

# CDBG-DR Funding and Oversight: Puerto Rico

May 13, 2020

In March 2020, the Department of Housing and Urban Development's (HUD's) Office of the Inspector General (OIG) released a [report of findings](#) from its audit of the Puerto Rico Department of Housing's (PRDOH; also known as Departamento de la Vivienda, or Vivienda) capacity to administer funds under the Community Development Block Grant program for disaster recovery (CDBG-DR). The audit assessed (1) PRDOH's compliance with HUD regulations and requirements in administering CDBG-DR funds, and (2) the existence of financial and procurement policies and procedures consistent with federal requirements. The findings in the report are broadly consistent with other reviews of CDBG-DR administration and oversight, such as by the [Government Accountability Office](#).

This Insight provides a brief overview of CDBG-DR, outlines key findings and recommendations from the OIG report, discusses past Government Accountability Office (GAO) analysis of CDBG-DR, and considers relevant policy options for Congress.

## Background on CDBG-DR

[CDBG-DR](#) pertains to supplemental appropriations for disaster recovery through the [CDBG program](#) administered by HUD. Conventional CDBG funds can be used for disaster recovery purposes. However, CDBG-DR appropriations were developed to provide significant additional funding to communities for long-term disaster recovery needs unmet by other federal sources, such as the [Federal Emergency Management Agency \(FEMA\)](#) and the [Small Business Administration \(SBA\)](#). CDBG-DR appropriations are broadly governed by the CDBG program's [statutory authority and program administration](#). However, they differ in allocation, design, and implementation based on the statutory direction provided in the [supplemental appropriations act](#). They can also differ according to the types of disaster events, their severity, the characteristics of the areas affected, and the unmet needs as determined by HUD.

## OIG Report: Key Findings and Recommendations

Following Hurricanes Irma and Maria, Congress passed three [supplemental appropriations acts](#) that included a total of \$35.4 billion in CDBG-DR assistance (P.L. 115-56, P.L. 115-123, and P.L. 116-20).

Congressional Research Service

<https://crsreports.congress.gov>

IN11389

From these appropriations, Puerto Rico's allocation was [\\$20.2 billion](#). As of March 1, 2020, Puerto Rico has expended approximately [\\$20.6 million](#) in CDBG-DR funds. At the end of 2019, Puerto Rico's CDBG-DR allocation of approximately \$8.3 billion for disaster mitigation activities ([CDBG-MIT](#)) was subject to a [publicized delay](#) pending risk assessment activities. Prior to the release of funds and publication of rules by HUD in January 2020, [HUD officials pointed to concerns](#) about financial irregularities, corruption, and capacity in Puerto Rico. However, [some members of Congress questioned](#) HUD's ability to process allocations and publish rules in a timely manner.

Overall, the [OIG report](#) made several recommendations regarding PRDOH's administration of CDBG-DR funds during the audit period of August 2014 through August 2019, including

- improving its financial controls;
- improving its processes for the prevention of duplication of benefits;
- improving its procurement controls; and
- continuing to increase staffing levels.

Specifically, the [OIG report](#) recommends that PRDOH

1. “develop adequate procedures outlining steps for tracking monthly grant expenditures and reprogramming funds and program income and develop and implement a financial management system for its 2008 CDBG-DR grant”;
2. “review and update its policies and procedures to prevent duplication of benefits”;
3. “review and update its procurement policies and procedures”; and
4. “continue to fill its [job] vacancies.”

Additionally, the [OIG](#) recommends that PRDOH be required to submit documentation of compliance with procurement requirements pertaining to a nonstatistical sample of the \$416,511 in expended program funds. In light of its findings, the [OIG](#) recommends that PRDOH return \$55,010 and cancel existing obligations on \$361,501 of CDBG-DR funds.

## GAO Report: CDBG-DR Administration and Oversight

In March 2019, the [Government Accountability Office](#) (GAO) published a report detailing its evaluation of the federal government's administration of CDBG-DR in response to Hurricanes Harvey, Irma, and Maria in 2017. The report found inadequacies in HUD's [internal guidance](#) for the review of grantee financial processes, capacity, and unmet needs assessments. The report also found that HUD lacks sufficient monitoring protocols to assess risk and pointed to challenges with inconsistencies in CDBG-DR rulemaking across allocations. GAO included a series of recommendations focused on enhancing HUD's processes and supporting grantee capacity. Additionally, GAO recommended that Congress consider a [permanent authorization](#) for HUD disaster assistance to ensure timely facilitation of funds to address unmet needs.

## Considerations for Congress

The findings in the HUD [OIG report](#) are generally consistent with other reports, such as those from GAO, on CDBG-DR grantee capacity and compliance, suggesting broader issues with program design and application. Although the [OIG report](#) indicates challenges with Puerto Rico's capacity and compliance, these issues are common among grantees of varying sizes and experience levels. Challenges in administering CDBG-DR allocations are not restricted to Puerto Rico—approximately 60% of all CDBG-DR grantees are [designated “slow spenders”](#)—yet few other grantees have faced the extent and succession

of disaster damage as Puerto Rico, which had already been in a position of extended fiscal, economic, and political upheaval. In addition, each CDBG-DR supplemental appropriation bill may vary in terms of statutory direction for HUD's rulemaking, allocation, and overall administration of the funds. Even within the same appropriation or allocation, differing rules and requirements may contribute to an administrative burden and potential confusion among grantees.

Congress might consider options to address the concerns raised by the HUD OIG and GAO related to the administration and oversight of CDBG-DR funding and expenditures. Several recently introduced bills have sought to address these concerns. One such bill, the Reforming Disaster Recovery Act of 2019, H.R. 3702, would codify the process for supplemental appropriations under CDBG-DR. Another bill, the Ensuring Disaster Recovery for Local Community Act of 2019, S. 2796, would expedite the process by which CDBG-DR funds are obligated to grantees. Separate from legislative options, Congress may consider using its oversight authority to address concerns with grantee capacity for compliance with, and timely expenditure of, CDBG-DR.

## Author Information

Joseph V. Jaroscak  
Analyst in Economic Development Policy

Michael H. Cecire  
Analyst in Intergovernmental Relations and Economic  
Development Policy

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.