

The Virgin Islands Consortium

HUD Considers USVI A 'High-Risk' Disaster Recovery Funds Grantee

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A senior U.S. Department of Housing and Urban Development official said the agency has no immediate concern about malfeasance or mismanagement of disaster recovery money already given to the Virgin Islands, but the territory remains a “high risk” grant recipient – like neighboring Puerto Rico – and will be subject to more intense oversight.

A “high risk grantee” is, essentially, a jurisdiction receiving federal grants that is incapable, for any number of reasons, of managing the money without waste, fraud or abuse. The territory lacks the “capacity” – the staff and technology – to administer the massive amount of money H.U.D. intends to deliver, housing officials said.

Until the territory can demonstrate the “capacity” to administer more than a billion dollars in disaster recovery and mitigation grants, H.U.D. will keep a tight grip on new Community Development Block Grant money targeting major infrastructure projects.

“The USVI has assured us they will have the capacity needed to manage these funds. And that is good ... we are very supportive of the Virgin Islands,” the senior H.U.D. official told the Consortium on Wednesday. “They are just not there yet.”

Citing allegations of corruption in Puerto Rico and capacity issues in the Virgin Islands, H.U.D. Secretary Ben Carson announced last week that a fresh batch of disaster mitigation funds for the territory would be delayed indefinitely. The decision pumps the brakes – at least temporarily – on \$8.2 billion in mitigation grants to Puerto Rico and the USVI. Some \$774 million of that is earmarked for the Virgin Islands.

Nine states hit by recent disasters are expected receive spending guidelines in early September, allowing them to apply for their share of H.U.D.’s total of \$16 billion in mitigation grants. However, no timeline has been set for the territory to receive such guidelines.

Earlier this week, Gov. Albert Bryan said [he was “deeply disappointed”](#) by the H.U.D. decision. He spent the past weekend lobbying Washington to decouple the territory from the troubled Puerto Rican government.

“There have been no improprieties in the Virgin Islands’ disaster recovery process and no discernible reason to couple the U.S. Virgin Islands with Puerto Rico in this matter,” Mr. Bryan said in a statement released Monday. “We are not Puerto Rico.”

“Our administration has implemented measures to build capacity and ensure coordination and compliance with federal disaster grant funding through our Office of Disaster Recovery, which is monitored and funded through the U.S. Department of Interior,” according to Mr. Bryan.

That is not enough.

“We are turning up the temperature on what we expect of grantees,” the H.U.D. official said. “We are going to have much stricter agreements in place. We will expect more from grant recipients.”

H.U.D. has called for the Virgin Islands to bring aboard 16 financial analysts to monitor grant disbursements, and to modernize woefully outdated financial management systems. To date, only six of the “critical” analyst positions have been filled, and upgrades to grants management and financial management computer systems are still on the drawing board.

Boots on the Ground

According to H.U.D., the agency has dispatched an oversight team to help the territory design and staff sufficient financial guardrails to manage more than a billion dollars in disaster recovery and mitigation funds.

“We have boots on the ground,” the senior official told the Consortium, speaking on the condition that they are not named. It was unclear how many staffers from H.U.D.’s Office of Community Planning and Development are in the territory. Among other responsibilities, the H.U.D. staff is on-island in St. Thomas to help speed up the territory’s transition to a modern financial management and grants management technology.

In September 2018, [H.U.D. gave the green light](#) to release \$243 million in recovery funds, intended for housing, infrastructure and economic development recovery projects. A year later, the territory has used a fraction of the money – a total of \$83,000 – helping homeowners to rebuild from the devastation of hurricanes Irma and Maria.

H.U.D. also approved the territory’s “action plan” for spending another \$779 million in recovery grants. That money will be available for drawdown once a contract between H.U.D. and the territory is sign.