



# Office of Block Grant Assistance, Washington, DC

## Community Development Block Grant Disaster Recovery Program

**Office of Audit, Region 6  
Fort Worth, TX**

**Audit Report Number: 2018-FW-0002  
July 23, 2018**

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**To:** Jessie Handforth Kome, Acting Director, Office of Block Grant Assistance, DGB

**From:** Kilah S. White, Regional Inspector General for Audit, 6AGA

**Subject:** HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of whether the Office of Block Grant Assistance should codify the Community Development Block Grant Disaster Recovery program.

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, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (817) 978-9309.



**Audit Report Number: 2018-FW-0002**

**Date: July 23, 2018**

## **HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program**

# Highlights

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## **What We Audited and Why**

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As part of our annual risk and internal planning process, we audited the U.S. Department of Housing and Urban Development (HUD), Office of Block Grant Assistance's (OBGA) Community Development Block Grant (CDBG) Disaster Recovery program. Our analysis noted that Congress had historically provided disaster funding through supplemental appropriations, yet OBGA had not created a formal codified program. Instead, it had issued multiple requirements and waivers for each Disaster Recovery supplemental appropriation in Federal Register notices, many of which were repeated from disaster to disaster. Our objective was to determine whether OBGA should codify the CDBG Disaster Recovery funding as a program in the Code of Federal Regulations.

## **What We Found**

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Although OBGA had managed billions in Disaster Recovery funds since 2002, it had not codified the CDBG Disaster Recovery program. It had not codified the program because it believed it did not have the authority under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, and it had not determined whether it had the authority under the Housing and Community Development Act of 1974 as amended. It also believed a Presidential Executive Order presented a barrier to codification, as it required the Office of Community and Planning Development (CPD) to identify two rules to eliminate in order to create a new codified rule. We believe OBGA has the authority under the Housing Act of 1974 and it should codify the program. OBGA's use of multiple Federal Register notices to operate the Disaster Recovery program presented challenges to the grantees. For example, 59 grantees with 112 active Disaster Recovery grants, which totaled more than \$47.4 billion as of September 2017, had to follow requirements contained in 61 different Federal Register notices to manage the program. Further, codifying the CDBG Disaster Recovery program would (1) ensure that a permanent framework is in place for future disasters, (2) reduce the existing volume of Federal Register notices, (3) standardize the rules for all grantees, and (4) ensure that grants are closed in a timely manner.

## **What We Recommend**

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We recommend that the Acting Director of OBGA work with its Office of General Counsel to codify the CDBG Disaster Recovery program.

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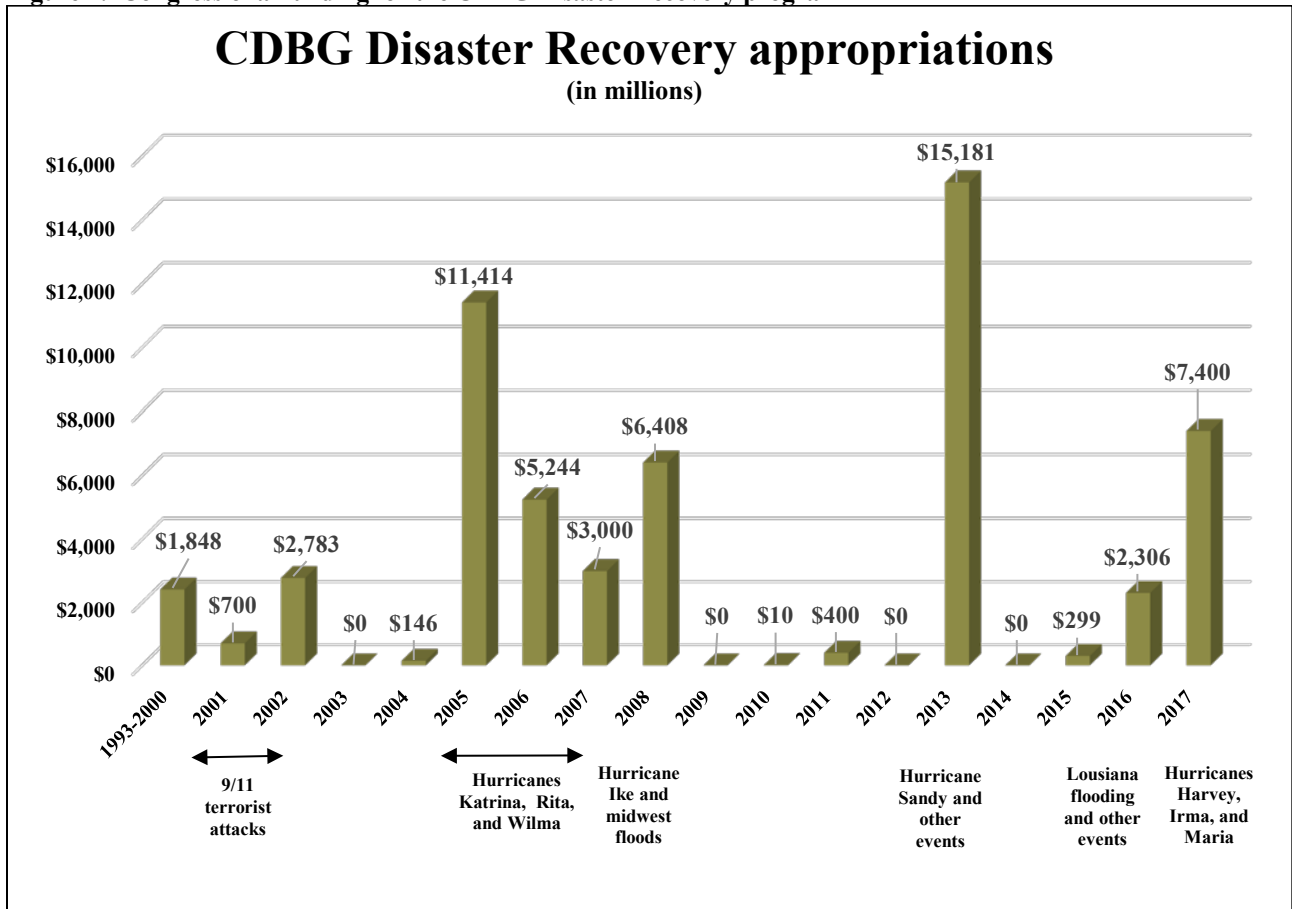
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# Background and Objective

The U.S. Department of Housing and Urban Development’s (HUD) mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD’s Office of Community Planning and Development (CPD) seeks to accomplish this mission through a wide variety of housing and community development grants and loan programs. CPD’s Office of Block Grant Assistance (OBGA) has responsibility for administering Community Development Block Grant (CDBG) Disaster Recovery funding. As shown in figure 1, its funding and, thus, its role had significantly expanded over time.

**Figure 1: Congressional funding for the CDBG Disaster Recovery program**

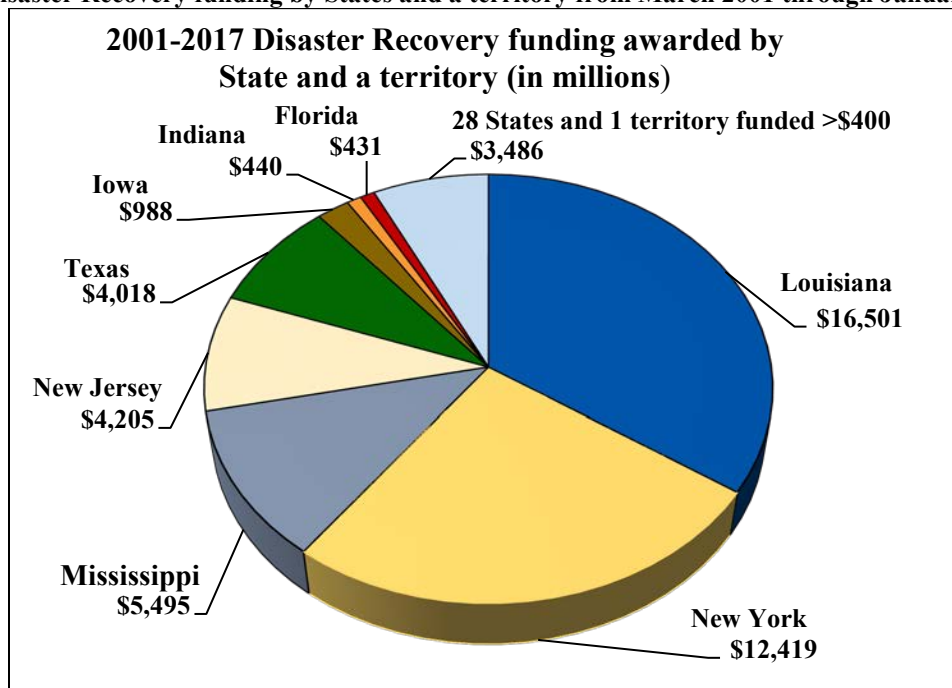


From 2001 to 2016, Congress provided supplemental appropriations totaling \$48 billion to HUD to help communities recover from disasters. In general, Congress required that the funds be used for necessary expenses for activities authorized under Title I of the Housing and Community Development Act of 1974 as amended, related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from a major disaster declared under the Robert T. Stafford Disaster Relief and

Emergency Assistance Act. Congress required HUD to publish in the Federal Register any waiver of any statute or regulation of Title I of the Housing Act of 1974. In addition to Federal Register notices guidance, OBGA used the CDBG program as a framework for disaster recovery because it was flexible and allowed grants to address a wide range of challenges.

Between March 2001 and January 2017,<sup>1</sup> OBGA used the supplemental appropriations to address 131 Presidential disaster declarations in 36 States and a territory covering 240 events, which included hurricanes, tropical storms, floods, tornados, windstorms, snowstorms, landslides, mudslides, wildfires, and a terrorist attack. As shown in figure 2, eight States received grants that totaled more than 93 percent of the total Disaster Recovery funding.<sup>2</sup>

**Figure 2: Disaster Recovery funding by States and a territory from March 2001 through January 2017**



According to OBGA’s Disaster Recovery Grants Reporting (DRGR) system,<sup>3</sup> the grantees with active grants budgeted and spent their funds on a wide variety of Disaster Recovery activities as shown in table 1.

<sup>1</sup> Figure 2 did not include amounts awarded for Hurricanes Harvey, Irma, and Maria as OBGA had not awarded those funds as of January 2017.

<sup>2</sup> See appendix B for a listing of all 36 States and a territory that received Disaster Recovery funds.

<sup>3</sup> CPD’s DRGR system is primarily used by grantees to access grant funds and report performance accomplishments for grant-funded activities. OBGA staff used the DRGR system to review grant-funded activities, prepare reports to Congress and other interested parties, and monitor program compliance. The DRGR system included all Disaster Recovery funds awarded and spent since 2001.

**Table 1: Activities funded by CDBG Disaster Recovery grants as of September 19, 2017**

Activity category	Budgeted	Disbursed	Percentage of grant disbursed
Compensation	\$12,367,754,021	\$12,309,391,139	99.53%
Miscellaneous	1,088,998,239	946,589,323	86.92%
Economic development	2,525,934,513	2,172,582,884	86.01%
Buyout	871,947,608	712,820,227	81.75%
Acquisition and disposition	722,555,981	561,554,616	77.72%
Housing - rental	3,572,808,216	2,780,877,160	77.83%
Infrastructure	5,447,610,327	4,265,032,948	78.29%
Administration	1,545,275,605	1,107,106,079	71.64%
Planning	692,151,456	477,645,011	69.01%
Public facilities	4,671,705,828	3,165,991,386	67.77%
Housing - other	10,721,682,262	7,083,330,578	66.07%
Clearance and demolition	433,812,630	251,561,084	57.99%
National disaster resiliency	46,574,236	0	0.00%
<b>Total</b>	<b>44,708,810,922</b>	<b>35,834,482,435</b>	<b>80.15%</b>

Our objective was to determine whether OBGA should codify the CDBG Disaster Recovery funding as a program in the Code of Federal Regulations.

# Results of Audit

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## **Finding: OBGA Had Not Codified Its CDBG Disaster Recovery Program**

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Although OBGA had managed billions in Disaster Recovery funds since 2002, it had not codified the CDBG Disaster Recovery program. OBGA had not codified the program because it believed it did not have authority under the Stafford Act. Further, it stated that it had not determined whether it had authority under the Housing Act of 1974 to create a codified Disaster Recovery program. It also believed an Executive Order presented barriers to codification.<sup>4</sup> We believe it has the authority under the Housing Act of 1974 and should exercise its authority to codify the program. OBGA's use of multiple Federal Register notices to operate the Disaster Recovery program presented challenges to grantees. For example, 59 grantees with 112 active Disaster Recovery grants, which totaled more than \$47.4 billion as of September 2017, had to follow requirements contained in 61 different Federal Register notices. Further, codifying the CDBG Disaster Recovery program would (1) ensure that a permanent framework is in place for future disasters, (2) reduce the existing volume of Federal Register notices, (3) standardize the rules for all grantees, and (4) ensure that grants are closed in a timely manner.

### **OBGA Managed Billions in Disaster Recovery Grant Funds but Had Not Codified the Program**

From 2001 through 2016, OBGA awarded 138 Disaster Recovery program grants totaling almost \$48 billion to various States, counties, parishes, cities, a territory, and a corporation. As of September 2017, the grantees had 112 active grants<sup>5</sup> open, or 81 percent, which totaled more than \$47.4 billion. These grantees had not spent almost \$11.6 billion, or almost 25 percent, of the amount awarded, as shown in table 2.<sup>6</sup>

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<sup>4</sup> Presidential Executive Order on Reducing Regulation and Controlling Regulatory Costs, January 30, 2017

<sup>5</sup> See appendix C for active grants, which had unspent funds and were open in DRGR as of September 19, 2017.

<sup>6</sup> Table 1's total budgeted was less than the total amount awarded in table 2 as grantees had not budgeted or disbursed funds for four grants as of September 19, 2017.

**Table 2: Active CDBG Disaster Recovery grants as of September 19, 2017**

Disaster event	No. of public law(s)	Year(s) funded	No. of grants	Grant amount	Unspent amount
Terrorist attacks of September 11, 2001	4	2001-2002	3	\$ 3,483,000,000	\$ 364,710,339
Hurricanes Katrina, Rita, and Wilma	2	2005-2007	6	19,319,892,908	560,248,936
Severe storms, tornados, and flooding	1	2008	6	278,416,318	14,911,943
Hurricanes Ike, Gustav, and Dolly. Severe storms and flooding	1	2008	13	6,004,684,356	874,151,229
Severe storms and flooding	1	2010	7	98,718,642	12,214,659
Hurricane Irene, severe storms, tornados, and flooding	1	2011	17	400,000,000	180,124,560
Hurricanes Irene, Isaac, and Sandy. Severe storms and flooding	1	2011-2013	47	15,180,999,750	7,070,958,622
Hurricanes Joaquin and Patricia. Severe storms, tornados, and flooding	1	2015	6	248,304,000	227,938,695
Hurricanes Hermine and Matthew. Severe storms, tornados, and flooding	3	2016	7	2,356,672,000	2,323,669,386
<b>Total</b>	<b>15</b>		<b>112</b>	<b>47,370,687,974</b>	<b>11,628,928,369</b>

Although OBGAs had not codified the program, it continued to play a major role in providing Disaster Recovery assistance. On September 8, 2017, and February 9, 2018, Congress allocated HUD an additional \$35.4 billion to provide additional disaster relief.<sup>7</sup> Based on the number of recent disasters, OBGAs will be responsible for managing Disaster Recovery grants for years to come. Establishing a permanent standardized set of rules could help improve program effectiveness and assist in managing the grants by providing a permanent structure for the Disaster Recovery program.

### **OBGA Had Not Fully Addressed Its Ability to Codify the Program**

OBGA stated that it did not have statutory authority to codify a Disaster Recovery program as each disaster supplemental appropriation was unique and the Stafford Act did not grant HUD the authority to create regulations. Further, OBGAs stated that it had not determined whether it had authority under the Housing Act of 1974 to create a codified Disaster Recovery program. OBGAs also stated that it would have to follow an Executive Order<sup>8</sup> on reducing regulation and controlling regulatory costs before it could issue new codified rules for a Disaster Recovery program. According to OBGAs, the Executive Order required it to identify two existing regulations it would repeal before issuing a single new rule.

<sup>7</sup> Supplemental Appropriations for Disaster Relief Requirements Act, 2017, and the Bipartisan Budget Act of 2018

<sup>8</sup> See footnote 4.

Although the Stafford Act does not specifically grant HUD authority to issue regulations under the Stafford Act, HUD does have the ability to establish policy and issue regulations relating to the disaster programs that work in conjunction with the Stafford Act. In addition, the public laws required that the disaster funds be used for activities under Title I of the Housing Act of 1974, and HUD has statutory authority to issue regulations under the Housing Act of 1974. The public laws also allowed HUD to issue waivers or alternative requirements to disaster grantees when it believed the requirements were not consistent with the Housing Act of 1974. Thus, we believe that OBGA has the regulatory authority to codify the Disaster Recovery program under the Housing Act of 1974 and it should create specific Disaster Recovery regulations. In addition, if OBGA codified the program, it could reduce the number of existing Federal Register notices it uses to operate the program.

In addition, other agencies had codified their Disaster Recovery programs. Two agencies that received Hurricane Sandy funding,<sup>9</sup> the Federal Emergency Management Agency (FEMA) and the Small Business Administration (SBA), had codified their disaster recovery programs. Under the Stafford Act, Congress specifically granted FEMA authority to issue regulations and implement the Stafford Act. Although FEMA is authorized to issue regulations under the Stafford Act, SBA used its own programmatic authority to codify its program.

### **OBGA's Use of Federal Register Notices Presented Challenges to the Grantees**

OBGA's use of multiple Federal Register notices to administer the Disaster Recovery funding presented challenges to the grantees. Grantees

- Had to refer to an increasing number of Federal Register notices to operate their programs.
- Had to refer to notices that contained repetitive or similar requirements.
- Had to navigate what could be confusing requirements, which varied depending on the type of grantee they were.
- Continued to have issues with common weaknesses, including procurement requirements.
- Could close their grants in a more timely manner.

### **OBGA Issued Many Federal Register Notices To Operate the Disaster Recovery Program**

OBGA created and issued 63 Federal Register notices to address the funding Congress provided in 16 public laws from 2001 to 2016. As shown in table 3, OBGA's Federal Register notices were voluminous and increased in number and size over time, and most remained in effect in 2017. In addition, OBGA's Federal Register notices for disasters do not expire or close until all associated grants are closed. As of September 2017, its 112 active grants had 61 open Federal Register notices.<sup>10</sup> Further, OBGA issued an additional three Federal Register notices during our

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<sup>9</sup> For a listing of agencies and Sandy funding, see Audit Report 2016-FW-1007, Disaster Relief Appropriations Act, 2013: Financial Status, Observations, and Concerns, issued September 12, 2016.

<sup>10</sup> Two Federal Register notices covering the 2003-2004 multiple disasters had closed because all grants issued from the appropriation (Public Law 108-324) were complete. See appendix C for a listing of all active grants.

audit, and it will continue to issue additional Federal Register notices for funding provided in the 2017 and 2018 Acts.<sup>11</sup>

**Table 3: Federal Register notices covering Disaster Recovery funding from January 2002 to February 2017**

Disaster event(s)	No. of Federal Register notices issued	No. of pages
Terrorist attacks of September 11, 2001	8	22
Multiple disasters 2003-2004 <sup>12</sup>	2	11
Hurricanes Katrina, Rita, and Wilma	19	104
Severe storms, tornados, and flooding	2	16
Hurricanes Ike, Gustav, and Dolly; severe storms; and flooding	3	26
Severe storms and flooding	2	20
Hurricane Irene, severe storms, tornados, and flooding	2	21
Hurricanes Irene, Isaac, and Sandy; severe storms; and flooding	21	125
Hurricanes Joaquin and Patricia, severe storms, tornados, and flooding	1	24
Hurricanes Hermine and Matthew, severe storms, tornados, and flooding	2	27
<i>All disasters</i> - duplication of benefits (issued in 2011)	1	7
<b>Total</b>	<b>63</b>	<b>403</b>

**OBGA’s Federal Register Notices Included 59 Core Requirements and Waivers That Could Be Codified**

OBGA’s 63 Federal Register notices contained more than 100 Disaster Recovery requirements and waivers, and our analyses showed that OBGA included at least 59 duplicative or similar items in most of the notices.<sup>13</sup> Codifying these 59 core requirements could reduce the number of current Federal Register notices by eliminating repetitive rules and waivers that applied to all disasters. For example, OBGA consistently repeated the following rules or waivers:

- allowing States to directly administer grants and carry out eligible activities,
- requiring grantees to submit an action plan,
- requiring grantees to review for duplication of benefits,
- allowing States to use subrecipients, and
- allowing the acquisition of real property and flood buyouts.<sup>14</sup>

If OBGA codified the core requirements, grantees would have a permanent framework in place, which would allow them to rapidly respond to a major disaster, including allowing them to create their action plan. Codifying requirements for action plans may allow grantees to provide disaster recovery assistance more quickly. For example, the State of Texas stated that it had drafted an action plan for its pending Hurricane Harvey allocation based on previous Federal Register notices. However, Texas was waiting to submit its action plan to OBGA for approval because

<sup>11</sup> See footnote 7.

<sup>12</sup> See footnote 10.

<sup>13</sup> See appendix E for our analyses of the rules in common among the 63 Federal Register notices.

<sup>14</sup> See appendix D, numbers 7, 11, 14, 20, and 48.

OBGA had not issued a Federal Register notice for the 2017 Act's Disaster Recovery funds. Texas stated that OBGA should standardize and codify the Disaster Recovery requirements.

**OBGA's Use of Many Federal Register Notices Could Be Confusing to Grantees**

OBGA's use of multiple Federal Register notices for a specific disaster could confuse grantees. Generally, the Federal Register notices had to be taken in their entirety as early notices continued to apply even after later notices were issued. As shown in the notice excerpt below, Hurricane Sandy grantees had to refer to many prior Federal Register notices to administer their grants when this notice was issued.<sup>15</sup>

This notice [82 FR 9753] modifies the waiver and alternative requirement initially published in the **Federal Register** notice on July 11, 2014 (79 FR 40133), and later modified in the **Federal Register** notice published on April 2, 2015 (80 FR 17772). All waivers and alternative requirements for Hurricane Sandy grantees in receipt of allocations under the Appropriations Act, are described within the **Federal Register** notices published by the Department on March 5, 2013 (78 FR 14329), April 19, 2013 (78 FR 23578), August 2, 2013 (78 FR 46999), November 18, 2013 (78 FR 69104), March 27, 2014 (79 FR 17173), July 11, 2014 (79 FR 40133), October 16, 2014 (79 FR 62182), April 2, 2015 (80 FR 17772), and May 11, 2015 (80 FR 26942), August 25, 2015 (80 FR 51589), November 18, 2015 (80 FR 72102), February 12, 2016 (81 FR 7567), and August 15, 2016 (81 FR 54114) (referred to collectively in this notice as the "prior notices"). The requirements of the prior notices continue to apply, except as modified by this notice.<sup>16</sup>

Also, OBGA could not provide a document showing which sections of the various Federal Register notices it had revised or eliminated in later notices for Sandy grantees. Some Federal Register notices had requirements that had been revised by one or more later notices, and in one case, a revision was revised again by an even later notice. Thus, grantees had to refer to all applicable Federal Register notices in their entirety and determine for themselves what rules applied.

Further, grantees that received funding from multiple public laws for different disaster events had to follow all Federal Register notices related to each disaster. For example, as of February 2017,

- Louisiana had 7 open grants and had to follow 45 Federal Register notices to administer its grants, and
- Texas had 6 open grants and had to follow 48 Federal Register notices to administer its grants.

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<sup>15</sup> Grantees for the Disaster Relief Appropriation Act, 2013, had to follow 21 Federal Register notices specific to the Act and 1 general Federal Register notice that addressed duplication of benefits.

<sup>16</sup> February 8, 2017, 82 FR 9753, Additional Clarifying Guidance, Waivers, and Alternative Requirements for Grantees in Receipt of Community Development Block Grant (CDBG) Disaster Recovery Grant Funds Under the Disaster Relief Appropriations Act, 2013

In another example of confusing requirements, OBGA issued a Federal Register notice related to Hurricane Sandy funding; however, the notice also applied to a previous disaster funded under a different public law (112-55), which had its own separate Federal Register notices. OBGA posted this notice on its website as applying to Hurricane Sandy and did not post it as applying to the multiple disasters in 2011. Thus, 2011 grantees affected by this notice may not have known that it applied when searching HUD's web pages for guidance.

Grantees also had to reference and follow different sections of the Federal Register notices depending what type of grantee they were – State or entitlement. State CDBG grantees were allowed to use maximum feasible deference, to create their own program definitions, and to follow their own procurement rules. Entitlement grantees did not have maximum feasible deference, had CDBG programmatic definitions, and were required to follow Federal procurement rules.<sup>17</sup> Further, States did not normally directly administer their regular State CDBG program funds but were allowed to directly administer the Disaster Recovery funds.

In addition, OBGA often issued the Disaster Recovery program Federal Register notices on an expedited basis. The expedited basis limited the time for review and comments and occasionally resulted in technical errors. If OBGA codified the Disaster Recovery program, it could improve the effectiveness of the program by reducing the number and volume of Federal Register notices, which would reduce the number of items that needed to go through the departmental clearance process.

#### **Office of Inspector General's (OIG) Reports Identified Common Weaknesses in the Disaster Recovery Program**

Based on our many audits and evaluations of the Disaster Recovery program, we believe that codification of the core program requirements and standardization of procurement rules could improve the program's operations and could potentially address common weaknesses, such as procurement and monitoring. As of September 30, 2017, OIG had completed 111 audit and 7 evaluation reports relating to CDBG Disaster Recovery funding from 2002 to 2017.<sup>18</sup> Those reports included 130 findings, which identified \$1.4 billion in questioned costs and \$5.5 billion in funds to be put to better use.<sup>19</sup>

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<sup>17</sup> Entitlement grantees were previously required to follow the procurements rules at 24 CFR (Code of Federal Regulations) 85.36(b), which have now been incorporated into 2 CFR 200.318 to 200.326.

<sup>18</sup> See appendix F for a listing of OIG's reports concerning OBGA's CDBG Disaster Recovery funding.

<sup>19</sup> The total of funds to put to better use in appendix F represents future cost savings or the avoidance of unnecessary expenditures if the specific audit recommendations in those reports are implemented.

**Table 4: Common findings and weaknesses identified in OIG’s Disaster Recovery reports**

Common grantee or subrecipient weaknesses	Reported instances
Incurring ineligible or unsupported costs. Costs identified as (1) overpayments, (2) underpayments, or (3) duplicate payments.	40
Did not follow procurement requirements.	28
Could not support the eligibility of applicant or grant awards.	23
Program guidelines, procedures, policies, or internal controls (1) need improvement or (2) were not followed.	20
Monitoring or reviews (1) were not adequately documented, (2) were not performed, (3) needed improvement, or (4) lacked procedures.	19
Duplication of benefits existed with (1) insurance proceeds, (2) SBA loans or grants, or (3) other funding sources.	13
Program files and documents lacked adequate support to ensure that (1) grant activities were eligible or completed or (2) program goals and outcomes were accomplished.	13
Program administration, accounting, or management information system controls were not followed or need improvement.	11
Did not follow agency, State, local, or Federal Register requirements or subrecipient agreements and did not meet performance benchmarks.	10
Did not comply or was not familiar with Federal cost principles or administrative requirements.	9
Action plan requirements and amendments were not followed, had missing provisions, or needed improvements.	9

Our reports found that procurement issues presented significant challenges to Disaster Recovery program grantees, as shown in table 5.<sup>20</sup> Problem areas occurred due to (1) different procurement requirements applied depending on the type of grantee (State or entitlement entity), (2) questions over whether a State’s procurement processes were equivalent to Federal procurement requirements, and (3) a State’s inexperience in directly administering Disaster Recovery program funds and procuring program administrators and contractors.

**Table 5: Common procurement issues in OIG’s reports**

Procurement issue	Reported instances
No cost or price analysis was performed. Contract costs were not reasonable or best value was not obtained. A lack of competitive procedures existed or full and open competition was not performed. Evaluations process was not followed. Contract did not meet request for proposal requirements.	20
Federal and agency procurement requirements were not followed or implemented.	15
Unsupported payments were made, contract work was performed outside the scope or before the executed contract date, unbudgeted costs were paid, billing was not tied to deliverables, billings were missing deliverables, or excessive fees were paid.	13
Grantees or subrecipients were unfamiliar with Federal requirements.	6
Contracts included ineligible cost-plus-a-percentage-of-cost method or other ineligible payment types or provisions.	4
Services were procured without executed subrecipient agreements or contracts.	3

<sup>20</sup> For detailed information on procurement issues, see Audit Report 2016-PH-0005, HUD Did Not Always Provide Accurate and Supported Certifications of State Disaster Grantee Procurement Processes, issued September 29, 2016.

A grantee stated that its greatest concern was that the potential subrecipients did not know or were not familiar with procurement requirements.<sup>21</sup> It noted that procurement training was needed before funds were awarded and procurements were made. We believe that OBGA could improve the effectiveness of the program by consolidating and standardizing the procurement requirements. It would help grantees and subrecipients become familiar with requirements before contracts were awarded.

### **Codification Could Ensure That Grants Are Closed in a More Timely Manner**

Since Congress did not set deadlines for the funding used for 65 of the 112 grants, OBGA did not establish obligation and expenditure deadlines for these grants. Although OBGA stated that Disaster Recovery grants should largely be completed within 6 years, 7 grants totaling more than \$12.2 million were more than 7 years old, and 28 of them totaling more than \$1.8 billion were more than 9 years old.<sup>22</sup> OBGA must continue to monitor these aging grants until they close, and there is a risk that later activities may not meet the original intended goals of the program.

Since Congress established obligation and expenditure deadlines for the remaining 47 grants funded by the Disaster Relief Appropriations Act, 2013,<sup>23</sup> OBGA included 2-year grantee expenditure deadlines in these grants. However, some grantees received extensions, which have allowed these grants to remain open until September 30, 2022. As of September 2017, 46 percent of the Hurricane Sandy funding had not been spent. However, all of the funds must be spent by September 30, 2022, 9 years after Congress allocated the funds. If OBGA codified and set obligation and expenditure deadlines, it could ensure that all Disaster Recovery activities would be completed and closed out in a more timely manner, including those that do not have statutory deadlines, and reduce the amount of open grants that OBGA would have to monitor.

### **Conclusion**

OBGA could improve the Disaster Recovery program, with grants totaling \$47.4 billion, by issuing a codified rule. If it codified the requirements, OBGA would be able to (1) ensure that a permanent framework is in place for future disasters; (2) reduce the number and volume of existing and future Federal Register notices that grantees have to follow; (3) issue standardized rules, including rules for procurement, for all grantees; and (4) set expenditure deadlines, which would ensure that grants would be closed in a timely manner.

### **Recommendations**

We recommend that the Acting Director of OBGA

- 1A. Work with HUD's Office of General Counsel to create a codified Disaster Recovery program.

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<sup>21</sup> 2 CFR Part 200.318 to 200.326

<sup>22</sup> See appendix C for a complete aging list of all active grants.

<sup>23</sup> Section 904(c) of the Act required grantees to spend the funds within 24 months of obligation unless there was a waiver.

# Scope and Methodology

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Our audit scope covered the period September 2001 through September 2017. We expanded the scope to include background information on Disaster Recovery funding from 1993 to 2001. We performed our audit from May through December 2017 at HUD OBGA's offices in Washington, DC, and our offices located in Fort Worth and San Antonio, TX.

To accomplish our objective, we obtained and reviewed

- The 16 public laws related to HUD's disaster supplemental appropriations from 2001 to 2016.
- The Robert T. Stafford Disaster Relief and Emergency Assistance Act and the Housing and Community Development Acts of 1974 as amended.
- HUD's 63 Disaster Recovery Federal Register notices issued from January 2002 to January 2017, which awarded the funding to the grantees and provided applicable rules, waivers, and alternative requirements. We summarized the requirements and identified common rules among the disasters.
- The CDBG State and entitlement programs' regulations.
- All presidentially declared disasters funded by HUD's disaster supplemental appropriations. The Federal Register notices identified 131 FEMA disaster declarations. We obtained 131 FEMA disaster declarations from the FEMA website. We analyzed the disaster declarations and summarized the data by State and disaster event.
- HUD's additional 29 separate grantee resources and 8 Disaster Recovery toolkits that provide grantees with guidance and information related to the CDBG Disaster Recovery program.
- HUD's Disaster Recovery program website information to identify and verify the funding history of the disaster recovery program from 1993 to 2017.
- OIG's 118 audit and evaluation reports issued from May 2002 to September 2017 concerning the CDBG Disaster Recovery program. We summarized the funds reviewed, findings, and questioned costs. We also identified the common weaknesses related to the CDBG Disaster Recovery program.

In addition, we obtained access to HUD's DRGR system. We downloaded financial reports for 138 Disaster Recovery grants awarded from 2001 to 2016. The downloaded data included all funding transactions from when the first grant was awarded in 2001 to the date of report generation, which was September 19, 2017. We summarized the data by grantee, State, grant number, current grant status, grant amount, and funds spent for all active and inactive grants. We analyzed the data to identify the unspent amounts and the age of the grants for all 112 active grants. We conducted data validation and reliability testing of the DRGR system data by matching all the 138 grant amounts to the Federal Register notices' award amounts and to related OIG reports. We concluded that the computer-processed data obtained from the DRGR system were sufficiently reliable to meet our audit objective.

We also interviewed various HUD employees, including staff from CPD, OBGA, the Office of the Chief Financial Officer, and the Office of General Counsel. In addition, we obtained a legal opinion from our Office of Legal Counsel regarding HUD's authority to codify a disaster program under the Stafford Act or the Housing and Community Development Act of 1974 as amended.

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.

# Internal Controls

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objective:

- Public laws and Federal Register notices that contain the rules for grantees in carrying out the Disaster Recovery program.
- Additional HUD policies and guidance for Disaster Recovery grantees.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## **Significant Deficiency**

Based on our review, we believe that the following item is a significant deficiency:

- OBGA had not established permanent codified rules for the CDBG Disaster Recovery program. It used requirements contained in many Federal Register notices to operate the Disaster Recovery program, which presented challenges to the grantees.

# Appendix A

## Auditee Comments and OIG's Evaluation


### Ref to OIG Evaluation

### Auditee Comments

Comment 1

Comment 1

Comment 2



OFFICE OF COMMUNITY PLANNING  
AND DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

MEMORANDUM FOR: Kilah S. White, Regional Inspector General for Audit, 6AGA

FROM: *Jessie Handforth Kome 06/18/2018*  
Jessie Handforth Kome, Deputy Director,  
Office of Block Grant Assistance, DGB

SUBJECT: Comments on May 17, 2018, Draft Report regarding Codification of the Community Development Block Grant Disaster Recovery Requirements

Thank you for the opportunity to provide comments on the subject draft report. As the report notes, Congress has provided Community Development Block Grant disaster recovery (CDBG-DR) funding under supplemental appropriations since 1992, and the Department issues *Federal Register* Notices modifying the underlying CDBG program requirements (when determined necessary) by applying tailored regulatory and statutory waivers and alternative requirements. The Department has not amended the CDBG regulations to include requirements governing supplemental appropriations, and this is what your report recommends be done now. Further, the report states the Office of Inspector General (OIG) believes HUD has the authority to issue regulations despite the lack of statutory authorization for CDBG-DR.

In making this recommendation, the report cites the intended purposes of ensuring a permanent framework is in place for future events, reducing the volume of *Federal Register* Notices, standardizing the rules for all grantees, and ensuring that grants are closed timely. HUD has two major concerns with the draft report.

First, HUD issues regulations to guide programs. CDBG-DR is not a program; it is groups of grants made under a series of constantly changing appropriations statutes and explicitly supplements the CDBG program (which has regulations). If HUD has responded to this decade's barrage of supplemental funding by developing some waivers that are deployed with some consistency across two or more appropriations, this is because the waivers respond to issues or areas not adjusted by Congress in those statutes. HUD is allowed consistency to the extent that Congress creates consistency. Generally, such consistency is provided by Congress enacting authorizing legislation for a program, such as the Housing and Community Development Act of 1974 and through amendments to that law.

Second, HUD does not understand how this can be a Finding as defined in AMS Handbook Appendix I:

Audit Finding. A written explanation of: errors, weaknesses in internal controls, deficiencies, adverse conditions, noncompliance with contractual, statutory, regulatory, or other legal requirements, or the need for improvements or changes which are disclosed by the audit. An audit Finding usually includes a comparison of "what is" (criteria) with "what should be" (criteria) and an answer to the question "what does this mean?" or "so what?"

[www.hud.gov](http://www.hud.gov)[espanol.hud.gov](http://espanol.hud.gov)

**Ref to OIG  
Evaluation**

**Auditee Comments**

Comment 2

(adverse effect). In addition, an audit finding usually identifies and explains the reasons why (cause) there is a difference between "what is" and "what should be." The Finding will be the basis for conclusions and recommendations for corrective action.

Comment 2

In this case, the audit appears to have examined whether HUD had issued regulations and concluded that HUD should issue regulations. The criteria are not laid out, and specific adverse effects cited are administrative and not linked to material issues, compliance related or operational. In other words, this audit recommendation is solidly in the realm of HUD's management discretion. Most of the issues cited can be resolved with more technical assistance for grantees. At this time, during the largest CDBG-DR grants launch to date, HUD program officials have the management and policy discretion to determine where and on what to apply limited program expert and legal resource - to the launch of \$35 billion in grants or to drafting regulations for future appropriations that may never occur.

Comment 1

After conferring with CDBG-DR program attorneys regarding this audit, a legal impediment, long present, was further defined. Although HUD could choose to issue regulations to implement any one appropriation, because the appropriations statutes state that any HUD waivers and alternative requirements for that appropriation must be published for five days before becoming effective, no pre-existing regulation relying on such waivers and applying such requirements can exist. Another way of looking at this is that HUD may not publish regulations for effect that rely on statutory waiver and alternative requirements authority HUD has not been permanently granted.

Comment 3

Overall, HUD does appreciate the OIG's observation that the current process of constantly changing appropriations requirements echoed by changing waivers and alternative requirements can be unwieldy. After decades of HUD, the OIG, and the grantee community learning how to administer and implement CDBG-DR recoveries, the time may now demand a more standard, regulation-governed program, but that decision is up to Congress, not HUD.

## OIG Evaluation of Auditee Comments

Comment 1 HUD stated that it lacked statutory authority to create a CDBG Disaster Recovery program because the funds are provided under a series of constantly changing appropriation statutes, and it cannot publish regulations for effect that rely on statutory waivers and alternative requirements as it has not been permanently granted authority to do so.

We believe HUD has the statutory authority to create a Disaster Recovery program under Title I of the Housing and Community Development Act of 1974 as amended. Although HUD raised the issue of the potential lack of statutory authority at our entrance conference, it noted at the exit conference that it had not obtained a formal legal opinion concerning the issue from its Office of General Counsel. Although it did not provide a legal opinion, HUD did state that it conferred with CDBG-DR program attorneys its response.

Over the years, the various Disaster Recovery statutes have contained core requirements which provided the funding for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the most impacted and distressed areas resulting from a major disaster declared pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act. Although we agree that there will occasionally be some unique requirements that will require waivers to be published in Federal Register notices, HUD has issued repeated alternative requirements that could be codified under its existing statutory authority, which would (1) ensure that a permanent framework is in place for future disasters, (2) reduce the existing volume of Federal Register notices, (3) standardize the rules for all grantees, and (4) ensure that grants are closed in a timely manner.

Comment 2 HUD stated that it did not understand how this could be a finding as defined by HUD's Audit Management System (AMS) Handbook Appendix I.<sup>24</sup>

We contend that the AMS Handbook describes the type of finding that we developed in this report. The AMS Handbook definition of a finding refers to, among other things, a written explanation of the need for improvements or changes which are disclosed by the audit. As a result of the audit, we concluded that HUD could improve its Disaster Recovery efforts by codifying basic requirements.

Comment 3 HUD said it appreciated OIG's observation that the current process can be unwieldy. It further stated that time may now demand a more standard,

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<sup>24</sup> HUD Office of the Chief Financial Officer's Handbook 2000.06, Rev-4, issued October 2011. The Handbook contains an appendix 1, Glossary of Terms, and not an appendix I.

regulation-governed program, but it stated the decision is up to Congress and not HUD.

We acknowledge HUD's comments. We maintain that HUD has authority to create codified regulations for the CDBG Disaster Recovery program. However, we encourage it to work with Congress, if it believes it lacks statutory authority, as it has an obligation to ensure the Disaster Recovery program is operated in an effective and efficient manner.

## Appendix B

### Disaster Recovery Funding by State and Territory - 2001 Through 2016

Count	State or territory	Disaster grant(s) amount
1.	Louisiana	\$ 16,500,852,389
2.	New York	12,418,771,963
3.	Mississippi	5,495,224,462
4.	New Jersey	4,205,027,506
5.	Texas	4,017,647,960
6.	Iowa	987,756,643
7.	Indiana	439,559,497
8.	Florida	430,199,586
9.	Illinois	399,658,438
10.	Colorado	320,935,651
11.	Tennessee	292,734,885
12.	Missouri	287,743,696
13.	Alabama	281,872,963
14.	South Carolina	221,969,000
15.	Connecticut	213,556,359
16.	North Carolina	203,114,996
17.	North Dakota	195,331,418
18.	Oklahoma	147,693,876
19.	Wisconsin	139,584,277
20.	California	135,375,287
21.	Virginia	125,786,572
22.	West Virginia	109,440,001
23.	Pennsylvania	99,122,991
24.	Arkansas	94,855,600
25.	Massachusetts	46,162,880
26.	Vermont	39,592,211
27.	Puerto Rico	37,847,867
28.	Rhode Island	32,911,001
29.	Maryland	30,702,131
30.	Kentucky	13,000,000
31.	Nebraska	5,557,736
32.	Georgia	5,210,779
33.	Maine	2,187,114
34.	South Dakota	1,987,271
35.	Ohio	1,392,319
36.	Minnesota	925,926
37.	Montana	666,666
<b>Total funding</b>		<b>47,981,959,917</b>

## Appendix C

### Active Disaster Recovery Grants as of September 19, 2017

No.	Grantee	Grant no.	Awarded	Grant age in years	Grant amount	Unexpended amount
1.	Empire State Development Corporation (New York State)	B-01-DW-36-0001	2001	16	\$ 700,000,000	\$ 9,075,627
2.	Empire State Development Corporation (New York State)	B-02-DW-36-0001	2002	15	2,000,000,000	174,640,611
3.	Empire State Development Corporation (New York State)	B-02-DW-36-0002	2002	15	783,000,000	180,994,101
4.	Louisiana	B-06-DG-22-0001	2006	11	6,210,000,000	96,343,301
5.	Louisiana	B-06-DG-22-0002	2006	11	4,200,000,000	177,877,672
6.	Mississippi	B-06-DG-28-0001	2006	11	5,058,185,000	215,169,028
7.	Mississippi	B-06-DG-28-0002	2006	11	423,036,059	2,858,792
8.	Texas	B-06-DG-48-0002	2006	11	428,671,849	36,573
9.	Illinois	B-08-DF-17-0001	2008	9	17,341,434	798,089
10.	Indiana	B-08-DF-18-0001	2008	9	67,012,966	11,153,531
11.	Iowa	B-08-DF-19-0001	2008	9	156,690,815	2,887,383
12.	Mississippi	B-08-DF-28-0001	2008	9	2,281,287	21,804
13.	Missouri	B-08-DF-29-0001	2008	9	11,032,438	-
14.	Wisconsin	B-08-DF-55-0001	2008	9	24,057,378	51,136
15.	Louisiana	B-08-DG-22-0003	2008	9	3,000,000,000	67,963,570
16.	Arkansas	B-08-DI-05-0001	2008	9	90,475,898	7,945,927
17.	California	B-08-DI-06-0001	2008	9	54,531,784	14,520,968
18.	Georgia	B-08-DI-13-0001	2008	9	5,210,779	214,668
19.	Illinois	B-08-DI-17-0001	2008	9	193,700,004	18,703,496
20.	Indiana	B-08-DI-18-0001	2008	9	372,546,531	30,365,229
21.	Iowa	B-08-DI-19-0001	2008	9	734,178,651	27,530,066
22.	Louisiana	B-08-DI-22-0001	2008	9	1,093,212,571	200,476,907
23.	Mississippi	B-08-DI-28-0001	2008	9	11,722,116	1,159,070
24.	Missouri	B-08-DI-29-0001	2008	9	97,605,490	12,316,437
25.	Tennessee	B-08-DI-47-0001	2008	9	92,517,890	2,139,817
26.	Texas	B-08-DI-48-0001	2008	9	3,113,472,856	546,740,407
27.	Wisconsin	B-08-DI-55-0001	2008	9	115,526,899	1,574,673
28.	Puerto Rico	B-08-DI-72-0001	2008	9	29,982,887	10,463,564
29.	Kentucky	B-10-DF-21-0001	2010	7	13,000,000	-
30.	Rhode Island	B-10-DF-44-0001	2010	7	8,935,237	1,530,495
31.	Tennessee	B-10-DF-47-0001	2010	7	30,906,517	1,059,158
32.	Warwick, RI	B-10-MF-44-0002	2010	7	2,787,697	1,765,860
33.	Memphis, TN	B-10-MF-47-0001	2010	7	6,264,239	2,562,257
34.	Nashville-Davidson, TN	B-10-MF-47-0002	2010	7	33,089,813	5,296,889
35.	Shelby County, TN	B-10-UF-47-0001	2010	7	3,735,139	-
36.	Alabama	B-12-DT-01-0001	2012	5	24,697,966	828,783
37.	Missouri	B-12-DT-29-0001	2012	5	8,719,059	1,331,277
38.	New Jersey	B-12-DT-34-0001	2012	5	15,598,506	2,741,452
39.	New York	B-12-DT-36-0001	2012	5	71,654,116	67,631,816
40.	North Dakota	B-12-DT-38-0001	2012	5	11,782,684	60,707
41.	Pennsylvania	B-12-DT-42-0001	2012	5	27,142,501	19,822,280
42.	Texas	B-12-DT-48-0001	2012	5	31,319,686	12,439,217
43.	Vermont	B-12-DT-50-0001	2012	5	21,660,211	1,861,080
44.	Birmingham, AL	B-12-MT-01-0001	2012	5	6,386,326	2,748,827
45.	Tuscaloosa, AL	B-12-MT-01-0002	2012	5	16,634,702	9,178,701
46.	Joplin, MO	B-12-MT-29-0001	2012	5	45,266,709	21,646,887

No.	Grantee	Grant no.	Awarded	Grant age in years	Grant amount	Unexpended amount
47.	Town of Union, NY	B-12-MT-36-0001	2012	5	10,137,818	4,312,104
48.	Minot, ND	B-12-MT-38-0001	2012	5	67,575,964	8,947,917
49.	Jefferson County, AL	B-12-UT-01-0001	2012	5	7,847,084	6,059,288
50.	Orange County, NY	B-12-UT-36-0001	2012	5	11,422,029	11,390,705
51.	Dauphin County, PA	B-12-UT-42-0001	2012	5	6,415,833	2,103,268
52.	Luzerne County, PA	B-12-UT-42-0002	2012	5	15,738,806	7,020,251
53.	Alabama	B-13-DS-01-0001	2013	4	49,157,000	7,433,735
54.	California	B-13-DS-06-0001	2013	4	70,359,459	70,026,919
55.	Colorado	B-13-DS-08-0001	2013	4	320,346,000	176,020,036
56.	Connecticut	B-13-DS-09-0001	2013	4	159,279,000	66,547,407
57.	Connecticut	B-13-DS-09-0002	2013	4	54,277,359	54,005,844
58.	Illinois	B-13-DS-17-0001	2013	4	10,400,000	2,960,085
59.	Iowa	B-13-DS-19-0001	2013	4	96,887,177	92,337,674
60.	Louisiana	B-13-DS-22-0001	2013	4	64,379,084	31,644,963
61.	Louisiana	B-13-DS-22-0002	2013	4	92,629,249	90,901,434
62.	Maryland	B-13-DS-24-0001	2013	4	28,640,000	8,356,371
63.	Massachusetts	B-13-DS-25-0001	2013	4	7,210,000	1,244,704
64.	Missouri	B-13-DS-29-0001	2013	4	11,844,000	5,590,511
65.	New Jersey	B-13-DS-34-0001	2013	4	4,174,429,000	1,622,397,295
66.	New Jersey	B-13-DS-34-0002	2013	4	15,000,000	14,954,800
67.	New York	B-13-DS-36-0001	2013	4	4,416,882,000	1,598,736,590
68.	New York	B-13-DS-36-0002	2013	4	35,800,000	35,726,062
69.	North Dakota	B-13-DS-38-0001	2013	4	6,576,000	227,490
70.	Oklahoma	B-13-DS-40-0001	2013	4	93,700,000	24,700,872
71.	Pennsylvania	B-13-DS-42-0001	2013	4	29,986,000	29,259,992
72.	Rhode Island	B-13-DS-44-0001	2013	4	19,911,000	7,682,685
73.	Tennessee	B-13-DS-47-0001	2013	4	13,810,000	6,900,023
74.	Tennessee	B-13-DS-47-0002	2013	4	44,502,374	44,113,715
75.	Texas	B-13-DS-48-0001	2013	4	5,061,000	27,623
76.	Vermont	B-13-DS-50-0001	2013	4	17,932,000	2,126,107
77.	Virginia	B-13-DS-51-0001	2013	4	120,549,000	120,319,147
78.	Birmingham, AL	B-13-MS-01-0001	2013	4	17,497,000	10,521,824
79.	Tuscaloosa, AL	B-13-MS-01-0002	2013	4	43,932,000	9,089,212
80.	Chicago, IL	B-13-MS-17-0001	2013	4	63,075,000	19,166,773
81.	New Orleans, LA	B-13-MS-22-0001	2013	4	15,031,000	8,159,001
82.	New Orleans, LA	B-13-MS-22-0002	2013	4	141,260,569	140,905,377
83.	Springfield, MA	B-13-MS-25-0001	2013	4	21,896,000	11,627,580
84.	Springfield, MA	B-13-MS-25-0002	2013	4	17,056,880	16,664,945
85.	Joplin, MO	B-13-MS-29-0001	2013	4	113,276,000	63,501,400
86.	New York City, NY	B-13-MS-36-0001	2013	4	4,213,876,000	2,237,549,660
87.	New York City, NY	B-13-MS-36-0002	2013	4	176,000,000	174,750,030
88.	Minot, ND	B-13-MS-38-0001	2013	4	35,056,000	1,504,236
89.	Minot, ND	B-13-MS-38-0002	2013	4	74,340,770	69,907,327
90.	Moore, OK	B-13-MS-40-0001	2013	4	52,200,000	27,681,394
91.	Jefferson County, AL	B-13-US-01-0001	2013	4	9,142,000	4,500,416
92.	Cook County, IL	B-13-US-17-0001	2013	4	83,616,000	64,535,466
93.	DuPage County, IL	B-13-US-17-0002	2013	4	31,526,000	14,693,958
94.	Jefferson Parish, LA	B-13-US-22-0001	2013	4	16,453,000	13,522,291
95.	St. Tammany Parish, LA	B-13-US-22-0002	2013	4	10,914,916	6,909,176
96.	Dauphin County, PA	B-13-US-42-0001	2013	4	7,632,000	1,736,996
97.	Luzerne County, PA	B-13-US-42-0002	2013	4	9,763,000	15,437
98.	Shelby County, TN	B-13-US-47-0001	2013	4	7,463,750	(250)
99.	Shelby County, TN	B-13-US-47-0002	2013	4	60,445,163	59,774,289

No.	Grantee	Grant no.	Awarded	Grant age in years	Grant amount	Unexpended amount
100.	South Carolina	B-16-DH-45-0001	2016	1	96,827,000	78,232,209
101.	Texas	B-16-DH-48-0001	2016	1	50,696,000	50,573,874
102.	Florida	B-16-DL-12-0001	2016	1	58,602,000	58,602,000
103.	Louisiana	B-16-DL-22-0001	2016	1	1,656,972,000	1,624,292,793
104.	North Carolina	B-16-DL-37-0001	2016	1	198,553,000	198,553,000
105.	South Carolina	B-16-DL-45-0001	2016	1	65,305,000	65,103,719
106.	Texas	B-16-DL-48-0001	2016	1	222,264,000	222,264,000
107.	West Virginia	B-16-DL-54-0001	2016	1	104,280,000	104,280,000
108.	Columbia, SC	B-16-MH-45-0001	2016	1	19,989,000	19,902,765
109.	Houston, TX	B-16-MH-48-0001	2016	1	66,560,000	66,390,731
110.	San Marcos, TX	B-16-MH-48-0002	2016	1	25,080,000	24,238,764
111.	Lexington County, SC	B-16-UH-45-0001	2016	1	16,332,000	15,982,430
112.	Richland County, SC	B-16-UH-45-0002	2016	1	23,516,000	23,191,796
<b>Total</b>					<b>47,370,687,974</b>	<b>11,628,928,369</b>

## Appendix D

### HUD Federal Register Notices for Disaster Recovery Funding

Disaster event(s)	Federal Register	Date
Terrorist attacks of September 11, 2001	67 FR 4164	1/28/2002
	67 FR 5845	2/7/2002
	67 FR 12042	3/18/2002
	67 FR 36017	5/22/2002
	68 FR 26640	5/16/2003
	68 FR 19211	4/12/2004
	76 FR 52340	8/22/2011
	82 FR 4911	1/27/2017
Multiple disasters 2003-2004 <sup>25</sup>	69 FR 72100	12/10/2004
	70 FR 21437	4/26/2005
Hurricanes Katrina, Rita, and Wilma	71 FR 7666	2/13/2006
	71 FR 34451	6/14/2006
	71 FR 34457	6/14/2006
	71 FR 34448	6/14/2006
	71 FR 43622	8/1/2006
	71 FR 51678	8/30/2006
	71 FR 62372	8/24/2006
	71 FR 63337	10/30/2006
	72 FR 10020	3/6/2007
	72 FR 10014	3/6/2007
	72 FR 48808	8/24/2007
	72 FR 48804	8/27/2007
	72 FR 61788	10/31/2007
	72 FR 70472	12/11/2007
	73 FR 46312	8/8/2008
	73 FR 58612	10/7/2008
	73 FR 61148	10/15/2008
	73 FR 75733	12/12/2008
	74 FR 56206	10/30/2009
	Severe storms, tornados, and flooding	73 FR 52870
73 FR 77818		12/19/2008
Hurricanes Ike, Gustav, and Dolly; severe storms; and flooding	74 FR 7244	2/13/2009
	74 FR 41146	8/14/2009
	75 FR 65368	10/22/2010
Severe storms and flooding	75 FR 69087	11/10/2010
	75 FR 20998	4/14/2011
Hurricane Irene, severe storms, tornados, and flooding	77 FR 22583	4/16/2012
	77 FR 60708	10/7/2012
Hurricanes Irene, Isaac, and Sandy; severe storms; and flooding	78 FR 14329	3/5/2013
	78 FR 23578	4/19/2013
	78 FR 32262	5/29/2013
	78 FR 45551	7/29/2013
	78 FR 46999	8/2/2013
	78 FR 52560	8/23/2013
	78 FR 69104	11/18/2013

<sup>25</sup> All grants issued for the multiple disasters in 2003 and 2004 were complete and these two associated Federal Register notices were closed.

Disaster event(s)	Federal Register	Date
	78 FR 76154	12/16/2013
	79 FR 17173	3/27/2014
	79 FR 31964	6/3/2014
	79 FR 40133	7/11/2014
	79 FR 60490	10/7/2014
	79 FR 62182	10/16/2014
	80 FR 1039	1/8/2015
	80 FR 17772	4/2/2015
	80 FR 26942	5/11/2015
	80 FR 51589	8/25/2015
	80 FR 72102	11/18/2015
	81 FR 7567	2/12/2016
	81 FR 54114	8/15/2016
	82 FR 9753	2/8/2017
Hurricanes Joaquin and Patricia, severe storms, tornados, and flooding	81 FR 39687	6/17/2016
Hurricanes Hermine and Matthew, severe storms, tornados, and flooding	81 FR 83254	11/21/2016
	82 FR 5591	1/18/2017
<i>All disasters</i> - duplication of benefits	76-FR 71060	11/16/2011
<b>Total</b>	<b>63</b>	

## Appendix E

### Analysis of Federal Register Notices for Common Rules and Waivers

No.	Common rule description	Common rule in Federal Register notices by year(s) the disaster occurred										Total
		2001	2004	2005-2007	2008	2008	2010	2011	2011-2013	2015	2016	
1.	Title 1 of the Community Development Act of 1974 and 24 CFR (Code of Federal Regulations) Part 570 applied		X	X	X	X	X	X	X	X	X	9
2.	Applicability of State CDBG requirements	X	X				X	X	X	X		6
3.	Necessary and reasonable cost principles	X	X	X	X	X	X	X	X	X	X	10
4.	Waiver of the requirement that 70 percent of the CDBG funds received by the State over a 1- to 3-year period be for activities that benefit persons of low and moderate income	X	X	X	X	X	X	X	X	X	X	10
5.	Low- to moderate-income area benefit national objective waiver and alternative requirement (certain localities and targeted areas)			X				X	X			3
6.	Use of the "upper quartile" or "exception criteria" for low- and moderate-income area benefit activities - not applicable to all grantees							X	X	X	X	4
7.	Direct grant administration and means to carry out eligible activities (States)		X	X	X	X	X	X	X	X	X	9
8.	Consolidated plan waiver	X	X	X	X	X	X	X	X	X	X	10
9.	Citizen participation waiver and requirements	X	X	X	X	X	X	X	X	X	X	10
10.	Modify requirement for consultation with local governments	X		X	X	X	X	X	X	X	X	9
11.	Action plan waiver of additional elements and alternative requirements	X	X	X	X	X	X	X	X	X	X	10
12.	Allow reimbursement for preagreement costs	X		X	X	X	X	X	X	X	X	9
13.	Environmental requirements and release of funds	X		X	X	X	X	X	X	X	X	9
14.	Duplication of benefits	X	X	X	X	X	X	X	X	X	X	10
15.	Waiver and alternative requirement for distribution to CDBG metropolitan cities and urban counties	X	X	X	X	X	X	X	X	X	X	10
16.	Program income alternative requirement	X	X	X	X	X	X	X	X	X	X	10
17.	Note that use of grant funds must relate to the covered disaster(s) (eligible activities and use of funds)	X	X	X	X	X	X		X			7
18.	Grant administration responsibilities; planning and administration cost limitations and caps	X	X	X		X	X	X	X	X	X	9
19.	Waiver of grantee performance reports and grantee reporting requirements in the DRGR system	X	X	X	X	X	X	X	X	X	X	10
20.	Use of subrecipients (States)	X		X	X	X	X	X	X	X		8
21.	Recordkeeping	X		X	X	X	X	X	X	X	X	9
22.	Change of use of real property	X	X	X	X	X	X	X	X	X	X	10
23.	Responsibility for State review and handling of noncompliance	X	X	X	X	X	X	X	X	X	X	10
24.	Information collection approval note		X	X	X	X	X	X	X			7
25.	Certifications waivers and alternative requirement (States and Indian tribes)		X	X	X	X	X	X	X	X	X	9
26.	Housing-related eligibility waivers		X	X	X	X	X	X	X	X	X	9
27.	Waiver and modification of the antipirating clause to permit assistance to help a business return	X	X	X	X	X						5
28.	Waiver and modification of the job relocation clause to permit assistance to help a business return						X	X	X	X	X	6

No.	Common rule description	Common rule in Federal Register notices by year(s) the disaster occurred										Total
		2001	2004	2005-2007	2008	2008	2010	2011	2011-2013	2015	2016	
29.	General planning activities (planning only activities for State grantees)			X		X	X	X	X	X	X	7
30.	National objective documentation for economic development and revitalization activities			X		X	X	X	X	X	X	7
31.	Waiver and alternative requirements and documentation for public benefit for certain economic development activities (bridge loans, etc.)	X		X		X	X	X	X	X	X	8
32.	Waiver to permit some activities in support of the tourism industry (certain States)	X		X				X				3
33.	Prohibiting assistance to private utilities								X	X		2
34.	Waiver of Section 414 of the Stafford Act (specific cities)			X		X		X				3
35.	Buildings for the general conduct of government			X		X	X	X	X	X	X	7
36.	Use of CDBG as match							X	X	X		3
37.	Clarifying note on Section 3 income documentation requirements							X	X	X		3
38.	Compensation to an individual, nonprofit, or small business for economic losses related to disasters	X		X		X						3
39.	Prioritizing small businesses								X	X		2
40.	Limitation on emergency grant payments					X	X	X	X	X		5
41.	Procurement						X	X	X	X	X	5
42.	Public website, including use of funds and contracts							X	X	X		3
43.	Waiver of timely distribution (expenditure) of funds			X			X	X	X	X	X	6
44.	Duration of funding		X	X		X	X	X	X	X	X	8
45.	Review of continuing capacity to carry out CDBG-funded activities in a timely manner							X	X	X		3
46.	Housing incentives (compensation) to encourage housing resettlement consistent with local recovery plans (certain States and localities)			X		X	X	X	X	X	X	7
47.	Uniform Relocation Act waiver of one-for-one replacement of units damaged by disaster		X	X	X	X	X	X	X	X	X	9
48.	Acquisition of real property, flood buyouts, and flood insurance		X	X	X	X	X	X	X	X	X	9
49.	Flood insurance purchase requirements								X	X		2
50.	Alternative requirement for housing rehabilitation, assistance for second homes							X	X	X		3
51.	Corrective and remedial actions						X	X	X	X		4
52.	Reduction, withdrawal, or adjustment of a grant or other appropriate action						X	X	X	X		4
53.	Documentation of low- and moderate-income national objective for multiunit housing projects (certain cities and States)			X				X				2
54.	Calculating unmet public housing needs							X	X	X		3
55.	Calculating unmet infrastructure needs							X	X	X		3
56.	Calculating economic revitalization (small business) needs							X	X	X		3
57.	Elevation of nonresidential structures								X	X		2
58.	Urgent need national objective certification requirements (certain States)							X	X	X		3
59.	Alternative requirement to permit extended time for the provision of interim mortgage assistance (certain States)								X	X	X	3

## Appendix F

### HUD OIG CDBG Disaster Recovery Reports

Count	Report no.	Issue date	Entity audited or evaluated	Questioned costs	Funds to be put to better use
1.	2002-NY-1802	5/22/2002	Empire State Development Corporation	-	-
2.	2003-NY-1003	3/25/2003	Empire State Development Corporation	\$ 354,691	-
3.	2003-NY-1005	9/30/2003	Empire State Development Corporation	270,948	-
4.	2003-NY-1006	9/30/2003	Lower Manhattan Development Corporation	82,342	\$ 93,214
5.	2004-NY-1001	3/25/2004	Empire State Development Corporation	49,000	-
6.	2004-NY-1002	3/25/2004	Lower Manhattan Development Corporation	102,900	-
7.	2004-NY-1004	9/15/2004	Lower Manhattan Development Corporation	87,394	-
8.	2005-NY-1003	3/23/2005	Lower Manhattan Development Corporation	141,347	-
9.	2005-NY-1008	9/27/2005	Lower Manhattan Development Corporation	2,028,282	6,441,103
10.	2006-NY-1006	3/31/2006	Lower Manhattan Development Corporation	266,802	-
11.	2006-AT-1014	7/26/2006	State of Florida	-	-
12.	2006-AT-0001	8/29/2006	HUD's Procurement Office	-	-
13.	2006-NY-1013	9/27/2006	Lower Manhattan Development Corporation	3,053	186,749
14.	2007-NY-0802	4/3/2007	Lower Manhattan Development Corporation	-	-
15.	2007-NY-1005	4/17/2007	Lower Manhattan Development Corporation	6,000	-
16.	2007-AO-1001	5/7/2007	State of Mississippi	-	159,172
17.	2007-NY-1013	9/28/2007	Lower Manhattan Development Corporation	-	-
18.	2008-NY-0801	10/23/2007	Lower Manhattan Development Corporation	-	-
19.	2008-AO-1001	12/19/2007	State of Louisiana	-	-
20.	2008-AO-1002	1/30/2008	State of Louisiana	15,528,378	-
21.	2008-AO-1801	3/6/2008	State of Mississippi	20,571	-
22.	2008-NY-1004	3/31/2008	Lower Manhattan Development Corporation	-	6,782
23.	2008-AO-1003	4/25/2008	Mississippi Development Authority	3,907,378	243,210
24.	2008-AO-1005	8/7/2008	State of Louisiana	263,959	-
25.	2009-NY-0801	11/9/2008	Lower Manhattan Development Corporation	-	868,000
26.	2009-NY-1003	12/4/2008	Lower Manhattan Development Corporation	468,649	3,031,351
27.	2009-FW-1004	1/14/2009	Texas Department of Housing and Community Affairs	-	-
28.	2009-AO-1001	5/5/2009	State of Louisiana	228,930	-
29.	2009-AO-1002	5/5/2009	State of Louisiana	735,087	-
30.	2009-NY-1013	5/27/2009	Lower Manhattan Development Corporation	508,361	19,643
31.	2009-AO-1801	6/12/2009	State of Mississippi	1,877,806	-
32.	2009-AO-1802	7/31/2009	State of Mississippi	-	-

Count	Report no.	Issue date	Entity audited or evaluated	Questioned costs	Funds to be put to better use
33.	IED-08-005	9/1/2009	HUD's Office of Community Planning and Development	-	-
34.	2009-AO-1003	9/23/2009	Louisiana Land Trust	-	-
35.	2009-FW-1016	9/30/2009	Texas Department of Housing and Community Affairs	-	60,235,000
36.	2010-NY-1001	10/6/2009	Lower Manhattan Development Corporation	-	-
37.	2010-AO-1001	12/15/2009	Mississippi Development Authority	-	-
38.	2010-AO-1002	1/4/2010	State of Louisiana	147,681	-
39.	2010-KC-1001	3/10/2010	State of Iowa	10,532,871	-
40.	2010-NY-1008	3/22/2010	Lower Manhattan Development Corporation	-	-
41.	2010-AO-1003	4/30/2010	State of Louisiana	82,752	-
42.	2010-KC-1004	5/26/2010	State of Iowa	-	-
43.	2010-AO-1004	6/22/2010	Mississippi Development Authority	21,964	-
44.	2010-FW-1005	7/20/2010	Texas Department of Housing and Community Affairs	18,763,330	-
45.	2010-AO-1005	8/4/2010	State of Louisiana	-	28,125,000
46.	IED-09-002	9/1/2010	State of Louisiana	3,800,000	-
47.	2010-AO-1006	9/30/2010	State of Alabama	-	-
48.	2010-AO-1007	9/30/2010	State of Alabama	-	-
49.	2011-AO-1001	10/28/2010	State of Louisiana	-	-
50.	2011-AO-1002	10/29/2010	State of Louisiana	2,817,530	-
51.	2011-FW-1006	1/26/2011	Texas Department of Housing and Community Affairs	71,691	-
52.	2011-NY-1005	2/7/2011	Lower Manhattan Development Corporation	-	-
53.	2011-AO-1005	4/18/2011	State of Mississippi	90,000	75,000
54.	2012-FW-1005	3/7/2012	State of Texas	9,061,794	75,009,910
55.	2012-FW-1011	7/19/2012	City of Houston, TX	-	-
56.	2012-NY-1010	7/27/2012	Lower Manhattan Development Corporation	159,261	2,258
57.	2013-KC-1001	10/23/2012	City of Cedar Rapids, IA	12,210,247	-
58.	2013-NY-1801	1/11/2013	Deutsche Bank of New York	-	-
59.	2013-FW-0001	3/28/2013	HUD's Office of Block Grant Assistance	-	-
60.	2013-IE-0803	3/29/2013	State of Louisiana	698,343,830	-
61.	2013-KC-1002	5/6/2013	State of Iowa	-	-
62.	2013-NY-1008	7/18/2013	Lower Manhattan Development Corporation	-	-
63.	2014-AT-1004	12/30/2013	State of Mississippi	2,165,915	-
64.	2014-KC-1002	1/29/2014	City of Joplin, MO	-	-
65.	2014-FW-1004	7/15/2014	State of Texas	1,609,580	8,624,700
66.	2014-PH-1008	8/29/2014	State of New Jersey	22,986,481	-
67.	2014-PH-1009	9/5/2014	State of New Jersey	-	-
68.	2014-BO-1004	9/29/2014	Vermont Department of Housing and Community Development	-	13,232,000
69.	2014-NY-1011	9/30/2014	Lower Manhattan Development Corporation	-	-
70.	2015-NY-1001	11/24/2014	City of New York, Office of Management and Budget	183,000,000	40,000,000
71.	2015-KC-1002	3/13/2015	City of Minot, ND	11,671,037	-
72.	2015-NY-1004	4/23/2015	City of New York, Office of Management and Budget	-	-

Count	Report no.	Issue date	Entity audited or evaluated	Questioned costs	Funds to be put to better use
73.	2015-PH-1003	6/4/2015	State of New Jersey	38,512,267	9,061,780
74.	2015-NY-1007	6/12/2015	City of New York, Office of Management and Budget	241,000	-
75.	2015-FW-1002	6/26/2015	City of New Orleans, LA	2,556,409	4,539,286
76.	2015-NY-1008	6/26/2015	Lower Manhattan Development Corporation	-	-
77.	2015-PH-1004	7/20/2015	State of New Jersey	-	-
78.	2015-AT-1006	7/27/2015	State of Florida	2,324,058	-
79.	2015-FW-1003	8/7/2015	City of Moore, OK	-	-
80.	2015-NY-1010	9/17/2015	State of New York Governor's Office of Storm Recovery	18,289,388	18,763,894
81.	2015-NY-1011	9/17/2015	State of New York Governor's Office of Storm Recovery	185,221,340	274,035,899
82.	2015-PH-1005	9/25/2015	State of Maryland	1,928,646	292,910
83.	2015-AT-1010	9/28/2015	Alabama Department of Economic and Community Affairs	-	-
84.	2015-CH-1009	9/30/2015	State of Illinois	1,461,842	4,346,358
85.	2016-NY-1004	2/19/2016	Lower Manhattan Development Corporation	-	-
86.	2016-KC-1001	2/22/2016	State of Missouri	1,551,656	-
87.	2016-BO-1001	3/9/2016	State of Rhode Island	127,750	-
88.	2016-NY-1005	3/11/2016	City of New York, Office of Management and Budget	-	-
89.	2016-NY-1006	3/29/2016	State of New York Governor's Office of Storm Recovery	425,162	300,000
90.	2016-PH-1004	6/18/2016	Luzerne County, PA	-	-
91.	2016-CH-1003	6/30/2016	State of Indiana	372,783	-
92.	2016-NY-1009	8/12/2016	State of New York Governor's Office of Storm Recovery	21,958,549	-
93.	2016-FW-1006	8/31/2016	St. John the Baptist Parish, LA	1,572,079	5,365,327
94.	2016-FW-1007	9/12/2016	HUD's Office of Block Grant Assistance	-	-
95.	2016-OE-0009S	9/23/2016	HUD's Office of Community Planning and Development	-	-
96.	2016-DE-1003	9/28/2016	Boulder County, CO	-	-
97.	2016-KC-1006	9/28/2016	City of Joplin, MO	-	2,275,177
98.	2016-PH-0005	9/29/2016	HUD's Office of Community Planning and Development	-	4,872,056,594
99.	2016-FW-1010	9/30/2016	State of Oklahoma	11,717,288	81,982,712
100.	2016-PH-1009	9/30/2016	State of New Jersey	43,080,932	-
101.	2017-BO-1001	10/12/2016	State of Connecticut	16,053,062	-
102.	2017-BO-1002	10/17/2016	City of Springfield, MA	1,448,663	472,246
103.	2017-NY-1001	11/2/2016	City of New York, Mayor's Office of Housing Recovery Operations	5,544,284	1,415,466
104.	2017-NY-1004	12/21/2016	City of New York Office of Management and Budget	18,274,054	-
105.	2017-AT-1001	1/18/2017	City of Tuscaloosa, AL	-	-
106.	2017-AT-1002	1/18/2017	Shelby County, TN	-	-
107.	2016-OE-0004S	3/29/2017	HUD's Office of Community Planning and Development	-	-
108.	2017-OE-0002S	4/10/2017	HUD's Office of Community Planning and Development	-	-
109.	2017-FW-1004	4/16/2017	St. Tammany Parish, LA	451,894	8,679,994

Count	Report no.	Issue date	Entity audited or evaluated	Questioned costs	Funds to be put to better use
110.	2016-OE-0011S	5/3/2017	HUD's Office of Community Planning and Development	-	-
111	2017-KC-0004	6/2/2017	HUD's Office of Community Planning and Development	-	-
112.	2017-NY-1009	6/13/2017	Lower Manhattan Development Corporation	-	-
113.	2017-AT-1008	7/21/2017	City of Birmingham, Department of Community Development	-	-
114.	2017-PH-1005	8/14/2017	State of New Jersey	987,500	-
115.	2017-NY-1010	9/15/2017	State of New York	18,782,054	8,932,630
116.	2017-NY-1012	9/21/2017	City of New York, NY	-	-
117.	2017-PH-0002	9/22/2017	HUD's Office of Community Planning and Development	-	-
118.	2017-CH-1010	9/30/2017	DuPage County, IL	98,507	569,391
	<b>Totals</b>			<b>1,397,449,009</b>	<b>5,529,442,756</b>