

The Virgin Islands Consortium

Territory To Start Spending \$1 Billion Approved Disaster Funding This Month, Housing Finance Authority Says

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Following [a U.S. Government Accountability Office \(G.A.O.\) study](#) that found the Government of the U.S. Virgin Islands had yet to spend any of the more than \$1 billion in disaster funding released to it for use by the U.S. Department of Housing and Urban Development (HUD), the Virgin Islands Housing Finance Authority (V.I.H.F.A.), whose jurisdiction includes administering the funds by initiating a number of local projects, said during a Senate hearing on Tuesday that V.I.H.F.A. would begin spending the funds this month.

"The territory is working closely with HUD and has the necessary processes in place to begin drawing the funds this month in April," Mr. Griffith told lawmakers during a Committee on Finance hearing held to hear from a number of government arms and private companies responsible for the territory's rebuild in the wake of Hurricanes Irma and Maria, and the federal funding that facilitates the reconstruction.

Governor Albert Bryan, during an interview with The Consortium on Tuesday, said that while the runoff election had caused some delays, the projects would soon commence. He pointed to a recently announced new roofing program by V.I.H.F.A., whose funds are not being provided through FEMA, but HUD. This represents a marked difference for the territory's recovery: "A significant difference between the HUD funded CDBG-DR programs and the FEMA-funded programs is that HUD reimburses based on approved invoices while FEMA reimburses based on proof of payment. That means the HUD difference will increase cash flow and decrease the payment processing time while simultaneously allowing for detail auditing to protect taxpayer funded relief dollars," Mr. Griffith said in his testimony to lawmakers Tuesday.

Even with this new development, the governor said red tape continues to sedate the recovery. "As you recall, [when I went to Congress](#) there was a tremendous amount of red tape that I testified on before the [U.S. Senate Committee on Energy and Natural Resources] in order to get these funds spent," he said.

Red tape notwithstanding, Mr. Bryan sees the more than \$1 billion finally being used in the territory. "I think we're on a good pace now. Darryl Griffith is really doing a good job of staffing up because you've got to show them that you can handle the money. Adrienne Williams has the ODR [Office of Disaster Recovery] going, so this is just the priming of the pump; once this money starts flowing, we'll be continuous."

The governor said he expects the territory to spend all the disaster funds provided through HUD. But, he cautioned, "We want to make sure we're spending it right because if we don't, we'll owe the money back. So we're taking every precaution to make sure that we have the controls in place from the departments."

The G.A.O. study was published a week ago and provided to The Consortium. Relative to the U.S. Virgin Islands, the study found that not a single dollar from the \$243 million [announced in February 2018](#) and [made available for use in September](#), had been expended — [far less the nearly \\$800 million](#) made available for use on March 1. Grantees of CDBG-DR funds, among them the U.S. Virgin Islands, Puerto Rico, Texas and Florida, have until 2023 to use the money.

The reason for the delay is because the territory's government is still in the process of designing and setting up the activities approved in its action plan, and it planned to implement activities in stages, the study found.

The study found that the territory and the other grantees had met all the requirements for the funds' release: Financial process and procedures, implementation plan and finally an action plan — all of which were accomplished during Governor Kenneth Mapp's tenure. Even so, the territory had yet to begin expending the money, even as Governor Albert Bryan [has said](#) a major focus of his as federal dollars pour into the territory will be to assure that the government is spending the money.

“The U.S. Virgin Islands planned to first implement two housing programs that provide assistance for the rehabilitation or reconstruction of storm-damaged residential owner-occupied units and for the construction of new homes for first-time homebuyers,” reads the study. “U.S. Virgin Islands officials stated that as of November 2018, they were working on policies and procedures for the subrecipients that will help administer these programs and that they planned to launch both programs early in calendar year 2019. The U.S. Virgin Islands also planned to provide assistance for the rehabilitation or construction of affordable rental housing units but did not provide information on when it planned to implement this activity. In addition, officials said they anticipate funding some infrastructure projects in early 2019.”

All four of the 2017 grantees also planned to use contractors to help fill gaps in expertise and operational capacity. “According to a U.S. Virgin Islands official, the U.S. Virgin Islands hired a contractor to help set up the grant, including assisting with the development of its action plan. The official also told us that the U.S. Virgin Islands planned to hire contractors to help support the implementation of its CDBG-DR activities but it had not yet determined the number of contract staff needed,” reads the study.

The study was critical on HUD, and recommended changes in the way HUD administers the CDBG-DR program that the G.A.O. said is aimed at streamlining the process so that grantees could receive the monies in a more timely fashion. Indeed, it’s been almost two years since Hurricanes Irma and Maria ravaged the U.S. Virgin Islands.

“HUD lacks adequate guidance for staff reviewing the quality of grantees’ financial processes and procedures and assessments of capacity and unmet needs, and has not completed monitoring or workforce plans,” reads the study. “HUD also does not have a monitoring plan that identifies the risk factors for each grantee and outlines the scope of monitoring. Further, HUD has not developed a workforce plan that identifies the critical skills and competencies HUD needs and includes strategies to address any staffing gaps. Adequate review guidance, a monitoring plan, and strategic workforce planning would improve HUD’s ability to oversee CDBG-DR grants.”

It added, “Without permanent statutory authority and regulations such as those that govern other disaster assistance programs, CDBG-DR appropriations require HUD to customize grant requirements for each disaster in Federal Register notices—a time-consuming process that has delayed the disbursement of funds... “HUD officials said that permanently authorizing CDBG-DR would allow HUD to issue permanent regulations for disaster recovery. Permanent statutory authority could help address the challenges grantees face in meeting customized grant requirements for each disaster, such as funding lags, varying requirements, and coordination with multiple programs. The expected increase in the frequency and intensity of extreme weather events underscores the need for a permanent program to address unmet disaster needs.”

Below are the recommendations:

Recommendation: The Assistant Secretary for Community Planning and Development should develop additional guidance for HUD staff to use when assessing the adequacy of the financial controls, procurement processes, and grant management procedures that grantees develop. (Recommendation 1)

Agency Affected: Department of Housing and Urban Development

Recommendation: The Assistant Secretary for Community Planning and Development should develop additional guidance for HUD staff to use when assessing the adequacy of the capacity and unmet needs assessments that grantees develop. (Recommendation 2)

Agency Affected: Department of Housing and Urban Development

Recommendation: The Assistant Secretary for Community Planning and Development should require staff to document the basis for their conclusions during reviews of grantees' financial controls, procurement processes, and grant management procedures and capacity and unmet needs assessments. (Recommendation 3)

Agency Affected: Department of Housing and Urban Development

Recommendation: The Assistant Secretary for Community Planning and Development should develop and implement a comprehensive monitoring plan for the 2017 grants. (Recommendation 4)

Agency Affected: Department of Housing and Urban Development

Recommendation: The Assistant Secretary for Community Planning and Development should conduct workforce planning for the Disaster Recovery and Special Issues Division to help ensure that it has sufficient staff with appropriate skills and competencies to manage a growing portfolio of grants. (Recommendation 5)