

## Why GAO Did This Study

In response to the damage caused by natural disasters in 2017 through 2019, Congress appropriated approximately \$39 billion in disaster block grant funds to HUD. The decentralized environment in which HUD's disaster block grants operate creates vulnerabilities to different types of fraud as funds are distributed to grantees, subrecipients, contractors, and subcontractors.

As part of wide-ranging disaster-related work we are conducting, this report focuses on the potential for fraud in CDBG-DR homeowner assistance programs. This report examines, among other objectives, the extent to which (1) applicant data indicate vulnerabilities to fraud and data quality presents challenges to identifying such vulnerabilities and (2) network and other analyses can help HUD manage risks associated with the contracting environment.

GAO conducted data matching and analysis to identify potentially ineligible households for our selected grantees and subrecipients. GAO also conducted network analysis, among other analyses, to help HUD better understand and monitor its decentralized grant environment.

## What GAO Recommends

GAO is making seven recommendations to HUD, including that it develop guidance to collect applicant data to support eligibility decisions and contractor data to facilitate identifying risks. HUD agreed with some, but not all of the recommendations. GAO continues to believe all the recommendations are warranted and should be implemented.

View [GAO-23-104382](#). For more information, contact Rebecca Shea at (202) 512-6722 or [rshea@gao.gov](mailto:rshea@gao.gov).

## DISASTER RECOVERY

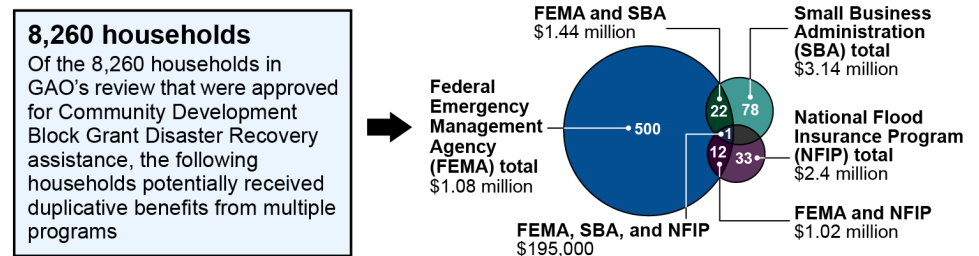
### HUD Should Develop Data Collection Guidance to Support Analysis of Block Grant Fraud Risks

## What GAO Found

GAO's analysis of Community Development Block Grant Disaster Recovery (disaster block grant) applicant data identified vulnerabilities to fraud. Out of 8,260 households reviewed, GAO identified

- **Potential duplication of benefits.** 500 households were approved for Federal Emergency Management Agency (FEMA) assistance that is potentially duplicative of disaster block grant assistance. The FEMA-only assistance for these households totaled over \$1 million. The figure shows other potentially duplicative assistance GAO identified.
- **Potentially ineligible households.** 197 households with estimated income over limits were approved. Estimated income for two of these households exceeded \$330,000—far above the income limits.

#### Households Potentially Receiving Duplicative Benefits from Multiple Programs



Source: GAO analysis of Department of Housing and Urban Development data. | GAO-23-104382

Note: The categories in this figure are not mutually exclusive.

GAO also found that the U.S. Department of Housing and Urban Development (HUD) does not require grantees and subrecipients to collect applicant data in a complete and consistent manner to support applicant eligibility determinations and fraud risk management.

GAO's analysis of the disaster block grant contracting network identified key players who are important to HUD's risk-based monitoring because of the greater potential impact they have on the contracting environment. Specifically, GAO identified 16 contractors and 30 subcontractors that are key players within a network of 1,324 entities. While key players' ability to influence or diffuse information can lead to positive outcomes, fraud risk is heightened when information on control vulnerabilities or wrongdoing is more easily shared across the network.

GAO's analysis of the 16 contractors that are key players illustrates how HUD and grantees could better understand the disaster block grant risk environment by collecting contractor and subcontractor data, such as unique entity identifiers. Currently, HUD's approach to identifying and managing risks focuses on monitoring individual grantees and may not fully assess risks across the contracting environment. HUD does not provide specific guidance to grantees on standards or requirements for collecting data. Additional guidance from HUD on what data elements to collect could support grantees' and subrecipients' ability to identify contractors that are debarred, suspended, or excluded from receiving federal contracts.