



**Harris County Community Services
Department, Houston, TX
Community Development Block Grant
Disaster Recovery**

**Office of Audit
Fort Worth, TX**

**Audit Report Number: 2021-FW-1001
June 2, 2021**



OFFICE OF INSPECTOR GENERAL
U.S. Department of Housing and Urban Development

To: Jessie Handforth-Kome, Director, Office of Block Grant Assistance, DGB

From: //signed//
Kilah S. White
Assistant Inspector General for Audit, GA

Subject: Harris County Community Services Department, Houston, TX, Was Inefficient and Ineffective in Operating Its Hurricane Harvey Program

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Harris County's Hurricane Harvey Community Development Block Grant Disaster Recovery subrecipient grant.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call Danita Wade, Audit Director, at 817-978-9309.

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Highlights

What We Audited and Why

We audited the Harris County Hurricane Harvey Community Development Block Grant Disaster Recovery (CDBG-DR) program. We initiated this audit as part of our commitment to helping the U.S. Department of Housing and Urban Development (HUD) address its top management challenges and to support HUD's strategic objective to support effectiveness and accountability in long-term disaster recovery. Further, Congress has expressed strong interest in HUD's disaster programs.

Our objective was to assess the efficiency and effectiveness of Harris County's Hurricane Harvey CDBG-DR program and whether the program was assisting disaster participants in a timely manner; specifically, to examine the status of its HUD-approved activities and challenges, if any, in implementing the activities.

Harris County Community Services Department, Houston, TX,
Was Inefficient and Ineffective in Operating Its Hurricane
Harvey Program

What We Found

Harris County had not efficiently or effectively operated its Hurricane Harvey CDBG-DR program. Specifically, 3 years after Hurricane Harvey, Harris County had assisted only 112 of 4,513 planned program participants and had spent less than 1 percent of its grant funds. Harris County's challenges included an inability to effectively assist applicants and inefficiencies in its reimbursement program. These conditions occurred because Harris County was overwhelmed by the number of programs it intended to operate and its staff did not respond effectively to Texas General Land Office (Texas GLO) guidance and training. As a result, the Texas GLO reduced the number of Harris County's programs and assumed control of \$338.7 million (27 percent) of its \$1.2 billion Hurricane Harvey grant suballocation.

What We Recommend

We recommend that the Director of the Office of Block Grant Assistance require the Texas GLO to (1) provide its plan to continuously monitor Harris County's pace and performance in its remaining program and take appropriate action to ensure that program goals are met; (2) set performance and financial milestones for all programs and activities funded under Harris County's subrecipient agreement; (3) monitor Harris County's capacity to manage its funds and address duplicative, inefficient, and cost-prohibitive processes or positions; and, (4) review Harris County's priorities for providing assistance to program participants. Implementation of these recommendations would include determining whether additional activities need to be combined or eliminated and repurposing additional grant funds if necessary.

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Background and Objective

On August 25, 2017, Hurricane Harvey made landfall as a category 4 hurricane in southeast Texas, causing catastrophic flooding and damage. As a result, a Presidential Disaster was declared on August 25, 2017, which included Harris County. On September 8, 2017, Congress appropriated \$7.4 billion for the Hurricane Harvey response. The U.S. Department of Housing and Urban Development's (HUD) Office of Community Planning and Development allocated \$5.024 billion of those funds to the State of Texas.¹ The Texas General Land Office's Community Development and Revitalization division (Texas GLO) administers the State's disaster grants.

In its August 17, 2018, grant agreement, HUD directed the State of Texas to allocate \$1.1 billion of its Hurricane Harvey grant to Harris County,² making Harris County the second largest subrecipient of the grant funds. In addition, the Texas GLO suballocated \$89.3 million of the State's \$652 million supplemental Hurricane Harvey grant³ to Harris County, making its total suballocation \$1.2 billion. The Texas GLO required Harris County to develop a local supplemental action plan to be submitted as a substantial amendment under the Texas GLO's action plan. The supplemental action plan included a needs assessment, community engagement efforts, a description of unmet needs, expenditure timelines, and the use of funds and program descriptions. Harris County expected its activities to start immediately or 30 days after HUD approved the plan and for the activities to end 3 to 6 years from the start date. Harris County's supplemental action plan was incorporated into the Texas GLO action plan as amendment 1 and approved by HUD on December 11, 2018.

On February 11, 2019, the Texas GLO entered into a subrecipient grant agreement with Harris County. HUD required⁴ the State to spend 100 percent of its Hurricane Harvey grant funds within 6 years. However, due to the coronavirus pandemic, HUD issued a notice⁵ providing an automatic 1-year extension of the Hurricane Harvey expenditure deadline, making the deadline August 17, 2025, with an option to request an additional 1-year extension. By entering into the subrecipient agreement, Harris County became subject to the same expenditure deadline required by the State.

In its 2018-2022 Strategic Plan, HUD's strategic objective 7 was to support the effectiveness and accountability in long-term disaster recovery. The metric HUD implemented to track its progress under this objective is a performance indicator to decrease the percentage of "slow

¹ Federal Register Notice 83 FR 5844, section I

² HUD also directed the State to allocate \$1.15 billion of its grant to the City of Houston.

³ This \$652 million supplemental grant (agreement B-18-DP-48-0001) and the \$5.024 billion grant (agreement B-17-DM-48-0001) totaled \$5.676 billion to address Hurricane Harvey unmet recovery needs. HUD also provided the Texas GLO with a \$57.8 million grant (B-17-DL-48-0002), with 80 percent of those funds earmarked for Harris County. The \$57.8 million grant was not part of this review.

⁴ Federal Register Notice 83 FR 5844, section VII

⁵ Federal Register Notice 85 FR 50041, section I

spenders” among CDBG-DR recipients. HUD defines a “slow spender” as a grantee that has spent 10 percent less than the monthly pace required to fully use the grant by the target closeout date.

The Texas GLO is HUD’s grantee. By accepting the Hurricane Harvey grants, the Texas GLO accepted responsibility for compliance with the terms and conditions of the agreements. This included assuming responsibility for subrecipient compliance with HUD requirements. The Texas GLO regularly monitored Harris County, and HUD monitored the Texas GLO. In its monitoring report, dated February 25, 2020, HUD determined that the Texas GLO was providing sufficient oversight to Harris County. During our audit, the Texas GLO initiated action to reduce the number of Harris County’s programs and assume control of a portion of its suballocated grant funds. HUD approved action plan amendment 7 on October 6, 2020, allowing the Texas GLO to repurpose \$338.7 million of Harris County’s \$1.2 billion suballocated grant funds.⁶

This audit focused on the performance of the Texas GLO’s subrecipient, Harris County. The Harris County Community Services Department administers the County’s disaster programs. Its offices are located at 8410 Lantern Point Drive, Houston, TX. The Texas GLO is located at 1700 North Congress Avenue, Austin, TX.

Our objective was to assess the efficiency and effectiveness of Harris County’s Hurricane Harvey Community Development Block Grant Disaster Recovery (CDBG-DR) program and whether the program was assisting disaster participants in a timely manner; specifically, to examine the status of Harris County’s HUD-approved activities and challenges, if any, in implementing the activities.

⁶ Under this amendment, the Texas GLO also requested and received HUD approval to eliminate the City of Houston’s \$1.2 billion suballocation grant.

Results of Audit

Finding: Harris County Was Inefficient and Ineffective in Operating Its Hurricane Harvey Program

Harris County did not efficiently or effectively operate its Hurricane Harvey CDBG-DR program. Specifically, 3 years after Hurricane Harvey, Harris County had assisted only 112 of 4,513 planned program participants and had spent less than 1 percent of its grant funds. This weak performance contributed to HUD's designating the Texas GLO as a "slow spender." The challenges Harris County encountered included an inability to effectively assist applicants and inefficiencies in its Reimbursement program. These conditions occurred because Harris County was overwhelmed by the number of programs it tried to operate and its staff did not respond effectively to Texas GLO guidance and training. As a result, the Texas GLO reduced the number of Harris County's programs and repurposed \$338.7 million (27 percent) of its \$1.2 billion Hurricane Harvey grant suballocation.

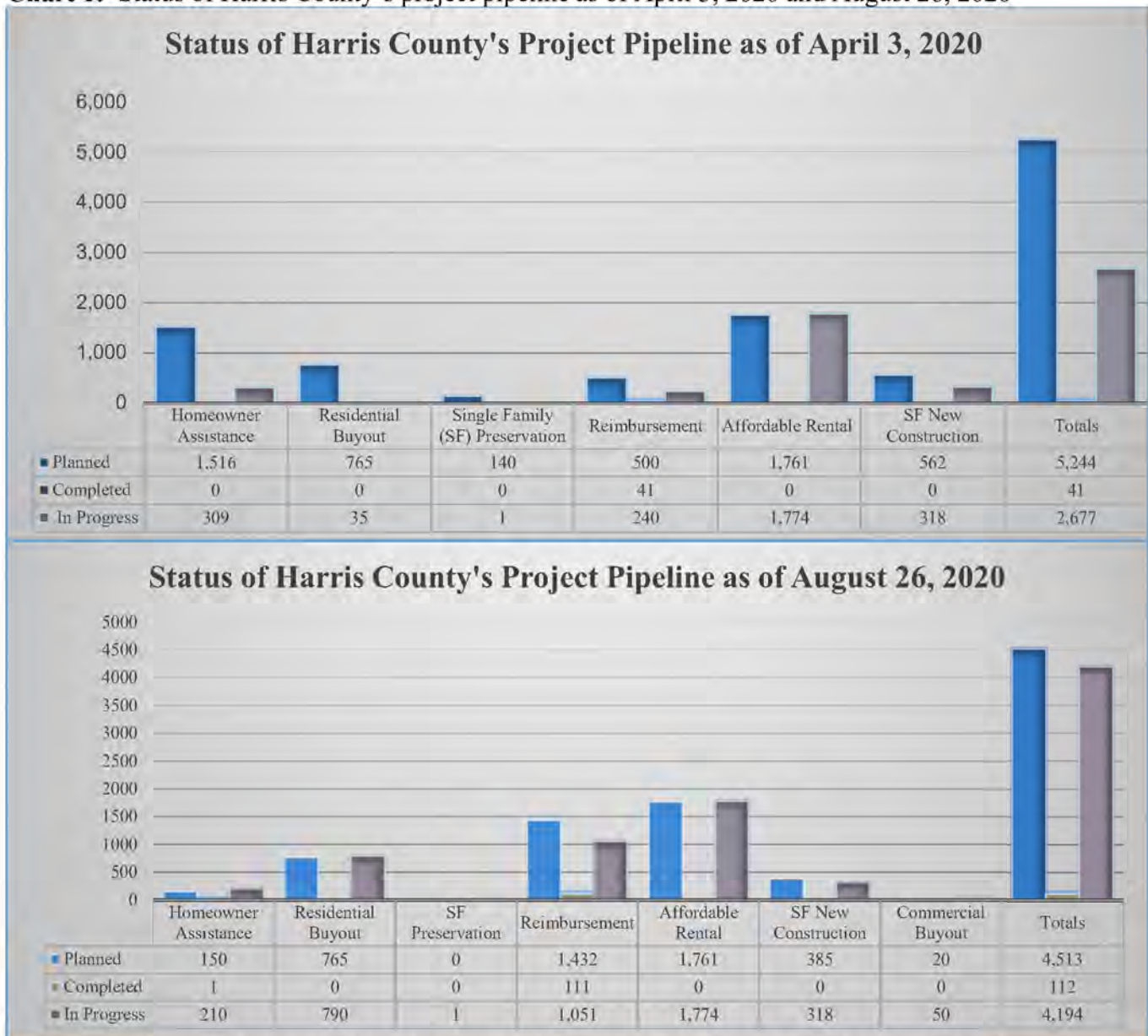
Harris County Did Not Efficiently or Effectively Operate Its Programs

Harris County did not efficiently or effectively operate its Hurricane Harvey CDBG-DR program. Three years after Hurricane Harvey, Harris County had assisted only 112 of 4,513 planned program participants. Of the 112 participants, 111 were in its Reimbursement program. For the other six programs it operated, Harris County had completed one additional project in its Homeowner Assistance Program. (See chart 1.)

Harris County had assisted only 112 of 4,513 planned Hurricane Harvey program participants.

Harris County initially planned to assist 5,244 households using its Hurricane Harvey grant funds. However, as of April 3, 2020, its records showed that it had completed only 41 projects (0.78 percent) in its pipeline. On May 18, 2020, the Texas GLO notified Harris County of its intent to take control of \$338.7 million in disaster recovery grant funds designated for Harris County and administer those funds itself. After this notification, Harris County decreased the number of households that it planned to assist, and its records showed an increase in its completed projects. As of August 26, 2020, (1) Harris County's planned projects had decreased to 4,513; (2) its completed projects totaled 112, increasing its percentage of completed projects in its pipeline to 2.5 percent (112/4,513); and (3) it had substantially increased its amount of works in progress. (See chart 1.)

Chart 1: Status of Harris County’s project pipeline as of April 3, 2020 and August 26, 2020⁷



Four programs⁸ were not included in chart 1 because Harris County had no planned or completed projects in those areas. Although its records showed that it had completed Residential Buyout projects (3 as of April 3, 2020 and 1 as of August 26, 2020), Harris County had not completed any of these projects.⁹

⁷ Of the 11 programs that Harris County planned to start, as of August 26, 2020, it had begun operations for 7 programs.

⁸ Housing Project Delivery, Infrastructure, Infrastructure Competition, and Infrastructure Project Delivery. For this purpose, Planning and Administration were not counted as programs.

⁹ Two of the projects were for different disaster events and the other project was incomplete.

Harris County's Spending Less Than 1 Percent of Its Grant Funds Contributed to the Texas GLO's Being Designated as a "Slow Spender"

Harris County received nearly 22 percent of the Texas GLO's Hurricane Harvey Grant. As the second largest subrecipient,¹⁰ Harris County's operational performance affected the Texas GLO's overall performance. Thus, its slow spending pace contributed to the Texas GLO's earning the "slow spender" designation in HUD's February 21, 2020, CDBG-DR Grants Financial Report.¹¹ According to HUD's Disaster Recovery Grant Reporting (DRGR) system,¹² as of August 19, 2020, the Texas GLO had

- obligated \$1.129 billion for Harris County from its \$5.676 billion grant,
- disbursed \$10.4 million for six Harris County activities,¹³ and
- spent \$9 million for Harris County.

At that time, Harris County was more than 28 percent through the revised deadline period for meeting the expenditure requirement (24/84 months);¹⁴ however, it had spent less than 1 percent of its grant funds (\$9.052 million/\$1.129 billion = 0.8 percent). (See chart 2.) This slow pace risked Harris County's ability to fully use its grant funds by the target closeout date. By comparison, for similar programs that it operated through the same 28 percent revised deadline period, HUD's grantee, the Texas GLO, had spent 15.67 percent of its grant funds (\$512.67 million/\$3.27 billion).

¹⁰ The City of Houston was the Texas GLO's largest subrecipient, with nearly 23 percent of the grant.

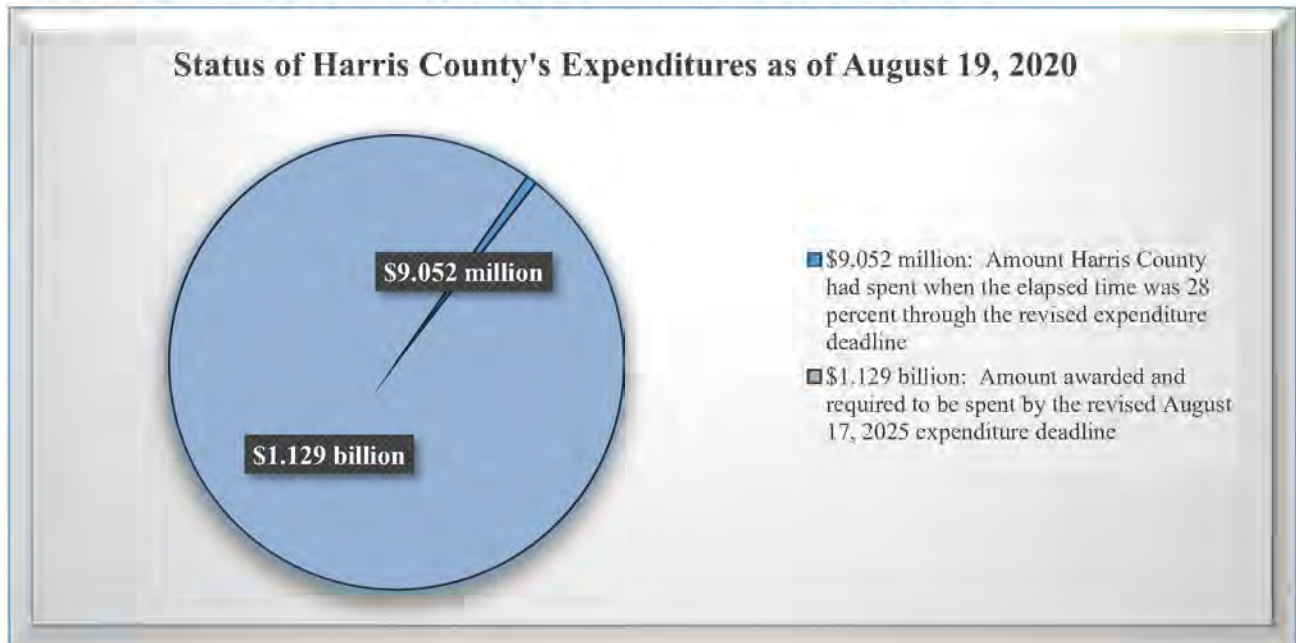
¹¹ HUD's Grants Financial Report lists all active CDBG-DR grants. It identifies grant balances as well as top performers and slow spenders. Although this is ordinarily a monthly report, as of August 5, 2020, the latest report on HUD's CDBG-DR website was for March 1, 2020.

¹² The DRGR system was developed by HUD's Office of Community Planning and Development to use for CDBG-DR funds and other special appropriations. Data from the system are used by HUD staff to review activities funded under these programs and for required quarterly reports to Congress.

¹³ Administration, Planning, Residential Buyout, Homeowner Assistance Program, Reimbursement, and Single Family New Construction

¹⁴ August 17, 2018, through August 17, 2020, = 24 months; August 17, 2018, through August 17, 2025, = 84 months.

Chart 2: Harris County's slow spending pace for its Hurricane Harvey grant



Harris County Had a History of Slow Spending

Harris County had a history of slow spending. Between June 26, 2019, and February 10, 2020, the Texas GLO conducted seven monitoring reviews of Harris County's 2015, 2016, and 2017 disaster grants. The Texas GLO consistently found that Harris County was unable to meet program performance requirements or spend program funds in a timely manner. In five instances, it identified a lack of performance (fewer than 10 percent of the allocated funds were spent) and issued findings of noncompliance with HUD requirements.¹⁵ Specifically, HUD required the Texas GLO to spend 100 percent of its grant funds within 6 years of its execution of the grant agreement. It also required the Texas GLO to reprogram funds in a timely manner for stalled activities. The Texas GLO required a response to its findings that identified Harris County's plan and timeline for completing the contract program activities within the contract term. Although Harris County followed up on the findings and submitted monitoring plans, which included hiring a consultant when necessary and having weekly status meetings to track program development, its performance was still lacking.

Harris County Lacked the Ability To Effectively Assist Participants

Harris County was unable to effectively assist participants who were affected by Hurricane Harvey and had been waiting for assistance since 2017. The Texas GLO required Harris County to submit documentation before it would approve reimbursements for the participants. When Harris County submitted the required project files, it had great difficulty in getting them through the Texas GLO approval process, which slowed the program's progression. The Texas GLO often returned the project files with requests for information because the files did not meet program requirements. For example, files were missing insurance and damage verifications, cost

¹⁵ Federal Register Notice 82 FR 36812

estimates, explanations, and signatures and contained errors and incorrect calculations, and information was not updated in the Texas GLO's Integrated Grant Reporting system.¹⁶

These multiple attempts to get project files approved had a negative effect and led to a cyclical submit, reject, and resubmit process. Harris County complained that the approval process was daunting and more complicated than it was for a previous hurricane. Harris County managers said that they had

Harris County deficiencies led to a cyclical reject and resubmit process.

several discussions with the Texas GLO concerning the amount of documentation required and the cumbersome layers of review. They further complained that the Texas GLO set up the Hurricane Harvey program based on monitoring findings and to ensure that the program was audit proof. Finally, Harris County claimed that it struggled when the Texas GLO changed staff or hired a new contractor to review its project files because Harris County's staff had to train the Texas GLO's staff or contractor. The completed project files reviewed¹⁷ met program requirements. However, Harris County needed to improve its pace to meet the revised expenditure deadline, or it risked the Texas GLO's repurposing more of its suballocated grant funds or recapture of the funds.

Harris County Was Inefficient in Operating Its Reimbursement Program

Harris County was inefficient in operating its Reimbursement program.¹⁸ Harris County prioritized the Reimbursement program because it thought it was approaching a December 31, 2019, deadline to process reimbursement checks that it imposed in its guidelines. However, that deadline was for the homeowner to complete the repairs. Harris County considered the Reimbursement program its least complicated program because it had few procurement requirements. The program required only proof of repairs, an inspection, and an environmental review.

In addition to its staff responsible for operating the program, Harris County entered into an agreement to pay a contractor \$7,413 for each project file approved by the Texas GLO. Further, the Texas GLO procured a strike team¹⁹ for immediate expert assistance in the administration of Harris County's programs. The strike team was to provide technical assistance and program support services to remedy issues of concern with program application intake, approval processes, and insufficient staffing. The cost of the strike team from October 2019, to April 2020 (7 months), was more than \$1.023 million. As previously stated, as of April 3, 2020,

¹⁶ This system allows Texas GLO subrecipients and other participants in its grants relief program to self-manage applications, contracts, and projects.

¹⁷ We reviewed 10 of 50 completed Reimbursement program files that were available when we selected our sample. (See Scope and Methodology.)

¹⁸ When we selected our sample for review, only Harris County's Reimbursement program had completed projects.

¹⁹ The Texas GLO notified Harris County that it would spend grant funds (administrative and project delivery) to pay for the strike team's services and that it would direct the strike team's performance and coordinate all matters relating to compensation and reporting. Harris County had no participation in the review or approval of the strike team's invoices.

Harris County had completed only 41 projects in its entire Hurricane Harvey program. (See chart 1.)

Although Harris County used (1) its own employees, (2) its own contractor, and (3) the Texas GLO-provided strike team, as of August 26, 2020, it had assisted only 112 participants in its entire Hurricane Harvey program. Using three teams to administer and process 111 participant files in the Reimbursement program appeared duplicative. In addition, the processing costs appeared excessive and, in some instances, far exceeded the award amount that Harris County provided to program participants. For example, in addition to the staffing and strike-team costs, in one case, Harris County paid \$9,188 in program soft costs, which included \$7,413 for its contractor. However, it awarded only \$2,289 in assistance to the participant.

Harris County Did Not Adequately Prioritize Its Assistance

Harris County did not adequately prioritize low-and moderate-income (LMI) families when determining how it would use its limited grant funds. Harris County's supplemental action plan stated that its Reimbursement program would first be available to LMI households before being made available to non-LMI households. Further, HUD encouraged grantees to target resources for households with the greatest housing needs to meet its objective to support the effectiveness and accountability in long-term disaster recovery. However, Harris County accepted participants on a first-come, first-served basis, which resulted in LMI families waiting for assistance while well-positioned families received assistance. For example, one of the first assisted households had income and assets valued at nearly \$400,000 for its two-member family, while a substantial number of larger LMI families continued to wait for assistance.

Harris County Was Overwhelmed by the Number of Programs It Intended To Operate

Harris County originally planned to operate 11 programs with its suballocated funds, which proved to be overwhelming for various reasons. These reasons included lack of interest by potential participants in the programs offered and difficulty in effectively operating the seven programs Harris County was able to get underway, which complicated starting the other programs. Attempting to operate many complicated programs instead of focusing on what it could do efficiently and effectively proved detrimental to Harris County's program performance. As a result, Harris County was slow to distribute the \$1.2 billion that HUD provided to assist its community following a major hurricane disaster.

Harris County's Staff Did Not Respond Effectively to Texas GLO Guidance and Training

Although the Texas GLO provided extensive guidance and training to Harris County, its staff did not respond effectively and was not equipped to meet the program requirements that the Texas GLO enforced. In addition to the assistance provided by the strike team, the Texas GLO completed monitoring and provided extensive guidance and training to Harris County to assist it in implementing and operating the Hurricane Harvey CDBG-DR programs. The training and guidance that the Texas GLO provided included onsite visits, conference calls, and written guidance covering 24 subject areas, including

- policies and procedures,
- duplication of benefits,
- application reviews and common request for information training sessions,

- procurement,
- the information management system, and
- question and answer sessions.

As of August 14, 2020, the Texas GLO had provided 188 trainings and various technical assistance to Harris County.²⁰

The Texas GLO Reduced the Number of Harris County’s Programs and Repurposed \$338.7 Million (27 Percent) of Its Grant Funds

On August 21, 2020, the Texas GLO submitted action plan amendment 7, requesting HUD approval to make the following changes, which would reduce the number of Harris County programs and repurpose \$338.7 million in grant funds:

- 1) Delete two of Harris County’s activities and repurpose those funds to two of Harris County’s other programs
 - a. \$25 million from Single Family Preservation to Reimbursement
 - b. \$12.5 million from Commercial Buyout to Residential Buyout
- 2) Repurpose \$20.2 million from Planning and \$37.7 million from Single Family New Construction to the Homeowner Assistance Program.²¹
- 3) Defund portions of Harris County’s Homeowner Assistance Program, Housing Project Delivery, and Administration.

On October 6, 2020, HUD approved action plan amendment 7. As a result, the Texas GLO assumed full responsibility for administering and completing the projects related to the \$338.7 million in grant funds (see table 1) it took from Harris County’s control. Further, the Texas GLO set additional obligation and approval deadlines for Harris County when it reduced its number of programs and repurposed the grant funds.

The Texas GLO took \$338.7 million from Harris County’s control.

²⁰ As of March 4, 2020, the Texas GLO had provided 109 trainings and various technical assistance to Harris County.

²¹ After repurposing, the total amount allocated to the Homeowner Assistance Program was \$328,344,814 (\$30,000,000 + 298,344,814).

Table 1: HUD-approved Texas GLO allocation for repurposed Harris County grant funds

| Program | 2019 proposed funding | Action plan amendment #4 revised allocation | Action plan amendment #7 repurposed grant funds | |
|---------------------------------|-----------------------|---|---|---------------------------------|
| | | | Harris County | Texas GLO |
| Homeowner Assistance Program | \$214,000,000 | \$270,359,499 | \$30,000,000 | \$298,344,814 |
| Residential Buyout | 175,000,000 | 175,000,000 | 187,500,000 | |
| Single Family Preservation | 25,000,000 | 25,000,000 | | |
| Reimbursement | 15,000,000 | 15,000,000 | 40,000,000 | |
| Affordable Rental Program | 204,500,000 | 224,500,000 | 224,500,000 | |
| Single Family New Construction | 119,888,035 | 119,888,035 | 82,137,529 | |
| Housing Project Delivery | 83,709,781 | 92,194,170 | 59,926,211 | 32,267,960 |
| Commercial Buyout | 12,500,000 | 12,500,000 | | |
| Infrastructure | 120,000,000 | 120,000,000 | 120,000,000 | |
| Infrastructure Competition | 76,668,492 | 76,668,492 | 76,668,492 | |
| Infrastructure Project Delivery | 13,351,180 | 13,351,180 | 13,351,180 | |
| Planning | 55,769,342 | 60,234,809 | 40,000,000 | |
| Administration | 16,741,956 | 30,117,405 | 21,985,706 | 8,131,699 |
| Totals | 1,132,128,786 | 1,234,813,590 | 896,069,118 | 338,744,472²² |

Conclusion

Because Harris County’s programs were not progressing and it was not effectively assisting participants, the Texas GLO assumed control of \$338.7 million (27 percent) of its grant funds. At its current pace, in addition to contributing to the Texas GLO’s being designated as a “slow spender,” Harris County was also at risk of (1) being unable to meet its program objectives, (2) failing to assist potential program participants, (3) having citizens in need walk away due to inadequate program implementation, (4) additional deterioration to affected properties, and (5) having additional grant funds repurposed or recaptured due to not being able to meet expenditure deadlines. Further, Harris County was slow to distribute the \$1.2 billion in HUD grant funds that the Texas GLO provided to assist its community following a major hurricane disaster.

Recommendations

We recommend that the Director of the Office of Block Grant Assistance require the Texas GLO to

- 1A. Provide its plan to continuously monitor Harris County’s pace and performance in its remaining Hurricane Harvey CDBG-DR program and take appropriate action to ensure that program goals are met. The plan should include a process for repurposing additional grant funds, if necessary, to avoid potential recapture due to Harris County’s inability to meet the expenditure deadline established under its subrecipient agreement with the Texas GLO, and to allow the Texas GLO to meet the expenditure deadline for its grant award.

²² The funds repurposed to the Texas GLO total \$338,744,473; however, action plan amendment #7 requested that HUD approve \$338,744,472 as the repurposed amount.

- 1B. Set performance and financial milestones, including approval of Harris County's projects and obligation and expenditure of funds, for all programs and activities funded under the Harris County subrecipient agreement through the remainder of the contract and deadlines for Harris County to achieve those milestones. This would include the Texas GLO (1) providing its plan to continually assess whether Harris County is meeting the established milestones within the prescribed time period; (2) taking appropriate action as outlined in the subrecipient agreement for any missed deadlines; and (3) , if necessary, determining whether additional programs need to be combined or eliminated from the subrecipient agreement.
- 1C. Provide evidence of subrecipient monitoring of Harris County's capacity to manage its Hurricane Harvey grant funds to address duplicative, inefficient, and cost-prohibitive processes or positions. The evidence should include any corrective actions that have been imposed and Harris County's response.
- 1D. Ensure that Harris County obtains adequate training for its program staff and that the staff continuously demonstrates their understanding of and competence to operate Harris County's programs within applicable requirements. This would include ensuring that Harris County takes appropriate steps to remedy situations where staff are not operating the program within applicable requirements.
- 1E. Review Harris County's Housing Reimbursement Program policies, including assistance prioritization, to ensure compliance with the Texas GLO's action plan and amendments. This would include the Texas GLO analyzing the County's project pipeline to determine whether changes are warranted to ensure that those most in need are prioritized to receive limited Federal assistance. The Texas GLO should provide HUD with an analysis of the County's project pipeline within 90 days of its review to share the results and demonstrate compliance with its action plan.

Scope and Methodology

We performed our fieldwork at the Harris County office located in Houston, TX, and the Office of Inspector General (OIG), Office of Audit, in Houston, TX, from March 2020 through September 2020. Our audit period was August 25, 2017, through February 29, 2020. We expanded the scope to review performance results data through August 26, 2020.

To accomplish our objective, we

- Reviewed executed grant agreements between HUD and the Texas GLO.
- Reviewed the executed grant agreement between the Texas GLO and Harris County.
- Reviewed the Texas GLO's action plans and amendments and quarterly performance reports.
- Reviewed applicable Hurricane Harvey public laws and Federal Register notices.
- Reviewed Harris County organizational charts.
- Interviewed Texas GLO staff in Houston, TX, and via teleconference.
- Interviewed Harris County staff in Houston, TX, and via teleconference.
- Consulted with the HUD OIG Director of Analytics regarding our Reimbursement program sample selection.
- Reviewed 10 participant project files from Harris County's Reimbursement program.
- Reviewed HUD and Texas GLO monitoring reports for Harris County.
- Reviewed Texas GLO records for training and guidance provided to Harris County.
- Reviewed Harris County's commissioners meeting minutes.
- Reviewed Harris County's comprehensive annual financial reports.
- Reviewed data in HUD's DRGR system.
- Reviewed HUD CDBG-DR Grants Financial Reports.
- Reviewed a U.S. Department of Homeland Security OIG audit report, dated April 23, 2020, entitled, Harris County Needs Continued Assistance and Monitoring To Ensure Proper Management of Its FEMA [Federal Emergency Management Agency] Grant.
- Reviewed news articles regarding the slowness of the Harris County CDBG-DR program.

We selected a nonstatistical sample of 10 participant project files from a universe of 50 assisted participants, totaling \$1.9 million in CDBG-DR assistance. We reviewed these files to determine cost reasonableness for reimbursements, eligibility, and proper authorizations. To achieve our objective, we relied in part on Excel records provided by Harris County and data maintained on HUD's DRGR system. Information in the participant project files matched the data in Harris County's records. We found the data to be adequately reliable for our purposes.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Efficiency and effectiveness of program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives and expenditure requirements.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- Harris County was overwhelmed by the number of programs it intended to operate.
- Harris County's staff did not respond effectively to Texas GLO guidance and training.


Appendixes

Appendix A

HUD and Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

HUD Comments

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|  OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT | U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, DC 20410-7000 |
| MEMORANDUM FOR: | Danita Wade, Regional Inspector General for Audit, 6AGA KEVIN BUSH <small>Digitally signed by KEVIN BUSH DN: cn=KEVIN BUSH, o=U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, email=kevin.bush@hud.gov, c=US</small> |
| FROM: | Kevin J. Bush, Deputy Assistant Secretary for Grant Programs, DG |
| SUBJECT: | HUD Comments for OIG Draft Audit Report – Harris County Community Services Department, Houston, TX Community Development Block Grant Disaster Recovery |

The Office of Community Planning and Development (CPD) has reviewed the draft audit report of the Harris County Community Services Department, Houston, TX. CPD offers the following comments on the draft audit report for consideration.

The HUD Office of Inspector General (OIG) conducted an audit of the Harris County Hurricane Harvey Community Development Block Grant Disaster Recovery (CDBG-DR) program. The county is a subrecipient of the State of Texas, and the recovery programs are included in the State's action plan for funds obligated under grant numbers B-17-DM-48-0001 and B-18-DP-48-0001 which are administered on behalf of the State by the Texas General Land Office (GLO). The OIG draft report indicated that the County has not efficiently or effectively operated its Hurricane Harvey CDBG-DR program or assisted participants in a timely manner.

As a subrecipient of the State of Texas, there are no statutory or regulatory performance or expenditure requirements associated with the funds obligated to the County however, the Department agrees that recovery progress and drawdown of grant funds for Hurricane Harvey recovery within Harris County have been slow-paced and were not on track to allow the State to meet the expenditure deadline associated with its award. The CDBG-DR grant awarded to the State of Texas was subject to a six-year expenditure period upon execution of the grant agreement and had an initial expenditure deadline of August 17, 2024. In response to delays caused by COVID-19, HUD has already extended the expenditure period by one year. Following the conclusion of the OIG Audit, the grantee requested an additional one-year extension in accordance with August 17, 2020, *Federal Register* Notice (85 FR 50041). Once the extension request is acted upon by HUD, the State of Texas will have until August 17, 2026, to expend the grant award, including the funds allocated for recovery in Harris County. Although it is still too soon to gauge the impact of GLO's actions to assume administration of the Homeowner Assistance Program on behalf of the County, the Department is hopeful that the administrative changes and the extended grant term will allow the State to meet the 2026 deadline.

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The discussion below includes CPD's comments on the specific OIG Recommendations:

OIG Finding Number 1: Harris County was inefficient and ineffective in operating its Hurricane Harvey program, and it did not assist participants in a timely manner.

Comment 2

OIG Recommendation 1A: Office of Block Grant Assistance (OBGA) continues to monitor Harris County's pace and performance in its remaining Hurricane Harvey CDBG-DR program and take appropriate action to ensure that program goals are met. The plan should include a process for repurposing additional grant funds, if necessary, to avoid potential recapture due to Harris County's inability to meet the expenditure deadline established under its subrecipient agreement with the Texas GLO and to allow the Texas GLO to meet the expenditure for its grant award.

HUD Comment: CPD supports this Recommendation with one revision. There appears to be one word missing in the final sentence. CPD recommends adding the word "deadline" to the final sentence so that the Recommendation would read as follows:

OBGA should require the Texas GLO to provide its plan to continuously monitor Harris County's pace and performance in its remaining Hurricane Harvey CDBG-DR program and take appropriate action to ensure that program goals are met. The plan should include a process for repurposing additional grant funds, if necessary, to avoid potential recapture due to Harris County's inability to meet the expenditure deadline established under its subrecipient agreement with the Texas GLO and to allow the Texas GLO to meet the expenditure deadline for its grant award.

Comment 3

OIG Recommendation 1B: OBGA should require the Texas GLO to set performance and financial milestones, including approval of Harris County's projects and obligation and expenditure of funds, for all programs and activities funded under the Harris County subrecipient agreement through the remainder of the contract and deadlines for Harris County to achieve those milestones. This would include the Texas GLO (1) providing its plan to continually assess whether Harris County is meeting the established milestones within the prescribed time-period; (2) taking appropriate action as outlined in the subrecipient agreement for any missed deadlines; and (3), if necessary, determining whether additional programs need to be combined or eliminated from the subrecipient agreement.

HUD Comment: CPD supports this Recommendation as proposed.

Comment 3

OIG Recommendation 1C: OBGA should require the Texas GLO to provide evidence of subrecipient monitoring of Harris County's capacity to manage its Hurricane Harvey grant funds to address duplicative, inefficient, and cost-prohibitive processes or positions. The evidence should include any corrective actions that have been imposed and Harris County's response.

HUD Comment: CPD supports this Recommendation as proposed.

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Comment 3

OIG Recommendation ID: OBGA should require the Texas GLO to ensure that Harris County obtains adequate training for its program staff and that the staff continuously demonstrates their understanding of and competence to operate Harris County's programs within applicable requirements. This would include ensuring that Harris County takes appropriate steps to remedy situations where staff is not operating the program within applicable requirements.

HUD Comment: CPD supports this Recommendation as proposed.

Comment 4

OIG Recommendation IE: OBGA should require GLO to review Harris County's priorities for providing assistance to program participants. This would include analyzing Harris County's project pipeline to determine whether changes are warranted to ensure that those most in need are prioritized to receive limited Federal assistance.

HUD Comment: CPD does not support this Recommendation as stated. This Recommendation focuses on the County's Homeowner Reimbursement Program which assists single family homeowners impacted by the disaster. Although there is no regulatory requirement under this appropriation to assist low-to-moderate income (LMI) households first, the County failed to comply with the program requirement under the action plan, which states that assistance will "... first be available to LMI households before being made available to non-LMI households".

CPD recommends the following alternative language for this Recommendation:

OBGA should require GLO to review the county's Housing Reimbursement Program policies, including assistance prioritization, to ensure compliance with the State's Action Plan. GLO should further provide HUD with an analysis of the county's project pipeline within 90 days of its review to demonstrate said compliance.

Should you have any questions regarding the draft audit report comments, please do not hesitate to contact me or Tennille S. Parker, Director of Disaster Recovery and Special Issues Division, by email at Tennille.S.Parker@hud.gov.

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TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

March 10, 2021

Danita Y. Wade
Regional Inspector General for Audit
Office of Audit (Region 6)
307 W. 7th Street, Suite 1109,
Fort Worth, TX 76102

Re: Responses to Harris County Community Services Department HUD OIG Report

Dear Ms. Wade:

The Texas General Land Office Community Development and Revitalization division (GLO) appreciates the opportunity to respond to HUD OIG's draft audit report issued February 12, 2021, focused on Harris County Community Services Department's (HCCSD) operation of its Hurricane Harvey Program. The GLO's response incorporates HCCSD's independent response identified as Exhibit #2 to this letter. As the grantee for CDBG-DR programs, GLO is responsible for ensuring compliance with Federal Register, Action Plan, and program requirements through grant administration, oversight, and monitoring activities.

The GLO agrees with HUD OIG's operational finding of the HCCSD's Hurricane Harvey Program. However, since HCCSD was provided notice by the GLO of the program redistribution plan on April 09, 2020, followed by HUD's approval of GLO's Substantial Action Plan Amendment #7, HCCSD has reconfigured its organizational structure, operations, and financial administration of program activities to serve the citizens of Harris County in an effective, efficient and timely manner. Exhibit #1 identifies GLO's Weekly Report of financial and program metrics that highlight the increased progress in HCCSD's program activities.

HUD OIG's report identified multiple issues with various aspects of HCCSD's program operations. The GLO has been actively providing administrative support to assist towards the increased performance of HCCSD's Harvey program. The GLO is adjusting its program oversight and monitoring activities to incorporate HUD OIG's recommendations through the following actions:

Corrective Action to Recommendation 1A:

The existing risk assessment and monitoring plan is being revised to include quarterly monitoring of program activities and expenditures. Monitoring activities will consist of program compliance with an increased focus on performance, the timeliness with which assistance is provided, and the goal of meeting contract and program deliverables within the existing contract lifecycle.

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P.O. Box 12873, Austin, Texas 78711-2873
512-463-5001 glo.texas.gov

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Additionally, the GLO's existing Timely Expenditure Function evaluates subrecipient expenditures to determine whether program funds will be expended within grant terms and, as necessary, reprogram funds for stalled program activities. The GLO will continue to use this function to assess HCCSD's timeliness of program expenditures.

Corrective Action to Recommendation 1B:

GLO Contract No. 19-147-002-8490 includes a Performance Statement Section that identifies program benchmarks for each of the following program activities:

- Affordable Rental Program
- Residential Buyout Program
- Homeowner Assistance Program
- Homeowner Reimbursement Program
- Single-Family Affordable Housing Preservation Program
- Single Family New Construction Program
- Planning
- Administration
- Infrastructure

The Harvey Action Plan (APA #7), within Section 10.2. Appendix D also identifies projected expenditures and outcomes for HCCSC Harvey program activities.

GLO's monitoring plan includes an evaluation of performance indicators from GLO's contract and the Harvey Action Plan, in addition to reports already provided by HCCSD, to determine whether the pace and performance of program activities will meet the contract lifecycle, identify root causes when performance is not achieving expected results and assist HCCSD in creating solutions to reasonably ensure the timeliness of program performance.

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Corrective Action to Recommendation 1C:

GLO's monitoring activities include using HUD's [CDBG-DR Staffing Effort Analysis Tool](#) to quantify resources available, including vendor services, and how those resources are allocated to meet the needs of administering the various program activities. This tool will be used, in coordination with HCCSD, to document current capacity and continue to update the analysis worksheet as program activities change to ensure that capacity is sufficient to serve the administrative needs of the program.

GLO's current monitoring activities include tools to test whether CDBG-DR funds are being used in a duplicative, inefficient, or cost-prohibitive manner. Additionally, our monitoring procedures require corrective actions to be provided when responding to a monitoring report. GLO will continue utilizing its existing monitoring tools, along with resources provided by [HUD](#), to reasonably determine compliance with Federal and contractual requirements.

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Corrective Action to Recommendation 1D:


GLO will evaluate training activities to determine that training needs support, strengthen and positively impact the performance and progress of HCCSD's program operations. Training logs and analysis of training events will be incorporated into the monitoring rotational cycle for the program as a whole and specific to each program activity being administered by HCCSD.

Corrective Action to Recommendation 1E:

HCCSD provides various programmatic pipeline reports, which are used to assess and monitor program performance. GLO's monitoring and program teams will coordinate to evaluate and support the progress of program activities and the timeliness of expenditures. This recommendation will be combined with Recommendation 1A to assist with improving the performance of HCCSD's Hurricane Harvey program operations.

We appreciate the opportunity to work with HUD OIG. The corrective actions noted above, along with collaborative, sustained, and committed efforts, will be key factors in providing timely assistance to Harris County residents. In partnership, the GLO will continue providing programmatic support and guidance to HCCSD to successfully fulfill the program goals identified in the Harvey Action Plan for the citizens of Harris County. Please feel free to contact me at 512-475-5081 with any questions or concerns.

Sincerely,



Martin Rivera, Jr., Deputy Director
Quality Assurance & Process Improvement
Community Development and Revitalization

Cc: Heather Lagrone, Senior Deputy Director, GLO Community Development and Revitalization
Adrienne M. Holloway, Ph.D., Executive Director, Harris County Community Services Department

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Exhibit #1

CDR - WEEKLY REPORT
Texas General Land Office
March 5, 2021

HARRIS COUNTY DIRECT ALLOCATION

The GLO Harris County HAP program has 10 houses complete, 14 under construction, and 158 approved for construction. All 6,415 applicants transferred from Harris County have been reviewed and contacted. The GLO team is working with Communications to do a second round of outreach through social media and other platforms.

- APA8 for the Harvey allocation has been translated.
- On 1/27/21, the Houston completed a data transfer of 6,750 application files. GLO is contacting the transferred applicants to complete intake. 35 houses under the state-run HAP program for Houston have been built; 143 houses are either approved for or under construction.
- 82 Multifamily developments have been allocated \$588,089,376 for 5998 units. 59 Multifamily Projects are under construction; 17 properties have completed construction; \$260,970,437 draws have been approved.
- HAP – 2,675 homes completed, 1,486 approved for construction, 340 under construction and \$472,946,997 approved in draw requests.

Status of funds obligated to remaining Harris County Programs (Based on Action Plan Amendment 7)

| Program | Program Budget* | Budget for Projects Submitted | Budget for Projects Approved | Budget for Projects Remaining |
|--------------------------------|-----------------|-------------------------------|------------------------------|-------------------------------|
| Homeowner Assistance (HAP) | \$30,000,000 | \$30,149,714 | \$30,149,714 | (\$149,714) |
| Residential Buyout* | \$175,000,000 | \$1,153,300 | \$0 | \$175,000,000 |
| Reimbursement | \$40,000,000 | \$28,656,997 | \$26,033,288 | \$13,966,712 |
| Affordable Rental | \$224,500,000 | \$219,999,999 | \$200,461,721 | \$24,038,279 |
| Single Family New Construction | \$82,137,529 | \$70,747,838 | \$70,747,838 | \$11,389,279 |
| Method of Distribution | \$120,000,000 | \$119,800,000 | \$112,775,066 | \$7,224,934 |
| Commercial Buyout | \$12,500,000 | \$0 | \$0 | \$12,500,000 |
| Competitive Application | \$76,668,492 | \$76,548,492 | \$45,035,940 | \$31,512,552 |

**Includes Involuntary Buyout activities only*

Housing Assistance Program (HAP) (\$30,000,000)

Four projects are in construction, 92 tri-party agreements are pending, 22 are pending NTP. County is reviewing options for those projects where relocation assistance exceeds \$6,000 cap. County is working on the first two HAP project payment requests. County provided the revised program guidelines March 4 and an approval letter is being drafted.

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Texas General Land Office
March 5, 2021

| Applications* under Review and Property Eligibility | In GLO Review or awaiting RFI response | Pending response to RFIs | Approved by GLO | Construction Complete |
|---|--|--------------------------|-----------------|-----------------------|
| 0 | 0 | 0 | 185 | 3 |

Reimbursement Program (\$40,000,000)

725 reimbursement projects have been submitted totaling \$28.6 million, with an avg. cost of \$40,590.

| Applications* under Review and Property Eligibility | In GLO Review or awaiting RFI response | Pending response to RFIs | Approved by GLO | Homeowners Reimbursed |
|---|--|--------------------------|-----------------|-----------------------|
| 625 | 73 | 32 | 645 | 224 |

**Amount based on Harris County's February 22 – February 28, 2021 Weekly Pipeline Report #56*

Buyout Programs Harvey \$5B (\$187,500,000) and \$57M Grant (\$38,249,728)

HUD, GLO and the county are discussing a mixed status and undocumented household local incentive. County has created a \$2.3 million fund to assist these households as the County awaits guidance from HUD. GLO completed the review of the county's involuntary program guidelines and approved them February 5. County submitted additional information to support their request to use the Low/Mod Income Area Benefit National Objective and it's under review. County continues to perform outreach to impacted households in the eight target areas and plans to hold a buyout townhall meeting mid-March.

| Applications* under Review and Property Eligibility | In GLO Review or awaiting RFI response | Pending response to RFIs | Approved by GLO | Buyout Completed |
|---|--|--------------------------|-----------------|------------------|
| 388 | 12 | 8 | 12 | 0 |

**Amount based on Harris County's January 2021 Monthly Report; included voluntary and involuntary programs*

Single Family New Construction Program (\$82,137,529)

The County has identified a few possible projects with area nonprofits that are in preliminary review. The County has until June 30th to submit projects to the GLO.

| Applications Received | Total Projects Under Review by Harris/ GLO | Estimated Amount Requested* | GLO Approved | In Construction | Construction Complete |
|-----------------------|--|-----------------------------|--------------|-----------------|-----------------------|
| 11 | 0 | \$70,747,838 | 7 | 0 | 0 |

**Amount requested is 86% of Program Allocation. County submitted revised project budgets.*

Affordable Rental Program (\$224,500,000)

Nine projects are under construction. The 3300 Caroline and Temenos IV projects are the last two projects to be considered for funding under this program and are pending responses to the GLO's requests for additional information. The Northwood virtual groundbreaking was postponed, and new date is to be determined.

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| | Number of Projects | Amount Requested | Total Units | LMI Units | % LMI Units | Amount Expended |
|--------------------|--------------------|------------------|-------------|-----------|-------------|-----------------|
| GLO Approved | 14 | \$200,461,262 | 2,262 | 1,028 | 82.3% | 0% |
| Projects in Review | 2 | \$19,538,278 | 244 | 244 | 100% | 0% |

Method of Distribution Infrastructure Program (\$120,000,000)

The county submitted amendment requests for four approved projects due to budget beneficiary, location, and scope changes. A preliminary review of the approved method of distribution projects show that all but five are behind schedule. On February 23rd, the County submitted updated project timelines and GLO discussed concerns regarding individual project schedules in the monthly meeting held on March 1st. Additionally, some delays are due to COVID-19 and acquisition.

| Applications Received | HC in Review/ Pending Additional Information | Total Projects Under Review by HC/GLO | GLO Approved* | In Construction | Construction Complete |
|-----------------------|--|---------------------------------------|---------------|-----------------|-----------------------|
| 25 | 2 | 2 | 21 | 1 | 0 |

*Amount approved is 94% of the allocation.

Competitive Application Infrastructure Program (\$76,668,492)

Amendment 5 has been drafted to add seven infrastructure projects into the contract. East Harris County Healthcare and Social Service Hub project was approved this week in the amount of \$4.2 million.

| Applications Received | HC in Review/ Pending Additional Information | Total Projects Under Review by Harris Co/GLO | GLO Approved* | GLO Denied | In Construction |
|-----------------------|--|--|---------------|------------|-----------------|
| 15 | 4 | 7 | 8 | 0 | 2 |


*Amount approved is 54% of allocation.

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Exhibit #2



HARRIS COUNTY, TEXAS
COMMUNITY SERVICES DEPARTMENT

Adrienne M. Holloway, Ph.D.
Executive Director

8410 Lantern Point Drive
Houston, Texas 77054
Tel (832) 927-4770
Fax (713) 578-2090

March 8, 2021

Mr. Mark Havens
Chief Clerk & Deputy Land Commissioner
Texas General Land Office
1700 Congress Avenue
Austin, TX 78701

ATTN: Martin Rivera, Jr. Deputy Director

Re: Office of Inspector General U.S. Department of Housing and Urban Development's Harris County Community Services Department Community Development Block Grant-Disaster Recovery Audit Report Number 2021-FW-100X

Below are remarks in response to the Office of Inspector General U.S. Department of Housing and Urban Development's Harris County Community Services Department Community Development Block Grant-Disaster Recovery Audit Report Number 2021-FW-100X.

Harris County Project Recovery acknowledges our challenges in local implementation of recovery programs and elongated provision of delivery of recovery services to our Harris County residents that were so devastated by Hurricane Harvey in August 2017. We also acknowledge the importance of meeting both expenditure deadlines and performance benchmarks according to our executed subrecipient agreement with the GLO. Equally as important is the acknowledgment of other key impacts to program operations that should inform future evaluation and monitoring considerations. Namely,

- 1) The devastating impact of Hurricane Harvey in Harris County, warranting significant CDBG-DR funding, required Harris County to develop a comprehensive approach employed under Project Recovery, inclusive of the implementation of multiple programs to make our residents "whole". These programs, however complex, were informed by extensive community engagement and based in local community and residents' needs.
- 2) Harris County did not have the authority to implement programs until February 2019, sixteen (16) months post-Harvey. Evaluation of program operation and activity should reflect the timeframe between February 2019 and current day.
- 3) Generally, management of HUD funds requires extensive administrative and oversight responsibilities; an area we have demonstrated successful capacity in executing over our long history as an entitlement community. However, under CDBG-DR and as a subrecipient to the GLO, Harris County has been required to complete additional administrative tasks and learn of and comply with different program rules, resulting in delays to the advancement of program operations. Further, instances of differences between GLO and Harris County in the interpretation of HUD rules resulted in increased negotiation and policy and SOP revision. Again, adding to the delay in program progress.

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- 4) Harris County appreciates the provision of technical assistance from the GLO and recognizes the benefit of ongoing program monitoring, as we have found previous instances of embedded monitoring of added value. Our petition is any introduction of monitoring activities for the purpose of providing guidance should be implemented with the least amount of disruption to program operations. Moreover, we request consideration of the impact that the current pandemic and recent winter storm has had on program operation when establishing and monitoring performance and financial milestones

Following are more specific responses to recommendations provided in the Audit Report.

Recommendation 1A:

Provide its plan to continuously monitor Harris County's pace and performance in its remaining Hurricane Harvey CDBG-DR program and take appropriate action to ensure that program goals are met. The plan should include a process for repurposing additional grant funds, if necessary, to avoid potential recapture due to Harris County's inability to meet the expenditure deadline established under its subrecipient agreement with the Texas GLO, and to allow the Texas GLO to meet the expenditure for its grant award.

Response:

- A. Continuous monitoring of Harris County's pace-Harris County and GLO meet bi-weekly (or at minimum monthly) with each funded program's staff. The GLO and Harris County also meet in a monthly check-in meeting with senior management to discuss the Disaster Recovery program. Discussions during all meetings include:
1. Program status-number of projects files to GLO for approval, number of projects in progress (construction or direct services being provided), number of projects completed, and close-out status.
 2. Status of program draws in progress and submitted to GLO and compliance with projected expenditures reported in the State's Action Plan.
 3. Technical assistance needs for staff or policy updates.
 4. Monthly reporting by Harris County for each program area are due on the 15th of each month. Discussion of these reports may happen in bi-weekly meetings or via email.
- B. Actions to ensure program goals are met-The GLO and Harris County have set program benchmarks/milestones to ensure programs are moving forward. These include:
1. HAP-submission of customer files to GLO by July 2020.
 2. Infrastructure program (MOD and Competitive) - submission of project applications by October 2020.
 3. Affordable Rental Housing-submission of project file to GLO by November 2020.
 4. Buyout program-submission of owner files to GLO by June 30, 2021.
 5. Single-Family New Construction program-submission of home site files to GLO by June 30, 2021.
 6. Homeowner Reimbursement Program-submission of customer files (for \$40M in Contract) to GLO by June 30, 2021.
- C. Reallocation and recapture of grant funding-Harris County is working to meet all program benchmarks by the reported goal date and completion by contract dates. In cases where funding is available, Harris

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County will provide GLO with its reallocation plan including a timeline to complete the project by the reported contract end period for those funds (for example reallocating remaining infrastructure funding as project's complete to a project who is "shovel ready" or currently underway). GLO would review the Harris County reallocation plan and provide response/approval to plan. This procedure was developed and utilized during the Hurricane Ike program for efficient and timely use of funding for the County and GLO.

Recommendation 1B:

Set performance and financial milestones, including approval of Harris County's projects and obligation and expenditure of funds, for all programs and activities funded under the Harris County subrecipient agreement through the remainder of the contract and deadlines for Harris County to achieve those milestones. This would include the Texas GLO (1) providing its plan to continually assess whether Harris County is meeting the established milestones within the prescribed time period; (2) taking appropriate action as outlined in the subrecipient agreement for any missed deadlines; and (3), if necessary, determining whether additional programs need to be combined or eliminated from the subrecipient agreement.

Response:

Harris County concurs, in part, as each of the County's agreements with the GLO already contain milestones and benchmarks.

1. As mentioned above regarding the establishment of program progress assessments and milestones for program and financial progress, Harris County continues to participate in bi-weekly and monthly meetings with GLO staff and its subcontractors in order to discuss and report on the progress of each of the DR program activities and projects. These meetings include:
 - a. GLO & Harris County Monthly Check in Meeting.
 - b. Bi-weekly Program Progress Meetings for each of the programs listed in the approved action plan e.g. (Infrastructure, Buyout, Homeowner Reimbursement, Homeowner Assistance, planning projects, etc.).
 - c. Bi-weekly Drawdown progress Meetings.

Recently, and because of these meetings, both the GLO and Harris County agreed to further amend the action plan via Amendment #8 submitted in December 2020. This amendment was being designed to more appropriately reflect the impact of several factors such as COVID-19 on program progress and to realign benchmarks for the projects and activities so that they more accurately reflect the timing and nature of expected outcomes and its related expenditures. Harris County also continues to work with the GLO to modify required processes and benchmarks that currently produce cash flow and reimbursement challenges for Harris County (i.e. Planning Study progress costs, engineering and design costs, project delivery costs, housing program soft cost, etc.). It is foreseeable that once these challenges are addressed, the GLO's timeliness position will continue to improve.

2. Appropriate actions to address missed benchmarks currently include the previously mentioned ongoing GLO/County meetings; each having content directed at attaining milestones and benchmarks. In instances where accomplishments are not projected to reach benchmarks, the County and GLO work together to identify and communicate the barriers and strategies intended to bring progress on par or on a trajectory for ultimate timely completion. As previously communicated, the County received its formal award in January 2019 and the Grant deadline was extended a full year for the GLO due to the impact of COVID19. While Harris County was only given a six (6) month extension, we believe our

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petition of a request to also have a one (1) year extension will be considered when taking into account the improved relationship with GLO and significant progress made in program operations.

3. Regarding the determination of combining or eliminating programs currently planned, as stated above, Harris County believes it will complete all planned programs within the term of its contract with the GLO. Additionally, Harris County asserts there is room for improvement and continues to work with the GLO on several of its policies, and processes as well as needed modifications to existing agreements that better align milestones with existent expenditure activity (i.e. Planning Study reimbursements; Program Administration Costs, etc.).

Recommendation 1C:

Provide evidence of subrecipient monitoring of Harris County's capacity to manage its Hurricane Harvey grant funds to address duplicative, inefficient, and cost-prohibitive processes or positions. The evidence should include any corrective actions that have been imposed and Harris County's response.

Response:

1. Harris County has instituted several measures to ensure that our processes are effectively being monitored and managed. Inefficiencies in process flow have been addressed with success, through splitting our Eligibility Specialists into two teams to reduce the amount of time it takes for files to move through the review/approval process. Additionally, we have written several policies and issued procedural documents to ensure uniform, cross-organizational performance. Lastly, to increase process efficiencies, we conducted a series of work groups where the focus was given to pipeline optimization. Here, we uncovered barriers in the system which were causing significant delays in files moving through and developed counter measures to ensure a more predictable flow.

Secondly, Harris County examined positions and developed a revised combined functional organizational chart (attached). This chart illustrates how Harris County has not simply utilized TetraTech as an augmentation to our program staffing but have fully integrated their personnel into multi-levels of daily operations. In doing so, we have layered multi-levels of expertise resulting in the lessening of knowledge gaps at all points where the human factor had previously reduced efficiencies. Finally, by uniformly adopting RecoveryTrac as our system of record for processing applicants, we have pushed efforts to require all staff to utilize the program. This has resulted in a singular and central collection point of data where it can be translated to useful information upon which deliberate and actionable decisions are made.

2. Further, Harris County has engaged in extensive training of its staff to ensure competency in operating the programs within applicable requirements and regulations. Harris County views training as an important role in staff development, productivity, and implementation of disaster recovery programs. As such, trainings and mentorship opportunities are sought by leadership to facilitate timely dissemination of new or updated program policies and procedures, ongoing skill development and refresher courses.

Such trainings are provided by the General Land Office (GLO), U.S. Department of Housing and Urban Development (HUD), Harris County subject matter experts or third-party vendor (consultant) providers.

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Over the past 12 months Harris County staff and its partners have undertaken trainings in the below topics.

- **Planning & Environmental Division**-Eighteen (18) training topics provided to expand staff skills and knowledge in relation to environmental review and compliance. Sample topics range from evaluating projects for noise impacts, location, and understanding the required level of assessment, on locating new single-family new construction projects near refineries, to expanding knowledge regarding lead-based paint remediation and certification, to ensuring a complete and compliant environmental review record (ERR) for each project, to updating conditionally approved Authority to Use Grant Funds (AUGFs) and removing all conditions, and on the use and inclusion of source data for maps and other relevant review documents.
- **Non-Housing Team**- Eight (8) training topics provided to expand and refresh knowledge and skill level to successfully implement non-housing projects. Sample topics range from developing infrastructure projects, to procurement and closeout, understanding the process of drafting Action Plan to project implementation, to monitoring subrecipients, to managing CDBG funded projects, and closeout and record-retention.
- **Housing Operations Division**-Twenty-four (24) training topics provided to expand and refresh knowledge and skills to operate the Homeowner Reimbursement Program (HRP) and the Homeowner Assistance Program (HAP). Sample topics range from program overview policy and procedures, program specific file walkthroughs, intake process, eligibility process, property ownership determination, income determination using the Adjusted Gross Income (AGI) method, to searching the duplication of benefits (DOB) database, to calculating duplication of benefits (DOB) and accounting for Partial Repair and Essential Power for Shelter (PREPS) inspections, to determining insurance requirements, to using the program/case management system, to providing assistance (check award or construction phase), to responding to requests for information and completing case file records.

Each new eligibility staff (CSD or partner staff) attends a 5-day on-boarding training providing HRP and HAP programs overview, tools, forms, and standard operating procedures, and hands on training on how to process case files from intake through eligibility and closing (i.e. providing assistance to homeowners in the form of award check or rehab/repair of home).

- **Contract Compliance & Support Division**-Fourteen (14) training topics provided to staff to enhance knowledge and skills in relation to procurement and vendor contracts/agreements. Sample topics range from federal procurement policies and regulations, Harris County procurement policies and requirements, contract/agreement approvals and implementation, to managing and monitoring vendors/subrecipients, to reviewing section 3 requirements, managing temporary relocation, and program affordability requirements, leveraging and managing CDBG funded contracts, closeout and record retention, and Harris County security awareness and protection of personal identifiable information.

New staff attend a half day initial onboarding training covering topics including, but not limited to, Harris County Purchasing website and reporting requirements, reviewing bids, holding a contract/vendor kickoff meeting, validating and reviewing contract deliverables and invoices, monitoring contract budget, updating various tracking reports.

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Comment 15

- **Finance Division**-six (6) training topics provided to staff to enhance and expand knowledge on utilizing Harris County new system – Shared Technology & Reporting System (STARS) to track budgets, generate purchase orders and facilitate online payments to vendors. Further, on-boarding of new staff consists of HUD provided webinars on CBDG, and on financial management and cost principle of cost allocation.

Harris County believes in providing training opportunities on a continuous basis to its staff and partner vendor staff. Performance evaluations occur on a regular basis and training needs are identified to assist staff deepen their job competencies.

Harris County leadership is committed to seek training opportunities and develop job aid tools aimed to hone staff skills and to stay abreast of program regulatory and policy requirements and procedures. Based on the information provided related to staffing, policy, procedures and training improvements, it is Harris County's position that no punitive action against ineffective staff nor oversight of hiring is warranted.

Recommendation 1E:

Review Harris County's priorities for providing assistance to program participants. This would include analyzing Harris County's project pipeline to determine whether changes are warranted to ensure that those most in need are prioritized to receive limited Federal assistance. Response:

The contractor, Tetra Tech provides a weekly pipeline report. This report provides status updates on the HAP and HRP programs. This report outlines specific items such as:

- Total Inactive files
 - Broken out by Transferred to GLO
 - HRP Budget Hold
 - Withdrawn
 - Nonresponsive
 - Ineligible
- Total Active Customers
- Total Customer files submitted to the GLO
- Total customer files approved by the GLO
- Total awards made
 - Broken out by LMI, UN and funding amounts

In addition, the report includes numerous other activities to assist in properly managing the program. The table below outlines all Harris County funding to ensure that the 70%-30% is achieved and hopefully achieved at a greater level. It is estimated that 92.3% of the Harvey funding will benefit families at or below the 80% Medium Family Income level. Clearly achieving better than the 70% required.

Auditee Comments

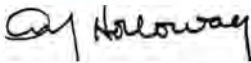
| Program Name | Total Action Plan Budget | Funds Approved by GLO** | Percent Disbursed to Date** | Goal - Percent to Impact** | LMI Contract Amounts Approved by GLO | LMI Contract Amounts Approved by GLO | Total Contract Amounts Approved to GLO | Percent LMI Benefit | Completion Date Goal |
|---|--------------------------|-------------------------|-----------------------------|----------------------------|--------------------------------------|--------------------------------------|--|---------------------|----------------------|
| Homeowner Reimbursement Program * | \$ 50,000,000 | 1,992 | 450 | 5,480 | \$ 11,122,562 | \$ 11,940,077 | \$ 28,082,640 | 50.3% | August-21 |
| Homeowner Rehabilitation/Reconstruction Program | \$ 30,000,000 | 494 | 20 | 580 | \$ 24,478,344 | \$ 5,052,715 | \$ 29,531,059 | 62.9% | December-21 |
| Mandatory Buyout Program | \$ 215,145,600 | - | - | 1,204 | \$ - | \$ - | \$ - | 0.0% | December-22 |
| Voluntary Buyout Program | \$ 45,400,000 | 23 | 3 | 86 | \$ 1,174,949 | \$ 692,032 | \$ 1,866,981 | 62.9% | December-22 |
| Affordable Rental | \$ 124,500,000 | 4,652 | - | 4,002 | \$ 188,461,722 | \$ - | \$ 188,461,722 | 100.0% | December-21 |
| Single Family New Construction | \$ 82,117,529 | - | - | 309 | \$ 28,523,942 | \$ - | \$ 28,523,942 | 100.0% | May-24 |
| Flooding Project Delivery | \$ 59,926,211 | N/A | N/A | N/A | \$ 55,715,329 | \$ 4,190,882 | \$ 59,926,211 | 53.0% | December-24 |
| Infrastructure (Water) | \$ 120,000,000 | 242,897 | 115,438 | 209,767 | \$ 97,873,823 | \$ 9,048,293 | \$ 206,142,116 | 51.5% | May-24 |
| Infrastructure (Competition) | \$ 76,038,822 | 170,000 | 114,770 | 125,740 | \$ 26,418,121 | \$ - | \$ 26,418,121 | 100.0% | May-24 |
| Infrastructure Project Delivery | \$ 15,151,183 | N/A | N/A | N/A | \$ 8,061,279 | \$ 685,241 | \$ 8,746,520 | 55.2% | December-24 |
| Public Services / Section 3 Training Program | \$ 1,000,000 | N/A | N/A | N/A | \$ - | \$ - | \$ - | N/A | N/A |
| Planning | \$ 38,200,000 | N/A | N/A | N/A | \$ - | \$ - | \$ 38,200,000 | N/A | December-24 |
| Administration | \$ 21,985,706 | N/A | N/A | N/A | \$ - | \$ - | \$ 21,985,706 | N/A | December-24 |
| Total | \$ 949,554,718 | 434,118 | 302,532 | 647,389 | \$ 614,817,124 | \$ 21,840,109 | \$ 628,739,113 | 53.3% | December-24 |

* Only LMI dollar benefits reported to the GLO. The additional \$10 million is in the implementation plan.

Pipeline data determined that the HRP program was funding more non-LMI than anticipated. To assist in raising the LMI percentage, the next 400 families that were released from the HRP budget hold were all families that lived in predominately LMI areas which aided in increasing the overall LMI percentage for that program. Moving forward when more funds are being released from the HRP budget hold, the oldest files are reviewed first and LMI will be prioritized as they are received from those who submit their completed information. Currently, the HRP program is assisting over 50% LMI and which will increase. The pipeline report greatly assists to monitor the overall progress of the programs.

In closing, we want to emphasize the importance of the Project Recovery plan in meeting the needs locally to not only assist residents in their individual recovery but also emphasize the importance of the increased resiliency of the county, its communities and neighborhoods through the comprehensive approach and use of the CDBG-DR funds to move residents out of high risk flood areas (voluntary/mandatory buyout), increase available affordable housing located in areas of low or reduced risk (single family new construction and affordable rental), and improve drainage and access to services (infrastructure and non-housing). We appreciate the working relationship we have developed with the GLO throughout the execution of the Hurricane Harvey CDBG-DR program and anticipate a successful completion of the grant by August 2025. Please feel free in contacting me at Adrienne.Holloway@csd.hctx.net or 832-927-4704 if you require additional information or detail.

Warm regards,

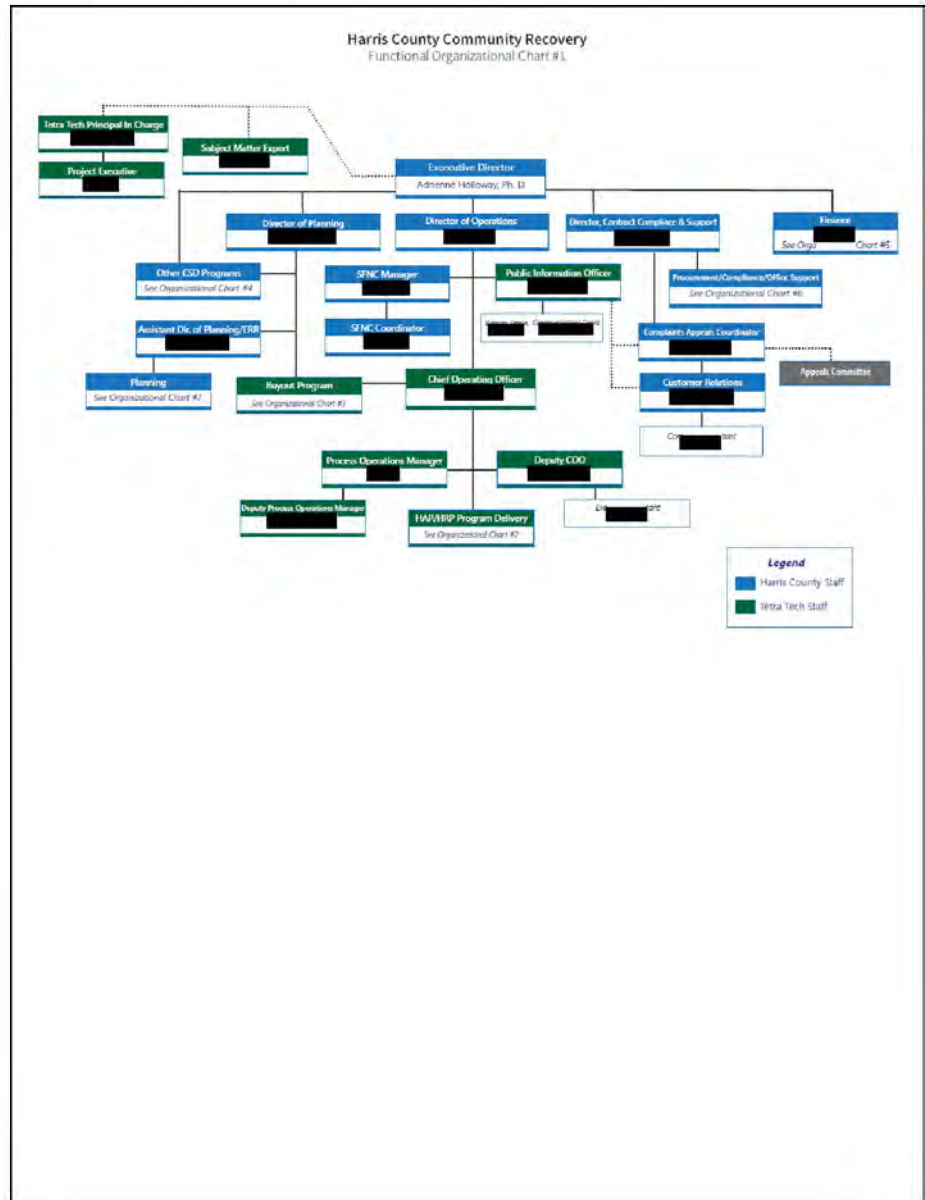


Adrienne Holloway, Ph.D.
Executive Director

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Comment 16

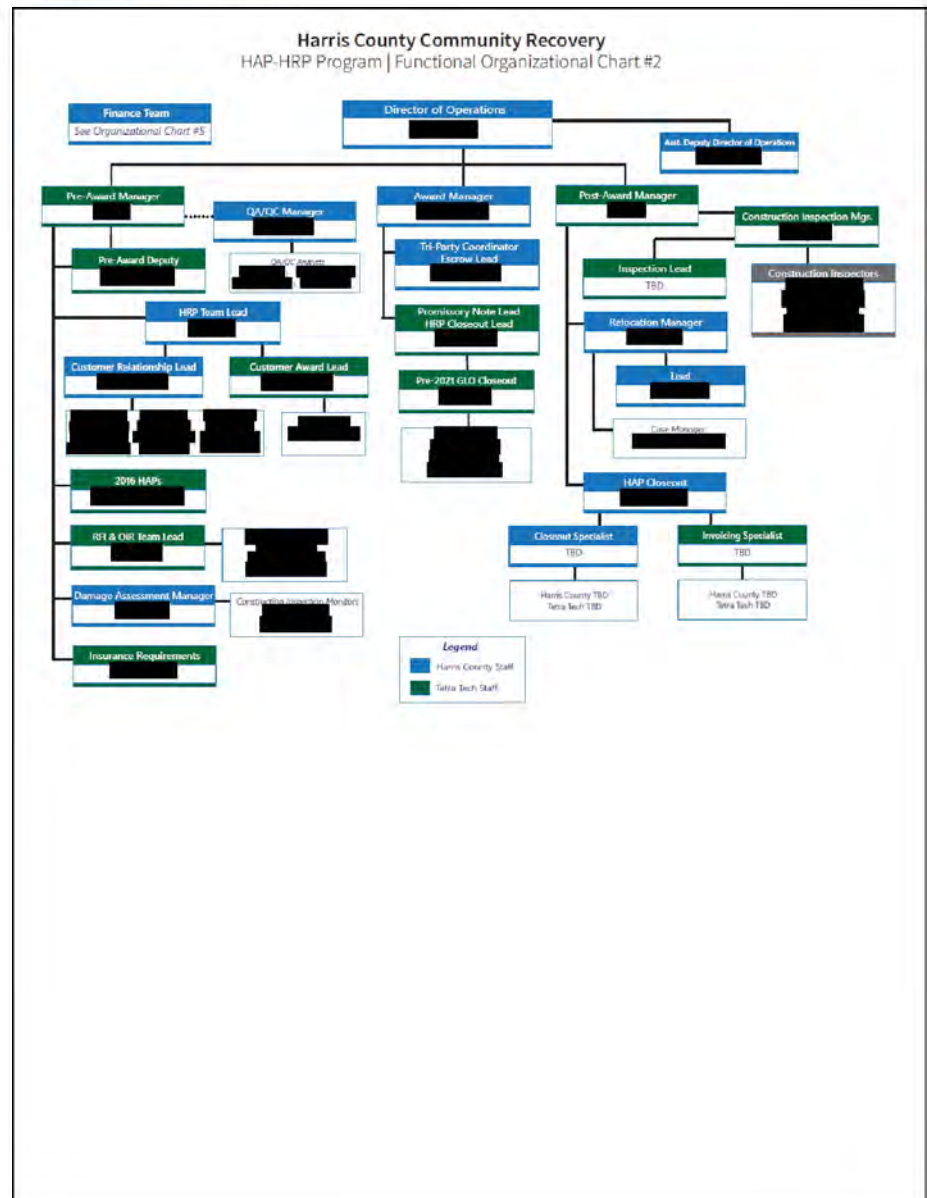
Auditee Comments



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Auditee Comments

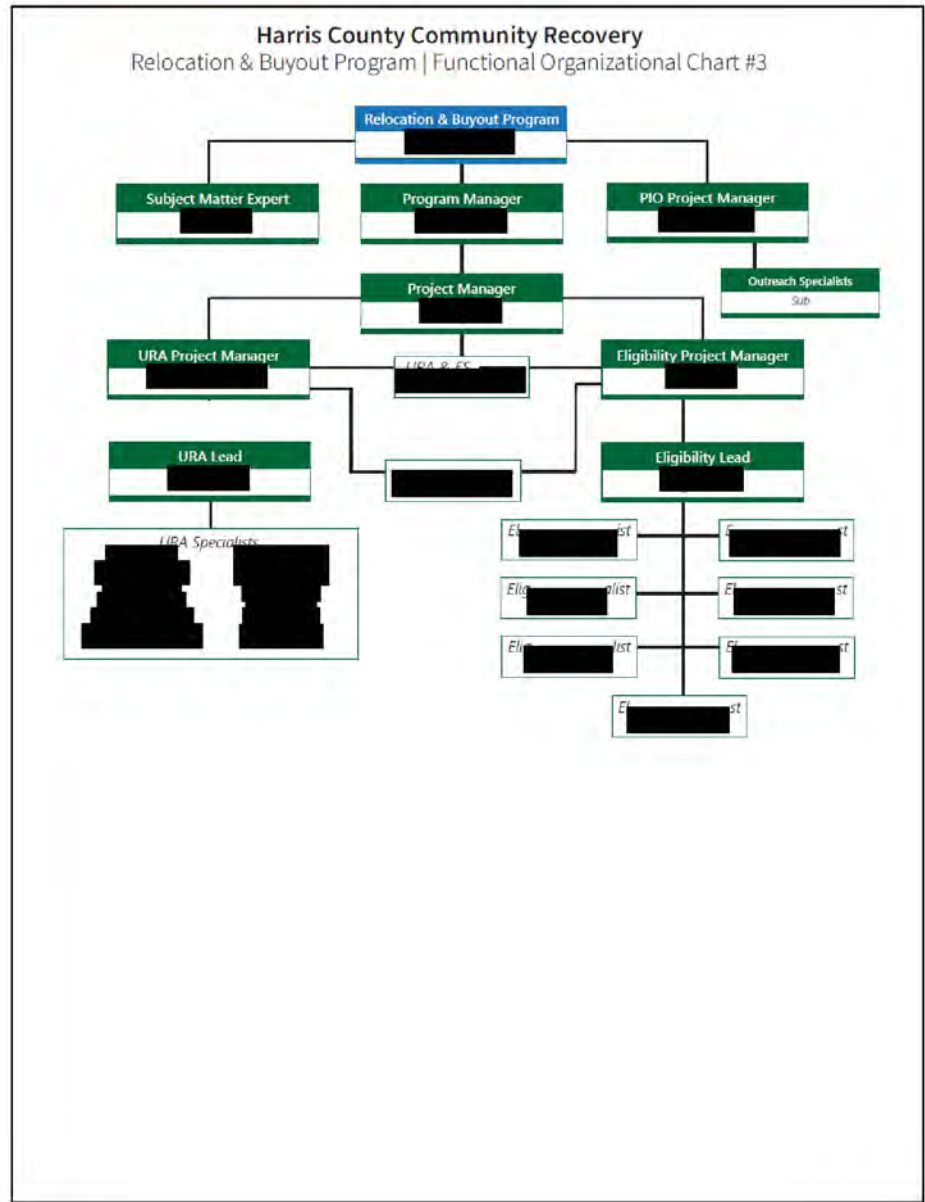
Comment 16



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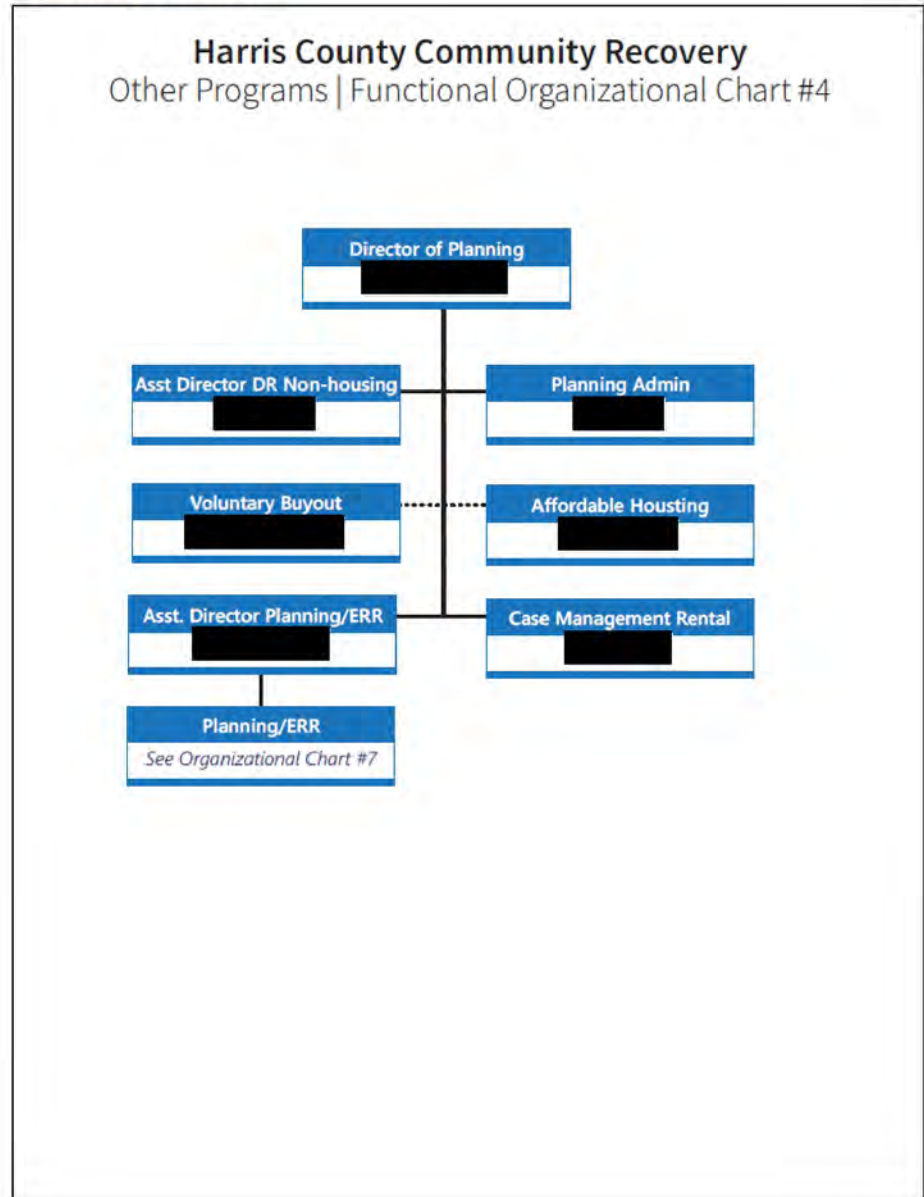
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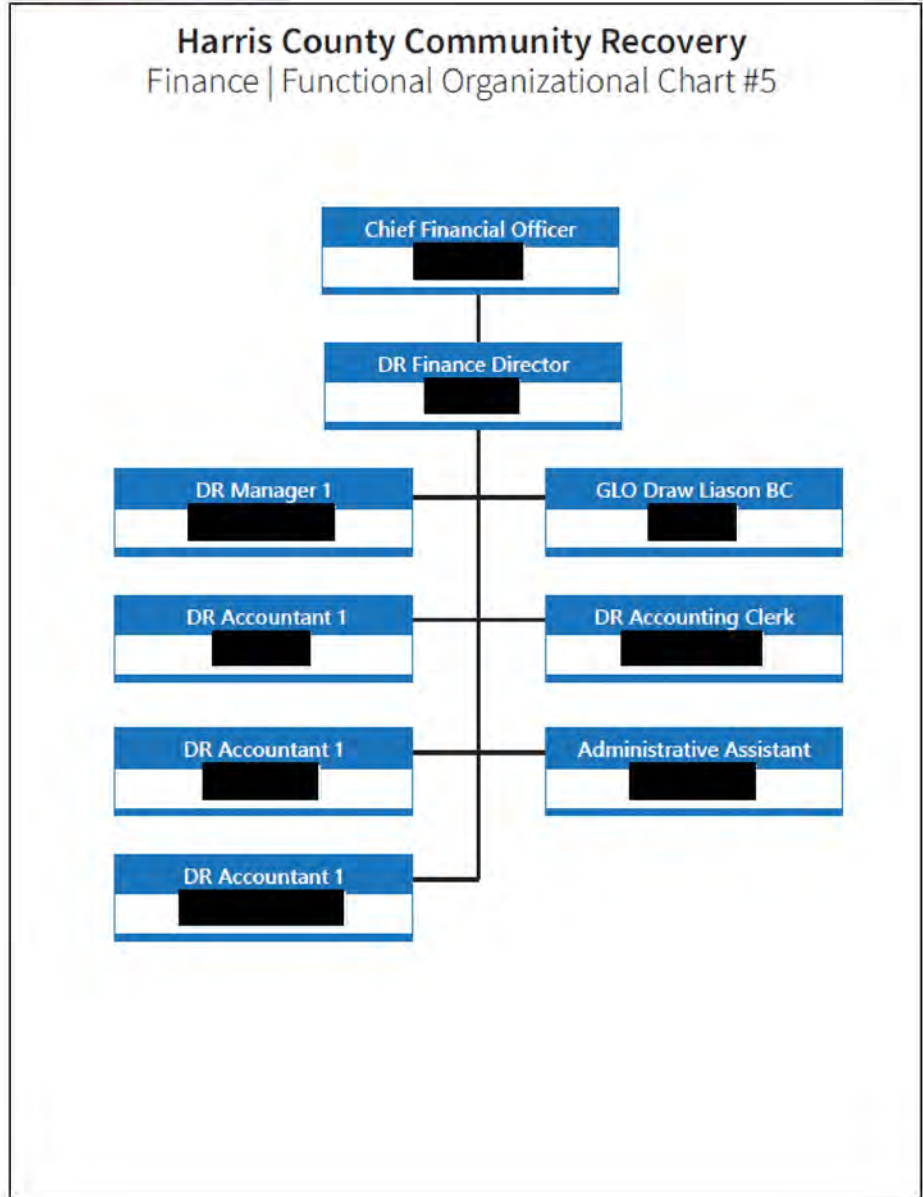
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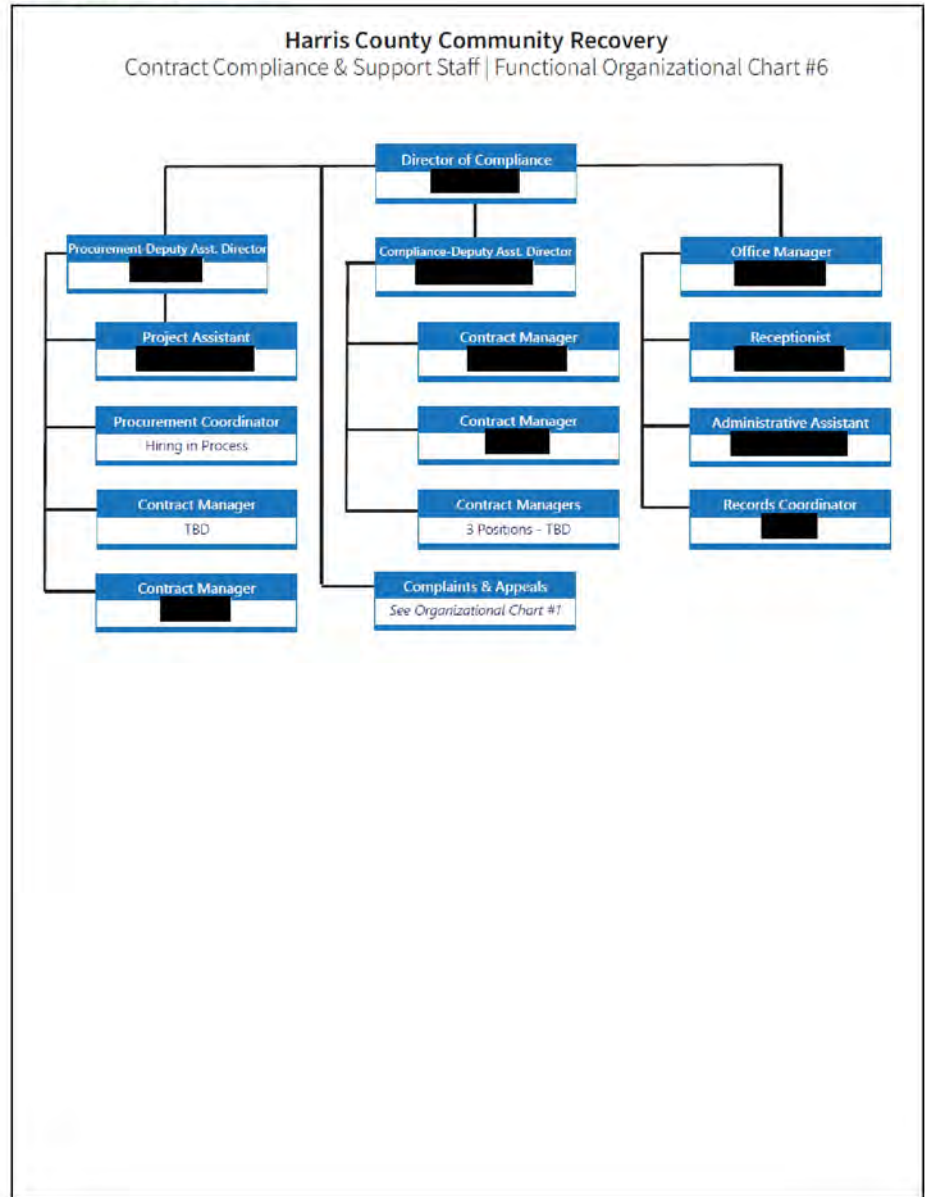
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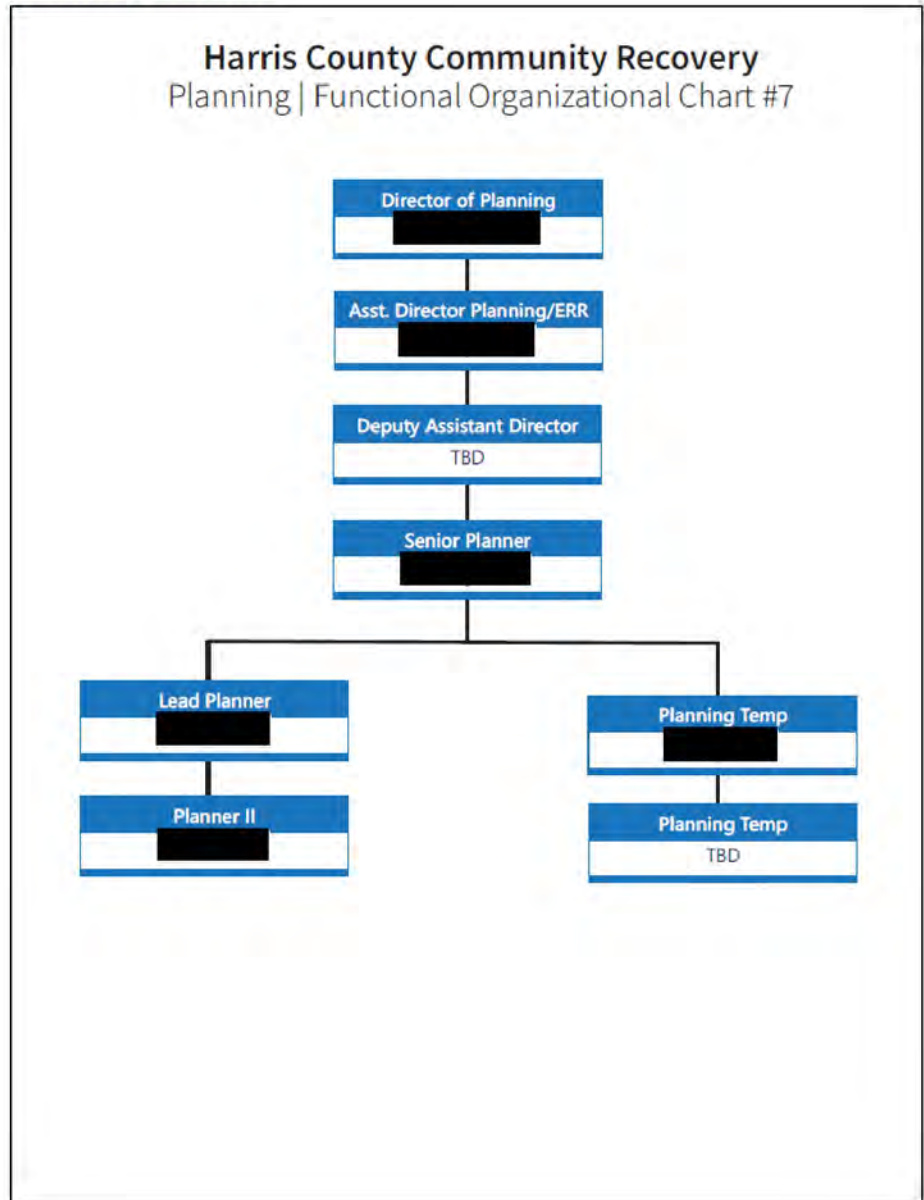
Auditee Comments



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Auditee Comments



OIG Evaluation of HUD and Auditee Comments

General Comment

We appreciate the cooperation and productive working relationship with HUD throughout the audit process and the attention it paid to the performance of its grantee's subrecipient. We also appreciate HUD's agreement with most of our recommendations and the actions it is prepared to take to implement them. We look forward to working with HUD during the audit resolution process and anticipate quick resolution.

Comment 1 HUD explained that there are no statutory or regulatory performance or expenditure requirements associated with the funds obligated to the County. However, it agreed that the County's progress and grant funds drawdown had been slow-paced and were not on track to allow the Texas GLO to meet its expenditure deadline. HUD also discussed COVID-19 expenditure deadline extensions.

We agree with HUD's position on requirements and that the County was not on track to allow the Texas GLO to meet the expenditure deadline associated with this award. We acknowledged the COVID-19 expenditure deadline extensions in the audit report.

Comment 2 HUD supported recommendation 1A with one editorial revision.

We revised the recommendation to include the missing word "deadline."

Comment 3 HUD supported recommendations 1B, 1C, and 1D as proposed.

We will work with HUD during the audit resolution process to verify the Texas GLO's written plans to correct and prevent identified conditions from reoccurring and HUD's plans to monitor its grantee's corrective actions.

Comment 4 HUD did not support recommendation 1E as stated and suggested alternative language.

We revised the recommendation to capture the spirit of HUD's suggested alternative language and agree that the County failed to comply with the program requirements under the Texas GLO's action plan, which it was required to follow. Although there is no regulatory requirement under this appropriation to assist low-and moderate-income (LMI) households first, HUD's *Strategic Objective 7: Support Effectiveness and Accountability in Long-Term Disaster Recovery* in its Strategic Plan for 2018-2022 states, "HUD will continue to require CDBG-DR grantees to target resources for households with the greatest housing needs to meet this objective." Further, the County acknowledged in its response that its Homeowner Reimbursement Program (HRP) was funding more non-LMI households than anticipated (see comment 15). Therefore, we believe our original conclusion regarding program prioritization was correct and we maintain that it is

important to highlight that those most in need should be prioritized to receive limited Federal assistance.

- Comment 5 The Texas GLO agreed with our finding and described positive changes that Harris County has made since HUD's approval of action plan amendment 7. Its response incorporated the County's independent response (Exhibit #2) and included a weekly report that identifies financial and program metrics that demonstrate the County's increasing progress (Exhibit #1).

We appreciate the Texas GLO's agreeable response, which incorporated the County's response. We acknowledge the steps that the Texas GLO has taken to support the County's performance since the implementation of action plan amendment 7. However, we did not verify the information in Exhibit #1 or the organizational charts included with Exhibit #2. We encourage the Texas GLO to work with HUD to present additional information and resolve the finding and recommendations during the audit resolution process.

- Comment 6 The Texas GLO explained revisions made to its risk assessment and monitoring plan, which included quarterly monitoring of program activities and expenditures and focused on program compliance, performance, and timeliness.

We acknowledge the Texas GLO's revisions to its risk assessment and monitoring plan. We encourage the Texas GLO to work with HUD during the audit resolution process to ensure that its revised risk assessment and monitoring plan are designed and implemented to correct and prevent identified conditions from reoccurring. We will review the Texas GLO's written plans during the audit resolution process.

- Comment 7 The Texas GLO explained that it included a section in its new contract with the County that identified program benchmarks for specific program activities.

Although we did not review or verify the agreement, we commend the Texas GLO for incorporating program benchmarks in its new contract with the County. We also commend it for identifying projected expenditures and outcomes for County activities in action plan amendment 7. These steps and the Texas GLO's revised monitoring plan should improve accountability, help keep the County's program on pace and its performance on track, and assist in ensuring that the Texas GLO's expenditure deadlines are met.

- Comment 8 The Texas GLO described its monitoring activities, which included reviewing the County's capacity to administer its CDBG-DR program; testing whether program funds were being used in a duplicative, inefficient, or cost-prohibitive manner; and determining compliance with Federal and contractual requirements.

We acknowledge and encourage the Texas GLO's increased monitoring activities using available tools to quantify available resources and assess the allocation of those resources to meet administrative needs; detect whether CDBG-DR funds are

being used in a duplicative, inefficient, or cost-prohibitive manner; and ensure compliance with applicable requirements.

- Comment 9 The Texas GLO committed to evaluating the County's training activities and incorporating training logs and analyses of training events into its monitoring rotational cycle.

We acknowledge and encourage the Texas GLO's evaluation of the County's training activities and incorporation of training analyses into the Texas GLO's monitoring cycle.

- Comment 10 The Texas GLO stated that it and the County used programmatic pipeline reports to assess and monitor program performance.

We acknowledge and encourage the continued use of the County's pipeline status reports. We also acknowledge the Texas GLO's efforts in supporting the progress and performance of the County's program activities.

- Comment 11 The County described the impacts of Hurricane Harvey on Harris County and the challenges it encountered in administering its recovery program, including the need for a comprehensive approach that included multiple programs to assist residents, lack of authority to implement recovery programs until February 2019 (when it executed its original subrecipient agreement with the Texas GLO), and delays resulting from differences in program execution practices between the County and the Texas GLO.

We appreciate the County's response. We recognize the impacts of Hurricane Harvey on Harris County and the challenges the County encountered in administering its program. However, the County, as the Texas GLO's subrecipient, has to meet the requirements and deadlines HUD imposed on its grantee. The County should work with the Texas GLO to ensure the success of its recovery efforts while also complying with applicable requirements.

- Comment 12 The County's response addressed three topics: (1) program status, (2) actions to ensure program goals are met, and (3) reallocation and recapture of grant funding.

We acknowledge the County's response explaining (1) its meetings with and monitoring by the Texas GLO, (2) the program benchmark and milestone actions it and the Texas GLO have taken to ensure program goals are met, and (3) the work it was doing to meet program benchmarks by specific deadlines.

- Comment 13 The County concurred, in part, with recommendation 1B. It also explained its continuing work with the Texas GLO to improve its program and meet the expenditure deadline. These efforts include frequent meetings to assess progress of program activities and projects, amending the action plan to realign benchmarks to more accurately reflect the timing and nature of expected outcomes and related expenditures, and taking actions to address missed milestones and benchmarks.

We appreciate the County's partial concurrence. We also acknowledge and encourage the County's continuing work with the Texas GLO to improve its program and meet the Texas GLO's expenditure deadline.

- Comment 14 The County described steps and trainings that it had undertaken to improve the administration of its program, including improving process flow, establishing written policies and procedures, standardizing data collection efforts, and conducting extensive training to ensure competency in operating within program requirements. It also provided seven organizational charts to demonstrate the integration of contractor support to augment program staffing and lessen knowledge gaps.

We acknowledge the County's response and its efforts to address the identified issues. While we did not evaluate the County's recent procedural changes, trainings, or the organizational charts included in its response, the efforts described should help Harris County continue to improve the administration of its program. As such, we maintain our position and did not revise our recommendation, but encourage the County to continue working with the Texas GLO to improve its program.

- Comment 15 The County described weekly Housing Assistance Program (HAP) and HRP pipeline reports that provide status updates on these programs and include other activities occurring to assist in properly managing the program. It also provided reported outcomes for its LMI and non-LMI participants, including acknowledgement that pipeline data determined that the County's HRP program was funding more non-LMI households than anticipated. The County also described steps it is taking to address the situation.

We acknowledge the County's response and appreciate its explanation of the County's servicing of LMI and non-LMI households. We did not verify the LMI and non-LMI information included in the County's response; however, we encourage the County's continued use of reports that assist in its program monitoring efforts. Based on HUD's response to recommendation 1E, we revised the recommendation (see comment 4).

- Comment 16 The County provided seven organizational charts in its response.

Comments 5 and 14 address these organizational charts. We redacted individuals' names for privacy.