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RELEASE**

*ECONOMIC DEVELOPMENT
ADMINISTRATION*

*Hurricane Andrew Disaster Assistance:
EDA Made Fast, Sound Project Selections But
Could Have Better Managed Problem Projects*

Audit Report No. ATL-8989-8-0001 / September 1998

Office of Audits, Atlanta Regional Office



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EXECUTIVE SUMMARY

In August 1992, Hurricane Andrew struck south Florida with winds of up to 170 miles per hour, devastating a 20-mile-wide path across south Dade County. The Congress responded to this and other natural disasters by appropriating about a billion dollars to various federal agencies under the Dire Emergency Supplemental Appropriations Act, including \$80 million to Commerce's Economic Development Administration to make grants for disaster relief. Between 1992 and 1995, EDA received 69 Hurricane Andrew relief proposals requesting a total of more than \$130 million and the agency funded 28 projects totaling \$50.9 million.

The Congress placed few restrictions on EDA's use of the disaster funds and instructed the agency to "use all existing administrative flexibility to waive local match requirements and to expedite the delivery of assistance to communities." In fact, the relief money was appropriated as no-year funding, which afforded EDA the flexibility to reprogram award funds if quickly-made initial project selections proved to be problematic, effectively giving the agency a second chance to best use the funds. To further enhance EDA's ability to expedite grant awards, the Congress appropriated \$5 million to supplement the agency's operating budget, of which about \$3 million was allocated by EDA to administer and manage Hurricane Andrew relief projects.

EDA's Atlanta Regional Office, which was primarily responsible for administering and managing the hurricane projects, did a good job of quickly selecting the 28 projects and, for the most part, chose projects that were both sound in concept and appeared responsive to the economic recovery needs of the area. EDA worked with local governments and other organizations to prepare short- and long-term economic development plans, and then assisted them in identifying and developing disaster assistance projects that were compatible with the plans. Agency officials remained on-site in the Miami area for the duration of time needed to complete the project development and selection phase, and made the 28 awards within a few months of completing the planning phase. (See pages 3 through 6.)

Despite the agency's commendable efforts in expediting the delivery of constructive disaster relief assistance awards, nine projects turned out to be problematic, experiencing significant delays. These projects were late in starting and slow in completion. Several of them may never be finished. Delayed projects provide diminishing benefits for disaster recovery, and incomplete projects afford little, if any relief. Those nine problem projects also unnecessarily tied up millions of dollars that might have been put to better use for other disaster recovery purposes. (See pages 6 through 9.)

Our analysis of the delayed construction projects revealed two common traits: all but three were located outside the direct path of the hurricane, and all nine were designed to mitigate or accommodate the out-migration of businesses or enhance or encourage tourism in areas affected by the storm, as opposed to repairing or replacing storm-damaged or inadequate buildings and infrastructure. In contrast, all of the projects that proceeded to completion in a timely fashion were located within the 20-mile wide path of destruction cut by Hurricane Andrew and were more traditional repair-and-replace public works projects. Based on this, we concluded that the location and purpose of the nine delayed projects rendered them less urgent than the others and therefore more vulnerable to delay because they lacked sufficient local impetus to proceed on their own. (See pages 9 through 14.)

We found that the delays among the nine projects were not attributable to EDA. Nonetheless, the adverse impact of the delays was exacerbated by the agency's failure to take timely action to eliminate or resolve the delays. This was due to the failure of regional officials to follow existing policies and procedures for managing projects. EDA officials acknowledged the problem, but contended that the agency had limited staff available to monitor the disaster relief grants. We found, however, that the agency made little effort to follow even the most minimal monitoring procedures, such as enforcing the requirement that grantees submit periodic status reports. Moreover, some of the \$5 million provided to supplement EDA's operating budget could possibly have been used to hire temporary employees or to contract out for additional oversight services. Had EDA officials recognized the symptoms of problem projects early on, they might also have been able to better focus the agency's resources and financial leverage on assuring that those projects were either started and completed on time or timely terminated so that the funds could be made available for other disaster recovery purposes. (See pages 15 through 19.)

As of November 1997, there was about \$13 million in unspent appropriations obligated to 11 hurricane projects, including 8 of the 9 problem projects discussed in this report and 3 other projects that were completed with cost underruns. (See pages 19 through 21.)

In responding to the draft audit report, EDA indicated that the agency appreciated our acknowledgment of its success in planning and expediting the awards, but otherwise disagreed with our conclusion that the delays in project completions were associated with the location and purpose of the projects, characterizing our observations as a coincidence. Instead, the agency contends that the project monitoring and management problems were primarily caused by the lack of staff and other resources. We do not agree with EDA's assertions and have, therefore, made no material changes from the draft audit report. EDA provided an update on the status of the projects, which shows that, except for three ongoing projects, all other projects have either been completed or terminated. EDA's update also shows that \$2,210,568 continues to be obligated to five completed projects that should be deobligated. We have summarized the agency's response after the appropriate sections in this report and have included the agency's complete response as Appendix I.

We are recommending that EDA:

- Continue its successful use of on-site planning and award selection for future disaster assistance efforts.
- Ensure that its existing prescribed policies and procedures for managing and monitoring projects are followed in future disaster assistance efforts.
- Develop supplemental policies and procedures for managing disaster relief projects that will assist the agency in identifying and more effectively monitoring those projects that are most vulnerable to delay.
- Deobligate the \$2,210,568 obligated to five completed projects.

INTRODUCTION

In August 1992, Hurricane Andrew struck south Florida with winds of up to 170 miles per hour, devastating a 20-mile-wide path across south Dade County. At the request of Florida's governor, the President declared Dade County and three adjacent counties (Broward to the north, Collier to the northwest, and Monroe to the south) as a major disaster area. In September 1992, the Congress responded to this and other natural disasters by appropriating about a billion dollars to various federal agencies under the Dire Emergency Supplemental Appropriations Act, including \$80 million to the Economic Development Administration to provide disaster relief assistance around the country. Between 1992 and 1995, EDA received 69 proposals requesting a total of more than \$130 million for Hurricane Andrew relief projects; the agency funded 28 projects with 30 grants totaling \$50.9 million.

Although much of the billion-dollar disaster appropriation was aimed at addressing the immediate emergency needs of protecting life and property and providing food, shelter and other basic services, the Congress intended that the EDA monies fund projects for longer term economic recovery and growth. Specifically, the Congress appropriated the monies for EDA to use under the authority of the Public Works and Economic Development Act's Title IX grant program, Special Economic Development and Adjustment Assistance, which gives the agency broad authority and flexibility to fund long-term economic development projects.

The Congress placed few restrictions on EDA's use of the disaster funds and instructed the agency to "use all existing administrative flexibility to waive local match requirements and to expedite the delivery of assistance to communities." The relief money was appropriated as no-year funding, which afforded EDA the flexibility to reprogram award funds if quickly-made initial project selections proved to be problematic, effectively giving the agency a second chance to best use the funds. To further enhance EDA's ability to expedite grant awards, the Congress appropriated \$5 million to supplement the agency's operating budget, of which about \$3 million was allocated by EDA to administer Hurricane Andrew relief projects.

PURPOSE AND SCOPE

The purpose of our audit was to evaluate EDA's effectiveness and efficiency in managing its Hurricane Andrew assistance program, which was administered by the agency's Atlanta Regional Office. In particular, we examined EDA's project selection process and its management and monitoring of the projects funded. The findings and recommendations in this report focus on issues that relate to EDA's completing its Hurricane Andrew efforts and on lessons learned from those efforts.

Audit field work was conducted from May through October 1997. We reviewed the legislative history of the 1992 Dire Emergency Supplemental Appropriations Act, Public Law 102-368, to determine the congressional intent of the EDA appropriation. We obtained information on each of the 28 disaster recovery projects by reviewing project files and interviewing responsible officials at EDA's Atlanta Regional Office, the agency's Washington headquarters, and various grantees. We also relied to some extent on a March 1996 consultant report by Aguirre

International, *EDA's Post-Disaster Assistance Program After Hurricane Andrew: Final Report*, which focused on an evaluation of EDA's disaster recovery planning and project selection process, and preliminary results of the projects' impact. In addition, we reviewed all prior OIG audit reports on the grantees that received disaster grants, which are listed below.

- Metro Dade County, ATL-4624-3-0001, January 1993
- Miami Capital Development, ATL-7104-5-0001, March 1995
- Miami Downtown Development Authority, ATL-7103-5-0001, August 1995
- Village of Key Biscayne, ATL-8586-6-0001, May 1996
- Seminole Tribe of Florida, ATL-8585-6-0001, June 1996
- Miami Downtown Development Authority, ATL-9297-7-0001, June 1997

We examined EDA's internal controls as they relate to making grant awards and monitoring and managing construction projects. We relied, to some extent, on certain EDA computer-generated data, which we tested and validated.

In August 1998 we provided EDA with a draft audit report for review and comment. We have summarized the agency's response after the appropriate sections in this report and have included the agency's complete response as Appendix I.

Our audit was performed in accordance with generally accepted government auditing standards and under authority of the Inspector General Act, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

FINDING AND RECOMMENDATIONS

EDA GENERALLY MADE FAST, SOUND PROJECT SELECTIONS BUT COULD HAVE BETTER MANAGED PROBLEM PROJECTS

EDA's Atlanta Regional Office did a good job of quickly selecting the 28 projects for Hurricane Andrew disaster relief grants and, for the most part, selected conceptually sound projects which were responsive to the economic needs of the area. Nevertheless, nine construction projects turned out to be problematic, experiencing significant delays; two of the nine were ultimately terminated and several may never be finished.

The impact of the delays was exacerbated by EDA's failure to recognize the problem projects and take timely corrective action to eliminate or mitigate the delays. As a result, those projects are unlikely to provide the anticipated relief and assistance to the Miami area, since delayed projects provide diminishing benefits for disaster recovery and incomplete projects afford little or no relief. EDA's failure to manage the problem projects also unnecessarily tied up millions of dollars that might have been put to better use for other disaster recovery project purposes. As of November 1997, there was about \$13 million in unspent appropriations obligated to 11 hurricane projects, which included 8 of the 9 problem projects and represented about 26 percent of the \$50.9 million in disaster funding. Spending the \$13 million now on projects related to Hurricane Andrew, more than six years after the hurricane, would most likely be ineffective and wasteful.

A. Awards Expedited and Projects Conceptually Sound

It was clear that EDA expedited its grant award process as the Congress intended. Within a few months after receiving the September 1992 appropriation, the agency had awarded seven disaster recovery planning grants totaling about \$1.9 million to local governments and nonprofit organizations. Those local governments and organizations, with EDA's help, used the planning grant monies to develop short- and long-term recovery plans, which the agency then used to make its decisions on which projects to fund among the 69 proposals requesting a total of more than \$130 million.

As noted in the Aguirre International consultants' report, which evaluated EDA's disaster recovery planning and project selection process, agency officials remained on-site in the Miami area for the duration of time needed to see projects through the development and selection phase. The agency team included planning, economic development, engineering, environmental, and grant processing specialists who worked with local officials to identify and prioritize projects that were compatible with the plans and responsive to the area's economic recovery. The consultant's report recommended, and we agree, that EDA should continue these planning and selection practices in future disaster efforts.

In the spring of 1993, the agency used the remaining \$49 million of the \$50.9 million to fund 21 projects, which included:

- 2 technical assistance and training programs totaling \$800,000;
- 3 revolving loan funds totaling \$7,500,000; and
- 16 construction projects totaling \$40,700,000.

The two technical assistance grants funded consulting services for local businesses, and the three revolving loan funds provided low-interest loans to help companies recover from the hurricane. The 16 construction projects included a variety of relief initiatives, which can be placed into two basic functional groups:

- Seven of the projects were more traditional awards to repair or improve water and sewer systems or municipal and nonprofit organization facilities located in the direct path of the hurricane.
- The other nine were designed to mitigate or accommodate the out-migration of businesses or to encourage tourism in areas affected by the storm.

The following is a list of the 16 Hurricane Andrew construction projects, including the name of the grantee, the amount of the award, and a brief description of each project.

Hurricane Andrew Construction Projects

Traditional Repair-and-Replace Public Works Projects:		
Grantee	Amount	Project Description
City of Homestead (2 grants)	\$7,765,400	Design and construct expanded water and sewer system to serve race car track and industrial park
Florida City	5,000,000	Replace and upgrade water treatment and distribution system for future growth
Metropolitan Dade County	5,000,000	Install water and sewer mains along major highway for future growth
Florida City	2,865,000	Replace and expand municipal buildings, including city hall, police station, and community center
City of Everglades	1,830,000	Improve water and sewer system disrupted by hurricane
Goodwill Industries	1,500,000	Renovate and equip building to replace Homestead Air Force Base facilities destroyed by hurricane
Village of Key Biscayne	750,000	Construct new storm drainage system to better accommodate flooding

Out-migration or Tourism-type Projects:		
Metropolitan Dade County	4,500,000	Improve infrastructure and construct new facilities for city zoo
Miami Development Authority	2,500,000	Renovate building for international trade center in downtown Miami
Miami-Dade Community College	2,000,000	Build business incubator in West Perrine
City of Hialeah	1,500,000	Convert old train station into farmers' market
Miami-Dade Community College	1,500,000	Renovate old building for business incubator in Homestead
Center for Health Technologies	1,000,000	Renovate building for health industry incubator near Miami International Airport
City of Hialeah	1,000,000	Renovate building for manufacturing training and research center
Miccosukee Indian Tribe	1,000,000	Construct infrastructure for commercial and residential land development in Broward County
Seminole Indian Tribe	1,000,000	Construct historical Indian village, plant nursery, and craft shop for tourists near Ft. Lauderdale

EDA Response

In response to the draft report, EDA stated that it appreciated the OIG's acknowledgment of the commendable work performed by its Atlanta Regional Office in expediting the delivery of financial assistance awards in response to the Hurricane Andrew disaster. The agency discussed its history of providing disaster assistance and its use of the various assistance programs to aid in achieving long-term economic recovery in disasters. The agency stated that the prototype application of EDA's disaster program tools largely evolved in the last five years from EDA experience in South Florida in response to Hurricane Andrew and further elaborated on the specifics of its planning efforts. The response states:

“The purpose of this strategic plan was not to repair or replace what existed before the disaster, but to use the disaster as an opportunity to evaluate and prioritize what the community needed to do to sustain its economic base, safeguard its jobs and indeed enhance economic growth, wherever in the county they needed to make investments to get it done.”

EDA pointed out that some projects were located in areas that experienced physical damage and some were located outside of the damaged areas, but that all addressed the economic dislocation caused by the disaster and represented either new development or enhancements or improvements beyond what existed before the disaster. The agency said that Dade County was already suffering

from a double digit rate of unemployment from recent airline and bank failures and experiencing an economic chill from the impending closure of Homestead Air Force Base. EDA states that the hurricane, EDA's planning grants, and the Agency's technical assistance helped Dade County connect opportunity with strategic action.

OIG Comments

We agreed that EDA's strategic plan in response to Hurricane Andrew appeared to be a good one. EDA's ability to assist in the economic problems caused by the hurricane and, at the same time, address the area's economic problems caused by other adverse business conditions is noteworthy. We also note, however, that all of the projects funded using the Dire Emergency Supplemental Appropriations Act monies had to relate to timely assisting the economic recovery from the hurricane.

B. Nine Construction Projects Experienced Significant Delays

Although the technical assistance and revolving loan fund projects generally proceeded in a timely fashion, we found that 9 of the 16 construction projects, accounting for \$15 million, or about 31 percent of the total EDA Hurricane Andrew relief funds, experienced significant delays. The table below lists the nine problem construction projects for which completion was delayed by more than 12 months. Note that:

- Three projects were 16 to 20 months behind schedule at the end of our fieldwork and were still not completed;
- Two of the projects were not terminated until they were 14 and 15 months behind schedule;
- Three of the projects, although completed, were from 13 to 16 months behind schedule when completed; and
- One project was not due to be completed until after our review but was already 15 months behind schedule in getting construction started.

DELAYS AMONG NINE PROBLEM PROJECTS										
		DESIGN COMPLETE			CONSTRUCTION START			CONSTRUCTION COMPLETE		
Grantee	Award Date	Planned	Actual	Months Behind Schedule	Planned	Actual	Months Behind Schedule	Planned	Actual	Months Behind Schedule
Seminole Tribe	5/93	2/94	8/95	17	6/94	4/96	20	12/95	10/97	21
Miami Center	7/93	1/94	6/95	17	5/94	8/95	15	7/95	10/96**	15**
Dade County Zoo	8/93	9/94	8/96	11	1/95	1/96	12	7/96	10/97	16*
Miccosukee Tribe	8/93	5/94	N/A	42*	9/94	10/97	38*	3/96	10/97	20*
Miami-Dade CC	9/93	6/94	N/A	41*	10/94	10/97	37*	4/96	10/97	19*
Hialeah	10/93	6/94	9/95	15	10/94	11/95	13	4/96	5/97	13
Hialeah	10/93	6/94	11/95	17	10/94	2/96	16	4/96	8/97	16
Health Tech	2/94	10/94	1/96**	36	2/95	1/96**	44	8/96	1/96**	14**
Miami-Dade CC	2/95	4/95	N/A	30	7/96	10/97	15*	1/98	N/A	N/A

* As of end of audit fieldwork on 10/31/97

** Award termination date

As a matter of policy¹, EDA established *five years* as the maximum allowed time to complete a project for it to be considered a timely response to the disaster. The following tables show the disbursement history of each of the 17 grants that funded the 16 construction projects, divided into two separate groups, *timely projects* and *delayed projects*. As shown, at the time of our audit fieldwork, six of the eight timely projects, but only one of the nine delayed projects, were 100 percent disbursed and completed. As discussed later, the two Hialeah projects are now complete, but both experienced significant, unnecessary delays.

Disbursements for Timely Projects

Grantee	Award Date	Disbursements by Year					Total Disbursed	Award Amount	Percent Disbursed
		1993	1994	1995	1996	1997			
Goodwill	4/93	\$ 0	\$1,500,000	\$ 0	\$ 0	\$ 0	\$ 1,500,000	\$ 1,500,000	100
Everglades	4/93	0	0	1,483,194	346,806	0	1,830,000	1,830,000	100
Homestead	4/93	357,000	408,400	0	0	0	765,400	765,400	100
Florida City	5/93	0	0	220,978	2,644,022	0	2,865,000	2,865,000	100
Florida City	5/93	0	933,555	3,637,389	0	0	4,570,944	5,000,000	91
Dade County	10/93	0	0	0	5,000,000	0	5,000,000	5,000,000	100
Key Biscayne	2/94	360,606	389,394	0	0	0	750,000	750,000	100
Homestead	11/94	5,432,570	449,563	1,044,193	0	0	6,926,326	7,000,000	99
Cumulative Totals		\$6,150,176	\$9,831,088	\$16,216,842	\$24,207,670	\$24,207,670	\$24,207,670	\$24,710,400	98

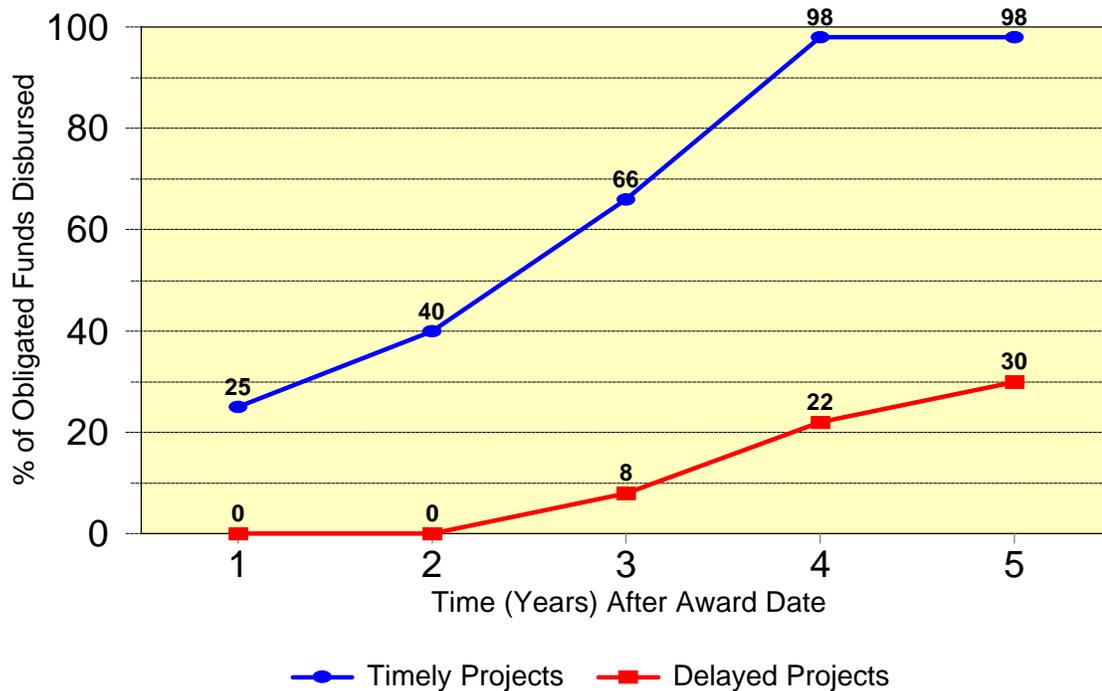
¹ Volume 65 of the Public Works Manual of Procedures, Section 2-16

Disbursements for Delayed Projects

Grantee	Award Date	Disbursements by Year					Total Disbursed	Award Amount	Percent Disbursed
		1993	1994	1995	1996	1997			
Seminole	5/93	\$0	\$0	\$ 0	\$ 836,012	\$ 163,988	\$1,000,000	\$ 1,000,000	100
Miami Trade Ctr.	7/93	0	0	0	115,000	500,000	615,000	2,500,000	25
Dade Cty Zoo	8/93	0	0	1,301,905	0	0	1,301,905	4,500,000	29
MiccosukeeTribe	8/93	0	0	0	0	0	0	1,000,000	0
Miami-Dade CC	9/93	0	0	0	0	0	0	1,500,000	0
Hialeah	10/93	0	0	0	841,267	385,923	1,227,190	1,500,000	82
Hialeah	10/93	0	0	0	418,100	272,499	690,599	1,000,000	69
Hlth Tech.	2/94	0	0	0	0	0	0	1,000,000	0
Miami-Dade CC	2/95	0	0	0	0	0	0	2,000,000	0
Cumulative Totals		\$0	\$0	\$1,301,905	\$3,512,284	\$4,834,694	\$4,834,694	\$16,000,000	30

The chart *on the following page* shows the cumulative annual percentage of obligations disbursed after the first year of award for the project groupings reflected in the two tables above. As shown, in the aggregate, the nine problem projects took about a year longer to start than the other seven, and continued to lag significantly behind the latter group in progressing toward completion. Specifically, four years after the award, EDA had disbursed 98 percent of the grant funds on the timely projects, while a year later, the agency had disbursed only 30 percent on the nine delayed projects.

Disbursement Following Grant Award



EDA Response

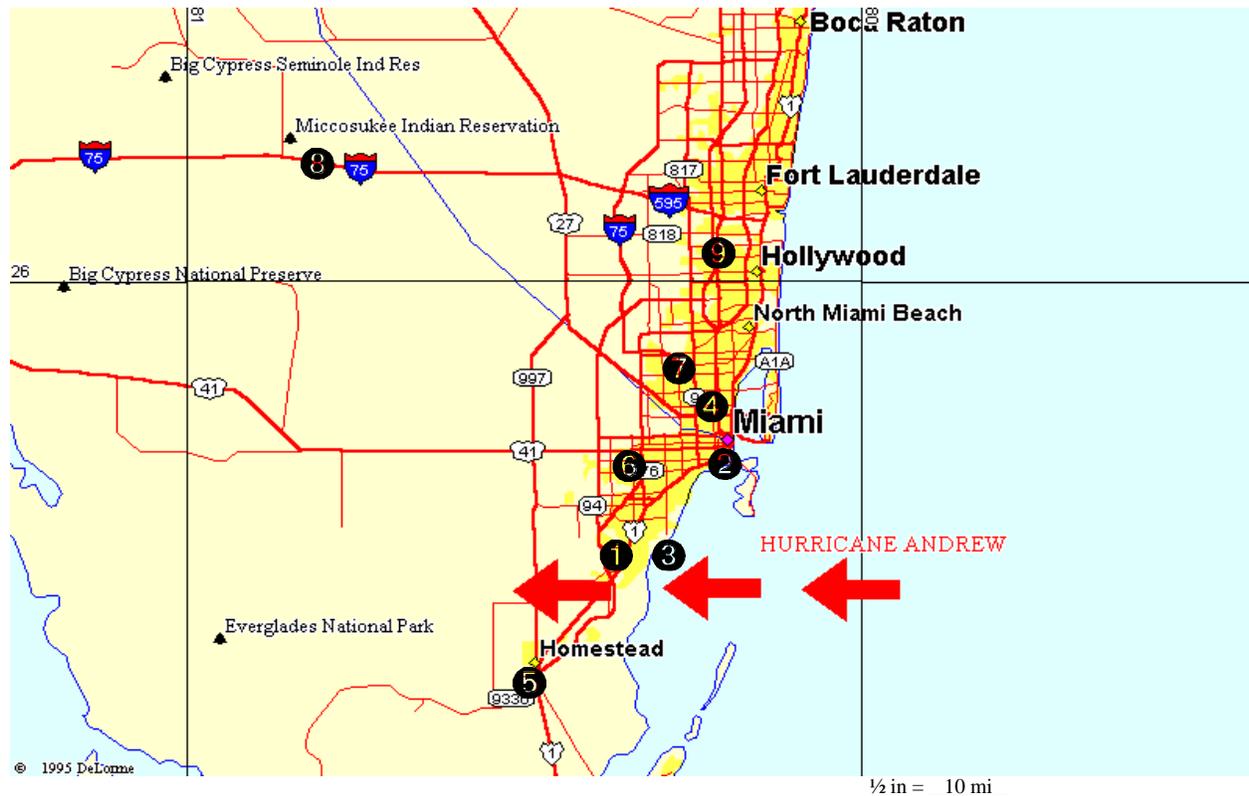
In response to the draft report, EDA did not disagree with the facts we presented demonstrating the project delays or with our conclusion that 9 of 16 construction projects experienced significant delays. However, as discussed in the following section, the agency disagreed with our conclusion that the nine projects appeared less urgent than the other seven due to their locations and purposes.

C. Delayed Projects Appeared Less Urgent Than Others Due to Location and Purpose

Our analysis of the delayed construction projects revealed two common traits: all but three were located well outside the direct path of the hurricane, and all nine were designed to mitigate or accommodate the out-migration of businesses or enhance or encourage tourism in areas affected by the storm, rather than the more traditional projects to repair or replace storm-damaged or inadequate buildings and infrastructure. In contrast, all of the projects that proceeded to completion in a timely fashion were located within the 20-mile wide path of destruction cut by Hurricane Andrew and were more traditional repair-and-replace public works projects. Based on this, we concluded that the location and purpose of the nine delayed projects rendered them less urgent than the others and therefore more vulnerable to delay because they lacked sufficient local impetus to proceed on their own.

The following map shows the location of the nine problem projects relative to the path of the hurricane that moved from east to west across the state and cut a 20-mile wide path north to south. As noted above, all but three are located well outside the path of the storm's destruction.

Locations of Nine Problem Projects



- ❶ \$4,500,000 Metropolitan Dade County Zoo
- ❷ \$2,500,000 Miami International Trade Center
- ❸ \$2,000,000 Miami-Dade Community College Business Incubator
- ❹ \$1,500,000 Hialeah Farmers' Market
- ❺ \$1,500,000 Miami-Dade Community College Business Incubator
- ❻ \$1,000,000 Center for Health Technology Health Industry Incubator
- ❼ \$1,000,000 Hialeah Manufacturing Training and Research Center
- ❽ \$1,000,000 Miccosukee Indian Tribe Land Development
- ❾ \$1,000,000 Seminole Indian Tribe Historical Indian Village

The following are brief histories and observations of the nine delayed construction projects, including a description of the purpose of each project and a summary of its progress as of November 1997. None of these projects involved the repair or replacement of storm-damaged or inadequate facilities.

**❶ Metropolitan Dade County
Zoo**

A \$4.5 million grant was awarded to Dade County in August 1993 to improve the existing zoo facilities by adding an auditorium. Although the zoo is located in the path of the hurricane, most of the costs to repair storm-damaged facilities were borne by sources other than EDA and those repairs were quickly completed. The 1996 EDA consultant's report erroneously commends local officials on rapidly completing the EDA portion of the work, despite the fact that it was only 30 percent complete at the time of our review. According to local officials, the project has been experiencing engineering and design delays.

**❷ Miami Downtown Development Authority
International Trade Center**

A \$2.5 million grant was awarded to the Miami Downtown Development Authority in July 1993 to renovate a downtown building for use as an international trade center. The project site was located 10 miles north of the hurricane's path. Construction was unnecessarily delayed for months while the grantee attempted to convince EDA to materially change the terms of the grant agreement. This delay contributed to the project's ultimate demise, which occurred after the grantee realized that the trade center's operator could not finance the center's operations and requested that the project be terminated for convenience. In a separate OIG audit of the project, *Miami Downtown Development Authority, No. ATL-9297-7-0001, June 1997*, we concurred with the termination decision but found that the city could not adequately support \$1.4 million in claimed costs. In the final analysis, this unsuccessful venture cost the taxpayers \$615,000 for the government's share of costs incurred when the project was terminated.

**❸ Miami-Dade Community College
Perrine Business Incubator**

A \$2 million grant was awarded to Miami-Dade Community College in February 1995 to construct a business incubator on its Perrine campus, which is located inside the hurricane's path. In July 1996, college officials asked EDA to transfer the award to Metropolitan Dade County because the college could not afford to buy land needed for the facility or finance facility operations. When we visited the project site during June 1997 -- more than two years after the grant was awarded, the project had not been started and EDA had made no disbursements. According to local officials, no actions were planned on the project at the time of our site visit.

**④ City of Hialeah
Farmers' Market**

A \$1.5 million grant was awarded to the City of Hialeah in October 1993 to convert an old train station into a farmers' market. This project is located 20 miles north of the hurricane's path. The project was completed in July 1997, but only after the city delayed the project for about two years to determine whether it was viable or really needed, although this was supposed to have been determined at the time the award was made.

**⑤ Miami-Dade Community College
Homestead Business Incubator**

A \$1.5 million grant was awarded to Miami-Dade Community College in September 1993 to construct a business incubator on its Homestead campus, located in the path of Hurricane Andrew. In May 1996, college officials asked EDA to permit them to reprogram the grant funds to purchase audio, video, and computer equipment for a telecommunications training project because there was no demand for another office facility on the campus. In June 1996, EDA approved the request but required that the new project be completed by December 1997. At the time of our visit in June 1997, however, college officials had not yet purchased any equipment because they were uncertain about the need for the project, the primary issue to have been determined at the time the award was made.

**⑥ Center for Health Technologies
Health Industry Incubator**

A \$1 million grant was awarded to the Center for Health Technologies in February 1994 to renovate a building owned by the City of Miami for an incubator for health technology companies. The building was located 10 miles north of the hurricane's path. The project began experiencing problems when project officials failed to agree on leasing arrangements because the city was apprehensive about having to reimburse EDA for the leasehold improvements in the event the project did not come to fruition. EDA terminated the project in January 1996 before any project costs were incurred or funds were disbursed. Unfortunately, this did not happen until four years after the hurricane.

**⑦ City of Hialeah
Manufacturing Training and Research Center**

A \$1 million grant was awarded to the City of Hialeah in October 1993 to rehabilitate and convert a warehouse into a manufacturing training and research facility. The warehouse is located about 20 miles north of the hurricane's path. The project is now complete, and EDA has disbursed about 70 percent of the total funds. However, as in the case of the other Hialeah project, the farmers' market, the city delayed the project for nearly two years to determine whether it was really needed, although this was supposed to have been determined at the time the award was made, and did not submit its first claim for costs until August 1996.

⑧ Miccosukee Indian Tribe Land Development Project

A \$1 million grant was awarded to the Miccosukee Indian Tribe in August 1993 to build the infrastructure necessary to develop commercial, industrial, and residential properties on a site about 50 miles north of the hurricane's path, which is located on National Park Service land. When we visited the project site during June 1997, the project had not been started and no federal funds had been disbursed because the Park Service objected to the development plan.

⑨ Seminole Indian Tribe Historical Indian Village

A \$1 million grant was awarded to the Seminole Indian Tribe in May 1993 to renovate an arts and crafts building and construct a living Indian village and plant nursery for tourists. This project is located about 40 miles north of the path of Hurricane Andrew. The project was scheduled for completion about 2-1/2 years from the grant award date, but was delayed because the tribe was slow to finish the village's design. No actual construction began until March 1996, a month after the OIG began an audit of the project. In our audit report, *Seminole Tribe of Florida, No. ATL-8585-6-0001, June 1996*, we concluded that EDA should not have made the grant because the project was not needed for economic disaster recovery, and that the award should have been terminated when the tribe failed to complete design work within a reasonable period of time.

EDA Response

In response to the draft report, EDA stated:

“Contrary to the assertion of the OIG Draft Report, the ability of a disaster grantee to keep to its implementation schedule is not a function of the location of the project.”

EDA believes that it was a coincidence that six of the nine problem projects were not located in the path of the hurricane, but did not comment on the similarities of the projects' purposes. The agency also believes that our conclusion that the location and purpose of the delayed projects rendered them less urgent and therefore more vulnerable to delay due to the lack of local impetus, contradicts our conclusion that EDA planning efforts resulted in projects sound in concept and responsive to the area's needs. EDA asserts that the agency is constantly working to reduce such delays, which sometimes occur in:

“ (1) programs that involve elements of acquisition, difficult site conditions, external regulatory issues and construction contracting or in (2) working with inexperienced or unsophisticated grantees (typically, nonprofits, small municipalities and Indian tribes).”

EDA stated that it cannot and will not refuse to meet legitimate needs because they may be more difficult or require a longer time to complete, but goes on to say that the agency does not consider delays as acceptable or that they are not noteworthy of special attention. While EDA concedes that delayed projects is a valid issue warranting continued effort, the agency believes that it is misleading to portray the issue as somehow extraordinary with respect to disaster-related projects or due to any lack of urgency on the part of grantees.

The agency's response also stated:

“... EDA feels very strongly that the suggestion that tourism or other types of projects that respond to related disaster effects (other than direct physical damage) might be questionable, constitutes an opinion of the OIG that is not consistent with EDA and other Federal Agency policies and characterization of appropriate disaster response and mitigation projects. The EDA disaster program addresses economic damage (the disruption of economic activity that is or may be permanent and of such scope and magnitude that the structural economic base of an area is threatened) wherever it occurs, inside or outside of physically-damaged areas or in any industry sector. The Final Audit Report should make clear that the OIG is offering an opinion that is not only contrary to EDA and the Department of Commerce, but other Federal agencies involved with disaster response, recovery and mitigation.”

OIG Comments

We do not disagree that project delays may occur due to problems with land acquisition, difficult site conditions, external regulatory issues, construction contracting or in working with inexperienced or unsophisticated grantees. However, the fact cannot be ignored that those type problems were overcome and did not affect the progress of the seven projects that repaired, replaced or improved storm-damaged infrastructure. Therefore, other factors must have been in play for the nine significantly delayed projects, and the common factors that we could identify were “location” and “purpose.” They were not within the hurricane's path and were not repair, replacement or even improvement projects in area's infrastructure. Therefore, we do not believe that this was merely a coincidence, as EDA contends. Moreover, we continue to believe that those factors made them less urgent and more vulnerable to delay due to the lack of sufficient local impetus to overcome whatever obstacles laid in the way of timely completing the projects.

We did not suggest that “tourism or other types of projects that respond to related disaster effects (other than direct physical damage) might be questionable.” Therefore, we did not contradict our conclusion that EDA did a good job, for the most part, selecting conceptually sound projects which were responsive to the economic needs of the area. As we discuss in the following section, we are simply saying that the facts, as they relate to the Hurricane Andrew disaster program, strongly indicate that, when EDA makes such awards, those type projects need closer monitoring and management, including using the agency's financial leverage, to assure that they are completed in a timely manner.

As EDA is increasingly called upon to become more involved in Federal disaster relief efforts, it is reasonable to expect that EDA will want to thoroughly assess and understand (1) the policies and

procedures that worked well and (2) the policies and procedures that experienced some problems and require management's attention. Ultimately, EDA must (1) review the untimely projects in question, (2) ascertain their common traits, and (3) develop policies and procedures that will help ensure that future projects do not encounter similar problems.

D. EDA's Poor Project Management Exacerbated the Impact of Delayed Projects

Compounding the vulnerability to delay of the nine problem projects was the fact that EDA's Atlanta Regional Office did a poor job of ensuring that the projects were started and completed on time. Implicit in the congressional directive to expedite the delivery of disaster relief assistance, and reflected in EDA's establishment of a 5-year completion period, was the expectation that projects would be completed within a reasonably short period of time so that they would be effective in helping the Miami area recover from the hurricane. While EDA did not cause the delays, regional officials, in effect, exacerbated the untimely projects because they adopted a passive approach toward monitoring the projects, including managing conditions that could lead to delay. Consequently, as shown by the following examples, they were slow to recognize problem projects and unable to effectively allocate and target limited staff resources. Moreover, once problem projects were identified, agency officials did not act quickly to resolve the problems.

EDA's monitoring of these projects was haphazard at best. Regional officials did not follow EDA procedures intended to systematically monitor projects, identify problems, and assure that projects were not unnecessarily delayed. As a result, the agency was generally unaware that a project was in trouble unless an inordinate amount of time had elapsed with no requests for reimbursement.

Required Grantee Performance Reports Were Generally Not Obtained

EDA's *Public Works Manual of Procedures, Post Approval Project Management*, provides specific guidance and instructions to regional offices on managing public works projects. Section 1.T. of the manual states that the project manager "will require the grantee to submit a project performance report for each calendar quarter" that, among other things, notifies the agency of any project delays and the reasons for them. This reporting requirement is also one of the standard terms and conditions of EDA grant agreements. Nonetheless, among the 16 Hurricane Andrew construction projects, grantee performance reports were submitted sporadically or not at all. This was most evident for the nine problem projects, where reporting was notably sparse. As shown in the following table, grantees on only two of the nine projects provided as many as a third of the required number of reports, and the grantees on four projects submitted no performance reports at all.

History of Performance Reports
on Nine Problem Projects

Project	Reports Due	Reports Received
❶ Dade County Zoo	16	0
❷ Miami Trade Center	15	0
❸ Perrine Business Incubator	16	10
❹ Hialeah Farmers' Market	14	4
❺ Homestead Business Incubator	10	6
❻ Health Industry Incubator	9	0
❼ Hialeah Training Center	14	3
❽ Miccosukee Development	16	0
❾ Seminole Historical Village	16	4
Total	126	27

Some of the grantee officials claimed that they were unaware of the reporting requirements, while others erroneously claimed to have submitted reports as required. EDA regional officials stated that they generally do not concern themselves with performance reports unless the grantee is requesting a disbursement or monies have already been disbursed. EDA's *Public Works Manual*, Section 1.T.7., instructs the regions not to accept any requests for disbursements from grantees with delinquent performance reports, thereby providing the agency with financial leverage to obtain information on a project's progress. However, 10 of the 16 Hurricane Andrew construction projects received grant disbursements despite reporting delinquencies, including all 5 of the 9 problem projects that received disbursements.

Few Site Visits Made to Problem Projects

We also found that EDA officials made few site visits to the Hurricane Andrew projects. The following table shows that the agency visited the nine problem projects an average of only once during the past five years, and that the visits were all made during two 2-day trips within a 2-week period, February 23 and 24, and March 1 and 2, 1994. Moreover, no project was visited more than 10 months after the award or after its scheduled construction start date. EDA travel records indicate that regional officials made eight other visits to the Miami area between 1995 and 1997; however, there is no indication that they visited any of the delayed disaster projects on those trips.

History of EDA Site Visits on Nine Problem Projects

Project	Award Date	No. of Site Visits	Date of Last Visit
⑨ Seminole Historical Village	5/14/93	2	3/2/94
② Miami Trade Center	7/1/93	1	2/23/94
① Dade County Zoo	8/6/93	1	2/24/94
⑧ Miccosukee Development	8/12/93	0	--
⑤ Homestead Business Incubator	9/30/93	1	3/3/94
④ Hialeah Farmers' Market	10/5/93	1	2/23/94
⑦ Hialeah Training Center	10/5/93	1	2/23/94
⑥ Health Industry Incubator	2/23/94	1	3/1/94
③ Perrine Business Incubator	2/13/95	0	--

In addition, EDA regional officials did not adequately manage problem projects when they were eventually brought to the agency's attention. EDA has recognized that some projects may experience problems and hence will require special attention to (1) better assure their success and (2) better protect the government's interest. In fact, EDA's *Public Works Manual*, Section 2.V., Expediting Delayed Projects, Part 2, Identification and Review of Delayed Projects, provides the procedures that regional officials should utilize to expedite delayed projects:

- "a. The Regional Offices have the primary responsibility for identifying and taking measures to expedite delayed projects.
- b. Four basic options are available for the resolution of delays. They are:
 - (1) Continued negotiation with the grantee to resolve problems and implement the project as originally approved;
 - (2) Minor modification of the grant agreement not involving a change of scope;
 - (3) If a change in scope is involved, the project will have to be terminated;
 - (4) Termination for convenience or cause."

Of the nine problem projects, six have not been completed. EDA terminated two of the six long after it should have. Moreover, as of November 1997, EDA was undecided about the remaining four, and was negotiating with these grantees about resolving the problems. Because the Hurricane Andrew grants were made with no-year monies, the funds could have been reprogrammed to change a project's scope or reallocated to other disaster relief projects that could have benefitted from the funding. To be effective in assisting with recovery efforts,

however, reprogramming needed to be timely. It is now more almost six years since the hurricane struck and the necessity for additional disaster relief is highly questionable.

EDA regional officials generally acknowledged the problems with their managing these projects. They attributed the problems to not having enough time to closely monitor or, otherwise, manage the projects due to the significant surge in the workload created by Hurricane Andrew and other disasters, which was compounded by the reductions in regional staff over the past few years.

We found, however, that the agency made little effort to follow even the most minimal monitoring procedures, such as enforcing the requirement that the grantees submit periodic status reports. Moreover, some of the \$5 million provided to supplement EDA's operating budget could have been used to hire temporary employees or to contract out for additional oversight services. Had EDA officials recognized the symptoms of problem projects early on, they might also have been able to better focus the agency's resources and financial leverage on assuring that those projects were either started and completed on time or more timely terminated so that the funds could be made available for other disaster recovery purposes. It appears, however, that the agency was simply not prepared to effectively and efficiently manage its resources in administering the Hurricane Andrew program.

Our observations paralleled those included in the consultant's report. EDA's consultant advised the agency in 1996 about the need to develop a strategy to better manage the projects and more actively monitor the problem projects. The consultant report stated that:

“While EDA maintains contact with projects after they are approved, the projects that have performed less well suggest that more active post-funding monitoring and follow-up might either provide the projects with helpful guidance in implementation or assist EDA in deciding to terminate non-performing projects.”

The report also recommended that:

“Criteria . . . be established to better monitor *effective progress* of projects. Projects that do not show effective progress after a midpoint evaluation under the five-year guidelines should be considered for termination, with funds possibly reallocated to projects that have demonstrated effective progress and could benefit from additional funding.”

It is clear that EDA did not heed the consultant's advice. We believe that EDA should bring immediate closure to its Hurricane Andrew assistance program. At the same time, the agency should move to develop a strategy to better manage future disaster relief projects. In particular, EDA needs to better allocate its staff resources by, among other things, recognizing and anticipating the types of projects that are most vulnerable to delay and devoting more attention to those projects. The agency also needs to be willing to take prompt action to refocus or terminate a project when delays threaten to undermine or defeat its ability to provide effective and timely disaster relief.

EDA Response

In response to the draft report, EDA stated:

“The OIG Draft Report is incomplete/outdated with respect to its observations of EDA Staff Resources/Efforts Devoted to Post Award Monitoring. EDA agrees that early on, the inability to augment staff resources contributed to heavier workloads for existing post-approval management staff and the consequential reduced effectiveness of post-award monitoring. While EDA did have supplemental disaster S&E funding for these purposes, it would be appropriate for the OIG Audit Report to also note that at the same time, EDA and most agencies were subject to budget-driven austere administrative and operating constraints, which in EDA’s case resulted in frozen FTE ceilings and eventually an Agency RIF. Simply stated, under these circumstances, the additional funding could not necessarily be transformed into additional staff.”

“EDA believes that the Audit Report should also state that as the overall budget, administrative, and operating environment has improved, EDA, well aware of the sort of deficiencies pointed out by the audit, has moved aggressively to rebuild critical staff capacity, particularly with respect to regional office post-approval staff. In the case of the Atlanta Regional Office, three new full-time project management positions were approved in July, 1997, filled, and their contributions are reflected in the attached August 1998 Andrew project update table.”

OIG Comments

EDA places most of the blame for the serious deficiencies in project monitoring and management effort by its Atlanta Regional Office on the lack of staff and other resources. We are aware that limited staffing was a problem. But staffing alone does not explain conditions such as not obtaining required project status reports before disbursements were made to grantees, which is required by EDA procedures to protect the government’s financial interest. Moreover, as EDA notes, FTE ceilings did not prevent the hiring of temporary employees or contracting out for monitoring services.

Of greater concern, however, is EDA’s contention that it “remains sensitive to minimizing delays in implementing projects,” yet the agency has dismissed as coincidental the fact that location and purpose may provide the agency with indicators of problem projects. We hope that the agency seriously reconsiders the information and recommendations offered in this report when it prepares its audit action plan.

E. \$13 Million in Disaster Monies Needlessly Tied Up

As of November 1997, more than five years after the hurricane, there was about \$13 million in unspent appropriations obligated to 11 hurricane projects, most of which was obligated to 8 of the 9 delayed projects. Of the 16 construction projects, a total of about \$4.5 million was obligated to three projects not yet started, and about \$3.2 million to a project started but not yet completed. In addition, \$2.9 million remained obligated on two projects that have been terminated, and \$1.7

million was obligated to four other projects that were completed with cost underruns. As shown below, 8 of the 10 construction projects with obligations are among the nine problem projects previously discussed. In addition, about \$619,000 remained obligated but not needed on a revolving loan fund project. The projects and unspent appropriations were as follows.

PROJECT STATUS	UNDISBURSED APPROPRIATIONS
Not Started	
Miccosukee Tribe Land Development*	\$1,000,000
Miami-Dade Community College Incubator*	1,500,000
Miami-Dade Community College Incubator*	<u>2,000,000</u>
Subtotal	\$4,500,000
Not Completed	
Metropolitan Dade County Zoo*	<u>3,198,095</u>
Subtotal	3,198,095
Terminated	
Miami Development Authority International Trade Center*	1,885,000
Center for Health Technologies Incubator*	<u>1,000,000</u>
Subtotal	2,885,000
Completed	
Florida City Water System	429,056
Hialeah Manufacturing Training Center*	309,401
Hialeah Farmers Market*	272,810
Homestead Water and Sewer System	<u>700,000</u>
Subtotal	1,711,267
RLF	
Dade County Economic Research RLF	<u>618,750</u>
Subtotal	<u>618,750</u>
Total	<u>\$12,913,112</u>

* Among the nine delayed construction projects.

EDA Response

In response to the draft report, EDA provided current status information on the Hurricane Andrew projects, which is attached to its response in Appendix I. The information shows that EDA has terminated two additional projects since November 1997 and deobligated the \$3 million awarded to them; and has deobligated another \$3 million associated with the two projects that were terminated and two that were completed as of the end of our audit, for a total of about \$6 million.

OIG Comments

In reviewing the updated project information, we would like to point out that even as of the date of this report, three projects remain incomplete and all three are among the nine significantly delayed projects. Based on the updated project information from EDA, there is \$1,620,655 in undisbursed funds obligated to four completed and closed out construction projects and \$589,913 in undisbursed funds obligated to a revolving loan fund that should have already made all the needed loans for hurricane recovery. The \$2,210,568 for the five projects should be deobligated.

F. Recommendations

We recommend that the Assistant Secretary for Economic Development:

1. Continue EDA's successful use of on-site planning and award selection for future disaster assistance efforts.
2. Ensure that EDA's existing policies and procedures for managing and monitoring projects are followed in future disaster assistance efforts.
3. Develop supplemental policies and procedures for managing disaster relief projects that will assist the agency in identifying and more effectively monitoring those projects that are most vulnerable to delay.
4. Deobligate the \$2,210,568 obligated to five completed projects.

Funds to Be Put to Better Use

By implementing our recommendations, EDA could put approximately \$2.2 million of funds to better use.



APPENDIX I

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Economic Development
Washington, D.C. 20230

SEP 30 1998

MEMORANDUM FOR: George E. Ross
Assistant Inspector General for Auditing

FROM: Phillip A. Singerman *Shuster / Straub / For P.A.S.*
Assistant Secretary
for Economic Development

SUBJECT: EDA Hurricane Andrew Disaster Assistance
Draft Audit Report No. ATL-8989-XXXX

This is in response to the referenced OIG draft Audit Report dated August, 1998, based upon an Office of Inspector General audit review conducted May-October, 1997.

EDA appreciates the OIG's acknowledgment of the commendable work performed by the Agency's Atlanta Regional Office in the delivery of the Agency's post-disaster assistance program in response to one of the greatest hurricane disasters in U.S. history. The Audit Report recognizes the significant work performed in helping impacted local governments, non-profits and Indian tribes prepare short- and long-term strategic recovery plans, identify and develop implementation "projects that were both sound in concept and responsive to the economic recovery needs of the area."

INTRODUCTION

Beginning with Hurricane Camille in 1969, EDA has provided post-disaster assistance to Presidentially-declared disaster area impacted by natural disasters in over thirty (30) states and territories. Within the last five years, including Hurricane Andrew assistance, EDA has provided over \$500 million in disaster assistance to fulfill the Agency's disaster recovery mission to help disaster-impacted communities achieve long-term economic recovery through a strategic investment of resources. The key elements and thrust of EDA's recovery efforts required use of all the agency's program tools to:

- ◆ Augment the institutional capacity of local governments through EDA strategic economic recovery **planning and/or technical assistance grants** to provide a single focus on job retention and job creation to offset the negative impacts of the disaster on the economy of the area;

- ◆ Help local governments support a revival of the local economy by providing a source of local financing through EDA **revolving loan fund grants** to address ‘shortfalls’ and unmet needs where other financing is not available or insufficient;
- ◆ Address local public implementation needs for new construction and/or pre-disaster improvements to publicly-owned commercial / industrial facilities and infrastructure through EDA **infrastructure construction grants** to support job retention and job creation, leverage private investment and directly contribute to the overall long-term economic recovery of the area; and
- ◆ **Support locally-directed mitigation** efforts flowing from a strategic recovery planning process (and ultimately as part of a mitigation planning component of an overall economic development program) by applying the appropriate EDA program tool(s) to safeguard jobs from the impact of future disasters, and/or projects that serve to reduce future local or federal cost to recover from future disasters.

HURRICANE ANDREW RECOVERY

In responding to this Audit Report, the Agency seeks to reaffirm and amplify its post-disaster economic recovery role. The prototype application of EDA’s disaster program tools largely evolved in the last five years from EDA experience in South Florida in response to Hurricane Andrew. In Hurricane Andrew recovery, EDA deployed a small recovery team (4-6 professionals from EDA’s Atlanta Regional Office, Headquarters and the EDA Economic Development Representative) lead by an appointed Field Director to establish a temporary (six-months) field operation in close proximity to the affected communities. The EDA team was co-located with FEMA in a FEMA Disaster Field Office in the former Eastern Air Lines building at the Miami International Airport and coordinated with the FEMA Federal Coordinating Officer. EDA’s long-term recovery field operation in South Florida began an agency-wide positive operating partnership with FEMA field operations that is now being formalized in a 1998 revision of the Federal Response Plan, originally developed in 1992.

Initially, EDA awarded a planning grant to Metropolitan Dade County to undertake the development of a Comprehensive Economic Recovery Plan in response to Hurricane Andrew. EDA’s collaboration in the strategic recovery planning process in South Florida with local units of government, non-profit organizations and the private sector represented an extraordinary effort. In the recovery effort, a community-wide consortium of over a hundred

separate entities was established to initiate a strategic recovery planning process and develop a recovery plan to address short- and long-term needs.

The purpose of this strategic plan was not to repair or replace what existed before the disaster, but to use the disaster as an opportunity to evaluate and prioritize what the community needed to do to sustain its economic base, safeguard its jobs and indeed enhance economic growth, wherever in the county they needed to make investments to get it done. All of the projects EDA funded in Dade County were consistent with the locally-directed Comprehensive Economic Recovery Plan. Some projects were located in areas that experienced physical damage and some projects were located outside of the damaged areas. All of the projects addressed the economic dislocation caused by the disaster and represented either new development or enhancements or improvements beyond what existed before the disaster.

While not always the situation, in the case of Hurricane Andrew, Dade County was already suffering from a double digit rate of unemployment from recent airline and bank failures and was experiencing an economic chill from the impending closure of Homestead Air Force Base. Tourism was the County's number one industry, but there was already a need to stimulate general business activity and encourage economic diversification. The hurricane and EDA's planning grant and hands-on technical assistance provided by the Agency's field team helped the communities in Dade County connect opportunity with strategic action.

EDA ANDREW AUDIT REVIEW

The Audit Report comments on nine projects experiencing implementation delays and makes specific negative assertions regarding the Agency's program management conduct to which EDA is compelled to reply. Accordingly, EDA notes the following observations:

- ◆ **Contrary to the assertion of the OIG Draft Report, the ability of a disaster grantee to keep to its implementation schedule is not a function of the location of the project.** The IG report concludes that "delayed projects appeared less urgent than others due to location and purpose." This assertion is apparently based on the coincidental location of nine projects which were delayed for various reasons at the time of the audit. That six of the projects were located in places that experienced adverse economic effects of Hurricane Andrew, but were not in the direct path of the most severe damage, does not constitute credible analysis or support of the OIG's conclusions. This Audit Report assertion contradicts earlier statements that EDA's efforts resulted in projects sound in concept and responsive to the area's economic recovery needs.

With respect to delayed EDA assistance projects, EDA is constantly working to reduce such delays, which sometimes occur in (1) programs that involve elements of land acquisition, difficult site conditions, external regulatory issues and construction

contracting or in (2) working with inexperienced or unsophisticated grantees (typically, non-profits, small municipalities and Indian tribes). Of course, EDA cannot and will not refuse to meet legitimate needs because they may be more difficult or require a longer time to complete.

This is not to say that delays in implementing any EDA assistance, disaster or otherwise, is considered acceptable or not worthy of special attention or effort on the part of EDA. While EDA concedes that this is a valid issue warranting continued effort, we believe that it is misleading to portray the issue as somehow extraordinary with respect to the disaster-related projects or due to any lack of urgency on the part of grantees.

The OIG final Audit Report findings and recommendations should be updated to reflect a current status (see attached table) of the nine "delayed" projects and EDA's actions. For instance, four completed construction projects are now closed out; three construction projects not started are essentially resolved with one completed (projected close out 12/31/98) and two terminated, and; one project under construction is operating under an eleven-month time extension.

Finally, EDA feels very strongly that the suggestion that tourism or other types of projects that respond to related disaster effects (other than direct physical damage) might be questionable, constitutes an opinion of the OIG that is not consistent with EDA and other Federal Agency policies and characterization of appropriate disaster response and mitigation projects. The EDA disaster program addresses economic damage (the disruption of economic activity that is or may be permanent and of such scope and magnitude that the structural economic base of an area is threatened) wherever it occurs, inside or outside of physically-damaged areas or in any industry sector. The final Audit Report should make clear that the OIG is offering an opinion that is not only contrary to EDA and the Department of Commerce, but other Federal agencies involved with disaster response, recovery and mitigation.

- ◆ **The OIG Draft Audit Report is incomplete/outdated with respect to its observations of EDA Staff Resources/Efforts Devoted to Post Award Monitoring**
EDA agrees that early on, the inability to augment staff resources contributed to heavier workloads for existing post-approval management staff and the consequential reduced effectiveness of post-award monitoring. While EDA did have supplemental disaster S&E funding for these purposes, it would be appropriate for the OIG Audit Report to also note that at the same time, EDA and most agencies were subjected to budget-driven austere administrative and operating constraints, which in EDA's case resulted in frozen FTE ceilings and eventually an Agency RIF. Simply stated, under these circumstances, the additional funding could not necessarily be transformed into additional staff.

EDA believes that the Audit Report should also state that as the overall budget, administrative, and operating environment has improved, EDA, well aware of the sort of deficiencies pointed out by the audit, has moved aggressively to rebuild critical staff capacity, particularly with respect to regional office post-approval staff. In the case of the Atlanta Regional Office, three new full-time project management positions were approved in July, 1997, filled, and their contributions are reflected in the attached August 1998 Andrew project update table.

Therefore, EDA requests that the OIG audit report note:

(a) That EDA remains sensitive to minimizing delays in implementing projects in all of its programs, including the disaster program.

(b) That the fact that delays should occur in some disaster projects is not of itself an extraordinary discovery, and EDA strongly disagrees with the unsupported conclusion, based on the OIG's coincidental observations, that project implementation is a function of project location.

(c) That EDA has moved and continues to move aggressively, to the extent permitted by the changing Agency administrative and budget environment, to fill new positions designed to correct post-award monitoring shortcomings.

Attachment

PROJECT	UNDISBURSED APPROPRIATIONS (AS OF 10/97)	PROJECT STATUS (AS OF 8/98)	UNDISBURSED APPROPRIATIONS (AS OF 8/98)	DEOBLIGATIONS (AS OF 8/98)
NOT STARTED				
Miscosaukee Tribe Land Development	\$1,000,000	terminated 1/14/98		\$1,000,000
Miami-Dade Community College Incubator (1)	\$1,500,000	terminated 3/5/98	\$1,500,000	\$2,000,000
Miami-Dade Community College Incubator	\$2,000,000			\$3,000,000
SUBTOTAL	\$4,500,000			
NOT COMPLETED				
Metropolitan Dade County Zoo (2)	\$3,198,095		\$2,460,179	
SUBTOTAL	\$3,198,095		\$2,460,179	
TERMINATED				
Miami Dev. Auth. International Trade Center	\$1,885,000	terminated 7/3/97		\$1,885,000
Center for Health Technologies Incubator	\$1,000,000	terminated 11/1/96		\$1,000,000
SUBTOTAL	\$2,885,000			\$2,885,000
COMPLETED				
Florida City Water System	\$429,056	closed 12/23/97		** \$16,938
Hialeah Manufacturing Training Center	\$309,401	closed 1/27/98		
Hialeah Farmers Market	\$272,810	closed 3/10/98		
Homestead Water and Sewer System	\$700,000	closed 8/15/87		** \$73,674
SUBTOTAL	\$1,711,267			
RLF				
Dade County Economic Research RLF (3)	\$618,750		\$589,913	
SUBTOTAL	\$618,750		\$589,913	
TOTAL	\$12,913,112		\$4,550,092	\$6,975,612
(1) Project is essentially complete - project will be closed and funds disbursed by 12/31/98				
(2) Time extension until 6/30/99 for completion of construction.				
(3) \$618,750 is not accurate - \$589,913 is the obligated amount remaining.				
The original implementation schedule contained in the grant will not expire until October 1998. After the deadline date, EDA will evaluate with the grantee any continuing need for an extension. EDA will take the appropriate action of either granting an extension or recovering unspent funds.				
** Underruns				