



OFFICE of
INSPECTOR GENERAL
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UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

Preventing Duplication of Benefits When Using Community Development Block Grant Disaster Recovery and Mitigation Funds

Audit Report Number: 2024-FW-0001

October 20, 2023

To: Tennille S. Parker
Director, Office of Disaster Recovery, DGR

//signed//

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

Subject: Preventing Duplication of Benefits When Using Community Development Block Grant Disaster Recovery and Mitigation Funds

Attached are the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit related to preventing duplication of benefits when using Community Development Block Grant Disaster Recovery and Mitigation funds.

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, as amended, 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 Danita Y. Wade, Audit Director, at (817) 978-9309.

Highlights

Preventing Duplication of Benefits When Using Community Development Block Grant Disaster Recovery and Mitigation Funds | 2024-FW-0001

What We Audited and Why

We performed an audit examining HUD's efforts to prevent duplication of benefits when using Community Development Block Grant (CDBG) Disaster Recovery and Mitigation funds. Our objective was to determine how the U.S. Department of Housing and Urban Development (HUD) assesses the adequacy of grantee procedures to prevent a duplication of benefits, both before and after grant execution.

What We Found

HUD certified grantees' high-level processes for preventing duplication of benefits before grant execution and allowed grantees to develop more detailed procedures for individual grant activities later. However, HUD did not review grantees' more detailed procedures before grantees began spending funds on program activities. In addition, HUD certified before grant award that grantees had adequate procedures when the grantees' procedures did not meet the adequacy criteria HUD established in the *Federal Register*. Further, HUD's adequacy criteria did not include all statutory requirements. Because HUD certified procedures that did not meet requirements and did not review detailed activity-level procedures before grantees began spending funds, HUD risked grantees' failing to prevent any duplication of benefits in accordance with the law.

What We Recommend

We recommend that the Director of the Office of Disaster Recovery (1) review grantees' activity-level procedures to prevent any duplication of benefits for adequacy before grantees process applications for assistance and (2) ensure that all applicable requirements for preventing any duplication of benefits are included in the adequacy criteria, grantee certifications, and HUD review checklists supporting the certification.

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Background and Objective

Congress has appropriated more than \$62 billion under the U.S. Department of Housing and Urban Development's (HUD) Community Development Fund to address disaster recovery and mitigation since 2013. HUD allocated those funds to grantees using Community Development Block Grant (CDBG) Disaster Recovery and Mitigation grants. At the same time, the public laws that authorized disaster-related appropriations have required that as a condition of making any grant, HUD certify in advance that such grantee has established adequate procedures to prevent any duplication of benefits as defined by Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. (United States Code) 5155).¹ However, in the September 2021 appropriation for disasters occurring in 2020 and 2021, Congress allowed grantees to access funding for program administrative costs prior to the Secretary's certification, which would allow grantees to, among other things, use administrative funds to develop duplication of benefits procedures before assisting beneficiaries.

According to the U.S. Government Accountability Office, disaster recovery is fragmented across more than 30 federal agencies and departments, resulting in various sources of federal support for disaster recovery.² FEMA has the primary responsibility for coordinating disaster response and recovery and establishes the order in which disaster relief agencies and organizations provide assistance to disaster survivors. This is intended to prevent duplication of benefits, maximize available resources, and coordinate efforts to help disaster survivors navigate the recovery process. According to HUD requirements, a duplication of benefits occurs when a person, household, business, or other entity receives disaster assistance from multiple sources for the same recovery purpose and the total assistance received for that purpose is more than the total need. For example, FEMA, the Small Business Administration (SBA), and HUD all provide assistance for repairs to homes damaged in a disaster. HUD's disaster grants come after funding through FEMA, insurance, and SBA programs in the order of assistance, making HUD and its grantees responsible for ensuring they do not provide assistance that exceeds unmet need. Preventing duplication of benefits in advance is important to avoid subjecting disaster victims to the financial and emotional burdens of having to repay improper payments.

In 2011 and 2019, HUD published notices in the *Federal Register* (duplication of benefits notices) that communicated the requirements for duplication of benefits assessments and established a basic duplication of benefits calculation framework. In the 2019 duplication of benefits notice, HUD updated its duplication of benefits guidance, in part, to incorporate changes to the treatment of subsidized loans in accordance with the Disaster Recovery and Reform Act of 2018.

When HUD published grant allocation notifications in the *Federal Register*, it established documentation requirements for grantees designed to enable HUD to make the required certifications. HUD required grantees to complete and submit certifications checklists addressing topics related to grantee duplication of benefits procedures. Although the language varied in each allocation notice, in general, HUD established criteria stating that a grantee had adequate policies and procedures to prevent duplication of

¹ The 2015 appropriation for disaster funds in response to Hurricanes Juquin and Patricia did not contain the certification requirement.

² *Disaster Recovery: Actions Needed to Improve the Federal Approach*, November 2022, [GAO-23-104956](#)

benefits if the grantee submitted and identified a uniform process that reflected the requirements of its duplication of benefits notices and included the following:

- (1) Determining all disaster assistance received by the grantee or applicant and all reasonably identifiable financial assistance available to the grantee or applicant before committing funds or awarding assistance.
- (2) Determining a grantee's or an applicant's unmet needs for CDBG Disaster Recovery or Mitigation assistance before committing funds or awarding assistance.
- (3) Requiring beneficiaries to enter into a signed agreement to repay any duplicative assistance if they later receive additional assistance for the same purpose for which the CDBG Disaster Recovery or Mitigation award was provided. The grantee must identify a method to monitor compliance with the agreement for a reasonable period (for example, a period commensurate with risk) and must articulate this method in its policies and procedures, including the basis for the period during which the grantee will monitor compliance. This agreement must also include the following language: *"Warning: Any person who knowingly makes a false claim or statement to HUD or causes another to do so may be subject to civil or criminal penalties under 18 U.S.C. 2, 287, 1001 and 31 U.S.C. 3729."*
- (4) Policies and procedures of the grantee submitted to support the certification must provide that before the award of assistance, the grantee will use the best, most recent available data from the Federal Emergency Management Agency (FEMA); the Small Business Administration (SBA); insurers; and any other sources of local, State, and Federal sources of funding to prevent the duplication of benefits.

Additionally, statutes required that funds may not be used for activities reimbursable by or for which funds are made available by FEMA or the U.S. Army Corps of Engineers. For disasters that occurred between January 2016 and December 2021, grantees were required to implement the terms of the Disaster Recovery Reform Act of 2018 related to the treatment of subsidized loans in duplication of benefits assessments.

Our audit objective was to identify how HUD assessed the adequacy of grantee procedures to prevent any duplication of benefits, both before and after grant execution. To answer this objective, we

- (a) assessed HUD's guidance to its staff and grantees for assessing the adequacy of procedures to prevent any duplication of benefits,
- (b) examined what HUD did or considered when assessing the adequacy of grantee duplication of benefits procedures and capabilities,
- (c) identified why HUD determined that it was appropriate to certify that grantees had adequate procedures,
- (d) identified what grantees did after certification with respect to enhancing duplication of benefits capabilities and written procedures, and
- (e) reviewed what HUD had done to monitor grantees with respect to duplication of benefits.

Results of Audit

HUD Does Not Require Disaster Recovery Grantees To Have Detailed Procedures To Prevent Duplication of Benefits Before Spending Grant Funds

HUD certified grantees' high-level processes for preventing duplication of benefits before grant execution and allowed grantees to develop more detailed procedures for individual grant activities later. However, HUD did not review grantees' more detailed procedures before grantees began spending funds on program activities. In addition, HUD certified before grant award that grantees had adequate procedures when the grantees' high-level procedures did not meet all requirements. HUD maintained that its process complied with the statutory requirements. Because HUD certified procedures that did not meet requirements and did not review detailed activity-level procedures before grantees began spending funds, HUD risked grantees' failing to prevent any duplication of benefits in accordance with the law. The eight grants reviewed had \$7.4 billion in total CDBG Disaster Recovery and Mitigation grant funds awarded.

How HUD Assessed the Adequacy of Grantee Procedures To Prevent a Duplication of Benefits

HUD did not provide detailed guidance to grantees and its personnel about how to develop and assess the adequacy of duplication of benefits procedures, although it provided extensive guidance on how to perform duplication of benefits assessments. HUD established criteria defining adequate procedures and used checklists and related grantee documentation when determining that it was appropriate to certify that grantees had adequate procedures. However, HUD certified grantee procedures that did not meet all requirements. Grantees continued to enhance their procedures after HUD certified that they were adequate, including developing detailed procedures and job aids for specific activities. However, these improvements did not always occur before grantees spent grant funds on the activities. HUD included a review of grantees' duplication of benefits activities and procedures when it monitored the grants after certification, which did not generally occur before grantees began spending funds on the activities.

HUD Did Not Provide Guidance for Developing or Assessing Procedures

HUD did not provide detailed guidance to grantees and its personnel on how to develop and assess the adequacy of duplication of benefits procedures. For example, one grantee stated that the *Federal Register* notices provided the only guidance available for developing procedures unless the grantee asked HUD for assistance. Another grantee stated that it had existing procedures from previous grants and modified them to reflect any new requirements in the *Federal Register* when it received a new disaster grant. The grantee also stated that HUD provided information about the treatment of subsidized loans and the impact of overlapping disasters. Even though HUD did not provide training for developing and assessing written procedures, it provided extensive training and guidance to HUD and grantee staff on how to perform duplication of benefits assessments, including presentations designed to address difficult cases. HUD ensured that its training webcasts and applicable criteria were available for public viewing on its technical assistance website, HUD Exchange.

HUD Certified High-Level Duplication of Benefits Procedures That Did Not Meet Requirements

HUD required grantees to submit their grant certification checklists within 60 days of the *Federal Register* notice allocating the grants. Within 120 days, grantees were generally³ required to submit action plans, which required public participation and identified the activities grantees planned to administer using grant funds. Because the certifications were due before the action plans, grantees did not always know what activities they would administer at the time they submitted their certification checklists.

We found that grantees did not generally have activity-level procedures in place at the time certification checklists were due and submitted documents that were general in nature to support their certifications. HUD stated that it certified grantees' high-level processes before grant execution and allowed them to develop more detailed procedures for individual grant activities after certification. For example, HUD certified one grantee's submission as adequate when it contained a general policy which stated that individual programs may be subject to additional program-specific processes. HUD's certification was not supported by review of the grantee's program-specific processes. In addition, as discussed below, HUD's monitoring reports contained findings or concerns that three of the eight grantees reviewed had not developed activity-level duplication of benefits procedures after HUD had certified that they had adequate procedures to prevent any duplication of benefits. Even though it did not review activity-level procedures, HUD's position was that it complied with the statutory requirement that it certify in advance that the grantee had established adequate procedures to prevent any duplication of benefits.

HUD developed internal review checklists to assess the adequacy of duplication of benefits procedures that grantees submitted for certification before grant execution. HUD considered the grantee certification checklists and supporting documentation when assessing the adequacy of grantee duplication of benefits procedures. For all eight certifications reviewed, HUD certified that the grantee had adequate procedures to prevent any duplication of benefits when the grantee's procedures did not meet the adequacy criteria that HUD had established. In one example, a grantee submitted a 44-page document that restated HUD requirements from several *Federal Register* notices and added language that the grantee had adopted adequate procedures in accordance with those requirements. Restating HUD policy does not establish grantee procedures for preventing any duplication of benefits. The document also included the grantee's 7-page duplication of benefits policies and procedures from a disaster grant it received for a 2011 disaster, for which different rules applied. In HUD's review document, its basis for conclusion that the grantee had adequate procedures to prevent any duplication of benefits was that the grantee had adopted HUD's overview guidance in the superseded *Federal Register* notices. HUD also wrote that the grantee's policies and procedures for its 2011 grant met the current requirements. However, our review showed that the grantee's procedures did not specify that the grantee would determine all disaster assistance received and determine the grantee's unmet need before committing or awarding assistance. The grantee's procedures also did not provide that it would use the best, most recent data from FEMA, SBA, insurers, and other sources of local, state, and Federal funding to prevent duplication of benefits. Instead, the grantee's policy said it would verify information if feasible. HUD did not provide an explanation of why it determined it was appropriate to certify that the

³ While 120 days is the general rule, grantees sometimes request, and HUD approves, extensions due to complexity or extenuating circumstances.

grantee had adequate procedures to prevent any duplication of benefits, despite being asked multiple times for an explanation.

In five cases, the grantee certification checklist did not contain all of the adequacy criteria published in the applicable *Federal Register* notice. For grants covering disasters occurring in 2020 or 2021, HUD matched the language in its certification checklists to its adequacy criteria in the corresponding *Federal Register* notice. However, the adequacy criteria did not include two requirements established in the statute and included elsewhere in the *Federal Register* notice:

- (1) The treatment of subsidized loans under the Disaster Recovery Reform Act of 2018.⁴
- (2) The prohibition that funds may not be used for activities reimbursable by or for which funds are made available by FEMA or the U.S. Army Corps of Engineers.

HUD stated that it did not include some of the requirements in its review checklist because it preferred to verify that grantees addressed them during monitoring performed at a later date.⁵ The wording of the *Federal Register* notices varied slightly by allocation but contained common concepts. Each grant allocation had a different checklist. Table 1 displays whether the certified grantee procedures met the established adequacy criteria in the *Federal Register* and other requirements.

⁴ The requirements concerning the treatment of subsidized loans applied to disasters that occurred between January 1, 2016, and December 31, 2021. Unless Congress extends the requirement, it will not apply to future grants, but HUD must ensure that it includes all requirements in its adequacy criteria, certifications, and review checklists.

⁵ HUD's monitoring risk assessment determines if and when it will monitor grantees or specific grants. There is no assurance that HUD will review grantees' compliance before they begin assisting applicants.

Table 1: Evaluation of grantee procedures against requirements

Requirement	Included in HUD's checklist		Requirement met			
	Yes	No	Yes	No	Partially-unclear ⁶	NA
Uniform process	8		7	1		
Verifying all sources of disaster assistance	8		7		1	
Determining unmet need before award	8		8			
Requiring repayment agreement	8		7		1	
Method to monitor repayment agreement	3	5	4	4		
False statement warning on repayment agreement	3	5	3	5		
Use best, most recent data from FEMA, SBA, insurers, and others	8		3	1	4	
Treatment of subsidized loans consistent with Disaster Recovery Reform Act of 2018	4	3	5	2		1
Funds may not be used for activities reimbursable by or for which funds are made available by FEMA or the U.S. Army Corps of Engineers		8	1		7	

Because HUD waited until it monitored grants to ensure that grantees' procedures met all requirements, it risked grantees' carrying out activities improperly. For example, one grantee's general procedures reflected the treatment of subsidized loans in accordance with the Disaster Recovery Reform Act. However, the grantee's activity-level procedures incorrectly used the previous guidance, which impacted the amount of assistance it provided to applicants. The grantee stated that HUD field office personnel identified the issue during mock monitoring of its files and that it was revising its procedures. At the time of the audit, the grantee had spent funds on the activity applying the incorrect criteria. HUD could have prevented this situation if it had reviewed activity-level procedures before the grantee began assisting applicants.

Grantees Enhanced Their Duplication of Benefits Procedures After HUD Certification

HUD's practice was to certify in advance that grantees had adequate procedures to prevent any duplication of benefits when grantees submitted uniform processes, which contained specific topics that HUD required. After HUD certified that grantees' procedures were adequate, the grantees under review continued to update their policies and procedures. For example, two grantees revised their procedures for three grants to include a method to monitor repayment agreements, which was not included in the documents that HUD certified were adequate. In addition, two grantees revised their procedures to add the requirement to include a false statement warning in repayment agreements, which was absent from

⁶ For example, HUD required grantee policies and procedures supporting its certification must provide that before the award of assistance, the grantee would use the best, most recent available data from FEMA, SBA, insurers, or other sources of funding to prevent duplication of benefits. One submission stated that it would review FEMA and SBA databases. It did not use the term "best, most recent available data" and referred only to FEMA and SBA, not other sources. Additionally, the statutes prohibited the use of funds for activities reimbursable by or for which funds are made available by FEMA or U.S. Army Corps of Engineers. All grantees referred to FEMA; only one referred to the U.S. Army Corps of Engineers.

their certified procedures. Grantees also drafted new procedures to address duplication of benefits for new and existing activities on an ongoing basis.

Grantees posted their duplication of benefits procedures on their external websites. They also developed internal procedures for staff use that were more detailed than the material posted on their external websites. Four grantees stated that they provided duplication of benefits training to their staff. Another grantee said it believed without qualification that its more detailed internal written procedures were detailed enough for staff to reasonably understand when and how to conduct assessments of duplication of benefits. One grantee stated its procedures were more stringent than HUD's criteria and guidelines. In addition, grantees developed new policies and procedures, to include monitoring programs, subrecipient monitoring, program-specific guidance manuals, and implementation guides. The ongoing enhancements did not always ensure that grantees' procedures addressed all duplication of benefits requirements of public laws and HUD's *Federal Register* notices, such as using the best, most recent available data and ensuring that CDBG disaster funds are not used for activities reimbursable by or for which funds are made available by the U.S. Army Corps of Engineers. These omissions occurred in part because HUD did not review grantees' detailed procedures at the time of certification and did not review grantees' updated procedures until it monitored the grants.

HUD Monitored Grantees for Duplication of Benefits

HUD's monitoring reports contained findings or concerns that three of the eight grantees reviewed had not developed activity-level duplication of benefits procedures. Two grantees had drawn grant funds for the activities at the time HUD identified the issues. One had obligated but not drawn funds for the activity.

1. For one grantee, during a March 2021 remote monitoring review, HUD reported three concerns about the duplication of benefits processes. Specifically, grantee staff were in the process of developing policies and procedures for one program at the time of HUD's review. For a different program, although the grantee had established policies for the calculating duplication of benefits, the files HUD reviewed did not document the applicant's total need and contained conflicting information. For another program, HUD reported that the grantee's procedures did not prohibit funding activities with costs reimbursable by, or for which funds are made available by FEMA or the U.S. Army Corps of Engineers. HUD noted that the grantee's lack of procedures risked future noncompliance. HUD recommended that the grantee update its procedures and perform a quality inspection of its applicant files.

In June 2022, more than 1 year after the monitoring review, HUD wrote that it remained concerned about the grantee's duplication of benefits process and asked whether the grantee had completed a quality control review of its files. In the grantee's January 2023 response, it stated it would perform a quality control review of files at closeout. However, HUD explained that although the grantee has updated its policies and procedures to prevent inaccurate duplication of benefits calculations, HUD remained concerned about the grantee's duplication of benefit process and will continue to monitor the grantee to ensure it conducts quality control reviews of applicant records.

2. For a second grantee, HUD's reports on its April and August 2021 remote monitoring reviews contained findings related to duplication of benefits for two grants. HUD determined that the

grantee lacked adequate procedures to ensure a thorough analysis of duplication of benefits was completed and documented; the grantee's policies and procedures did not explicitly address assistance from FEMA, SBA, and the National Flood Insurance Program or require all assisted entities to enter into a signed agreement to repay any duplicative assistance; and the grantee's subrecipient agreements lacked required language concerning false claims and false statements. HUD required the grantee to correct the deficiencies, including updating and enforcing its procedures to include the required components to prevent any duplication of benefits.

HUD had monitored one of the grants on five previous occasions but made no mention of testing for duplication of benefits in the files it reviewed. This would have been an opportunity to ensure the grantee and subrecipients were testing for duplication of benefits during intake review and that procedures were adequate. It may have prevented the related findings in the April and August 2021 remote monitoring, which took place after the grantee had begun spending grant funds on activities.

3. For a third grantee, HUD's March 2020 monitoring review report contained concerns that the grantee's policies and procedures did not include the required prohibition against duplicating funds available from FEMA and the U.S. Army Corps of Engineers.

Additionally, HUD found in the mock monitoring described above that a fourth grantee had miscalculated duplication of benefits because its activity-level procedures applied the incorrect criteria, despite its general procedures' citing the correct criteria.

HUD's monitoring and technical assistance reports demonstrate that HUD helped grantees improve their operations following grant award. However, it also showed that the uniform processes that grantees submitted before grant execution were insufficient to ensure that grantees had adequate preventive procedures before they began assisting applicants. Further, by waiting until it monitored grants to assess program-level policies and procedures, HUD risked grantees carrying out their programs without preventing duplication of benefits or ensuring they could recover improper payments identified after the award of funds.

Recommendations

We recommend that the Director, Office of Disaster Recovery,

- 1A. Perform monitoring of or otherwise review grantees' detailed procedures for preventing duplication of benefits for each grant activity within the first year after HUD signs the grant agreement or before grantees process applications for assistance, whichever occurs first.
- 1B. Develop and implement a process to review grantees' detailed procedures for preventing duplication of benefits and require grantees to correct any deficiencies identified in the review before grantees process applications for assistance.
- 1C. For future grants, develop and implement procedures to ensure that all applicable requirements for preventing any duplication of benefits are included in the adequacy criteria, grantee certifications, and HUD review checklists supporting the certification.

Scope and Methodology

The scope of the audit was active CDBG Disaster Recovery and Mitigation grants for which HUD was required by statute to certify in advance that grantees had adequate procedures to prevent a duplication of benefits. The scope included grants from appropriations for Hurricane Sandy in 2012 and later, except for Hurricanes Joaquin and Patricia in 2015. We initially narrowed the audit period to June 25, 2019, through September 30, 2022. We designated June 25, 2019, as the start date because it was the effective date of HUD's 2019 duplication of benefits *Federal Register* notice. This notice established the same basic duplication of benefits criteria for all grants under review. During the audit, HUD was actively reviewing grantee submissions for the most recent allocation of CDBG Disaster Recovery and Mitigation grants. We expanded the end date of the audit period to December 31, 2022, to ensure that we considered the most current information available and the scope to include one grant in the allocation for Hurricanes Harvey, Irma, and Maria, which had different rules concerning the treatment of subsidized loans.

We conducted the audit remotely from July 2022 through January 2023. To accomplish our objective, we

- Reviewed relevant criteria, including public laws and *Federal Register* notices.
- Assessed formal and informal HUD guidance to its staff and grantees for determining the adequacy of procedures to prevent any duplication of benefits.
- Evaluated guidance posted on HUD's official website and HUDEXchange.info, which is maintained by a technical assistance provider under cooperative agreement, using funding appropriated to HUD for technical assistance.
- Interviewed HUD staff in the Disaster Recovery and Special Issues Division of the Office of Block Grant Assistance (the division became the Office of Disaster Recovery, effective January 31, 2023) in HUD's Office of Community Planning and Development.
- Interviewed representatives of six CDBG Disaster Recovery or Mitigation grantees to obtain their input regarding guidance received from HUD concerning the adequacy of their duplication of benefits procedures, the timing of the requirement that grantees have adequate procedures in place, and whether the grantees later developed more detailed procedures for staff executing the programs and, additionally, to inquire about how the grantees ensured that contractors or subrecipients had adequate procedures to prevent any duplication of benefits.
- Examined HUD's certifications before grant execution that grantees had adequate procedures to prevent any duplication of benefits, including supporting checklists and documentation submitted by grantees.
- Obtained and reviewed grantees' updated duplication of benefits procedures posted on their public websites and additional detailed procedures and job aids provided by grantees following our interviews.
- Compared grantee duplication of benefits procedures that HUD certified were adequate to the adequacy criteria that HUD established in the *Federal Register* for each grant reviewed and compared grantees' updated procedures against the same criteria.
- Performed comparative analyses of HUD's certification and review checklists against the *Federal Register* criteria defining adequate procedures to prevent a duplication of benefits.

- Analyzed HUD technical assistance and monitoring reports for the selected grantees during the audit period and followed up on the status of monitoring findings and concerns about duplication of benefits that had not been closed.

Use of Sampling

We selected a nonstatistical sample of 8 of 42 grants from 6 nongeneralizable selected grantees to review HUD’s certifications of grantee duplication of benefits procedures. Nonstatistical sample review results cannot be projected to the population. We initially selected three grants: one each from California, North Carolina, and the Northern Mariana Islands. We deemed three grants to be sufficient for initial testing because they were 25 percent of the grants in the sampling frame at the time, the grantees selected were geographically diverse, and the grantees had diverse risk rankings in our risk assessment by grant. After initial testing, we expanded the sample to include five grants from three additional grantees: Texas, Florida, and Puerto Rico. We selected these grantees because they were large, experienced grantees; we valued their views on the subject matter of the audit; and they had received allocations from the most recent supplemental appropriation for disaster recovery or had mitigation grants. This measure allowed us to consider evidence covering the entire audit period and scope. As of December 8, 2022, HUD had not certified the duplication of benefits procedures for two grants selected, one to Texas and one to Puerto Rico, from the most recent supplemental appropriation. We replaced these sample items with grantees from the same appropriation that had completed the certification process and received the highest risk scores in risk assessment by grant. Our final sample included the following grants:

Grantee	Allocation	Grant number	Grant amount
California	2017 Hurricanes Harvey, Irma, and Maria	B-18-DP-06-0001	\$124,155,000
North Carolina	2018 disasters	B-19-DV-37-0001	336,521,000
Northern Mariana Islands	2018 disasters	B-19-DV-69-0002	65,672,000
Florida	2020 Hurricanes Laura, Delta, and Zeta-2021 Hurricane Ida and wildfires	B-21-DZ-12-0001	187,383,000
Florida	2015-2018 mitigation	B-18-DP-12-0002	633,485,000
Texas General Land Office	2015-2018 mitigation	B-18-DP-48-0002	4,297,189,000
Louisiana	2020 Hurricanes Laura, Delta, and Zeta-2021 Hurricane Ida and wildfires	B-21-DF-22-0001	1,272,346,000
Alabama	2020 Hurricanes Laura, Delta, and Zeta-2021 Hurricane Ida and wildfires	B-21-DZ-01-0001	501,252,000
Total			7,418,003,000

We obtained an understanding of HUD’s internal controls relevant to the audit objective. Specifically, we obtained an understanding of HUD’s guidance for establishing and reviewing the adequacy of grantee procedures to prevent duplication of benefits and its monitoring guidance relevant to duplication of benefits procedures.



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.

Appendix

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation – Auditee Comments



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

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

MEMORANDUM FOR: Kilah S. White, Assistant Inspector General for Audit, Office of Inspector General, GA

FROM: Tennille Smith Parker, Director, Office of Disaster Recovery, DGR

SUBJECT: HUD Comments for OIG Draft Audit Report – Preventing Duplication of Benefits When Using Community Development Block Grant Disaster Recovery and Mitigation Funds

TENNILLE PARKER

Digitally signed by TENNILLE PARKER
DN: cn = TENNILLE PARKER, c = US
o = U.S. Government, ou = Department
of Housing and Urban Development,
ou = Office of Community Planning and
Development
Date: 2023.09.28 17:13:57 -0400

The Office of Community Planning and Development (CPD) has reviewed the draft audit report entitled *Preventing Duplication of Benefits When Using Community Development Block Grant Disaster Recovery and Mitigation Funds*. CPD offers the following comments on the draft audit report for consideration.

The U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) conducted an audit to examine HUD's efforts to prevent duplication benefits (DOB) when using Community Development Block Grant Disaster Recovery (CDBG-DR) and Mitigation (CDBG-MIT) funds with the objective to identify how HUD assessed the adequacy of grantee procedures for preventing DOB, both before and after grant execution. The OIG's audit recommends that the Office of Disaster Recovery (ODR) review grantees' activity-level procedures to prevent any DOB for adequacy before grantees spend funds other than administrative funds and ensure that all applicable requirements for preventing any DOB are included in the adequacy criteria, grantee certifications, and HUD review checklists supporting the certification.

Overall, the Department agrees with the OIG that certain improvements are needed to ensure that grantees' procedures for preventing DOB are adequate and certified appropriately. However, the Department places a high priority on expediting disaster recovery efforts to provide timely assistance to affected communities. Requiring grantees to submit detailed procedures for every grant activity before accessing funds would impose an administrative burden on grantees, and it may be an impossible task as not all grant activities are completely defined at the point of obligation. Implementing this recommendation would certainly slow down the delivery of essential recovery services to disaster-affected areas.

HUD proposes that, instead of requiring activity-level procedures before grant execution, the Department will enhance internal controls and monitoring to ensure compliance with DOB requirements during the early stages of a grantee's program implementation. This approach involves monitoring program procedures within the first year of the grant award, providing more active technical assistance during the implementation phase of a grant, offering training for both HUD staff and grantees to improve the development and assessment of DOB procedures, and aligning with statutory requirements to improve compliance with DOB requirements while ensuring

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 **Comment 1 >**

 **Comment 2 >**

timely disaster recovery.

The discussion below includes CPD's comments on the specific OIG Recommendations:

OIG Finding 1: HUD Does Not Require Disaster Recovery Grantees To Have Detailed Procedures To Prevent Duplication of Benefits Before Spending Grant Funds

OIG Recommendation 1A: Require grantees to submit detailed procedures for preventing duplication of benefits for each grant activity before HUD authorizes grantees to spend funds other than administrative funds.

HUD Comment: HUD acknowledges the importance of preventing DOB while ensuring a swift and effective response to disasters. However, the Department believes that requiring grantees to submit detailed procedures for each grant activity before grant obligation poses significant challenges and may hinder the timely disbursement of funds to communities in need.

 **Comment 2 >**

CDBG-DR grantees are under significant pressure to get recovery funds into the community. A successful response must ramp up quickly while establishing a solid foundation that will support the effort over the longer term. Grantees need to expand their operations to effectively manage the influx of funds and initiate programs to rebuild a resilient community. To expedite recovery from disasters, the Department allows grantees to access funding for program administration costs prior to the Secretary's certification. Accordingly, grantees can enter into a grant agreement and expend administrative funds for certain costs related to developing the Action Plan and other eligible uses before or during the review of certification materials. Implementing this recommendation could further delay a grantee's ability to begin recovery and increase the administrative burden on the grantee.

Instead of requiring grantees to submit detailed activity-level DOB procedures before spending grant funds, the Department proposes the following approach to enhance internal controls and ensure compliance with DOB requirements:

- Detailed, activity-level DOB procedures are typically included in a grantee's program-specific procedures. The Department will monitor these procedures earlier in the program implementation phase during the initial year of the grant by incorporating additional internal controls in the risk analysis and monitoring process. Specifically, HUD will consider grantees receiving new grants within the last fiscal year as high risk and subject them to monitoring within the first year of their programs.
- HUD will develop and implement a new policy requiring grant managers and CPD field office staff to monitor all new grants, with a specific focus on grantees' program procedures, including those related to DOB.
- HUD will soon release a DOB Worksheet to help grantees complete a DOB analysis in a compliant manner. The DOB Worksheet follows the steps outlined in HUD's DOB calculation framework. The Department will develop a supplement to accompany the DOB Worksheet to further assist grantees in creating and following compliant DOB policies and

procedures.

- As part of the release of the DOB Worksheet, HUD will provide more comprehensive DOB training to grantees, including a focus on developing policies and procedures.

This approach prioritizes timely recovery while enhancing oversight mechanisms to ensure compliance with DOB requirements.

OIG Recommendation 1B: Develop and implement a process to review grantees' detailed procedures for preventing duplication of benefits and require grantees to correct any deficiencies identified in the review before spending other than administrative funds.

HUD Comment: HUD recognizes the importance of addressing deficiencies promptly, however, the Department does not concur with the recommendation. Instead, HUD will provide training to staff regarding what grantees should incorporate into their DOB procedures as part of the certification process.

HUD will prioritize monitoring during the first year of the grant to identify deficiencies early in the implementation process. HUD's monitoring visits will be followed up with a detailed list of any Findings or Concerns and require the grantee to comply with outlined corrective actions. The Department will also offer more active technical assistance during the implementation phase of the grant, particularly when Findings and Concerns related to DOB are identified.

This approach ensures a proactive response to deficiencies and aligns with our commitment to efficient and effective disaster recovery.

OIG Recommendation 1C: For future grants, develop and implement procedures to ensure that all applicable requirements for preventing any duplication of benefits are included in the adequacy criteria, grantee certifications, and HUD review checklists supporting the certification.

HUD Comment: HUD concurs with this recommendation and will update review checklists supporting certification to include all applicable requirements for preventing DOB. Further, HUD will establish procedures for ensuring that the grantee's certification documentation is consistently reviewed by grant managers, ensuring that all statutory criteria are evaluated during the certification period.

Should you have any questions regarding these draft audit report comments, please do not hesitate to contact me or Shantelle Dale, Director, Operations Division, Office of Disaster Recovery, at (202) 402-2125, or by e-mail at Shantelle.C.Dale@hud.gov.

 **Comment 3 >**

 **Comment 4 >**

OIG Evaluation of Auditee Comments

- Comment 1 HUD acknowledged the importance of preventing duplication of benefits while ensuring a swift and effective response to disasters but expressed concerns about implementing the draft recommendation. As discussed during the exit conference, we clarified that we did not propose reviewing activity-level procedures before grant award or obligation, but before grantees began assisting applicants. We revised recommendations 1A and 1B accordingly.
- Comment 2 With respect to recommendation 1A, we appreciate HUD’s commitment to resolving the conditions noted in the report. Further, we commend HUD for offering alternative recommendations that include monitoring of new grantees within the first year and developing policy guidance and job aids. We revised the recommendation to incorporate what HUD proposed.
- Comment 3 HUD disagreed with recommendation 1B. While we appreciate HUD’s efforts to try to resolve the conditions with training, HUD has the responsibility to ensure that grantees have adequate procedures in place to prevent any duplication of benefits before they begin assisting applicants. We maintain that the recommendation will help grantees prevent improper payments and limit the likelihood that applicants are faced with the burden of repaying duplicative assistance while recovering from disaster damage. We revised the language of recommendation 1B to be consistent with recommendation 1A.
- Comment 4 HUD agreed with recommendation 1C to ensure consistent review procedures of certification checklists and that the checklists match the requirements for each grant.