

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**SUPERSTORM SANDY BLOCK  
GRANTS: FUNDS BENEFITED  
STATES' RECONSTRUCTION AND  
SOCIAL SERVICE EFFORTS,  
THOUGH ACF'S GUIDANCE  
COULD BE IMPROVED**



**Suzanne Murrin  
Deputy Inspector General for  
Evaluation and Inspections**

**September 2016  
OEI-09-15-00200**

## **EXECUTIVE SUMMARY: SUPERSTORM SANDY BLOCK GRANTS: FUNDS BENEFITED STATES' RECONSTRUCTION AND SOCIAL SERVICE EFFORTS, THOUGH ACF'S GUIDANCE COULD BE IMPROVED, OEI-09-15-00200**

### **WHY WE DID THIS STUDY**

Five States received almost \$475 million in Social Services Block Grant funding to help cover social service and reconstruction expenses resulting directly from Superstorm Sandy. When Congress made funds available to States to help pay for their Superstorm Sandy-related expenses, it noted that such funds were “susceptible to significant improper payments.” Therefore, the Office of Management and Budget instructed Federal agencies to establish additional oversight of the funds. This evaluation examined States’ experiences using Superstorm Sandy Social Service Block Grant (Sandy SSBG) funds and Administration for Children and Families (ACF) oversight of these funds.

### **HOW WE DID THIS STUDY**

We conducted interviews with, and reviewed documentation from ACF, the five States affected by Superstorm Sandy, and selected organizations that received Superstorm Sandy SSBG funds (sub-recipients). Our review covers States’ activities and ACF’s oversight from July 1, 2013, when almost all Sandy SSBG funds were disbursed to States, through September 30, 2015.

### **WHAT WE FOUND**

Sandy SSBG funds assisted States’ recoveries by supporting reconstruction and social service activities. However, ACF’s guidance limited the effectiveness of State planning and use of the funds and, therefore, could be improved for future disasters. As with past natural disasters, supplemental disaster funding was important in helping States meet both immediate and longer-term needs. The five SSBG-recipient States spent most of the funds on housing services and health services; the repair, renovation, and rebuilding of health facilities; and counseling services. Despite some delays, generally the funds were available to States when needed. Further, the grants’ terms were flexible enough for States to use the funds for a variety of storm-related activities and to modify their plans as needed. However, the initial deadline that ACF established did not allow States the time they needed to use the Sandy SSBG funds for reconstruction and other longer-term needs. Also, States reported wanting more direction from ACF on allowable Sandy SSBG activities and more clarity about the type of documentation that ACF would expect during program integrity reviews. Nonetheless, States indicated that ACF worked closely with them as they planned and implemented their recovery activities. In addition, ACF implemented required reviews to account for Sandy SSBG funds and identify improper payments.

### **WHAT WE RECOMMEND**

We recommend that ACF (1) take additional steps to ensure, within the scope of the legislation, that States are given an appropriate amount of time to expend any future supplemental SSBG awards (2) conduct a post-grant review to identify lessons learned and best practices and (3) prepare guidance about supplemental SSBG documentation requirements. ACF concurred with all of our recommendations.

---

## TABLE OF CONTENTS

Objectives .....	1
Background .....	1
Methodology .....	5
Findings.....	7
Sandy SSBG funds assisted States’ immediate and longer-term recovery.....	7
The initial deadline that ACF established for expending Sandy SSBG funds did not allow States the time they needed to use the funds.....	9
States reported wanting more direction from ACF on allowable Sandy SSBG activities and documentation requirements.....	10
ACF implemented required reviews to account for Sandy SSBG funds and identify improper payments .....	11
Conclusion and Recommendations.....	15
Agency Comments and Office of Inspector General Response.....	17
Appendix A: State-specific Sandy SSBG Expenditures by Service Category, Through September 2015. ....	18
Appendix B: State Agencies that Participated in OIG Interviews .....	19
Appendix C: Agency Comments .....	20
Acknowledgments.....	23

---

## OBJECTIVES

To examine:

- (1) States' experiences using Superstorm Sandy Supplemental Social Services Block Grant (SSBG) funds, and
- (2) The Administration for Children and Families' (ACF) oversight of Superstorm Sandy Supplemental SSBG funds.

---

## BACKGROUND

Supplemental SSBG funds have been important in helping States address their social service and reconstruction expenses following recent natural disasters.<sup>1</sup> For example, in 2005, Congress authorized \$550 million in supplemental SSBG funds to ACF for States' expenses related to Hurricanes Katrina, Rita, and Wilma.<sup>2</sup> In 2008, Congress authorized \$600 million in supplemental SSBG funds to help States respond to hurricanes, floods, and other declared major disasters.<sup>3</sup>

Superstorm Sandy made landfall on October 29, 2012, causing more than \$50 billion in damages to coastal portions of the mid-Atlantic and northeastern United States.<sup>4</sup> On January 29, 2013, the President signed into law the Disaster Relief Appropriations Act of 2013 (the Act), which provided the Department of Health and Human Services (HHS) with about \$800 million in funding to aid individuals and communities affected by Superstorm Sandy.<sup>5</sup> Of the \$800 million, \$500 million was transferred to ACF as supplemental SSBG funding. Automatic spending cuts imposed by the Budget Control Act of 2011 reduced this amount to

---

<sup>1</sup> This report focuses specifically on "supplemental" SSBG funds. More broadly, SSBG funds, authorized in 1981, are a flexible source of annual funding that States use to meet their social service needs. 42 U.S.C §§1397-1397f.

<sup>2</sup> Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act of 2006. P.L. 109-148. Dec. 30, 2005, Chapter 6.

<sup>3</sup> Consolidated Security Disaster Assistance, and Continuing Appropriations Act if 2009. P. L. No. 110-329. Sept. 30, 2008, Chapter 7.

<sup>4</sup> National Oceanic and Atmospheric Administration, Service Assessment: Hurricane/Post-Tropical Cyclone Sandy, October 22–29, 2012, pg. 1, May 2013. Accessed at <http://www.nws.noaa.gov/os/assessments/pdfs/Sandy13.pdf> on May 20, 2016.

<sup>5</sup> P. L. No. 113-2, January 29, 2013.

\$474.5 million.<sup>6</sup> Because all Superstorm Sandy disaster assistance funds were designated as “susceptible to significant improper payments,” the Office of Management and Budget required Federal agencies to establish additional oversight of these funds.<sup>7</sup>

**Supplemental SSBG Funds for Superstorm Sandy**

New York and New Jersey, the States most affected by Superstorm Sandy, together received about 97 percent of the Sandy SSBG funds. HHS allocated these funds based on States’ relative share of individuals registered for Federal Emergency Management Agency (FEMA) Individual Assistance as of March 18, 2013.<sup>8</sup> Connecticut, Maryland, and Rhode Island also received Sandy SSBG funds.

Table 1 illustrates the Sandy SSBG funds allocated to each of the five States. ACF, which administers and provides oversight of the SSBG program, disbursed almost all Sandy SSBG funds to States by July 22, 2013.<sup>9</sup>

**Table 1: Sandy SSBG Funds Allocated to the Five States**

State	Award Amount	State Share of Sandy SSBG Funds
New York	\$235,434,600	49.6%
New Jersey	\$226,794,105	47.8%
Connecticut	\$10,569,192	2.2%
Maryland	\$1,185,675	0.3%
Rhode Island	\$516,428	0.1%
<b>Total</b>	<b>\$474,500,000</b>	<b>100%</b>

Source: ACF, *Supplemental Funds, Information Memorandum No. 01-2013*, March 28, 2013.

The Act authorized Sandy SSBG funds for States to address their necessary expenses resulting from Superstorm Sandy. States were allowed to use Sandy SSBG funds in 28 broad service categories, such as

<sup>6</sup> The Act provided about \$50 billion in disaster assistance through 19 Federal agencies. P. L. No. 113-2, January 29, 2013. Government Accountability Office, *Improved Guidance on Designing Internal Control Plans Could Enhance Oversight of Disaster Funding*, November 2013, GAO-14-58, pg. 1 & 28-32.

<sup>7</sup> P. L. No. 113-2, Section 904(b).

<sup>8</sup> ACF Information Memorandum, Transmittal No. 01-2013, *Hurricane Sandy SSBG Supplemental Funds*, March 28, 2013, pg. 2.

<sup>9</sup> ACF’s responses to questions submitted by the Office of Inspector General (OIG).

case management, employment services, and housing services.<sup>10,11</sup> See the table in Appendix A for a complete list of allowable service categories.

Prior to awarding Sandy SSBG funds to States, ACF required the States to submit SSBG supplemental funds pre-expenditure reports (Intended Use Plans) that described how they proposed to use the funds and their timelines for completing proposed activities.<sup>12</sup> As shown in Figure 1, once ACF approved their Intended Use Plans, States could identify and approve grants to sub-recipients (e.g., individuals, families, or organizations). States then reimbursed approved sub-recipients for their Sandy-related expenses using Sandy SSBG funds.<sup>13</sup>

**Figure 1: Sandy SSBG Funding Process**



Source: OIG summary based on interviews with and documents collected from ACF and State officials.

While Sandy SSBG funds could be used flexibly, they came with certain restrictions. Under the Act, States could not use Sandy SSBG funds for expenses that were reimbursed by other payers such as FEMA or private insurance.<sup>14</sup> Further, States could not use the Sandy SSBG funds “to purchase supplies and/or equipment that will aid in future disasters,” because the Sandy SSBG funds were intended to address necessary expenses resulting from Superstorm Sandy.<sup>15</sup> Finally, States had a

<sup>10</sup> ACF, *Hurricane Sandy Expenditure Form*, OMB NO. 0970-0234, Accessed at [http://www.acf.hhs.gov/sites/default/files/ocs/hurricane\\_sandy\\_expenditure\\_form.pdf](http://www.acf.hhs.gov/sites/default/files/ocs/hurricane_sandy_expenditure_form.pdf) on January 22, 2016.

<sup>11</sup> States also could provide services that fell outside of the 28 defined categories and report these in “Other” categories such as health services, repair, renovation, and rebuilding of child care facilities, and repair, renovation, and rebuilding of health care facilities.

<sup>12</sup> ACF Information Memorandum, Transmittal No. 01-2013, *Hurricane Sandy SSBG Supplemental Funds*, March 28, 2013, p. 4.

<sup>13</sup> OIG interviews with officials from ACF and the five States affected by Sandy.

<sup>14</sup> P.L. No. 113-2, Title VI—Department of Health and Human Services, Jan. 29, 2013.

<sup>15</sup> SSBG Q&As Hurricane Sandy Supplemental FY 2013, III. Allowable Costs, April 13, 2013. Accessed at <http://www.acf.hhs.gov/programs/ocs/resource/ssbg-qas-2013-sandy-supplemental> on January 22, 2016.

deadline for expending their funds.<sup>16</sup> Initially, ACF instructed States to expend Sandy SSBG funds by September 30, 2015, but ACF later extended the deadline to September 30, 2017.<sup>17, 18</sup>

The Office of Management and Budget (OMB) required Federal agencies, such as ACF, to ensure that all Superstorm Sandy disaster funds appropriated under the Act were used only for their intended purposes.<sup>19</sup> The OMB memorandum instructed each Federal agency to supplement its existing internal control plan by considering elements including (1) implementing more expansive reviews and increased monitoring and oversight of grantees and (2) calculating an improper payment rate for the funds. In March 2013, ACF issued guidance that contained its oversight plans, as well as other information. These plans included pre-expenditure, post-expenditure, and progress reporting requirements for States and program integrity reviews by ACF.<sup>20</sup>

### **Related Work**

This evaluation builds on OIG's body of work related to Superstorm Sandy. Most relevant to this report, in July 2014, OIG found that HHS (Department-wide) included elements specified by OMB when it designed its internal controls for overseeing Superstorm Sandy disaster funds.<sup>21</sup> OIG also has released a series of audits at the grantee level, examining how grantees and sub-recipients accounted for and expended the

---

<sup>16</sup> P.L. No. 113-2, Jan. 29, 2013. Section 904(c).

<sup>17</sup> ACF Information Memorandum, Transmittal No. 01-2013, *Hurricane Sandy SSBG Supplemental Funds*, March 28, 2013, p. 6.

<sup>18</sup> ACF, Information Memorandum, Transmittal No. 1-2015, Revision of Project Period and Reporting of Hurricane Sandy SSBG Supplemental Funds Expenditures and Recipients and Closeout Requirements, June 12, 2015, p. 1.

<sup>19</sup> OMB, Memorandum for the Heads of Executive Departments and Agencies, *Accountability for Funds Provided by the Disaster Relief Appropriations Act*, M-13-07, March 12, 2013.

<sup>20</sup> ACF Information Memorandum, Transmittal No. 01-2013, *Hurricane Sandy SSBG Supplemental Funds*, March 28, 2013.

<sup>21</sup> OIG, *The Department of Health and Human Services Designed Its Internal Controls Over Hurricane Sandy Disaster Relief Funds To Include Elements Specified by the Office of Management and Budget*, A-02-13-02010, July 2014.

Superstorm Sandy disaster assistance funds.<sup>22, 23, 24, 25</sup> In its March 2016 audit, OIG found that one grantee claimed almost \$60,000 in unallowable costs. However, in other audits, OIG found that grantees appropriately budgeted and claimed disaster assistance funds. Other reports issued by OIG include examinations of the responses of hospitals and child care providers after Superstorm Sandy, issued in 2014 and 2015, respectively.<sup>26, 27</sup>

---

## METHODOLOGY

### Data Collection and Analysis

Between July and November 2015, we collected information from ACF, the five States that received Sandy SSBG funds, and selected sub-recipients. We report on States' activities and ACF's oversight through September 2015.

*States' experiences using funds.* To examine States' experiences using Sandy SSBG funds, we interviewed and collected documentation from ACF staff and officials from the five States that received Sandy SSBG funds. See Appendix B for the list of State agencies whose officials participated in our interviews. From ACF, we collected States' initial and amended Intended Use Plans, post-expenditure reports, and progress reports and analyzed this information to determine how States used their Sandy SSBG funds. We conducted onsite visits to New York and New Jersey and held conference calls with officials from Connecticut, Maryland, and Rhode Island to collect information about how they developed their Intended Use Plans and distributed funds to affected

---

<sup>22</sup> OIG, New York University School of Medicine Budgeted Costs That Were Appropriate and Claimed Allowable Hurricane Sandy Disaster Relief Act Funds, A-02-14-02011, December 2015.

<sup>23</sup> OIG, Link2Health Solutions, Inc., Budgeted Costs That Were Not Appropriate and Claimed Some Unallowable Hurricane Sandy Disaster Relief Act Funds, A-02-14-02013, March 2016.

<sup>24</sup> OIG, Bayview Nursing and Rehabilitation Center Claimed Allowable Hurricane Sandy Disaster Relief Act Funds, A-02-15-02010, April 2016.

<sup>25</sup> OIG, New York Implemented Effective Internal Controls Over Hurricane Sandy Social Services Block Grant Funds and Appropriately Budgeted and Claimed Allowable Costs, A-02-14-02009, May 2016.

<sup>26</sup> OIG, Hospital Emergency Preparedness and Response During Superstorm Sandy, OEI-06-13-00260, September 2014.

<sup>27</sup> OIG, The Response to Superstorm Sandy Highlights the Importance of Recovery Planning for Child Care Nationwide, OEI-04-14-00410, December 2015.

individuals. We also collected information about the challenges that States experienced using and accounting for their funds.

While onsite in New York and New Jersey, we visited a purposive sample of nine sub-recipients (four sub-recipients in New York and five in New Jersey) to discuss their use of Sandy SSBG funds.<sup>28</sup> For our sample selection, we focused on sub-recipients that received or provided services representing the largest Sandy SSBG expenditures in each State. We used the information and documentation collected during these visits to describe sub-recipients' experiences using and accounting for Sandy SSBG funds.

*ACF's oversight of Sandy SSBG funds.* To examine ACF's oversight, we interviewed and collected documentation from ACF staff about their review and monitoring of Sandy SSBG funds. We conducted structured interviews with staff from ACF and its contractors to determine the type of reviews they conducted for Sandy SSBG funds. We also collected reports and other documents describing the results of ACF's State and sub-recipient reviews. We reviewed these reports to examine the extent to which ACF identified improper uses of Sandy SSBG funds and how it responded to these findings.

### **Limitations**

Because we collected information from a purposive sample of sub-recipients in New Jersey and New York, the experiences of sub-recipients are not representative of all sub-recipients that received Sandy SSBG funds. Also, although we examined the nature and extent of ACF's oversight activities, we did not assess the effectiveness of those activities or the accuracy of ACF's calculated error rate.

### **Standards**

This study was conducted in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

---

<sup>28</sup> New York and New Jersey each provided OIG a list of Sandy SSBG sub-recipients as of March 2015. We selected our sample of sub-recipients from the 479 New York and 250 New Jersey Sandy SSBG sub-recipients included on those lists.

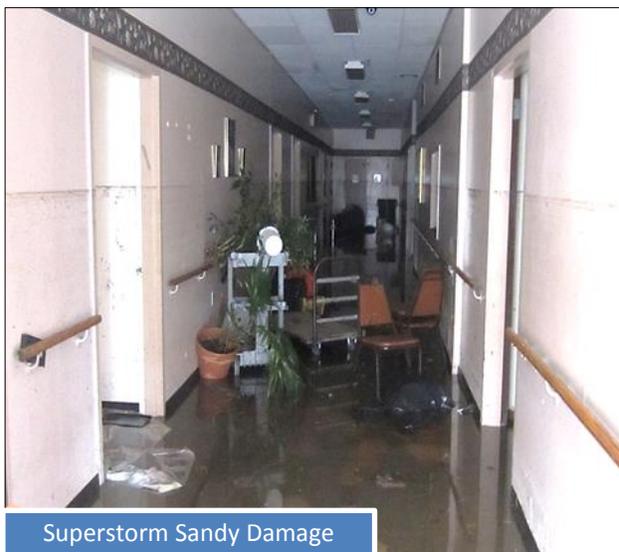
---

## FINDINGS

### **Sandy SSBG funds assisted States' immediate and longer-term recovery**

Overall, State officials reported that they were able to use Sandy SSBG funds to address their priority disaster-related expenses. ACF approved most of their proposed activities and made the funds available when needed. Further, State officials indicated that the flexible terms of Sandy SSBG grants helped them coordinate disaster assistance from multiple sources. States used Sandy SSBG funds to supplement other funding that, in some cases, came with more restrictions.

By September 2015, the time of our review, States had expended two-thirds (\$316 million of \$475 million) of the Sandy SSBG funds available to them. As a group, States spent most of the funds on housing services, health services; the repair, renovation, and rebuilding of health facilities; and counseling services. Table 2 highlights some of the activities that States completed using Sandy SSBG funds. During this time period, all five States used at least some of their Sandy SSBG funds for housing and case management services. (See Appendix A for State-specific expenditure amounts by service type).



Source: Sandy SSBG sub-recipient. Used With Permission.

Officials from New York and New Jersey, the States most affected by the storm, reported the greatest variety of uses for Sandy SSBG funds. Each used Sandy SSBG funds in at least half of the 28 main service categories. Unlike the other three States, New York and New Jersey used Sandy SSBG funds to provide family violence prevention and intervention services,

education and training, and employment services to address longer-term needs of residents affected by the storm.

**Table 2: Examples of States' Sandy SSBG-funded Activities**

	State Activities
New York	<ul style="list-style-type: none"> <li>• Repair, renovation, and rebuilding of health and child care facilities</li> <li>• Uncompensated operational expenses incurred by health facilities, child care providers, and food banks during and after Superstorm Sandy</li> <li>• Social and support services, including child care and housing services</li> </ul>
New Jersey	<ul style="list-style-type: none"> <li>• Assistance with mortgage and rent payments, utilities, and appliances</li> <li>• Housing and supportive services for individuals with serious mental illness</li> <li>• Home repair grants for seniors</li> <li>• Employment services for displaced homemakers</li> </ul>
Connecticut	<ul style="list-style-type: none"> <li>• Repairs and renovations to docks and pilings damaged by Superstorm Sandy</li> <li>• Case management, counseling, housing, and referral services</li> <li>• Unreimbursed expenditures covered by a damaged preschool</li> </ul>
Maryland	<ul style="list-style-type: none"> <li>• Housing and transportation services</li> <li>• Legal services</li> <li>• Summer camp focused on disaster resilience for affected children</li> <li>• Repairs to equipment and structures used by watermen</li> </ul>
Rhode Island	<ul style="list-style-type: none"> <li>• Case management and housing services</li> <li>• Post-hurricane clean-up to allow families to return to home</li> <li>• Information and referral services</li> </ul>

Source: States Intended Use Plans and Progress Reports.

States redirected Sandy funds as circumstances changed. All five States amended their initial Intended Use Plans. After receiving approval from ACF, States reallocated some Sandy SSBG funds to other previously approved or newly identified activities. New Jersey officials reported that the flexibility to move funds from one activity to another was helpful as they learned more about the types of assistance people needed to recover from the storm. For example, New Jersey redirected funds to expand mental health services and its homeowner and renter assistance program for individuals affected by Superstorm Sandy. Similarly, New York redirected funds to existing Sandy SSBG programs related to child care, food and nutrition, and mental health services, as well as to a new program to provide housing for vulnerable populations affected by the storm.

States used different strategies for distributing Sandy SSBG funds, which also helped them address their needs. For example, New Jersey officials reported that using the State's existing infrastructure and working with providers with a proven record allowed it to get assistance where it was needed more quickly. Connecticut opened the funds up to a wide pool of

potential service providers, whereas Maryland decided to set up a State-run program to fund services.

### **The initial deadline that ACF established for expending Sandy SSBG funds did not allow States the time they needed to use the funds**

Both ACF's initial guidance for expending Sandy SSBG funds and the announcement to extend the deadline—issued about 3 months before the original deadline—limited how States used the funds. ACF initially instructed States that Sandy SSBG funds must be expended by September 30, 2015. ACF reported that, in establishing the initial deadline, it focused on ensuring the timely and efficient delivery of disaster assistance. In response to States' need for additional time to use the Sandy SSBG funds, ACF reinterpreted the statutory deadline and issued revised instructions to States in June 2015. The revised instructions indicated that Sandy SSBG funds could be expended through September 2017—2 years beyond the original deadline. However, State officials reported that they were winding down some programs before they learned that ACF would revise the spending deadline. For example, New Jersey officials noted that some Sandy SSBG-funded programs stopped accepting applications in anticipation of the initial deadline. Further, these officials indicated that they would have planned their Sandy activities differently if they had known earlier that the funds would be available for expenditure through September 2017.

The initial deadline for expending funds made it difficult for States and sub-recipients to hire new staff focused on Sandy-related efforts. State officials and sub-recipients reported that the initial deadline restricted the pool of qualified candidates for available positions to only those willing to consider a job ending by September 2015. In some cases, it would have taken through 2013 to recruit and screen job candidates, so some Sandy SSBG-funded new hires would have been employed for less than 2 years.

Additionally, the September 2015 deadline limited States' and sub-recipients' ability to address longer term needs. For example, State officials and sub-recipients noted that many effects of the storm continued or grew well after the initial impact, including housing shortages, mental health issues, and family disruptions. In some cases, sub-recipients were able to extend their Sandy SSBG-funded activities to meet continuing needs. Other activities ended as initially planned.

## **States reported wanting more direction from ACF on allowable Sandy SSBG activities and documentation requirements**

State officials reported that, although ACF provided general guidance about Sandy SSBG funds, they wanted more direction from ACF about allowable activities and documentation requirements. State officials and sub-recipients reported that they were not always clear about how they could use their Sandy SSBG funds or the type of documentation that ACF would expect from grantees to support their Sandy SSBG reimbursements during program integrity reviews.

Given the flexibility of the Sandy SSBG grant, ACF did not prepare detailed guidance for States before they began planning their activities.

Supplemental SSBG funds are designed to allow States to identify their own activities and related eligibility and documentation requirements. Although ACF did not prepare detailed guidance, in an April 2013 webinar, it provided States general information on SSBG program goals as well as allowable activities for both general and disaster-specific SSBG service categories. ACF also compiled a list of questions and answers from discussions with individual States and, from April 2013 to November 2014, issued a series of guidance documents to share with the States that received Sandy SSBG funds.

To assist States in developing their programs, ACF reported facilitating State-to-State technical assistance on using supplemental SSBG funds. ACF held monthly meetings with staff from the five States to respond to questions and provide an opportunity for States to exchange information about their programs. ACF also reported connecting the five States that received Sandy funds to other States with supplemental SSBG experience to discuss lessons learned and recommendations from prior disasters.

Despite ACF's general guidance and support of State-to-State technical assistance, States remained uncertain about whether SSBG Sandy funds would cover certain proposed activities. This resulted in delays while States worked with ACF to get their Intended Use Plans approved. Even after ACF approved States' Intended Use Plans, some States needed more direction about allowable activities before soliciting, contracting with, or reimbursing sub-recipients. For example, State officials and sub-recipients still had questions about whether certain expenses, such as vehicles costs, or past-due rent or electric bills, could be reimbursed with Sandy SSBG funds.

State officials and their sub-recipients reported that Sandy SSBG documentation requirements for program integrity purposes were not clear. In some cases, State officials and sub-recipients did not always know what documentation ACF would expect as evidence that sub-recipients were eligible to receive Sandy SSBG funds. For example, sub-recipients were not always clear about what documentation was needed to prove that their clients lived in affected areas. In other cases, sub-recipients did not know and/or collect the type of documentation needed to support claims for Sandy SSBG reimbursement. Some recipients, such as small providers of child care, did not routinely collect and maintain the type of documents needed to support their Sandy SSBG claims. State officials also reported that they were unable to adequately prepare for ACF's program integrity reviews because they lacked information about the review standards, including expected documentation.

### **ACF implemented required reviews to account for Sandy SSBG funds and identify improper payments**

ACF's oversight of Sandy funds represented a departure from its established practices for oversight of SSBG funds. Historically, ACF's oversight of SSBG funds focused on States' annual reporting of their SSBG plans and expenditures. With Sandy SSBG funds, ACF required additional reporting by States. States submitted amendments, as necessary, to their Intended Use Plans and quarterly reports detailing their Sandy SSBG expenditures and progress. ACF further expanded its existing oversight of SSBG funds by conducting program integrity reviews to examine States' internal controls and potentially improper payments. Table 3 illustrates how ACF expanded its oversight for each State that received Sandy SSBG funds. During these reviews, ACF visited States and/or collected documentation to examine their compliance with program requirements.

**Table 3: ACF’s Completed Program Integrity Reviews Through September 30, 2015**

	Quarterly Post-expenditure Reports	Quarterly Progress Reports	Internal Controls Review	Improper Payment Review
New York	✓	✓	✓	✓
New Jersey	✓	✓	✓	✓
Connecticut	✓	✓		✓
Maryland	✓	✓		
Rhode Island	✓	✓		

Source: OIG analysis of interviews and documentation from ACF and States.

As part of its expanded oversight, ACF conducted program integrity reviews of New York and New Jersey’s internal controls. These reviews focused on the two States that received most of the Sandy SSBG funds.<sup>29</sup> During the respective reviews, ACF found that most of the internal controls in both States were operating effectively. However, ACF found that New Jersey did not always issue timely payments to sub-recipients and recommended that New Jersey revisit its preventive internal controls to ensure that invoices are paid on time.<sup>30</sup> ACF also identified incomplete documentation by New York and its sub-recipients. ACF recommended that New York ensure that all required forms and reports are completed and approved before accepting them from sub-recipients and submitting them to ACF.<sup>31</sup>

Starting with the FY 2014 review period, ACF implemented improper payment reviews for Sandy SSBG funds, in line with OMB’s guidance.<sup>32</sup> ACF focused its first improper payment review cycle on New Jersey,

<sup>29</sup> ACF’s review of New Jersey’s internal controls covered the State’s activities from June 1, 2013 through July 31, 2014. ACF’s review of New York’s internal controls covered the State’s activities from July 1, 2014 through October 30, 2015.

<sup>30</sup> ACF, FY 2014 Internal Control Review, State of New Jersey, Social Services Block Grant (Hurricane Sandy Supplemental Funds).

<sup>31</sup> ACF, FY 2015 Internal Control Review, New York State, Social Services Block Grant (Hurricane Sandy Supplemental Funds).

<sup>32</sup> ACF’s FY 2014 improper payment review period covered July 1, 2013 through June 30 2014.

which, at that time, was responsible for most Sandy SSBG expenditures. During the FY 2014 review period, ACF and its contractors examined the eligibility of individuals and households in New Jersey that received Sandy SSBG funds. ACF initially calculated an error rate of about 13 percent.<sup>33</sup> However, ACF subsequently noted that many of these errors resulted from documentation that New Jersey maintained, but was not able to retrieve in time for the review. Considering the additional documentation, the FY 2014 error rate would have been reduced to about 5 percent.<sup>34</sup>

For FY 2015, ACF expanded the number and breadth of its improper payment reviews and addressed some concerns raised in the first review cycle. In this cycle, ACF conducted reviews of New Jersey, New York, and Connecticut, three States that received about 99 percent of all Sandy SSBG funds.<sup>35</sup> Along with the eligibility reviews conducted for FY 2014, ACF and its contractors assessed the appropriateness of payments to sub-recipients that provided benefits and services to individuals affected by Superstorm Sandy. To address concerns raised in FY 2014, ACF modified its improper payment review methodology to allow States to respond to preliminary review findings and provide additional documentation, if available, to support claims. For FY 2015, the error rate related to eligibility was about 1.2 percent and the error rate for payments to sub-recipients that provided benefits and services was about 0.2 percent.<sup>36</sup> Of the total errors, about \$460,000 was associated with overpayments.<sup>37</sup> ACF indicated that it would work with States to develop corrective actions plans. ACF expected corrective actions to include enhanced State efforts to monitor and work with the most error prone sub-recipients, as a means to address weaknesses in documentation and eligibility determinations, and payment recoveries.

Supplementing ACF's program integrity reviews, States also implemented a variety of oversight activities for Sandy SSBG funds. State officials

---

<sup>33</sup> ACF, Social Services Block Grant, Hurricane Sandy Disaster Relief Funds, Improper Payments Report, Estimated Improper Payments and Payment Error Rate for Social Services Block Grant FY 2014 Report to the Office of Management and Budget, October 2014.

<sup>34</sup> HHS, FY 2015, Agency Financial Report, pg. 225

<sup>35</sup> ACF, Social Services Block Grant, Hurricane Sandy Disaster Relief Funds, Improper Payments Report, Estimated Improper Payments and Payment Error Rate for Social Services Block Grant FY 2015 Report to the Office of Management and Budget, October 2015.

<sup>36</sup> HHS, FY 2015, Agency Financial Report, p. 225.

<sup>37</sup> Ibid, pg. 227.

typically reported that they first screened prospective sub-recipients, whether individuals, service agencies, or facilities, for their eligibility to receive Sandy SSBG funds. After approving awards, States required sub-recipients to provide detailed documentation of their expenses, such as receipts, invoices, or employee pay records, before they released Sandy SSBG funds. States tailored other oversight activities to the type of services and activities being funded. For example, two States that funded reconstruction projects required onsite building inspections. As part of their Sandy SSBG oversight, States also reviewed patient case records and verified the residences of individuals who received rent or other supportive services.

---

## CONCLUSION AND RECOMMENDATIONS

Supplemental SSBG funds are intended to provide a flexible source of funding that allow States to identify and target their disaster-related needs. States were able to use the funds for services, such as housing and other assistance for affected individuals, and reimbursement to health facilities for their reconstruction expenses. However, to take full advantage of available funding for future disasters, States and grantees must receive appropriate guidance about when funds expire, how they may use the funds, and what documents or other evidence they must maintain for program integrity purposes.

Therefore, we recommend that ACF:

### **Take additional steps to ensure, within the scope of the legislation, that States are given appropriate time to expend any future supplemental SSBG awards**

For future disasters, ACF should seek to give States as much time as allowed under authorizing legislation to expend supplemental SSBG funds to address long-term recovery-related needs. Additional steps could include developing or revising procedures for staff responsible for preparing guidance to States about expenditure timeframes. The goal would be to communicate the expenditure timeframes to States before they begin developing their Intended Use Plans, avoiding the need to revise timeframes later.

### **ACF should conduct a post-grant review to identify lessons learned and best practices**

ACF should conduct a post-grant review to help it identify information to share with States about specific activities that they can reimburse using Sandy SSBG funds. The broad SSBG service categories allow States to determine how they will target their funds, but may leave questions about whether specific activities are consistent with SSBG program goals and requirements. Some of these questions can be answered by States that have experience using SSBG funds. Therefore, ACF should conduct a post-grant review, in consultation with States that received Superstorm Sandy supplemental SSBG funding, to identify lessons learned and best practices. ACF can use information learned from this review to provide more direction to States affected by future disasters. This direction should include examples and clarifications to help States to more readily judge, in advance, which activities may be covered.

### **Prepare guidance about supplemental SSBG documentation requirements**

ACF should prepare guidance about the type of documentation that States and sub-recipients should maintain to support eligibility and claims for reimbursement. ACF's new program integrity reviews for Sandy SSBG funds left some States and sub-recipients unsure about the type of documentation they would need to support their Sandy-related claims. ACF could use feedback from States and its findings from its Sandy SSBG program integrity reviews to clarify its expectations for documentation for areas about which sub-recipients have questions or concerns.

---

## **AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

ACF concurred with all of our recommendations. In its comments, ACF noted that it had worked to respond to State-identified needs and that, consistent with its statutory authority, had provided States the necessary flexibility to administer their Sandy SSBG funds.

ACF concurred with our recommendation to take additional steps to ensure that States are given appropriate time to expend any future supplemental SSBG awards. ACF noted the importance of early communication of deadlines to ensure the efficient and timely use of funds. ACF also indicated that for future supplemental SSBG authorizations, it will implement measures that allow States the full timeframe available under the law to use the funds. ACF added that it will conduct an internal administrative review to identify future strategies for releasing funds and issuing guidance on expenditure timeframes.

ACF concurred with our recommendation to conduct a post-grant review to identify best practices and lessons learned. ACF stated that it will continue to work with States to identify best practices, lessons learned, technical assistance, and guidance that can be shared with other States in the event that Congress authorizes disaster supplemental funding in the future.

ACF also concurred with our recommendation to prepare guidance clarifying supplemental SSBG documentation requirements. ACF stated that it plans to solicit feedback from States on guidance and technical assistance that can be provided to States in the future and work with key State officials to identify resources that can be made available to States quickly in connection with disaster supplemental funding in the future. OIG supports ACF's plans to work with States on guidance and technical assistance. We reiterate that guidance for States should address the types of documentation needed to support eligibility and reimbursement for supplemental disaster funds.

For the full text of ACF's comments, see Appendix C.

## APPENDIX A

### State-specific Sandy SSBG Expenditures by Service Category, Through September 30, 2015

	New York	New Jersey	Connecticut	Maryland	Rhode Island	Total
1. Adoption	0	0	0	0	0	0
2. Case Management	\$8,192,775	\$2,158,016	\$1,060,526	\$71,181	\$3,624	\$11,486,122
3. Congregate Meals	\$1,876,145	\$22,994	0	\$245	0	\$1,899,384
4. Counselling	\$522,279	\$13,359,523	\$742,167	0	0	\$14,623,969
5. Day Care, Adults	0	0	0	0	0	0
6. Day Care, Children	\$777,277	\$412,297	0	0	0	\$1,189,574
7. Education & Training	\$188,442	\$2,702,151	0	0	0	\$2,890,593
8. Employment	\$97,511	\$910,228	0	0	0	\$1,007,739
9. Family Planning	0	0	0	0	0	0
10. Foster Care, Adults	0	0	0	0	0	0
11. Foster Care, Children	\$39,178	0	0	0	0	\$39,178
12. Health-Related	\$3,004,382	\$6,446,487	0	\$1,160	0	\$9,452,029
13. Home-Based	\$347,698	0	0	\$1,310	0	\$349,008
14. Home-Delivered Meals	0	\$94,698	0	0	0	\$94,698
15. Housing	\$1,180,262	\$122,686,293	\$744,916	\$221,737	\$85,476	\$124,918,684
16. Independent/Transitional Living	\$40,151	0	0	0	0	\$40,151
17. Information & Referral	\$2,619,642	\$5,626,551	\$88,372	0	\$68,036	\$8,402,601
18. Legal	\$3,578,024	\$1,860,581	0	\$4,192	0	\$5,442,797
19. Pregnancy & Parenting	0	0	0	0	0	0
20. Prevention & Intervention	\$1,345,644	\$9,784,588	0	0	0	\$11,130,232
21. Protective, Adults	0	0	0	\$632	0	\$632
22. Protective, Children	0	\$1,801,167	0	0	0	\$1,801,167
23. Recreation	0	0	0	\$138,757	0	\$138,757
24. Residential Treatment	\$67,119	0	0	0	0	\$67,119
25. Special, Disabled	\$592,251	\$466,389	0	0	0	\$1,058,640
26. Special, Youth at Risk	\$661,141	0	0	0	0	\$661,141
27. Substance Abuse	\$68,964	\$294,232	0	0	0	\$363,196
28. Transportation	\$211,182	0	0	\$490	0	\$211,672
Other	\$26,422,566	\$1,260,553	0	\$228,060	0	\$27,911,179
Other, Health	\$29,708,882	0	0	0	0	\$29,708,882
Other, Mental Health	\$5,782,529	0	0	0	0	\$5,782,529
Other, Repair, Renovation, & Rebuilding-Child Care Facilities	\$2,133,088	\$288,929	\$1,159,000	0	0	\$3,581,017
Other, Repair, Renovation, & Rebuilding-Health Care Facilities	\$27,576,959	\$942,754	0	0	0	\$28,519,713
Other, Repair, Renovation, & Rebuilding-Mental Health Facilities	\$1,218,525	0	0	0	0	\$1,218,525
Other, Repair, Renovation, & Rebuilding-Other	\$5,289,382	\$5,946,364	\$35,000	0	0	\$11,270,746
Total Services	\$123,541,998	\$177,064,795	\$3,829,981	\$667,764	\$157,136	\$305,261,674
Administrative Costs	\$5,209,573	\$5,428,810	\$10,803	\$28,191	0	\$10,677,377
<b>Total Services plus Administrative Costs</b>	<b>\$128,751,571</b>	<b>\$182,493,605</b>	<b>\$3,840,784</b>	<b>\$695,955</b>	<b>\$157,136</b>	<b>\$315,939,051</b>

Source: States' post-expenditure reports, through September 30, 2015.

---

## **APPENDIX B**

### **State Agencies that Participated in OIG Interviews**

#### **New York**

Office of Children and Family Services (Lead Sandy SSBG Agency)

Division of Administration

Financial Operations

Audit and Quality Control

Contract Management

#### **New Jersey**

Department of Human Services (Lead Sandy SSBG Agency)

Office of Recovery

Division of Mental Health and Addiction Services

Division of Aging Services

Division of Disability Services

Department of Children and Families

Department of Health

Office of the Attorney General

New Jersey Housing and Mortgage Finance Agency

#### **Connecticut**

Department of Social Services (Lead Sandy SSBG Agency)

#### **Maryland**

Department of Human Resources (Lead Sandy SSBG Agency)

#### **Rhode Island**

Department of Human Services (Lead Sandy SSBG Agency)

## APPENDIX C

### Agency Comments



ADMINISTRATION FOR  
**CHILDREN & FAMILIES**

Office of the Assistant Secretary | 330 C Street, S.W., Suite 4034  
Washington, DC 20201 | [www.acf.hhs.gov](http://www.acf.hhs.gov)

August 19, 2016

Ms. Suzanne Murrin  
Deputy Inspector General for Evaluations  
and Inspections  
U.S. Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

Dear Ms. Murrin:

I am writing to you concerning the Administration for Children and Families' (ACF) response to the recommendations in the Office of Inspector General's (OIG) report, "Superstorm Sandy Block Grants: Funds Benefited States' Reconstruction and Social Service Efforts, Though ACF's Guidance Could Be Improved" (OEI-09-15-00200), which contains recommendations regarding ACF oversight of the Hurricane Sandy Social Services Block Grant (SSBG) Supplemental Funds. ACF appreciates the OIG's evaluation concerning the states' experiences using Hurricane Sandy SSBG Supplemental Funds and ACF oversight of these funds.

ACF worked to respond to state-identified needs and provide the necessary flexibility to administer the Hurricane Sandy SSBG Supplemental Funds consistent with the statutory authority. ACF's oversight and technical assistance activities to support the states' intended use of the Hurricane Sandy SSBG Supplemental Funds includes the following:

- Delivery of technical assistance:
  - Webinars that included specific information on the five statutory goals, 29 service categories for SSBG, as well as additional areas allowed under the disaster supplemental (e.g. renovation, repair, and rebuilding, healthcare and mental health services);
  - Best practice discussions, where states with prior disaster recovery experiences (e.g., Texas and Louisiana) shared best practices with states awarded Hurricane Sandy SSBG Supplemental Funds; and
  - Issuance of information memoranda and frequently asked questions to provide guidance to states on the use of funds and reporting requirements.
- On-site visits with states to review the state's policies and procedures (e.g., internal control reviews, sub-recipient monitoring);
- Collaboration with states to implement corrective action(s), if any;
- Increased financial and progress reporting requirements; and
- Improper payment reviews - two review types (case record review process and a vendor payment review process) are conducted quarterly in Connecticut, New Jersey and New York. These reviews will continue through September 2017.

ACF concurs with each of the three recommendations in the report to improve the use of available funding for future disasters. The following provides our response to each recommendation.

**Recommendation 1:**

ACF should take additional steps to ensure, within the scope of the legislation, that states are given appropriate time to expend any future supplemental SSBG awards.

*Response:*

ACF concurs that in the event of a future disaster supplemental with similar language, states would benefit from early communication of time allowed under the authorizing legislation to expend supplemental funds. We also believe that consistent overall emphasis should be on the most efficient and timely possible delivery of services and expenditure of funds.

Given comparable language in a future disaster supplemental, ACF would implement a strategy that allows for the full timeframe that ultimately was allowed under the Hurricane Sandy supplemental. We will also conduct an internal administrative review to identify future strategies for the release of funds and guidance on expenditures timeframes.

**Recommendation 2:**

ACF should conduct a post-grant review to identify lessons learned and best practices.

*Response:*

ACF will continue to work closely with the states on close-out and provision of necessary services. During this period, which will continue through September 30, 2017, and in our guidance on final reporting, we will work with states to identify lessons learned, best practices, technical assistance, and guidance that can be provided to other states in the event of a future disaster supplemental. We will conduct an internal administrative review to identify future strategies for the release of funds and guidance on expenditures timeframes.

**Recommendation #3:**

ACF should prepare guidance about supplemental SSBG documentation requirements.

*Response:*

As stated above, ACF plans to conduct a “lessons learned” administrative review with recommendations for future disasters in the event of a release of Federal funds to address a disaster building up experience of the Hurricane Sandy supplemental.

Page 3 – Ms. Suzanne Murrin

ACF will also solicit input from states on future guidance and technical assistance that can be provided to states and will work with key state officials on resources that can be made available to states quickly in the event of a future disaster supplemental.

In closing, we support the OIG's efforts in improving the use of available funding for future disasters by studying the states' experiences using Hurricane Sandy SSBG Supplemental Funds and ACF oversight of these funds. Please direct any follow-up inquiries to our OIG liaison Scott Logan, Office of Legislative Affairs and Budget, at (202) 401-4529.

Sincerely,



Mark H. Greenberg  
Acting Assistant Secretary  
for Children and Families

---

## **ACKNOWLEDGMENTS**

This report was prepared under the direction of Blaine Collins, Regional Inspector General for Evaluation and Inspections in the San Francisco regional office, and Michael Henry, Deputy Regional Inspector General.

Camille Harper served as the team leader for this study and Christina Lester served as the lead analyst. Central office staff who provided support include Clarence Arnold, Joanne Legomsky, Melicia Seay, and Sherri Weinstein.

# Office of Inspector General

<http://oig.hhs.gov>

---

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of individuals served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## **Office of Audit Services**

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

## **Office of Evaluation and Inspections**

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

## **Office of Investigations**

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and individuals. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## **Office of Counsel to the Inspector General**

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.