

# **Administrative Missteps and Lack of Expertise Led to Delays and \$3.7 Million in Unnecessary State Spending for Hurricane Matthew Recovery**

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A presentation to the Joint Legislative  
Program Evaluation Oversight Committee

May 20, 2019

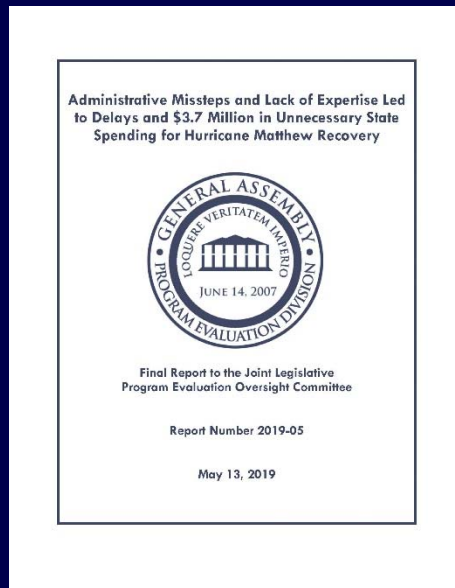
Brent Lucas, Principal Program Evaluator

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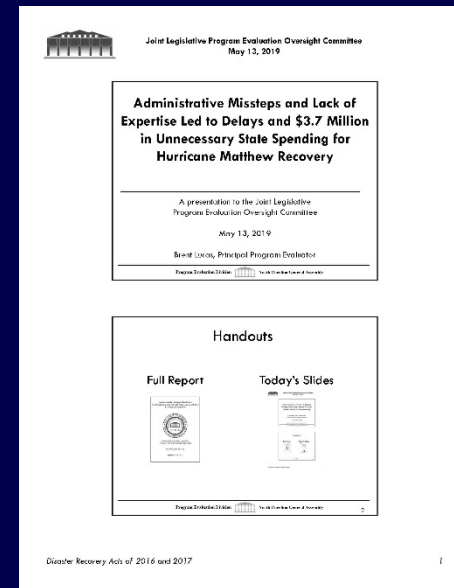


# Handouts

## Full Report



## Today's Slides



# Our Charge

- Directive: Per S.L. 2018-5, examine the Disaster Recovery Acts (DRA) of 2016 and 2017
- Worked with the
  - Department of Public Safety (DPS)
  - Department of Commerce (DOC)
  - various entities administering funds
- Team: Brent Lucas, Jake Ford, Sean Hamel

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# Acronyms

Acronym	Meaning
CDBG	Community Development Block Grant
CDBG-DR	Community Development Block Grant-Disaster Recovery
DOC	Department of Commerce
DPS	Department of Public Safety
DRA	Disaster Recovery Acts
HUD	U.S. Department of Housing and Urban Development
NCORR	N.C. Office of Recovery and Resiliency



# Summary

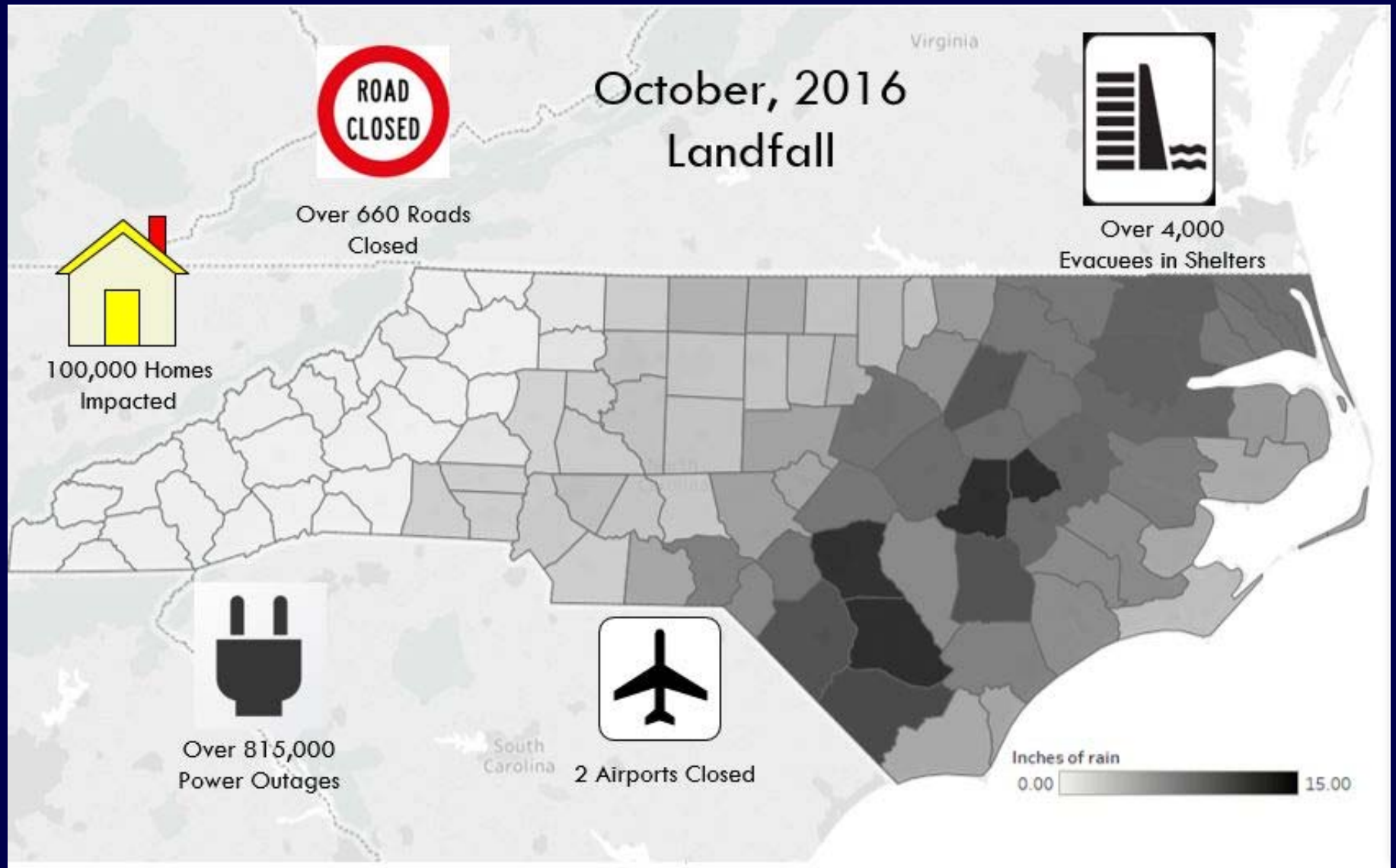
- Six findings and four recommendations in the areas of
  - Contracting for CDBG-DR services
  - Expertise and institutional knowledge of implementing CDBG-DR
  - Missed opportunities to fully leverage federal funds
  - Reporting on recovery efforts



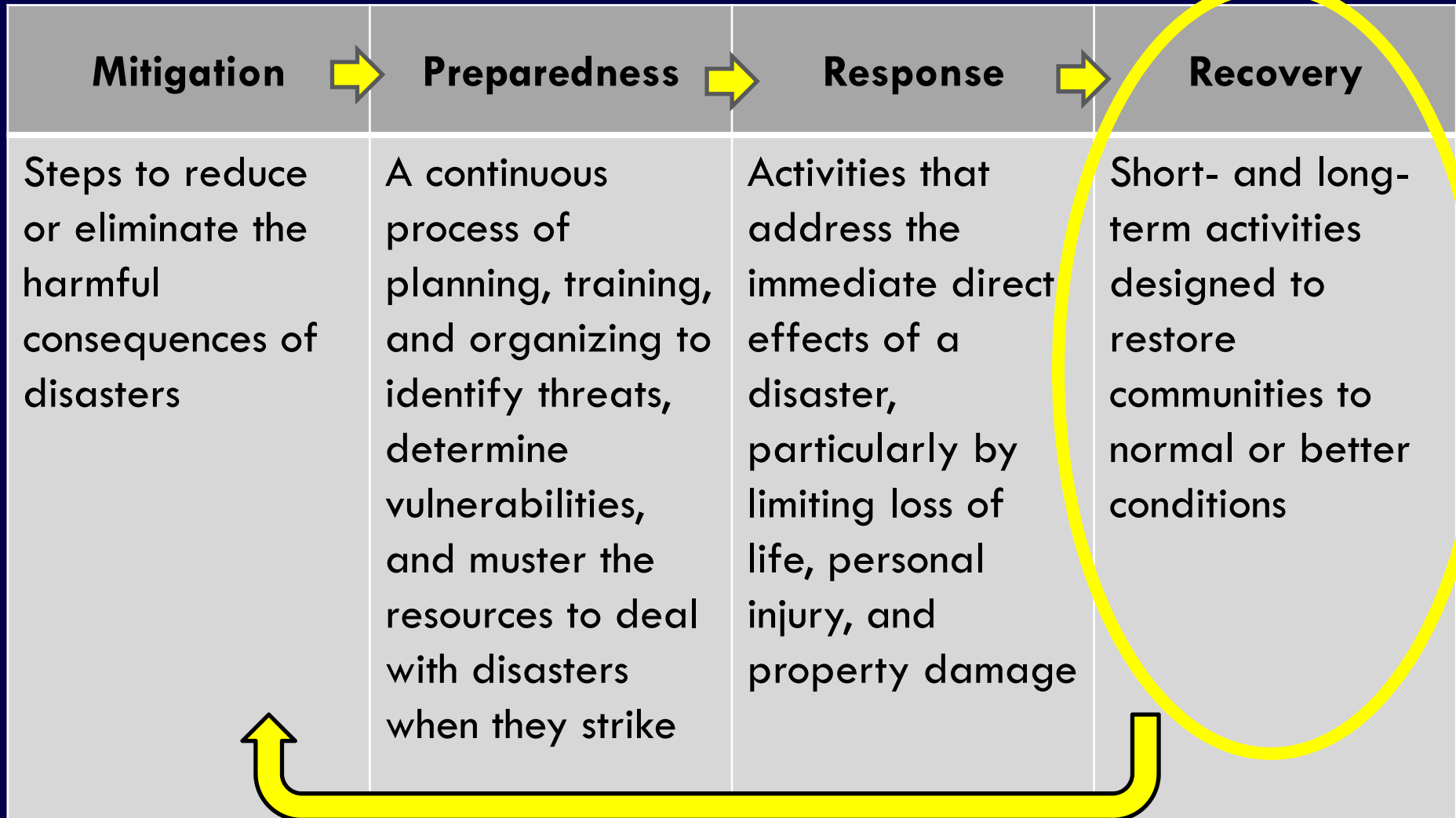
# Background



# Hurricane Matthew



# Four Phases of Emergency Management





# Hurricane Matthew Disaster Recovery

- Disaster Recovery Assistance is available from both the state and federal governments:
  - State: \$300.9 million appropriated for recovery efforts in Session Laws 2016-124 (DRA 16) and 2017-119 (DRA 17)
    - 18 various “funding streams” across 9 entities
  - Federal: \$914 million committed for housing and infrastructure assistance, with the largest amounts coming from
    - FEMA-Public Assistance-\$386 million
    - CDBG-DR-\$236.5 million

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# Findings



# Finding 1

**CDBG-DR funding—an important source of Hurricane Matthew recovery funds—has been slow to reach recipients and is not meeting federal spending performance targets**

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# Overview of CDBG-DR

- CDBG-DR is:
  - U.S. Housing and Urban Development (HUD) program
  - Focused on unmet needs for rebuilding, relocating, etc.
  - Somewhat similar to traditional CDBG programs
  - Entirely federally-funded
  - Longer-term in focus than many other funds
- CDBG-DR in North Carolina:
  - State had not received these funds since 1999
  - Commerce has been responsible for CDBG-DR in the past
  - DRA 16 placed this responsibility with DPS



# Distribution of CDBG-DR Funds Has Been the Least Timely of All Recovery Funds

- CDBG-DR funds have been distributed the slowest of federal and state funds for Hurricane Matthew disaster recovery
  - NC had only spent 1% (\$2.6 million) of its \$236.5 million award as of December 2018
  - NC has always been designated as a “slow spender”
- Subsequent findings focus on the reasons for these delays



## Finding 2

**Several initial contracts to implement CDBG-DR were not compliant with federal regulations, resulting in delays in distributing CDBG-DR funding and \$3.7 million in unnecessary state spending**

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# Noncompliant Contract Led to Delays in Distributing CDBG-DR Funds

**October 8, 2016**

Hurricane  
Matthew makes  
landfall

**January 16, 2017**

NC awards  
contract to  
administer CDBG-  
DR to ESP

**January 15, 2018**

NC issues second  
RFQ for  
administering  
CDBG-DR

**June 15, 2018**

NC awards contract  
to administer  
CDBG-DR to IEM

**2016**

**2017**

**2018**

**515 Days**



# Noncompliant Contracts Led to \$3.7 Million in Unnecessary State Spending

- Four contracts were not compliant
- Non-compliant contracts led to \$3.7 million in unnecessary state spending because federal CDBG-DR funds could have been used to pay for these services





## Finding 3

**Elimination of housing projects from the Department of Commerce's (DOC) CDBG portfolio depleted institutional knowledge that could have assisted DPS's implementation of CDBG-DR**

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## **A Foundational Understanding of Traditional CDBG is Helpful in Implementing CDBG-DR**

- Traditional CDBG program: ongoing, annual, and federally-funded program focused on housing, economic development, public services, and infrastructure
- CDBG-DR: time-limited program and event-focused, but the programs are somewhat similar in terms of
  - Base-line regulations
  - Eligible activities (i.e., housing)

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# Refocusing Traditional CDBG Away from Housing Programs Reduced DOC's Institutional Knowledge

- Until 2013, Commerce had a key role in administering the traditional CDBG housing program
- General Assembly recently refocused CDBG funds more towards economic development and infrastructure programs
  - This refocusing led to a reduction in DOC staff with knowledge of traditional CDBG

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## Finding 4

**DPS's inexperience and lack of capacity, coupled with various strategic and administrative changes, further contributed to delays in distributing CDBG-DR funds**

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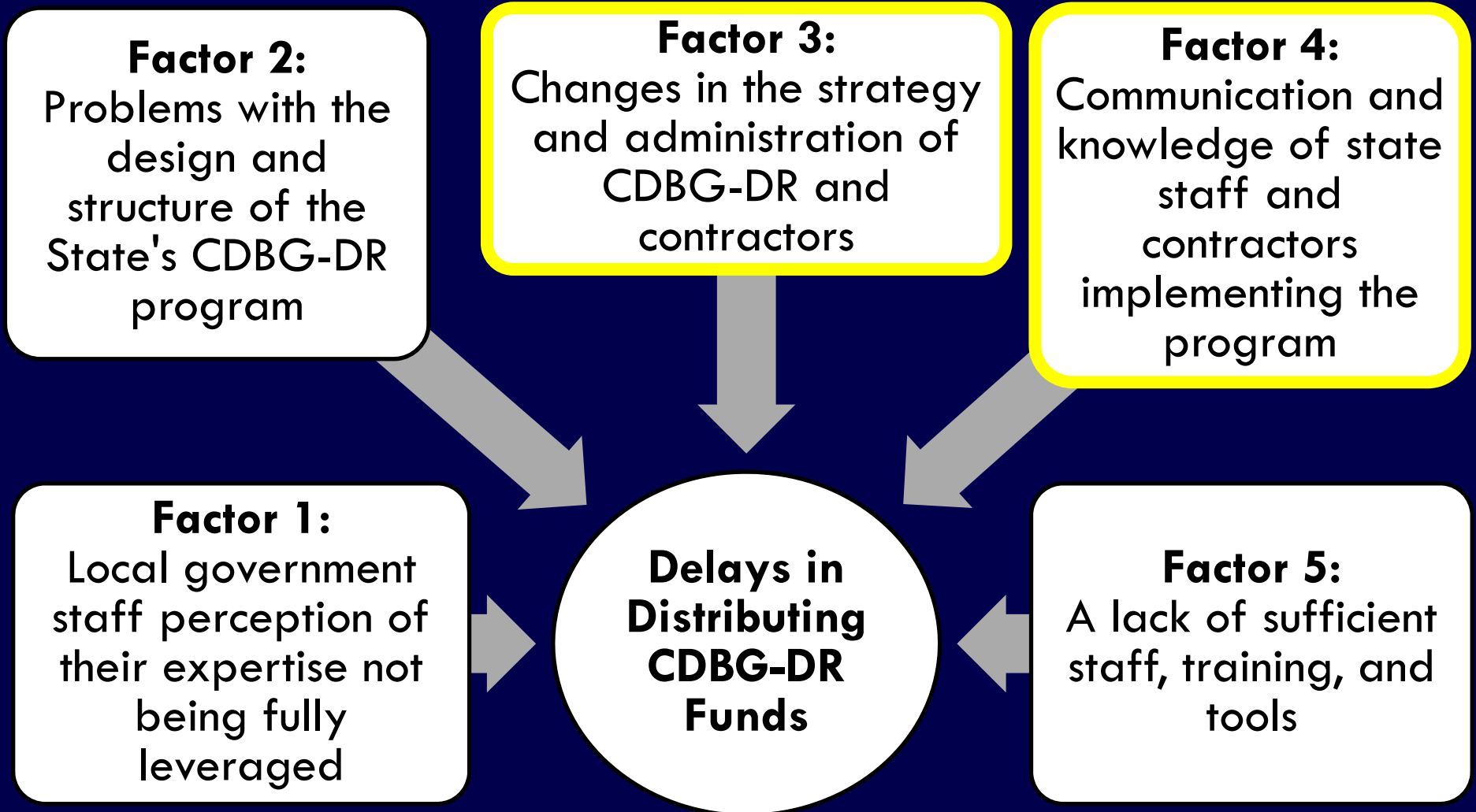
## **DPS's Ability to Implement CDBG-DR Was Limited by Pre-Existing Issues**

- DPS had no prior experience with administering CDBG-DR, and its ability to manage the program was complicated by
  - State not receiving CDBG-DR funds since 1999, and then on a much smaller scale
  - Depletion of institutional knowledge of the traditional CDBG program within Commerce
- These conditions led to DPS being forced to learn the program during its implementation

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# Five Primary Factors Led to Delays in Distributing CDBG-DR Funds



## Structure of Newly-Formed NCORR Could Present Similar Challenges in Future Disaster Recovery Efforts

- The North Carolina Office of Recovery and Resiliency (NCORR) was created in 2018 to coordinate the various entities administering disaster recovery funds
- All NCORR positions are time-limited/not permanent; after current recovery efforts expire, the State may encounter many of the same issues as before, including:
  - Loss of institutional knowledge
  - Delays in beginning work
  - Federal compliance issues
  - Recruitment and retention issues



## Finding 5

**In its urgency to expedite recovery efforts, the State missed opportunities to fully leverage federal funds for hurricane recovery**

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# Several Federal Disaster Recovery Programs Require Matching Funds

Title of Funding	Example Targeted Recovery Population / Area	Match Required	Can Use CDBG-DR for Match
Individual Assistance (FEMA-IA)	Private property	Yes	No
Public Assistance (FEMA-PA)	Governmental infrastructure	Yes	Yes
Hazard Mitigation Grant Program (HMGP)	Private property, governmental infrastructure	Yes	Yes
U.S. Army Corps of Engineers projects for disaster recovery	Traditional CDBG-eligible infrastructure projects (levees, etc.)	Yes	Yes
Community Development Block Grant-Disaster Recovery (CDBG-DR)	Private property, governmental infrastructure	No	N/A

# Criteria for Using Federal CDBG-DR Funds to Meet Match Requirements for Eligible Federal Programs

To use CDBG-DR funds as the match source for eligible federal programs, states must:

- include this intended use in their Action Plans submitted to HUD
- demonstrate that the match represents an “unmet need”

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# General Assembly Appropriations Prevented the State from Using Federal CDBG-DR Funds as the Match Source

- When states appropriate funds to meet match requirements, they demonstrate the “need” has been met
- General Assembly appropriated such funds and thus demonstrated it had met such need for both Hurricanes Matthew and Florence

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## Finding 6

**Modifying the State's current disaster recovery reporting requirements to include performance metrics could improve the timeliness of fund disbursement, promote accountability, and provide the General Assembly with more practical information on disaster recovery efforts**

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# Current Reporting Requirements

- 2018 Hurricane Florence Recovery Act requires NCORR to collect and report on disaster recovery
  - Focuses on amounts spent
  - Only requires certain entities to report performance-oriented information
- Reporting only spending may not fully convey actual effects on recipients



# Current Reporting Requirements Focus on Spending and Do Not Show Performance

Revising reporting requirements could improve administration and oversight and should include

- outputs (i.e., number of applications processed)
- outcomes (i.e., timeliness of distribution)



# Recommendations



# Recommendation 1

**The General Assembly should direct DPS to revise its procurement methods to ensure future CDBG-DR contracts are HUD-compliant, report to the General Assembly on these efforts, and report annually the amount of non-reimbursed state funds used to administer CDBG-DR**

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## Recommendation 2

**The General Assembly should require NCORR to notify various entities of the potential for using CDBG-DR funds to meet matching requirements immediately following a presidential disaster declaration**

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## Recommendation 3

**The General Assembly should direct NCORR to take actions to ensure its effectiveness, preparedness, and ability to limit unnecessary state spending on current and future natural disasters, and should consider establishing permanent core NCORR positions**

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## Recommendation 4

**The General Assembly should revise statutory reporting requirements and require NCORR to report on the performance of federal and state disaster recovery funds**

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# Summary

- Six findings and four recommendations in the areas of
  - Contracting for CDBG-DR services
  - Expertise and institutional knowledge of implementing CDBG-DR
  - Missed opportunities to fully leverage federal funds
  - Reporting on recovery efforts



# Summary: Responses

- Responses from DPS and DOC



Report available online at  
[www.ncleg.net/PED/Reports/reports.html](http://www.ncleg.net/PED/Reports/reports.html)

