

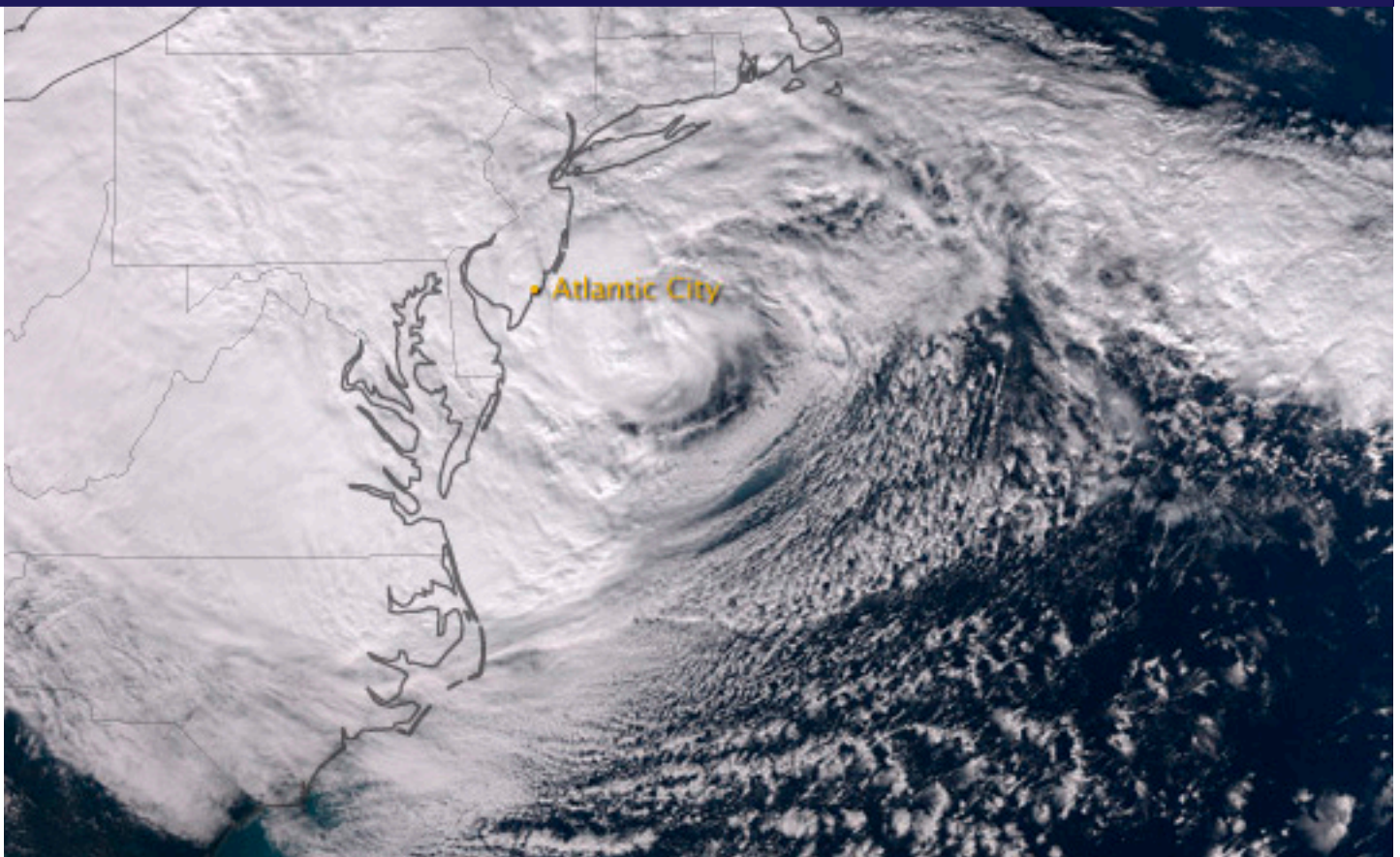


Recovery Accountability and Transparency Board

Report to Congress

on Activities Related to Hurricane Sandy Funds

Quarter 4, 2014





This is the Recovery Accountability and Transparency Board's (Board) sixth report pursuant to the Disaster Relief Appropriations Act, 2013 (Hurricane Sandy Supplemental). This report covers the quarter ending September 30, 2014 (fourth quarter). 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, 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 Supplemental.

The Board's development of 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.



Fourth Quarter 2014 Board and OIG Activities

As of September 30, 2014, the Hurricane Sandy Program Management Office (PMO)¹ reported that \$21.95 billion of the \$47.9 billion (post-sequester) in funding appropriated by the Hurricane Sandy Supplemental had been awarded. A total of \$11.54 billion in awarded funds has been paid out, of which approximately \$1.73 billion was paid during the fourth quarter 2014. 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 analyses in support of Hurricane Sandy-related audits and investigations. The Hurricane Sandy section of Recovery.gov now includes an Accountability page that displays pertinent OIG reports.

To date, the Board has conducted research on more than 1,775 entities that received funds from the Hurricane Sandy Supplemental. These entities were submitted to the Board for review through Requests for Analysis (RFA) received from OIGs and represent a total of \$1 billion in awards.

Board Fourth Quarter Activities

The Board continued its Hurricane Sandy analytical work in support of OIGs on RFAs representing \$54 million in awards this quarter to include:

- Conducting, in collaboration with the U.S. Small Business Administration (SBA) OIG, ad hoc analyses of organizations that received and were delinquent on their SBA Hurricane Sandy disaster assistance loans.
- Providing analytical support to the Department of Homeland Security (DHS) OIG on multiple investigations involving individuals receiving duplicate payments for property losses from Federal Emergency Management Agency disaster assistance funds and private insurance.

OIG Fourth Quarter OIG Activities

OIGs continued their Hurricane Sandy oversight efforts. These include:

- The Department of Health and Human Services (HHS) OIG issued a report entitled, “Hospital Emergency Preparedness and Response during Superstorm Sandy” ([OEI-06-13-00260](#)). In this report, HHS OIG disclosed gaps in emergency planning and execution by hospitals during Superstorm Sandy that might be applicable to hospitals nationwide. Insufficient community-wide coordination among affected entities was common. HHS OIG recommended that the Office of the Assistant Secretary for Preparedness and Response (ASPR) continue to promote federal, state, and community collaboration in major disasters. It also recommended that the Centers for Medicare & Medicaid Services (CMS) examine

¹ Shortly 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. The PMO took over the role of overseeing the implementation of the Task Force’s recommendations when the Task Force sunset.



Fourth Quarter, 2014 OIG Activities (cont.)

existing policies and provide guidance regarding flexibility for reimbursement during disaster conditions. ASPR and CMS concurred with the recommendations.

- HHS OIG participated in the New Jersey Sandy Task Force, working with the New Jersey Division of Criminal Justice, Financial Crimes Unit, and several other federal agencies involving allegations of fraud in the Sandy Homeowner Rental Assistance Program (SHRAP). SHRAP is fully funded by HHS's Administration for Children and Families but is administered by the New Jersey Department of Human Services, Division of Family Development. The program provides mortgage, rent assistance, or hotel/motel costs for up to six months for New Jersey residents who are victims of Hurricane Sandy.
- The U.S. Department of Agriculture (USDA) offers several permanently authorized programs to help farmers recover financially from a natural disaster, including the Farm Service Agency's (FSA) Non-insured Crop Disaster Assistance Program (NAP). The USDA OIG issued a report on September 29, 2014, on the FSA NAP Program ([Audit Report 03702-0001-31](#)). The audit determined that FSA has not significantly updated carrying capacities and needs to ensure grazing loss percentages are consistently determined.² USDA OIG found that many of the state offices relied on carrying capacities established more than 20 years ago. As a result, carrying capacities may not reflect current conditions and may create inequities among producers in various states and counties. USDA OIG recommended that FSA develop guidelines and examples for state offices to use when evaluating and updating carrying capacities, publish minimum factors for states to consider in determining grazing loss percentages, and develop procedures for state offices to communicate with bordering states to ensure consistency. FSA generally agreed with USDA OIG's recommendations.
- The Department of the Interior (DOI) OIG continued to perform Hurricane Sandy-specific fraud awareness briefings, conducting 38 in total for the fiscal year. In the fourth quarter, DOI OIG:
 - Performed nine briefings, reaching over 160 DOI department and bureau personnel, contract and grant recipients, and state entities;
 - Performed a briefing for the 92 recipients of the Hurricane Sandy Coastal Resiliency Competitive Grant program being administered by the National Fish and Wildlife Foundation; and
 - Attended and provided briefings at the initiation meetings for sub-recipients of the National Park Service Historic Preservation fund. These funds went directly to the state historic preservation offices who sub-granted to individual recipients.
- The Housing and Urban Development (HUD) OIG completed three Hurricane Sandy disaster audits:
 - An audit of the State of New Jersey's Tourism and Marketing program found nothing improper in the content of the state's Disaster Recovery-funded marketing tourism campaign. However, auditors determined that HUD had no assurances that the overall price of the state awarded contract for

² Carrying capacities are established for grazing and forage losses and consist of a stocking rate and the number of days grazing that can normally be sustained without detrimental effects on the land and without the use of supplemental feedstuff.



marketing services was fair and reasonable, that the contractor acquired marketing products and services competitively, or that labor costs were supported. As a result, the state could not demonstrate that \$19.5 million in purchases for marketing services were done competitively and that the contractor could support \$3.5 million in salaries and wages charged to the program ([Report No. 2014-PH-1008](#));

- An audit of the Vermont Disaster Grants program determined the state failed to hire sufficient staff to oversee their disaster grants. As a result, there is a risk that the program’s mission to provide recovery funds incurred as a result of a Presidentially-declared disaster will not be accomplished and that the obligated disaster funding of \$13.2 million will not be expended by the deadline of December 10, 2015 ([Report No. 2014-BO-1004](#)); and,
 - An audit of the State of New Jersey’s Homeowner Resettlement program determined that disaster recovery funds were properly used to assist eligible homeowners ([Report No. 2014-PH-1009](#)).
- The General Services Administration (GSA) OIG continues to monitor the outlays of Hurricane Sandy funds, as well as the delivery of ongoing Hurricane Sandy projects, including the repairs to the Alexander Hamilton Custom House in lower Manhattan, New York and the Joseph P. Addabbo Federal Building in Queens, New York.

Inspector General Oversight Reporting Data, Quarter 4, 2014

Investigations		
	Quarter 4, 2014	Cumulative Total
Number Opened	44	179
Number Closed	21	51
Completed Criminal Actions	24	25
Arrests	14	63
Civil Actions	0	0
Suspension and Debarments	0	0
Criminal Indictments/ Information	4	45
Investigative Recoveries	\$194,016	\$483,580

Audits/Inspections/Evaluations		
	Quarter 4, 2014	Cumulative Total
Audits Initiated	6	61
Audit Reports Issued	10	24
Interim Reports Issued	1	2
Inspection/Evaluation Reports Issued	1	0
Recommendations for Better Use of Funds	\$13,232,000	\$28,902,851
Questioned Costs	\$22,986,481	\$28,037,646

Additional Activity		
	Quarter 4, 2014	Cumulative Total
Congressional Testimony	0	2
Number of Hotline (and other externally received) Complaints Processed	50	2,120
Training Sessions	12	47
Outreach Sessions	16	111



Inspector General Audit & 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	103	35	3	28	0	20	13	\$15,670,851	2,016	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	9	53
DOJ	0	0	0	0	0	0	0	\$0	2	0
DOL	1	0	1	0	0	1	0	\$0	2	0
DOT	1	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	2	0	0	0	0	8	1	\$0	0	33
HUD	49	9	4	8	4	14	4	\$13,232,000	2	43
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	15	4	10	0	4	6	2	\$0	62	19
SSA	0	0	0	0	0	1	0	\$0	25	0
USDA	0	0	27*	27*	16	3	1	\$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	179	51	45	63	25	61	24	\$28,902,851	2.120	158

*Resulted from on-going, previously, initiated investigations

- SBA OIG issued an audit report on August 27, 2014, entitled “Effectiveness and Timeliness of the Hurricane Sandy Disaster Loan Closing and Disbursement Processes” ([Report 14-16](#)). SBA OIG reviewed the processes to determine whether all required closing documents related to Hurricane Sandy disaster loans were being obtained, all required closing steps were being performed prior to disbursement, and whether SBA had met its strategic goal of making initial disbursements within five days or less after receipt of executed closing documents.

SBA OIG found that SBA closed and disbursed Hurricane Sandy disaster loans in compliance with established procedures and performance standards, obtained all required closing documents during the closing process, and performed all required steps for each disbursement. Additionally, SBA OIG



Fourth Quarter, 2014 OIG Activities (cont.)

determined that SBA made initial disbursements within its strategic goal of five days after receipt of executed closing documents. While the audit did not identify significant concerns regarding the disaster loan closing and disbursement processes, it did identify opportunities for management's consideration that may further reduce overall loan disbursement times. Specifically, SBA OIG believes SBA could significantly reduce overall loan closing and disbursement times if it obtained certain documents from borrowers earlier in the application process.

- SBA OIG issued a memorandum to the SBA Director of Policy and Evaluation on July 11, 2014. The memorandum provided information regarding potential fraud and improper payments that were identified during the survey phase of OIG Project 14801 – Targeted Review of Hurricane Sandy Loans. During the review, SBA OIG performed detailed testing of sixteen charged-off loans focusing on loan approval, disbursement, servicing, and liquidation, which revealed potential fraud by one borrower, and loan processing deficiencies that led to \$88,400 in improper payments. The OIG notified the program office of this potential fraud and the improper payments so that it could take appropriate action to identify these types of improper payments in future reviews and to implement appropriate controls to detect fraud and prevent improper payments from recurring.

Conclusion

The Board will continue its ongoing collaborative oversight efforts with the OIG community as Hurricane Sandy awards are made. Additionally, the Board will maintain and update the Hurricane Sandy Funding section 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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