



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Administrative Missteps and Lack of Expertise Led to Delays and \$3.7 Million in Unnecessary State Spending for Hurricane Matthew Recovery

Summary

The North Carolina General Assembly directed the Program Evaluation Division (PED) to examine timeliness and reporting requirements for the Disaster Recovery Acts of 2016 and 2017 related to Hurricane Matthew recovery. Hurricane Matthew delivered significant human and financial damage to 50 North Carolina counties in October 2016.

In response, the General Assembly appropriated \$300.9 million for disaster recovery across the two acts. Additionally, the State received significant federal assistance, which included Community Development Block Grant-Disaster Recovery (CDBG-DR) funds. CDBG-DR is a U.S. Department of Housing and Urban Development (HUD) program. Session Law 2016-124 required CDBG-DR funds received by the Department of Commerce (DOC) be transferred to the Department of Public Safety (DPS), creating a dual-management structure for CDBG-DR wherein DOC remained the grantee acting on the State's behalf for CDBG-DR administration but with DPS serving as the subrecipient agency implementing CDBG-DR.

Among the various entities administering disaster recovery funds for Matthew, CDBG-DR funds have been distributed in the least timely manner; the State had only spent 1% (\$3.4 million) of its total award (\$236.5 million) as of December 2018. Several issues delayed distribution of CDBG-DR funds:

- non-compliant contracts for implementing CDBG-DR, which resulted in the State spending approximately \$3.7 million unnecessarily;
- limited institutional knowledge within state government for implementing CDBG-DR; and
- program design issues and changes in implementation strategies.

In its urgency to expedite recovery efforts, the State missed opportunities to fully leverage federal funds. HUD allows CDBG-DR funds to be used as the non-federal share for various disaster recovery funds that require a state match when states demonstrate a need. General Assembly appropriations demonstrated the State could meet this need, disqualifying it from using federal CDBG-DR funds to fulfill match requirements. PED also found information reported to the General Assembly on disaster recovery efforts is not performance-oriented and does not allow for comparison and identification of areas needing improvement.

The General Assembly should: require DPS to establish mechanisms to ensure future CDBG-DR contracts are HUD-compliant, develop standardized performance metrics, and notify various entities when CDBG-DR funds might be used for matching purposes when applicable; consider a core number of DPS staff as permanent employees to ensure preparedness for recovery efforts; and modify DPS's statutory reporting requirements.