

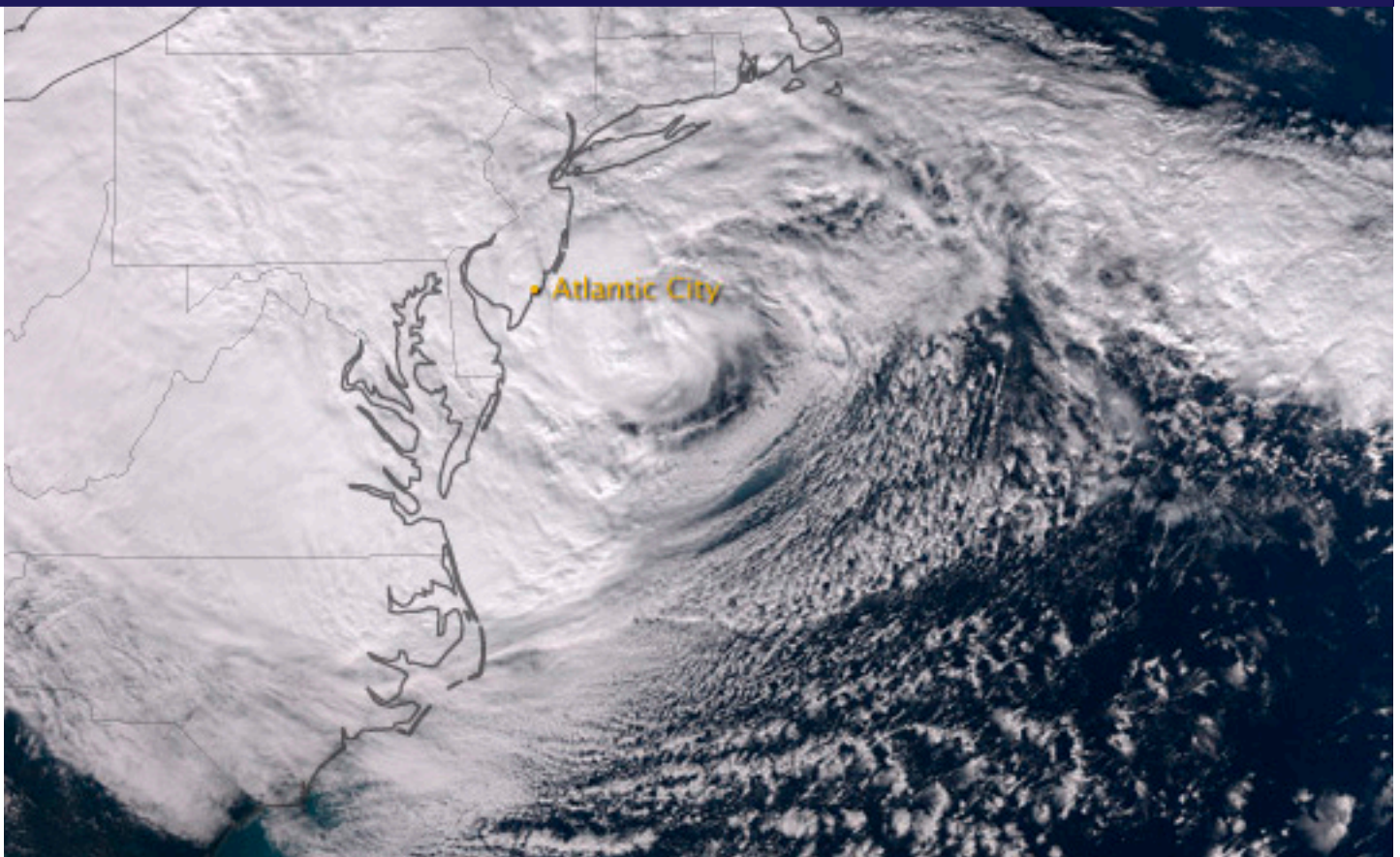


Recovery Accountability and Transparency Board

Report to Congress

on Activities Related to Hurricane Sandy Funds

January - March 2014





This is the Recovery Accountability and Transparency Board's (the Board) fourth report pursuant to the Disaster Relief Appropriations Act, 2013 (Hurricane Sandy Supplemental), for the quarter ending March 31, 2014. The Hurricane Sandy Supplemental extended the Board through September 2015 and expanded its mission to include:

- Development and use of information technology resources and oversight mechanisms to detect and remediate fraud, waste, and abuse in the obligation and expenditure of funds appropriated for purposes related to the impact of Hurricane Sandy; and
- Coordination of oversight efforts with the Director of the Office of Management and Budget (OMB), the head of each federal agency receiving appropriations related to the impact of Hurricane Sandy, and the respective Office of Inspector General (OIG) of each such agency.

The Board developed expertise in analyzing financial spending and identifying potential fraud and high-risk indicators through its oversight efforts related to the \$840 billion American Recovery and Reinvestment Act of 2009 (Recovery Act) stimulus program and other federal spending. While it continues such efforts, the Board's Recovery Operations Center's (ROC) emphasis is now on preventing and detecting fraud, waste, and abuse of funds made available by the Hurricane Sandy Supplement.

The Board's efforts to develop oversight mechanisms related to Hurricane Sandy spending have centered on three primary areas: 1) examining such spending by applying existing and new techniques and processes developed and implemented by the ROC in collaboration with the Board's OIG partners; 2) interfacing with federal and state stakeholders to identify and obtain spending and other related data for the Board's fraud detection and risk identification efforts; and 3) leveraging technologies developed through the Board's implementation and operation of Recovery.gov in the display of available Hurricane Sandy data.

January - March 2014 Activities

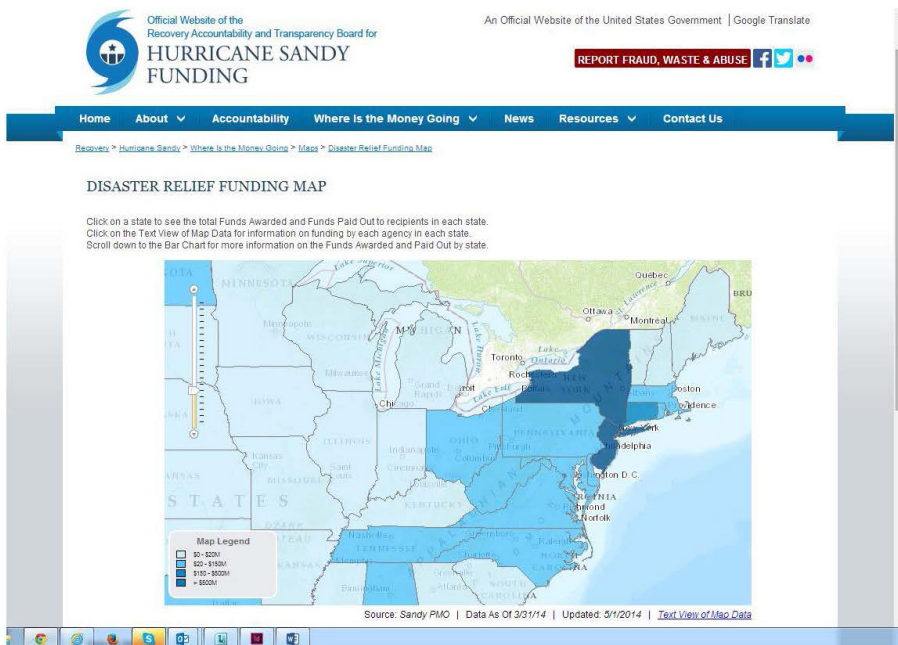
As of February 28, 2014, the Hurricane Sandy Program Management Office (PMO)¹ reports that \$15.05 billion of the \$47.9 billion (post-sequester) Hurricane Sandy Supplemental has been awarded, with a little more than \$8 billion of these funds paid out. The Board and OIGs are actively partnering to prevent and detect fraud, waste, and abuse involving such funds by examining relevant contracts, grants, and loans, and conducting analysis in support of Hurricane Sandy-related audits and investigations.

¹Shortly after the passage of the Hurricane Sandy Supplemental, the Hurricane Sandy Task Force (Task Force) created the PMO within the Department of Housing and Urban Development (HUD), to provide support to the Task Force. When the Task Force sunset, the PMO was established to oversee the implementation of the Task Force's recommendations.

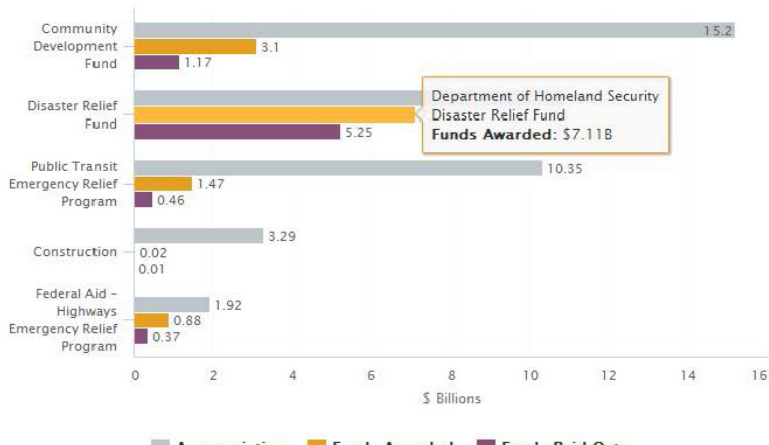


Additionally, over the past quarter, the Board added new features to the Hurricane Sandy site of Recovery.gov, providing expanded transparency of Hurricane Sandy spending. These enhancements are powered by monthly updates of Hurricane Sandy funds awarded and paid out that the PMO gathers from the agencies and began providing to the Board in January 2014.

Using the PMO data, the Board created a heat map showing funds awarded and paid out in each state. This map offers an alternative “Text View of the Map” that displays the funds awarded and paid out by agency in each state. In addition, a “Monthly Summary” page replicates the PMO’s original “Trending Chart” that displayed funds awarded and paid out by month since March 2013. The “Top Five Programs” that received funding are displayed in a dynamic bar chart that compares appropriation amounts to funds awarded and paid out by program. The “Text View of the Bar Chart” displays all programs and associated agencies covered by the Hurricane Sandy Supplemental. All the data is easily downloadable. An archives section provides access to historical PMO monthly and financial reports that were previously posted on the PMO portal. As new data is displayed on the “Monthly Summary” page, the previous month’s files are added to the archives.



Top Five Programs Receiving Funds



Planned enhancements to the Hurricane Sandy site include expansion of the Federal Emergency Management Agency (FEMA) data to report the current Disaster Relief category information and FEMA data by the top cities and counties, as well as links to the FEMA information for each state. The existing State Information page will be reworked to include charts and graphs showing Hurricane Sandy Supplemental funds awarded and paid out by top states affected by Hurricane Sandy, as well as links to state websites on how Community Development Block Grant funds are being spent. Additionally, an Accountability page will be created to display OIG reports on Hurricane Sandy.



Board and OIG Activities

As oversight of Hurricane Sandy funds progresses, the Board has honed its capabilities and processes, thereby improving its ability to produce targeted, actionable information and reports resulting in increased contributions to criminal investigations and audits.

Over the last quarter, the Board has:

- Completed analyses in support of ongoing HUD OIG audits specific to Hurricane Sandy;
- Conducted a preliminary test to determine if ROC capabilities could support OIG criminal investigations to review defaulted Hurricane Sandy-related disaster assistance loans;
- Completed analysis for Small Business Administration (SBA) OIG related to the improper receipt of a loan for damages to a property that was purchased after Hurricane Sandy occurred;
- Engaged in discussions with Department of Homeland Security (DHS) OIG, performing preparatory work in anticipation of conducting analysis to support DHS OIG Emergency Management Office audits related to Hurricane Sandy Public Assistance Grants; and,
- Developed a strategy with DHS OIG to mitigate duplicative oversight efforts between federal disaster benefit-issuing organizations, such as HUD and SBA, and provide case support for ongoing DHS OIG investigations.

Over the last reporting period, OIG activities have included:

- Department of Transportation (DOT) OIG is continuing its three-phase audit strategy to oversee DOT's administration of the Department's \$13 billion of relief funds. As reported in the Board's last report, DOT OIG completed Phase 1 in December 2013 and initiated Phase 2 in January 2014. As part of the Phase 2 work, DOT OIG is:
 - determining whether the Federal Transit Administration (FTA) has fully implemented the processes it established to award and oversee Hurricane Sandy funds;
 - assessing FTA's controls to reduce the risk of duplicate payments involving FEMA and insurance companies; and,
 - identifying any issues that may impact the timely obligation and expenditure of Hurricane Sandy Supplemental funds;
- The SBA OIG opened four investigations jointly with Task Force agencies, including the DHS OIG and HUD OIG;



- SBA OIG initiated two audits: one of the Sandy Loan Closing and Disbursement Process, and a second of Targeted Sandy Loan Reviews;
- The General Services Administration (GSA) OIG has identified that the largest anticipated GSA Hurricane Sandy project (\$1.5M for the Alexander Hamilton U.S. Custom House) will no longer use Hurricane Sandy funding. GSA's water infiltration survey identified additional repairs that would increase the project's estimated cost above the prospectus threshold of \$2.8M. Because the agency is not permitted to split funding sources for projects, GSA added the project to its Fiscal Year 2016 Capital Program and does not intend to use or reprogram the \$1.5M funds. GSA plans to return all remaining Hurricane Sandy funds to the Department of Treasury after September 30, 2015;
- GSA OIG reviewed 12 of the agency's Hurricane Sandy projects and determined that:
 - Seven of the projects totaling approximately \$500K are substantially complete to date based on the agency's project inspection reports. For six of the seven projects, the OIG has confirmed the proper authorization of the release of claims, which releases the U.S. government from any and all claims by the contractor, under the contract or any modifications. The one remaining project's release of claims has not been processed due to pending billing issues;
 - Five of the projects totaling more than \$1M are not substantially complete to date, although four of the projects are expected to be completed in 2014. The one remaining project will be awarded in the third quarter of Fiscal Year 2014, with an estimated completion date of January 1, 2015;
- GSA OIG confirmed GSA's consistent use of its repair and alteration policy, which was applied to two Hurricane Sandy projects with original project estimates of \$28,500 and \$29,000. The survey work determined a decrease in the projects' scopes of work, bringing the cost estimates below \$10,000. GSA used Building Operations funding instead of Hurricane Sandy funding for these two projects;
- The Department of Agriculture (USDA) OIG has been reviewing Farm Service Agency Disaster Assistance Programs Databases (Audit No. 03702-0001-13). Its initial review, conducted from December 2013 to February 2014, focused on payments to producers through disaster assistance programs subject to Risk Management Purchase Requirements (RMPR). However, the Agricultural Act of 2014, dated February 7, 2014, eliminated the RMPR for disaster assistance programs and made other program modifications. Therefore, USDA OIG elected to terminate the audit but will continue to monitor the program and may initiate work at a later date;
- The Department of Health and Human Services (HHS) OIG produced a series of training videos/podcasts featuring Inspector General (IG) Dan Levinson, to address preventing fraud, waste, and abuse. IG Levinson and several component experts discussed their disaster work specifically related to Hurricane Sandy grant and contract vulnerabilities. These videos/podcasts have been viewed more than 1,000 times on the [HHS OIG site](#), and also are available on the Board's [YouTube page](#).



Inspector General Oversight Reporting Data, Quarter 2, 2014

Investigations

	Quarter 2, 2014	Cumulative Total
Number Opened	48	119
Number Closed	14	34
Completed Criminal Actions	0	2
Arrests	11	46
Civil Actions	0	2
Suspension and Debarments	0	0
Criminal Indictments/ Information	4	35
Investigative Recoveries	\$39,077	\$231,971

Audits/Inspections/Evaluations

	Quarter 2, 2014	Cumulative Total
Audits Initiated	11	55
Audit Reports Issued	5	12
Interim Reports Issued	0	0
Inspection/Evaluation Reports Issued	0	0
Recommendations for Better Use of Funds	\$3,970,851	\$15,670,851
Questioned Costs	\$930,112	\$4,580,459

Additional Activity

	Quarter 2, 2014	Cumulative Total
Congressional Testimony	0	2
Number of Hotline (and other externally received) Complaints Processed	217	1,908
Training Sessions	7	37
Outreach Sessions	3	99

Board Outreach Activities

During the last reporting period, the Board performed the following outreach activities:

- Met with DHS OIG, DOT OIG, and the New York Metropolitan Transportation Authority to discuss review of Hurricane Sandy disaster relief contracts by the Board. The Transit Authority OIG is coordinating with DOT OIG who, in the following quarter, plans on submitting related documents to the Board for analysis; and,
- Briefed the DHS IG on the Board's collaborative efforts to support DHS OIG disaster fraud audits and investigations, including joint DHS OIG/Board initiatives and processes, such as identifying duplicate payments of FEMA disaster funds and insurance and targeting the most significant disaster fraud cases related to grants and contracts.

Planned Activities

- Analyze over 100 Department of Homeland Security (DHS) OIG cases related to FEMA Disaster Assistance beneficiaries who also received money from private insurance (individuals receiving money from private insurance are ineligible for this FEMA program);



Inspector General Audit and Investigation Data by Agency, Cumulative from January 2013

Agency IG	Investigations Opened	Investigations Closed	Criminal Indictments	Arrests	Completed Criminal Actions	Audits Initiated	Audit Reports	Recommendations for Better Use	Hotline Complaints	Training/Outreach
DHS	70	15	2	17	0	19	8	\$15,670,851	1,864	0
DOC	1	0	0	0	0	0	0	\$0	1	0
DOD	1	0	0	0	0	0	0	\$0	0	0
DOI	4	3	0	0	0	4	1	\$0	7	53
DOJ	0	0	0	0	0	0	0	\$0	2	0
DOL	1	0	0	0	0	1	0	\$0	1	0
DOT	0	0	0	0	0	2	1	\$0	0	3
EPA	0	0	0	0	0	0	1	\$0	0	0
GSA	0	0	0	0	0	1	0	\$0	0	0
HHS	0	0	0	0	0	7	0	\$0	0	32
HUD	36	16	2	2	2	12	1	\$0	4	27
Legal Services Corp.	0	0	0	0	0	1	0	\$0	0	0
NASA	0	0	0	0	0	0	0	\$0	0	0
SBA	4	0	4	0	0	4	0	\$0	6	14
SSA	0	0	0	0	0	1	0	\$0	22	0
USDA	0	0	27	27	0	3	0	\$0	0	3
VA	2	0	0	0	0	0	0	\$0	1	0
RATB	0	0	0	0	0	0	0	\$0	0	4
TOTALS	119	34	35	46	2	55	12	\$15,670,851	1,908	136

- Work with the OIGs from DHS, HUD and SBA to de-conflict disaster benefits issued by the respective organizations; and,
- Confirm the status of Hurricane Sandy recipients of disaster relief assistance and/or loans to support investigations.

Conclusion

The Board will continue its ongoing collaborative oversight efforts with the OIG community as Hurricane Sandy awards are made and monitored. Additionally, the Board will maintain and update the Hurricane Sandy Funding page on Recovery.gov to enhance transparency of Hurricane Sandy activities. The Board appreciates the opportunity to inform Congress of its progress under the Disaster Relief Appropriations Act of 2013.



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