Methodology

We selected a sample of presidentially declared disasters as well as samples of disaster-affected FHA-insured multifamily properties, REO properties, CPD grantees, and PHAs. See Detailed Testing Results below for more details on how we selected these samples.

- We selected a sample of 7 past presidentially declared disasters from a universe of 54. We selected high-profile disasters as well as disasters with a variety of disaster declaration dates, locations, and types.
- We randomly selected a sample of 22 FHA-insured multifamily disaster-affected properties from a universe of 921.
- We selected for interview both of the two State housing agencies that were in the direct path of disasters in our sample.
- We randomly selected a sample of 11 single-family REO properties affected by a disaster from a universe of 905.
- We randomly selected a sample of 19 CPD grantees located in a disaster area from a universe of 138.

- We selected all 10 tribes and Indian housing authorities in our disaster areas.
- We randomly selected a sample of 18 PHAs located in disaster areas from a universe of 224.

We reviewed each item in our samples to obtain information about HUD's actions and preparedness during prior presidentially declared disasters. Because these were nonstatistical samples, our results apply only to the items selected and cannot be projected to the universe.

Council of the Inspectors General on Integrity and Efficiency Coordination

As mentioned on the Highlights page, we coordinated with six Inspectors General as part of a Disaster Assistance Working Group-Cross Cutting Functional Effort by the Council of the Inspectors General on Integrity and Efficiency to determine to what extent the Federal departments were prepared for upcoming natural disasters. These six OIGs included the U.S. Department of Homeland Security, U.S. Department of Defense, U.S. Department of the Interior, U.S. Department of Transportation, U.S. Department of Health and Human Services, and U.S. Small Business Administration. We intend to roll up our results with the results of the other OIGs in the working group into a consolidated report.

CDBG-MIT

The CDBG-MIT program was established and implemented during the later stages of our audit fieldwork. We reviewed applicable CDBG-MIT Federal Register notices and policies and procedures to obtain an understanding of the program. We also performed a limited review of 16 CDBG-MIT grantees to determine whether HUD followed statutory requirements in the amounts granted. However, because of the limited nature of our review and because CDBG-MIT was a new program that had not been implemented in the past, this report contains no conclusions (positive or negative) regarding HUD's disaster preparedness with respect to CDBG-MIT.

Detailed Testing Results

Disasters

To select our sample of seven disasters, we performed a search of Major Disaster Declarations for 2017 and 2018 on FEMA's website. From the listings obtained for each year, we then identified the disasters that were declared from July 1, 2017, to June 30, 2018. We determined that during this period, there were 54 presidentially declared disasters. We selected the first four disasters below because they were recent high-profile disasters. We selected the last three because they were recent lesser known disasters and we wanted to see whether HUD's response differed in any way from its response to high-profile disasters. We did not perform a random selection so that we could obtain a variety of disaster declaration dates, locations, and types. We also wanted a cross section of HUD regions. This sample represents 5 of HUD's 10 regions (4, 6, 7, 9, and 10). Because this was a nonstatistical sample, our results apply only to the items selected and cannot be projected to the universe. The sample of disasters we selected is shown below.

Selected disaster name	FEMA #	Start date	End date	Disaster declaration date	State	HUD region
Texas Hurricane Harvey	DR-4332	8/23/2017	9/15/2017	8/25/2017	Texas	6
Virgin Islands Hurricane Irma	DR-4335	9/5/2017	9/7/2017	9/7/2017	U.S. Virgin Islands	4
Puerto Rico Hurricane Maria	DR-4339	9/17/2017	11/15/2017	9/20/2017	Puerto Rico	4
California Wildfires	DR-4344	10/8/2017	10/31/2017	10/10/2017	California	9
Alaska Severe Storm	DR-4351	9/28/2017	9/30/2017	12/20/2017	Alaska	10
Hawaii Kilauea Volcanic Eruption and Earthquakes	DR-4366	5/3/2018	8/17/2018	5/11/2018	Hawaii	9
Nebraska Severe Winter Storm and Straight-Line Winds	DR-4375	4/13/2018	4/18/2018	6/29/2018	Nebraska	7

The Office of Multifamily Housing Programs

To select our sample of 22 FHA-insured multifamily properties, we identified the universe of properties for each of our selected disasters. The universe totaled 874 properties that were on The Office of Multifamily Housing Programs' affected properties lists in 5 of our selected disaster areas: Hurricane Harvey, Texas (454 properties); Hurricane Irma, U.S. Virgin Islands (17 properties); Hurricane Maria, Puerto Rico (203 properties); Wildfires, California (176 properties); Volcanic Eruption, Hawaii (24 properties); and an additional 47 properties in the Straight-Line Winds, Nebraska disaster area. The Office of Multifamily Housing Programs did not assess the properties in the Straight-Line Winds, Nebraska disaster area. There were no properties in the last presidentially declared disaster area (Severe Storm, Alaska). We used a random number generator to select our sample. By using the random number generator, we selected individual properties without conscious bias; that is, without any special reason for including or excluding them. Because this was a nonstatistical sample, our results apply only to the items selected and cannot be projected to the universe.

Of the 874 properties, there were 50 properties coded as severely damaged, 11 coded as not assessed, and 107 that were blank in the disaster code column. One of the blank properties was inactive. Using a random number generator, for each of the five presidentially declared disaster areas in which HUD assessed the properties for damage, we intended to select four properties coded as severely damaged, two coded as not assessed, and two that were blank in the disaster code column. If the universe for an individual disaster had fewer than these amounts in any of the three categories, we selected all properties in that category except when those properties were inactive or had zero units. Of the 47 Nebraska properties, we selected 2 that the Office of Multifamily Housing Programs did not assess at the time they received damage and 1 property

that did not reply to the Office of Multifamily Housing Programs’ request regarding whether it sustained damage.

The FHA-insured multifamily properties we selected are shown below, along with the location of the property and the disaster code assigned by the inspection.

Disaster	Property	Disaster code
Texas Hurricane Harvey	Arbor Court, Houston, TX	8=severe damage – red flagged
	Village Apartments, Baytown, TX	8=severe damage – red flagged
	Crystal Creek Park, Port Arthur, TX	7=severe damage – significant (>50%) dislocation
	Heritage Center of Orange, Orange, TX	8=severe damage – red flagged
	2100 Memorial Drive, Houston, TX	10=no assessment
	Gracelake Towne Homes, Beaumont, TX	10=no assessment
	Azalea Terrace, Cleveland, TX	Blank
U.S. Virgin Islands Hurricane Irma	Harborview Apartments, St. Croix, USVI	6=severe damage – minor (<50%) dislocation
	Water Gut Homes, Christiansted, St. Croix, USVI	6=severe damage – minor (<50%) dislocation
	Yellow Cedar Residence, St. Thomas, USVI	8=severe damage – red flagged
	Lagoon Street Homes, Frederiksted, St. Croix, USVI	7=severe damage – significant (>50%) dislocation
Puerto Rico Hurricane Maria	Playa Azul, Luquillo, PR	8=severe damage – red flagged
	Bayola Apartments, Santurce, PR	7=severe damage – significant (>50%) dislocation
	Santa Juana Apartments, Caguas, PR	7=severe damage – significant (>50%) dislocation
	San Fernando Apartments, Bayamon, PR	6=severe damage – minor (<50%) dislocation
California Wildfires	Tustin Gardens, Tustin, CA	Blank
	Hartford Place, Chico, CA	Blank
Hawaii Kilauea Volcanic Eruption and Earthquakes	Riverside Apartments, Hilo, HI	Blank
	SHDC No. 8, Honokaa, HI	Blank

Nebraska Severe Winter Storm and Straight-Line Winds	Realife of Columbus, Columbus, NE	Nebraska properties were not assessed
	French Village, Grand Island, NE	Nebraska properties were not assessed
	Chestnut Park Apartments II, Norfolk, NE	Nebraska properties were not assessed

The Office of Single Family Housing

To select our sample of 11 single-family REO properties, we identified the universe of REO properties in our selected disaster areas. This universe included 905 properties in 6 of our selected disaster areas: Hurricane Harvey, Texas (301 properties); Hurricane Irma, U.S. Virgin Islands (5 properties); Hurricane Maria, Puerto Rico (559 properties); Wildfires, California (27 properties); Volcanic Eruption, Hawaii (6 properties); and Straight-Line Winds, Nebraska (7 properties). Note that the first listing of properties that HUD provided included seven properties in Nebraska, but a later list included nine properties. There were none in the Alaska disaster area. We did not include the properties in the Nebraska disaster area in our sample because HUD initially told us that these properties were not assessed. We did not test the list of properties for completeness but used it only to determine whether HUD’s contractors performed disaster assessments consistently on the sampled properties in comparison to the assessments performed on the properties in the Nebraska disaster area. Assessments of properties that were assessed for damages after the disaster included information on the location of the property and the damage category (none, minimal < \$1,000, minor ≤ \$10,000, and major > \$10,000).

Using a random number generator, we intended to select one property in each of our disaster areas for each damage category. If there were no properties in a given category, we moved on to the next category. We then requested inspection reports for the 11 properties so we could compare them to the reports we obtained from HUD’s P260 system for the 9 Nebraska properties to determine whether HUD was consistent in applying its policies and procedures with respect to inspections. By using the random number generator, we selected individual properties without conscious bias; that is, without any special reason for including or excluding them. Because this was a nonstatistical sample, our results apply only to the items selected and cannot be projected to the universe.

The sample of single-family REO properties we selected are shown below, by case number, along with the disaster code assigned.

Disaster	Case number	Disaster code
Texas Hurricane Harvey	493-781182	None
	495-932404	Minimal<\$1,000
	495-707640	Minor≤\$10,000
U.S. Virgin Islands Hurricane Irma	821-004304	Minimal<\$1,000

	821-004077	Minor ≤ \$10,000
Puerto Rico Hurricane Maria	501-738459	None
	501-546097	Minimal < \$1,000
	501-786998	Minor ≤ \$10,000
	501-879072	Major > \$10,000
California Wildfires	043-730202	None
Hawaii Kilauea Volcanic Eruption and Earthquakes	141-148078	None

The Office of Community Planning and Development

To select our sample of 19 non-CDBG CPD grantees, we identified the universe of non-CDBG CPD grantees in each of our disaster areas. These included the Continuum of Care (CoC), Emergency Shelter Grant (ESG), and the HOME Investment Partnerships program (HOME). We did not include CDBG because we reviewed CDBG-DR separately. This universe totaled 138 different entities in the 7 disaster areas: Hurricane Harvey, Texas (34 entities); Hurricane Irma, U.S. Virgin Islands (3 entities); Hurricane Maria, Puerto Rico (45 entities); Wildfires in California (52 entities); Severe Storm, Alaska (1 entity); Volcanic Eruption and Earthquakes, Hawaii (1 entity); and Straight-Line Winds, Nebraska (2 entities). Using a random number generator, we selected grantees from each disaster area. By using the random number generator, we selected individual entities that received non-CDBG CPD grants without conscious bias; that is, without any special reason for including or excluding them. We used this sample as a basis to interview non-CDBG CPD grantees to determine whether CPD followed its disaster policies and procedures. Because this was a nonstatistical sample, our results apply only to the items selected and cannot be projected to the universe. The sample of grantees is shown in the table below.

Disaster	Grantee name	Program
Texas Hurricane Harvey	Brazoria County, TX	ESG
	Harris County, TX	CoC
	Harmony House – Texas	CoC
	Star of Hope Mission	CoC
U.S. Virgin Islands Hurricane Irma	Virgin Islands	ESG
	Methodist Training and Outreach Center	CoC
	Virgin Islands Housing Finance Authority	CoC

Puerto Rico Hurricane Maria	Yauco, PR	CoC
	Vega Alta, PR	CoC
	Guaynabo, PR	HOME
	Casa Protegida Julia de Burgos	CoC
California Wildfires	Orange, CA	HOME
	Committee on the Shelterless	CoC
	Community Support Network	CoC
	Orange County, CA	ESG
Alaska Severe Storm	Alaska	ESG
Hawaii Kilauea Volcanic Eruption and Earthquakes	Hawaii	CoC
Nebraska Severe Winter Storm and Straight-Line Winds	Central Nebraska Community Action Partnership	CoC
	Nebraska	ESG

At the time of our testing, CDBG-DR funds had been allocated to four grantees in our selected disaster areas. These grantees included the Commonwealth of Puerto Rico, the U.S. Virgin Islands, the State of California, and the State of Texas.

HUD collected data from FEMA, the Small Business Administration, and other sources to estimate unmet disaster recovery needs. CPD then received the unmet need amounts from the Office of Policy Development and Research (PD&R) for its calculations of CDBG-DR allocations. We did not validate the unmet need amounts that PD&R compiled because our audit was limited to a review in this area of CPD.

The Office of Native American Programs

We identified the universe of tribes and Indian housing authorities in each of our selected disaster areas that included tribes or authorities. There were 10 tribes and 1 authority in 5 of our selected disaster areas: Hurricane Harvey, Texas (1 tribe, 1 authority); Wildfires in California (3 tribes); Severe Storm, Alaska (3 tribes); Volcanic Eruption and Earthquakes, Hawaii (1 tribe); and Straight-Line Winds, Nebraska (2 tribes). There were no tribes or authorities in the Puerto Rico or U.S. Virgin Islands disaster areas. Because there were only 11 in our selected disaster areas, we did not sample but reviewed ONAP’s disaster policies and procedures and documentation of its activities during each of the disasters to determine whether it followed its policies with respect to these tribes and authorities.

Disaster	Entity name
----------	-------------

Texas Hurricane Harvey	Alabama-Coushatta Tribe Housing Authority
	Kickapoo Traditional Tribe Housing Authority
California Wildfires	Northern Circle Indian Housing Authority
	Kashia Band of Pomo Indians of the Stewarts Point Rancheria
	Redwood Valley Little River Band of Pomo Indians
Alaska Severe Storm	Native Village of Barrow
	Native Village of Pt Hope
	Tagiugmiullu Nunamiullu Housing Authority
Hawaii Kilauea Volcanic Eruption and Earthquakes	The Department of Hawaiian Homelands
Nebraska Severe Winter Storm and Straight-Line Winds	Santee Sioux Tribally Designated Housing Entity
	Northern Ponca Housing Authority

The Office of Public Housing

To select our sample of 18 PHAs from which to obtain information about HUD’s actions during previous disasters, we identified the universe of PHAs for each of our selected disasters. There were a total of 224 PHAs in 6 of our selected disaster areas: Hurricane Harvey, Texas (93 PHAs); Hurricane Irma, U.S. Virgin Islands (1 PHA); Hurricane Maria, Puerto Rico (77 PHAs); Wildfires in California (16 PHAs); Volcanic Eruption and Earthquakes, Hawaii (1 PHA); and Straight-Line Winds, Nebraska (36 PHAs). There were no PHAs in the Alaska disaster area.

Using a random number generator, we selected PHAs from each disaster area. By using the random number generator, we selected individual PHAs without conscious bias; that is, without any special reason for including or excluding them. We used this sample as a basis to interview PHAs and request documents to determine whether the Office of Public Housing followed its unwritten disaster policies and procedures. Because this was a nonstatistical sample, our results apply only to the items selected and cannot be projected to the universe. The table below shows the sample of PHAs we selected for review.

Disaster	Entity name
Texas Hurricane Harvey	Seguin Housing Authority
	Housing Authority of Jasper
	Edna Housing Authority

	Grand Prairie Housing & Neighborhood Services
U.S. Virgin Islands Hurricane Irma	Virgin Islands Housing Authority
Puerto Rico Hurricane Maria	Municipality of Caguas
	Municipality of Ceiba
	Municipality of Guayama
	Municipality of Santa Isabel
Hawaii Kilauea Volcanic Eruption and Earthquakes	Hawaii County Housing Authority
California Wildfires	Housing Authority of the City of Santa Ana
	City of Anaheim Housing Authority
	Napa Housing Authority
	Housing Authority of the City of Garden Grove
Nebraska Severe Winter Storm and Straight-Line Winds	Newman Grove Housing Authority
	Clay Center Housing Authority
	Sargent Housing Authority
	Albion Housing Authority

Reliance on Computer-Processed Data and Compliance With Government Auditing Standards

We did not rely on computer-processed data to support our conclusions but relied on documents and interviews to meet our objective.

Appendix B identifies the criteria discussed in our finding.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendixes



Appendix A

Auditee Comments and OIG's Evaluation

Auditee Comments

The Offices of Multifamily Housing, Single Family Housing, Community Planning and Development, and Public Housing chose not to provide a written response. The Office of Native American Program's written comments are shown below.

Ref to OIG Evaluation

	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, DC 20410-5000
OFFICE OF PUBLIC AND INDIAN HOUSING	
	May 11, 2021
MEMORANDUM FOR:	Ronald J. Hosking, Regional Inspector General for Audit, Kansas City, Kansas, 7AGA
FROM:	Heidi J. Frechette, Deputy Assistant Secretary, Office of Native American Programs, PN 
SUBJECT:	Office of Native American Programs Response to the HUD Office of Inspector General draft audit Titled: "HUD's Major Program Offices Can Improve Their Preparedness to Respond to Upcoming Natural Disasters" (2021-KS-XXXX)"
	<p>Thank you for the opportunity to review the discussion draft memorandum, entitled "HUD's Major Program Offices Can Improve Their Preparedness to Respond to Upcoming Natural Disasters." After review of the draft report, our office would like to offer the following comments.</p> <p>On page 18 of the Draft Report, the Office of Inspector General (OIG) makes its only finding against the Office of Native American Programs (ONAP). OIG found that, "The Office of Native American Programs' Written Policies Had Weaknesses" because they "did not clearly require staff to contact impacted tribes within established timeframes" and did not specify a "process to ensure that its staff would always identify presidentially declared disasters for which it would need to contact the tribe." Indeed, OIG's recommendation is that ONAP "[e]stablish and implement a process to ensure that ONAP's policies and procedures are effective." In particular, OIG recommends ONAP's policy should "address the identification of presidentially declared disaster areas and contain a requirement to contact disaster-affected housing entities."</p> <p>This single finding and recommendation came as a surprise to ONAP. The last engagement ONAP had with OIG relating to this audit was in late November 2019, when ONAP was offered a chance to comment on a Draft Findings Outline. In that Draft Findings Outline, OIG found the following:</p> <p>Although ONAP has adequate policies and procedures for interacting with program participants in response to disasters, it did not consistently follow its policies and procedures for these activities.</p> <p>ONAP's policies, once deemed "adequate," have not changed since the OIG's initial determination. The policies and procedures do require staff to contact impacted tribes and do establish adequate timeframes for that contact. Moreover, the policies and procedures should not require special emphasis on identifying presidentially declared disasters.</p>

Comment 1

**Ref to OIG
Evaluation**

Comment 2

**ONAP's Disaster Area Response Team (DART) Policies and Procedures
do Require Staff to Contact Impacted Tribes**

With respect to OIG's assertion that ONAP's policy does "not clearly require staff to contact impacted tribes within established timeframes," OIG notes that ONAP's policy "states that staff should take the initiative to contact the housing entity for each tribe potentially impacted. However, it does not provide specific information on the timeliness of contact." (Emphasis added). We disagree. ONAP's policy specifically says the following:

The process followed by each DART is: Preceding (if anticipated), during, and/or after a disaster event in Indian Country, the impacted region's ONAP Area Office takes the initiative to contact the housing entity for each tribe known to be in harm's way....

First, the policy does not use the word "should" and is instead worded in terms of steps in a "process." Moreover, the policy instructs, "the process...is...." Thus, the policy requires the Area ONAP to take "the initiative to contact" impacted Tribes. OIG's concern here is with semantics. Area ONAP offices work very closely with the Indian Tribes in their area, are very professional and dedicated to service they provide Tribes and know what this process dictates as to their responsibility in a disaster.

Comment 3

Second, because disasters are not limited in time and scope, "provid[ing] specific information on the timeliness of contact" is meaningless. Each disaster is unique. Depending on how the disaster plays out or what warnings may be available, ONAP relies again on Area ONAP's professionalism, close relationship with the Tribes and their ability to determine when the best time is to make contact. Setting a number of days or hours would limit the ability of professionals to use judgement. Thus, the policy simply reminds the Area ONAP that it should consider, depending on the circumstances, to contact when reasonable before, during and after a disaster.

Accordingly, the portion of Recommendation 4a recommending a "process [that] should address ... the requirement to contact disaster-affected housing entities" is superfluous and should be removed.

**ONAP's DART Policies and Procedures Should Not Require
Special Emphasis on Identifying Presidentially Declared Disasters**

Under the sub-findings headings, "ONAP Did Not Have a Process in Place to Ensure That Its Policies Were Effective or Implemented," OIG asserts that it "found no indication from documents that ONAP provided that [ONAP] had implemented a specific process to ensure that its staff would always identify presidentially declared disasters for which it would need to contact the tribes." (Emphasis added). Instead, OIG claims "management assumed that its staff would know how to identify when a disaster occurred."

This is correct. As noted in ONAP's policy, a major intent of the process, besides identifying points of contact, is "the identification of all regional resources that [have] the potential to favorably impact a response to all disasters that could occur in the service area."

**Ref to OIG
Evaluation**

Comment 4

Thus, ONAP's response to various emergencies is not limited to Presidentially-declared disasters. This is critical because ONAP, through the Indian Community Development Block Grant Imminent (ICDBG IT) program, provides grants to Tribes to address these emergencies and events throughout the year as they occur. ICDBG IT grants may be made to help Tribes address both presidentially declared disasters and disasters that are not presidentially declared. In fact, many Tribal communities are small and often as a result do not receive a presidential disaster declaration, even when a disaster devastates the community. Focusing on presidentially declared disasters is therefore counterproductive to the intent of ONAP's policies.

Again, ONAP relies on the close relationships the Area ONAPs have with recipients and the knowledge of event occurring in their region. Simply because of one disaster with minor effects (minor roof leaks and shingle damage) out of the seven reviewed by OIG went undetected, does not mean Area ONAPs will go unaware of the impact of other disasters on local tribes. The close relationships the Area ONAPs have with are Indian Tribes virtually assures that when assistance, beyond minor roof leaks and shingle damage, is needed, the Area ONAP will provide access to necessary regional resources, coordination with other Federal and local entities, or help in applying for ICDBG IT assistance.

Accordingly, the portion of Recommendation 4a recommending a "process [that] should address the identification of presidentially declared disaster areas" is also superfluous and should be removed. In removing this and the recommendation to expressly mandate Tribal contact, Recommendation 4a is unnecessary.

Thank you again for affording ONAP the opportunity to comment and for your continued partnership. If you have any questions, please do not hesitate to contact Gary A. Nemeec, Director of the Office of Grants Evaluation at 202.402.2988 or Gary.A.Nemeec@hud.gov.

OIG Evaluation of Auditee Comments

Comment 1 The auditee stated that OIG’s draft finding outlines indicated that ONAP had adequate policies and procedures for interacting with program participants in response to disasters and consistently followed them. ONAP believed OIG had not changed this determination, which was last discussed in November 2019. ONAP stated that its established policies and procedures do require contact with impacted tribes and do establish adequate timeframes for contact. ONAP stated that there should not be special emphasis on the presidentially declared disasters.

In response to this comment, we would like to make clear that our draft finding outlines are not final conclusions. They are draft in nature and reflect preliminary conclusions. In this case, the draft outline pointed out that we had identified some exceptions in our testing. During subsequent review and analysis, we concluded that the exceptions could have been prevented by strengthening some of the program guidance. Therefore, we did not change the finding in the report and we look forward to resolving this during the audit resolution process.

Comment 2 ONAP stated that it disagreed with OIG’s assessment that ONAP’s policy does not require staff to contact disaster affected housing entities or that the policy does not provide specific information on the timeliness of contact.

In response to this comment, we revised this excerpt in the report to show that it is a requirement. However, we maintain that the policy may not be completely clear. The wording, “takes the initiative” in the DART policies makes it unclear whether the team is required to take the initiative, or whether the team is required to “contact the housing entity for each tribe known to be in harm’s way...”. It is unclear what metric is to be used to verify program success. Therefore, we believe that ONAP’s program guidance could be strengthened to establish and implement a process to ensure that policies and procedures are effective.

Comment 3 ONAP stated that Recommendation 4a recommending a “process [that] should address ... the requirement to contact disaster-affected housing entities” is superfluous and should be removed because setting timeliness standards on contacting the entities would limit the ability of professionals to use judgement given the specific disaster.

In response to this comment, we maintain that our recommendation does not require ONAP to establish timeframes and we believe that it provides ONAP with the flexibility to strengthen its program controls in manner that it deems to be necessary and effective. Therefore, we do not believe the recommendation is superfluous. The recommendation is unchanged and we look forward to working with ONAP on this during the audit resolution process.

Comment 4 ONAP stated that OIG’s findings were not significant and that Area ONAPs maintain close relationships with Indian Tribes which virtually assures that when

assistance is needed, the Area ONAP will provide the necessary resources. Therefore, the portion of Recommendation 4a recommending a “process [that] should address the identification of presidentially declared disaster areas” is also superfluous and should be removed.

In response to this comment, we would like to state that our recommendations are developed to address the specific findings and conclusions from our audit work to provide the auditee with the highest potential benefit to its operations if they were to implement those recommendations. In this case, we found indications that tribes within our sample were not always contacted following a disaster and we also found that DART policies did not provide detail on the specifics of monitoring. Therefore, we do not believe the recommendation is superfluous. The recommendation is unchanged and we look forward to working with ONAP during the audit resolution process.

Appendix B

Criteria

Disaster Relief and Recovery Guidance Manual

Chapter 3 Single Family Housing

3.1 Introduction

One of the most critical elements of the Department's [HUD] mission is to ensure that FHA mortgage insured single family homes and HUD Real-Estate Owned (REO) properties are decent, safe, and sanitary. It is a difficult task to accomplish this mission during a time of crisis, especially when the crisis is caused by natural disasters or other emergencies. In the event of a disaster HUD's Office of Single Family Housing must first identify and report FHA insured properties, and REO properties in the disaster zone. After the initial reporting of affected properties and description of the damages in the disaster zone, a detailed damage assessment and monitoring of the restoration efforts will begin for the REO properties.

After a Presidentially Declared Disaster (PDD), the Office of Single Family Housing's M&M [management and marketing] contractor's, Field Service Manager will conduct an assessment of all disaster damages to the Department's Real Estate Owned (REO) properties in the disaster area.

For FHA-insured loans, the lender of the FHA-insured mortgage has the responsibility to monitor and report the outcome with regard to properties in the PDD zone. In the event of a default on an FHA-insured loan, the Mortgagee [lender] acquires title to the property by foreclosure, a deed-in-lieu of foreclosure, or other acquisition methods, files a claim for insurance benefits and conveys the property to HUD.

3.2.3 Reporting Templates and Other Pertinent Information

Outline the Disaster Relief and Recovery Process

B. Disaster Assessment and Relief and Recovery Strategy

4. Other Disaster Resources

b. Community Planning and Development (CPD)

Following a disaster, CPD staff will attempt to make contact with grantees/participating jurisdictions to establish the extent of damages and offer technical assistance. This information will be communicated to the Field/Regional Director to be included in the consolidated report.

CPD staff will provide technical assistance to grantees on the use of CPD funds (CDBG, HOME, etc.) for disaster recovery.

Assistance will be provided to grantees that request waivers and/or changes to their action plans. Waiver and action plan change requests shall be reviewed and forwarded to headquarters expeditiously with copies going to the Field Office and Regional Administrator.

C. Relief and Recovery Implementation

In the event of an emergency, the Emergency Response Coordinator (ERC) should be proactive and request a HUD inventory list from the M&M contractor based on prior knowledge of the areas that may be affected. The process will allow HUD staff to identify the potential REO inventory, eliminate duplication in efforts, and provide inventory listings to FEMA upon request. All data must be accurate and frequently reviewed for completeness to generate reliable tracking reports once the emergency occurs.

E. Reporting

The following reporting tools are used for documenting the status of properties affected by an emergency or disaster:

3. Final Disaster Assessment: When possible, M&M Contractor should be dispatched to conduct an on-site final assessment of the affected properties. The final disaster assessment is performed to confirm the extent of the damage reported during the pre-disaster assessment and to determine which properties should be inspected or re-inspected. During the final assessment, photographs and/or video should be taken and detailed information on the damage should be obtained. The list will also include inspection results for all affected REO properties.

HUD Handbook 4350.1 Chapter 38

Section 1. Introduction

One of the most critical elements of the Department's mission is to ensure that the residents of FHA-insured multifamily properties live in decent, safe, and sanitary housing without discrimination. It is a difficult task to accomplish this mission during a time of crisis, especially when the crisis was caused by a natural disaster or other emergency. However, the Office of Multifamily Housing has a responsibility to ensure that the residents of FHA-insured multifamily properties can find quality housing in emergency situations and to assist the property owners in restoring damaged properties to a decent, safe, and sanitary condition as soon as possible.

6-5 The Emergency Response Coordinator

M. Ensure that there is a plan for tracking progress on repairs, resident displacement, and any other problems that occur. This information must be entered into iREMS [HUD's Integrated Real Estate Management System].

6-9 Integrated Real Estate Management System

The Affected Portfolio List and Tracking Report (discussed in Section III) are developed from data in iREMS. Consequently, all iREMS data must be accurate and frequently reviewed for completeness to generate reliable tracking reports once the emergency occurs. Project Managers must be advised to keep the iREMS Problem Statement and Occupancy pages updated at all times.

6-15 Reporting Tools

A. Preliminary Assessment

The Preliminary Disaster Assessment (PDA) is the initial list of all properties that were identified as having suffered damage during the emergency or disaster. The PDA is critical in assessing the extent of disaster damage and resident displacement and is used to prioritize properties based on level of damage. Information is obtained for the PDA via telephone contact with the owner/agent and must be used for all properties on the APL [affected property list]. Refer to Appendix A-3 for a sample of the Preliminary Disaster Assessment for FHA-insured multifamily properties. Upon completion of the Preliminary Disaster Assessment, the Hub Construction Analyst or designee will score each property with a “disaster code”, which will be used when conducting the on-going re-assessments discussed later in this section. The numerical “code” designation can change over time.

38-19 Using the Final Disaster Assessment

During this phase, under the direction of the ERT, HUD staff must conduct follow-up surveys using the Final Disaster Assessment to verify the information and report findings to Headquarters. The Final Disaster Assessment should be completed within 15 business days or as soon as possible depending on the severity of the PDD. This information must be documented on the TR [tracking report] in the appropriate columns and should notate and explain issues related to...Confirming the number of properties or the number of units at a property that will remain off-line until repaired. The owner/agent should identify unit numbers and specific residents and this information should match the data tracked on the Displaced Residents/Unmet Needs section of the Preliminary Disaster Assessment...

38-22 Monitoring and Evaluating Recovery Plans

The Project Manager will evaluate recovery plans (using inspection reports, monthly accounting reports, etc.) for reasonableness. This evaluation should be performed in coordination with a HUD Construction Analyst or designee assigned to perform the on-site disaster assessments. Properties that have significant damage and resident displacement should be designated as “Troubled” and monthly accounting reports should be required for insured and Secretary-held loans.

Once the recovery plan is approved, the Project Manager will...ensure iREMS is updated continually in the Problem Statement.

38-26 Waivers of Handbooks, Notices, etc.

Hub Directors should process requests for waivers of provisions of the Office of Housing Handbooks and Notices that do not reflect statutory or regulatory requirements, as quickly as possible. Hub Directors should justify each waiver request by preparing a Finding and Determination and forwarding it to Headquarters for review and approval by the Director of the Office of Asset Management. Upon approval by Headquarters, the Project manager must place a copy of the justification in the project file. The Integrated Real Estate Management System (iREMS - Problem Statement Screen) must be updated when a waiver is requested, granted or

denied (such as using R for R for security, or relocation etc.). This is to ensure uniformity where the impacted area is widespread.

38-31 Other Regulatory/Policy Relief

H. HUD-Held and 202 Mortgage Servicing

The Department will allow mortgagors to defer their payments, if they are using project funds to repair the property or for security, etc. while waiting for insurance benefits or disaster financial assistance. HUD may approve a temporary forbearance plan under these circumstances. Hub Directors are authorized to approve foreclosure forbearance agreements in PDD areas in maximum increments of 90 days for properties that meet the following minimum requirements:

- The Hub Director determines that it is likely that forbearance will result in restoration of the project to full operation and the mortgage brought current;
- The property has underfunded repair needs; and,
- The owner is actively negotiating for or awaiting an insurance claim payment, or the owner is actively negotiating or awaiting a release of grant funds;
- The owner otherwise is in full compliance with all business agreements with HUD.

The owner is required to execute a Forbearance Agreement that will include the terms of the forbearance and will require the owner to submit a monthly accounting report and progress report of negotiations and repairs. HUD handbook 4350.1, REV-1 provides a sample workout agreement that can be used for these purposes. A copy of the forbearance agreement must be sent to the Office of Multifamily Housing Notes Branch for HUD-Held properties and the Chief Financial Officer's (CFO's) office in Fort Worth on Section 202 and 811 projects as well as a copy to the Office of Asset Management in Headquarters.

Insured mortgages: If the lender requests forbearance, a 90-day extension of the election to assign may be approved under the same circumstances as above except that the mortgagee will provide the information above to the Hub Director for approval. All extensions must be requested through the Office of Multifamily Housing Delinquency and Default Reporting System (MDDR).

ONAP's Disaster Area Response Team

Following the outbreak of tornados, wildfires, and episodes of flooding in many tribal areas throughout Indian Country in the summer of 2011, ONAP established a Disaster Area Response Team (DART) at each area office. The model used for these DARTs was patterned after the approach that had been established at our Northern Plains Area Office located in Denver. Initial steps in the plan included the identification of a staff person to be designated as the area office point of contact and the identification of all regional resources that had the potential to favorably impact a response to all disasters that could occur in the service area. The next step was to host meetings to directly interface with each resource to identify and discuss what services and funds could possibly be made available as assistance in the region.

Each area office point of contact was instructed to report all activity to both the ONAP headquarters point of contact and any other persons or systems identified by the Department for National Coordination efforts.

The process followed by each DART is as follows: Preceding (if anticipated), during, or after a disaster event in Indian Country, the impacted region's ONAP area office takes the initiative to contact the housing entity for each tribe known to be in harm's way to establish a tribal point of contact and to exchange cell phone information in case it is needed. Daily calls are made with each tribal housing contact to receive and provide updates on the latest developments, available resources, and known actions being taken to mitigate the situation. All appropriate information is immediately shared with or referred to the region's other resource providers. This approach continues until no longer necessary. This successful model has been replicated at all ONAP area offices. And each has its own standing DART.

Each of the six ONAP area offices has an assigned DART coordinator, who monitors the service area to identify any potential approaching disaster events. If necessary, following the establishment of a tribal point of contact, the DART coordinator facilitates tribal access to all regional resources as necessary and provides regular updates on any disaster-related situations or outcomes to the ONAP headquarters point of contact.