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## Recommendations

**Recommendation 1. The General Assembly should direct DPS to revise its procurement methods to ensure future CDBG-DR contracts are HUD-compliant, report to the General Assembly on these efforts, and report annually on the amount of non-reimbursed state funds used to administer CDBG-DR.**

As discussed in Finding 2, in the process of selecting ESP as the prime contractor to administer CDBG-DR activities, DPS relied on a state law that permits cost to be waived as a consideration when contracting with architectural and engineering firms. However, because DPS contracted with ESP to provide program management services rather than engineering services, the contract was determined to not meet HUD regulations and therefore the State was not permitted to pay ESP using federal funds. As a result, state funds paid for services that could have been covered using federal CDBG-DR funds had federal regulations been properly followed.

To avoid this issue in the future, the General Assembly should direct DPS to modify its procurement policies and procedures for disaster recovery program management purposes to require the North Carolina Office of Recovery and Resiliency (NCORR), per state and federal procurement regulations, to always use cost as a factor when pursuing contracts for professional services, and prohibit the Office from using emergency protocols when procuring contracts that are intended to be reimbursed with federal funds. Although NCORR staff report that this procedure is defined in their NCORR certification with HUD, this legislative directive would add an extra layer of assurance that the State does not inappropriately enter into contracts that can be paid for using federal funds. In addition, the General Assembly should require DPS to report annually on the amount of state funds used to pay contractors for performing CDBG-DR activities that could have been paid for using CDBG-DR funds. Such information would promote accountability and ensure the State is maximizing federal funds and not spending state funds unnecessarily. These reports should be submitted to the House and Senate Justice and Public Safety Appropriations Committees.

**Recommendation 2. The General Assembly should require the North Carolina Office of Recovery and Resiliency (NCORR) to notify various entities of the potential for using CDBG-DR funds to meet matching requirements immediately following a presidential disaster declaration.**

As discussed in Finding 5, various factors led to the General Assembly appropriating funds to cover matching requirements for certain federal programs that, absent such an appropriation, some portion of federal CDBG-DR funds could have covered for Hurricane Matthew and Hurricane Florence recovery efforts. As the finding discusses, it is difficult to determine even an approximate amount of federal funds that could have been used had the General Assembly not demonstrated it could meet matching needs.

The General Assembly should modify NCORR's statutory responsibilities to require the Office to notify the following individuals and entities of the potential for using CDBG-DR funds to cover the non-federal share of

matching requirements for eligible programs following a presidential disaster declaration and annually on the first day of the Atlantic hurricane season (June 1):

- the chairs of the House and Senate appropriations committees,
- the Fiscal Research Division,
- the Office of the Governor,
- the State Budget Director, and
- any other state entities deemed necessary.

In requiring this notification, the General Assembly and other stakeholders will henceforth have knowledge of the potential use of federal funds prior to appropriating State funds to meet matching requirements. In particular, the General Assembly would be knowledgeable of the administrative complexities involved in pursuing this course, could solicit input from NCORR regarding any additional requirements necessary to do so, learn of any potential delays that using CDBG-DR might have on potential recipients, and weigh these considerations against the potential financial benefits that could be achieved.

**Recommendation 3. The General Assembly should direct NCORR to take actions to ensure its effectiveness, preparedness, and ability to limit unnecessary state spending on current and future natural disasters, and consider establishing core NCORR permanent positions.**

As several of the findings in this report discuss, the newly-created North Carolina Office of Recovery and Resiliency (NCORR) has the opportunity to serve as the centralized coordinating entity to assist organizations administering disaster recovery funds and to provide information to the General Assembly on these efforts. The following sections of this recommendation discuss several modifications to NCORR's responsibilities that should enhance its role and provide the General Assembly with more information on disaster recovery efforts.

**Staff knowledge of CDBG-DR regulations and policies.** As discussed in Findings 3 and 4, DPS was tasked with implementing the CDBG-DR program for Hurricane Matthew disaster recovery despite the fact that neither DPS nor any other state agency had experience with this program more recent than Hurricane Floyd in 1999. Many county managers believe DPS did not have sufficient knowledge of CDBG-DR to ensure the efficient and effective implementation of the program and believe that DPS's failure to leverage local governments' knowledge of the similar traditional CDBG program further limited the success of implementation. Finding 4 further discussed instances of local government staff who were implementing CDBG-DR receiving contradictory information from the State and having to advise DPS and its contractors of potential violations of federal regulations.

As the newly-created North Carolina Office of Recovery and Resiliency (NCORR) continues to establish itself, the General Assembly should require the Office to set forth policies and procedures regarding the minimum

competencies of staff who will be administering the CDBG-DR program. A core requirement for such staff should be experience either with traditional CDBG programs or CDBG-DR programs to ensure that staff hired have at least a base knowledge of federal HUD regulations. As part of developing necessary staff competencies, the General Assembly should require NCORR to determine what number of positions would be necessary to be primarily tasked with CDBG-DR administration should the need arise.

**Need for permanent positions.** As discussed in Finding 4, all positions within NCORR are time-limited positions, likely to dissolve in 2022.<sup>38</sup> Although it may appear there is not an immediate need to designate a core number of positions as permanent, the implications of not doing so could be substantial for future disaster recovery efforts in the state. DPS staff report they have difficulty recruiting staff to fill time-limited positions and further stated that it takes time to develop knowledge of applicable state laws and federal disaster recovery programs and to develop relationships with entities administering such programs. Once the existing positions expire, the State will again lack a centralized staffed office to deploy resources and services after the next large-scale natural disaster, which could delay recovery efforts and present issues regarding monitoring and compliance with federal programs.

The General Assembly should direct NCORR to develop a proposal for permanent staff necessary to maintain continuous required disaster recovery functions and ensure the State is adequately prepared to expand its disaster recovery efforts following the next natural disaster. This proposal should include the classes and number of positions necessary, job descriptions with corresponding salary requirements, and explanations of the necessity for such positions to be permanent. NCORR should submit this proposal to the House and Senate Appropriations committees, the House and Senate's respective Justice and Public Safety Appropriations committees, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division by March 1, 2020. Upon the receipt of this proposal, the General Assembly should consider appropriating funds to establish a sufficient minimum number of permanent positions to support this Office and ensure it is ready for the next disaster.

**Solicitation and incorporation of experience of various entities administering disaster recovery funds.** There are limited formal mechanisms to solicit, incorporate, and distribute best practices or lessons learned from non-DPS entities, such as those receiving direct appropriations, in administering disaster recovery funds. Further, the State lacks a mechanism to collect and standardize the performance of disaster recovery efforts across the various entities receiving funds for these purposes.

The General Assembly should direct DPS to establish a formal mechanism to solicit the input of the various entities receiving disaster recovery funds regarding ways to improve the administration of these funds and programs. To ensure the knowledge gained from these entities is fully

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<sup>38</sup> Given anticipated CDBG-DR funding for Hurricane Florence, DPS anticipates these positions to be necessary through at least 2026.

leveraged, the General Assembly should require DPS to develop policies and procedures outlining how such feedback will be incorporated into its own practices, such as through policy or procedure revisions.

**Standardized performance metrics and methods of collecting such data across the various entities administering CDBG-DR funds.** As Finding 1 and Finding 5 discussed, many entities receiving disaster recovery funds collect information on the citizens and governments seeking and receiving such funds. However, only some entities collect information at a level of detail sufficient to allow for comparisons and identification of areas needing improvement. Much of the information collected by these entities and submitted to NCORR is not in a standardized format such as would allow comparisons to be made based on performance-oriented measures. NCORR has the opportunity to facilitate the collection and analysis of such data among these entities, which would provide the General Assembly with more useful information on disaster recovery efforts.

The General Assembly should require NCORR to develop performance metrics for funding entities, to include but not be limited to

- average timeliness of fund distribution,
- costs for administration and direct service delivery,
- total number of projects, and
- average cost per project.

Collecting this information would assist the General Assembly in directing state funds to entities with demonstrated records of performance and would provide a mechanism for DPS to assist entities with performance deficiencies. Directing this action would also assist in the implementation of Recommendation 4.

**Recommendation 4. The General Assembly should revise statutory reporting requirements to require NCORR to report on the performance of federal and state disaster recovery funds.**

As Finding 6 discussed, NCORR was established to execute multi-year recovery and resiliency projects and administer funds provided by the CDBG-DR program. Further, NCORR is required to report on specific elements of how disaster recovery funds are spent. However, NCORR is not required to report on any standardized or specific output- or outcome-oriented performance metrics related to such spending. For example, there is no requirement to report general timeliness of fund distribution from time of receiving an application for disaster assistance.

Expanding NCORR's reporting requirements would ensure the General Assembly is getting more comprehensive and integrated information on disaster recovery implementation. The General Assembly should revise state law to expand the elements collected and reported on federal and state disaster recovery funds to include, but not be limited to, the following performance metrics:

- accomplishment of milestones,
- issuance of contracts,

- outreach and intake metrics such as appointments, walk-ins, and applicants,
- survivor processing,
- number of projects at various pre-defined phases at any given time,
- number of projects per geographic area, such as within each county,
- average timeliness by process step, including from application to distribution,
- damage and environmental assessments performed, and
- status of all activities in progress to meet each of the funding streams' operational objectives.

To the extent possible, these data should be specific to each funding stream and provided at the state and county level; in addition, certain measures, such as those for timeliness or measuring outputs of work completed, should be standardized across programs to allow for comparisons and identification of areas needing improvement. Expanding NCORR's reporting requirements would ensure the General Assembly is not only receiving relevant disaster spending information but is in a better position to oversee specific disaster recovery programs.

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## Appendices

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Appendix A: Timeline of Recent Natural Disasters Affecting North Carolina

Appendix B: Description of the Four Phases of Emergency Management

Appendix C: N.C. General Statute 143-64.41

Appendix D: Summary of Approaches for States to Use CDBG-DR Funds to Fulfill the Non-Federal Match

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## Agency Response

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A draft of this report was submitted to the Department of Commerce and the Department of Public Safety for review. Their responses are provided following the appendices.

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## Program Evaluation Division Contact and Acknowledgments

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For more information on this report, please contact the lead evaluator, Brent Lucas, at [brent.lucas@ncleg.net](mailto:brent.lucas@ncleg.net).

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