

Good afternoon Chairman Price, Ranking Member Diaz-Balart, members of the subcommittee, and staff. I am Jeremy Kirkland, Counsel to the Inspector General at the Department of Housing and Urban Development. It is a pleasure to be here with you today to discuss our work in disaster recovery oversight. I could not be more proud of our staff, their work and their accomplishments in this important area.

Since 2002, we have issued 124 audits, 7 evaluations and have opened more than 600 investigations related to disaster oversight. Throughout our work, we have noticed common themes including:

- the need for codification;
- the need for model programs that provide clear expectations for strong internal controls;
- and the need for accountability for expenditures of funds at late stages in the process.

We believe the CDBG-DR's mission is an important one. It's so important that we believe it should be codified into its own program within HUD. In fact, multiple grantees involved in recovery efforts in these most recent disasters have informed us that they believe codification can help. One thing we know – disasters aren't going away. In fact, in the past 12 years there have been at least 10 separate disaster supplemental funding bills.

We have all heard concerns about how long it takes CDBG-DR funds to get out to those in need. The process is lengthy and confusing for everyone involved. Currently there are 76 active Federal Register notices, dating back to 9/11 that grantees must navigate to determine how to design and implement their local programs. . Often, primary grantees are new or inexperienced, further complicating an already cumbersome process. We strongly recommend a clear and permanent framework for this program. We believe it will reduce the time between appropriation and disbursement, and will provide consistency surrounding the requirements of the CDBG-DR program, upon which grantees and the public can rely. Any permanent authorization should be subject to HUD oversight at all stages and ensure that strong guidelines are enacted, for which the grantees remain responsible throughout the duration of their Action Plan. We also hope any permanent authorization will consider identifying core program activities more clearly. There is a steep learning curve for grantees, and adoptable core functions

would mitigate the delay and possible mistakes in having each new grantee create its own disaster program.

We believe that by codifying just the requirements for a grantee Action Plan, we could trim two to four months off of this lengthy process.

Our work has continued to highlight that CDBG-DR can and should provide a clear blueprint for all grantees to follow to meet expected strong internal controls.

Any grantee program should include solid internal policies, strong monitoring, clear understanding of reporting responsibilities, good financial management policies, sufficient information systems that ensure accurate and timely reporting of expenses in HUD systems, clear conflict of interest policies and training for all employees.

Another concern we have noticed is the expenditure of funds on projects that occur late in the funding process— in some cases five or more years after the disaster occurred. Examples of this include: sewer and infrastructure development on land where homes are never built, dredging projects for commercial shipping ports, a multi-million dollar museum addition, stipends for university professors and students provided years after a storm, and submission of a “planning” project five years after a disaster.

We recently had the pleasure of briefing your staff on our audit report of Puerto Rico’s Department of Housing-known as Vivienda- which we are currently finalizing. The objective of the review was to determine whether Vivienda had the capacity to administer its CDBG-DR grants in accordance with applicable regulations and requirements. We found that they should:

- improve financial controls,
- develop processes to prevent duplication of benefits,
- improve procurement controls, and
- continue to increase staffing.

These challenges exist because Vivienda is a newly appointed grantee with no experience administering CDBG-DR funds and it is still in the planning stages of implementing its programs for 2017 and taking over for remaining 2008 funding responsibilities. We anticipate finalizing this review of Puerto Rico by the end of the month and will provide the report to you. As part of our oversight work, I have personally visited Puerto Rico and witnessed the ongoing recovery efforts. This is

a long-term process that requires a long-term commitment by all, including HUD
OIG. Thank you for the opportunity to share our work with you today. I look
forward to your questions and continuing to work with you and your staff on this
important issue.