

## **CDBG-DR Duplication of Benefits, 4-7-16**

Steve Higginbotham: -- "Duplication of Benefits When Dealing with the Community Development Block Grant Disaster Recovery Program." My name is Steve Higginbotham and I'm the senior committee planning and development specialist for disaster recovery and special issues division, Operations of the Fort Worth field office.

I'm the grant manager for over \$7 billion distributed to Texas and New Jersey. I also assist in developing policies for the division. Also joining me on this call are two very knowledgeable staff from the division, Sandra Donaldson, based in Missouri; Marty Horwath based in Florida. Sandra worked extremely hard to put all of these webinars together.

Also joining me is a fellow subject matter expert, is Makani Drummon, our division's counsel for the Office of General Counsel. Makani does a wonderful job of keeping us out of trouble, or as best he can. Finally, actually presenting the material is Bonnie Lester from ICF. I know Bonnie from her excellent work in New Jersey and look forward to her presentation.

In this webinar, you will have the opportunity to learn more about how to identify and calculate possible duplications of benefits before providing assistance, as well as ways to ensure that no DOB occurs after assistance. We will also go through a couple of examples and these calculations can seem confusing and difficult. Please, please do not hesitate to ask questions if you get lost. I guarantee you there are 10 other people with the same question who are shyer than you.

Also, I'd like to make a note for the audience. We see that many grantees have signed off and we're very pleased with that. We also note that there are other partners on the line, including contract firms and some nonprofit entities as well. You are certainly welcome to listen in. We would note that the primary audience are those grantees that are receiving direct assistance from the department.

We want to be sure that they have the key lessons to be picked up from this and we will give them priority for asking questions, making sure that they have that feedback. But our goal is to make sure that the broader community also understand the concept of DOB. And so welcome to our webinar and we hope you will continue to join for this series of webinars that are going to take place in the future.

With that, I'd like to turn it over to our host for this afternoon, ICF. Bonnie, it's all yours.

Bonnie Lester: Thank you, Steve. It's nice to be talking with you again. As Steve mentioned, I spent time in New Jersey working with the state of New Jersey on their disaster recovery program and a number of years ago spent time in Louisiana working with them as well. So I'm delighted to be here and I'm excited to talk about the duplication of benefits process. This is the fifth in a series of webinars that HUD has put on for CDBG-DR and now for CDBG-NDR grantees. It is to be noted that specific guidance on NDR will not be covered in this webinar. We're going to be talking to the broad CDBG-DR requirements.

The next webinar coming up in this series is the Environmental Review webinar, and that will take place on April 21st, 2016, at 2:00 p.m. Eastern. Your HUD listserv will send that in an announcement and ask you to sign up for it. So be aware of it. That, too, will be an interesting session. This webinar will include some polls and some brief opportunities to practice. And DOB really is about calculation, so I think it's going to be helpful, hopefully, for all of you to be able to walk through the process of doing one.

You may be attending as a group on the polls that we have to offer. Feel free to briefly discuss it before answering. All of you are likely to have questions at some point through the webinar itself and as Steve mentioned, please don't hesitate to ask them. There are written questions and I'm going to turn it over to Chantal Key, who will go through the process for how you can pose your question on this webinar. Chantal?

Chantal Key: Thank you, Bonnie. So on your GoToWebinar toolbar, you'll see an area titled Questions. If you open that up, this will be your questions text box. So at designated times throughout the webinar, you can type your question in there and we will read your question out loud and we will provide you a response.

So again, on your GoToWebinar toolbar, you'll see an area for questions. If you expand that questions box, you'll see a text box where you can actually type in your questions. At any time during the webinar, you can type in your questions, but at designated times throughout the webinar, we will read your question out loud and we will provide you responses as well. Bonnie?

Bonnie Lester: Thank you. I want to just briefly go over the agenda and what will be covered today. It's really important -- this is a very important topic, this duplication of benefits analysis. Unfortunately, if it's not done correctly, you may wind up having to ask for money back, which is never something any of us like to do.

So this is an important topic. HUD does review your program for your methodology and applying this analysis. So we're going to go over this in pretty good detail. So when you leave, hopefully you'll be able to design one for your program that will accomplish the objective of the duplication of benefit analysis, which, at the end of the day, is ensuring that no beneficiary receives more funding than is necessary for them to meet their unmet needs. So we'll go over that.

The primary framework for all of this information is the Federal Register notice of November 16th, 2011, which is FR5582-N-01. If you've not seen it, you should go to HUD Exchange and pull it down. Because it really just kind of will -- we're following the guidance from that Federal Register notice in this webinar. The other thing that we'll talk a little bit about is, well, are some of these OMB principles.

As you know, if you receive federal funds, you need to follow the OMB guidance [inaudible] expend it and track it. We're going to talk for a little bit about what HUD looks for when they monitor for the DOB calculations and analysis. And one of the things that I like to tell people is you can expect to get monitored because they're going to follow the money and this is about the money and how you determine someone's award.

We're going to show you some practical considerations to think about when you're designing your duplication of benefits process. And then we have two scenarios to help us practice some DOB calculations. Throughout, you may ask questions. It may not be until you get to the end of this scenario that you find you still have questions. We'll give you another opportunity to pose those questions. And then we'll provide you with a list of resources that will be helpful as you start putting together your programs for awarding your CDBG-DR funds. Or as you continue to implement programs already in place for which you have not gotten to that area.

So the first thing is the broad overview of the duplication of benefits. You know, a lot of times, it's not a question that you're not doing it. You may just not be doing it in compliance with the guidance in the Federal Register notice. But any entity that is receiving CDBG-DR funding from a grantee, there should be a duplication of benefits analysis for the award amount they receive. And the basis for all of this is in the Stafford Act. Section 312 says that no entity will receive duplicative assistance from another source.

And when we say another source, that's a broad category. It includes federal dollars; state and local dollars; insurance, both national flood insurance and property insurance; and it could mean nonprofit sources. It could be the Red Cross; it could be a local United Way. It could be a church group that came in and did things like removed the dry wall from the interior of the structure. All of those are [inaudible] that someone could receive after a disaster.

In the cost principles, the big thing is that you need to be able to ensure that all costs associated with the grant will be necessary and reasonable. The rules for these and these principles can be found at 2 CFR 200. But the Federal Register notice that we mentioned earlier from November of 2011 really does give specific guidance to the CDBG disaster recovery grants. And the expectation is that you've read it and that you understand it and that you know how to apply it in your program.

So what is the duplication? What does that mean really? And it occurs when -- because of multiple sources of assistance, when you add up the entirety of the assistance that the beneficiaries received, they exceed the need for that type of assistance. So you're trying to make sure that that does not occur. And the reason you're doing that is because you need to be responsible for the use of the taxpayers' dollars that are funding the CDBG-DR grants.

And just as an aside, the courts have said that governments are also subjected to the DOB requirements. And that's really important because sometimes we think that governments who might be doing public facilities or some infrastructure projects don't have to be analyzed to ensure that there's no duplicative assistance provided to them. But you do have to do that; you need a process for doing it. We'll talk a little bit more about that in a while.

At this point, we're going to do a very quick poll of the attendees. Chantal?

Chantal Key: Yes. Thanks, Bonnie. So the question here is how many attendees have reviewed more than 50 DOB calculations, between 1 and 50, or have never seen this before? The poll is now open. And we have about 45 percent that have voted so far, so I'll keep it open for just a few

more moments. Okay. We're at about 75 percent, so I'm going to go ahead and close and share our results. And we have 25 percent voted more than 50, 37 percent voted between 1 and 50, and 38 percent voted have never seen this before.

Bonnie Lester: That's not a surprising number. So we are going to approach this to make sure that for those of you that have never seen this before, we give you enough of the basic information that it won't feel like a Greek language when someone starts talking about DOB. So I think for the rest of you, for those of you who have done it and for those of you who have done more than 50, think of this as a refresher course. But it's important that everyone walk away today with some basic understanding of the process. So the basic framework we said earlier is the Federal Register notice that is from November 2011.

So this is really designed to outline the process that is identified in that Federal Register notice. So there are a couple of things that we think about. They are really five basic areas that we're going to discuss as we move through this webinar. And you will sort of think through all of these areas as you're designing your process for ensuring that you're doing this on all of your programs.

One of the first things is that you need to think in terms of the need and the duplicative benefits. It those duplicative benefits that you need to ensure do not occur when you're sizing and moving to the second phase, which is the calculation of the award amount that you will provide to your beneficiary.

What you want to do is think of addressing remaining unmet needs if there are any applicable, and that is where you come into using your CDBG-DR funds. Remember, the CDBG-DR funds are sort of the funds of last resort. You've exhausted all of the other opportunities to receive funding to pay for this disaster-related need and the CDBG funds come in to meet that unmet need.

In the event that something comes up anywhere in that process, that you figure, oops, we may have a duplication of benefits here and you calculate or recalculate and you find that is the case, then you will go into a recapture situation. And we'll talk about that at the end of this before we go into doing the scenarios where you will actually do the analysis. So the first category or the first thing we think about is that you're going define and determine what the need is and what the duplication or duplicative benefits are.

So when we talk about the need, we're thinking about what is it that it takes to rehabilitate or bring back what was damaged as a result of the disaster. So it could be what is the need to rehabilitate a home? What is the need to rehabilitate the physical structure of a business? What is it? How are we going to assess the need for the economic damage suffered by a business?

And what are we going to do to help with the repair? How are we going to identify the need to repair some infrastructure, such as your roads or bridges or storm sewers? All of those things need to be done first. The other thing you need to understand is the way in which you determine need for CDBG-DR may differ from an amount identified by another agency.

For example, when FEMA goes in when the disaster is over, FEMA is on the ground within hours. As soon as it's safe to get in there, they're in there. And they're going out to determine the need based on their assessment of the damage and they are looking for damage that is specifically created by the storm. So that's what they're looking at when they do their assessment.

One of the things to understand is that the infrastructure needs that may be assessed usually take longer to get to than the homeowners' needs and even some business needs. So that's a time when you may see that when you go out there, there may be other things that need to be done to rehabilitate someone's home that exceeds what FEMA may have determined was the need to just [inaudible].

The other differences can be in insurance carriers and how they do that. And we'll talk a little bit about that later on, but oftentimes, insurance claims adjustors who go out to determine the need from an insurance reimbursement situation are looking at the damage. They estimate the damage that they see in the property, but they may also apply and deduct from it the depreciation value, depending on how old the structure might be, how long it might have been since something was done to it.

So they may start out with a cost that is one number, but when they deduct the amount, the depreciable item, the amount is reduced. And when you go out, you may just be looking at what is it going to cost us to fix this property today in today's environment? So there can be a difference in those two numbers, and that's fine. There's no reason that they have to be the same.

The next thing that is required when you're looking at identifying the duplicative benefits is that you need to do determine what resources are available to the beneficiary to cover the damage. So it would be things like any funding that FEMA provided. If they received an SBA loan, any insurance proceeds they received. If your local, state, or federal governments are providing funding from alternative sources, sometimes you'll see local home dollars going into it.

I'm in South Carolina. The governor had a fundraising drive to raise money. Those dollars were put into a special foundation. They're awarding the money to nonprofits to help people recover from the event of the disaster. There are also private loans that people may have taken out to help them. They may have had severe roof damage and they really couldn't wait, they needed to get the roof repaired to keep additional damage from happening, so they took out a private loan and that loan would be included in the available assistance. The other would be a line of credit.

Oftentimes, this is a vehicle that businesses use to help them through a troubled period. All of those are sources of funds that are available to the beneficiary to use in their recovery process. You need to identify all of those. We'll talk a little later. Not only do you need to identify, but you also need to verify what those amounts are.

Once you've done that, the next phase that you're going to go through or the next step in determining your need and duplicative benefits is that you're going to exclude the non-duplicative funds from the available funds that the individual has. In the Federal Register notice, there's a very good list of the exclusions for that and they will not reduce the CDBG-DR award.

So you really need know what they are and you need to be able to identify those when you're doing your duplication of analysis [sic].

You don't want to underfund somebody's needs, just as well as you don't want to over fund their needs. I've seen situations where underfunding has left people not even starting their repairs because they don't have all the money they need to finish it. So rather than start something they're afraid they can't finish, they just sort of sit in a holding pattern.

And for programs, that can be pretty awkward because you've committed the money and you're waiting for them to spend it and you are required under the PL 113-2 law that there are some expenditure deadlines you need to meet. So again, this is going to help you first identify unmet needs as well as the duplicative amounts of funding.

So there are really five major categories that we mentioned. Funds for a different purpose or general non-specific purpose. Funds for the same purpose, but maybe a different eligible use. And what we might want to talk about there is when you have funds that are for housing cost, one of those may be for temporary house and one of those may be for housing repairs. Then, we talk about funds that are not available, and that means funds that are not available to the beneficiary to use.

And the biggest one we see, especially for homeowners, is insurance proceeds that are paid out that include payment to the mortgage holder and the mortgage holder determines that they're going to apply it to the mortgage loan. And it's something that you need to look for and you need to make sure you understand whose decision it was to pay down the mortgage. If it's an involuntary use of the funds by the mortgage company to pay off the mortgage, those are not duplicative.

If the homeowner, on the other hand, decides, well I'd like to get the mortgage paid off and I've got an opportunity to get grant money, I'm going to use my insurance proceeds to pay down my mortgage. That's not a duplicative use of the funds because the bank thought that those funds would be used to repair the loan and in the program, they really should have used the money to repair the damages and not pay off the loan. However, if they had to take out a private loan, like the individual we talked about that wanted to replace his roof to keep further damage from occurring and so they went into debt to do that, those dollars are non-duplicative. The other assets are lines of credit that are also non-duplicative.

Going back to the private loans, there is one category of loans that I want to discuss and put out there to you, and that is that if the beneficiary received a forgivable loan, those are duplicative. Because the purpose is to do the repairs. They're not going to have to pay it back. So it is for the same basic purpose as the CDBG funds and so would be duplicative. So that's the first sort of step in this exclusion of non-duplicative funds to come up with which ones are duplicative.

And the way you would do that is that you would reduce the amount of the resources by the assistance determined to be non-duplicative, and it would leave you with the amount that is duplicative. And I know this is getting a little number heavy and you're beginning to think this is hard to follow. Hopefully, when we get into the scenarios, when we go through this again, it'll

start to fall into place for you. It's a lot to remember and by the end, hopefully these will be much more familiar to you, especially those of you who have never seen this before.

So you've done that. You've identified the need. So the first three steps in this process, you've identified the need, you've looked at the total assistance received, you determined in some minor calculations what were those that could be considered to be non-duplicative and excluded from the assistance, which left you with the amount that was determined to be duplicative.

So in this little case we have up here, the individual need, the beneficiary's total need, was estimated to be \$100,000. We decided that they'd had \$35,000 worth of assistance. The amount that was duplicative was \$30,000. You would subtract that \$30,000 from the \$100,000 and you would have a maximum eligible award amount of \$70,000.

Now, if you have a program cap of \$50,000, you're going to award the lesser of the maximum eligible award or the program cap. Keep in mind if the amount of the final award is less than the maximum eligible award, you might want to ensure that you believe that they have funds available to them to make sure that they can complete their project.

So when we talk about unmet needs, we want to talk about the fact that you're going to determine a recovery need at a particular point in time. In most cases, it's either at the time of the disaster or it could be at the time of application. So it depends on when you're doing it.

But any subsequent changes that could affect need, such as vandalism; contractor fraud; if you notice that in your marketplace, the cost of labor and materials for construction are going up; if there's a subsequent storm after the one that was there that might have caused more damage, all of those things could come into play, which could affect the need. So you may want to do calculation several times through your process, and that is up to you to determine.

It can be done at any point during your CDBG-DR award process or after the funds have been provided. So it's up to you to determine. Sometimes, there are programs that I've seen that do it three times. They do it with the initial needs assessment, which we'll get into in just a minute. But there's the initial assessment, then they do another analysis at the point in which numbers are really known, such as the construction cost. That helps them determine what the need is.

They were estimating the cost maybe at the time of application and when a construction contract is issued, they now know the actual cost of that construction and they may go ahead and reanalyze the need and the unmet need at that point in time. And then often, especially when construction is involved, they may do it right before the last amount of funding is released, when they have all of the final numbers in and they can re-verify the assistance and they will recalculate to make sure that there have been no duplications of effort before the last of the money is gone.

You have some discretion in your program to determine how often you want to do it. You can determine the methodology for identifying and verifying unmet needs. They can be physical inspections. You could do appraisals. As I said, an easy way to verify your constructions costs is when you get a construction contract. It will tell you what the costs are at the time. So it's up to

you. These are program and design questions that you need to address as you're building out your program.

Then, you need to look at the CDBG award amount. The funds from the CDBG program, CDBG-DR, are to be used for eligible purposes of the program or the activity for which they have been provided. So the purpose of the award is part of the thing that you need to determine when you're looking at this calculation.

In general you need to think through how the beneficiary, when you're looking at the funding that they've received, is to make sure that you understand the purpose of the money that was awarded to them. So for instance, after the disaster, FEMA came in and they made an individual award to a homeowner. The homeowner has applied to your program for homeowner repairs. You are looking at the calculation and you determine that the FEMA award was -- they received \$50,000 from FEMA to repair their home.

When you look at it, those \$50,000 would be duplicative of the award that you are making with CDBG funds to do the same thing. And it doesn't matter if the homeowner used the money to pay for their temporary housing, to pay their mortgage when they were having to pay rent as well. So you need to understand that the homeowner may have used some of the money for the same purpose as CDBG-DR award and they've used it for something else. So this is just part of that verification to ensure that you understand what they should have available to do the repairs for their home or to restore their business.

And in general, there is a requirement that CDBG disaster recovery funds should not be used to pay down an SBA loan. Again, SBA is one of the first providers in there after a disaster and people will apply for an SBA loan and they get it, they take it out, they start doing the repairs, and then they come to CDBG-DR and they'll ask for funds to pay down that loan. That is not something that can be done. Occasionally, if there is some extenuating circumstances, you may be able to work with your HUD representative to evaluate this on a specific case basis. But you really do need to talk to HUD before you do that.

And then the last part of the duplication of benefits process that you need to address has to do with recapture. Hopefully, none of you will ever have to do this. Hopefully, you will have done all of your analysis correctly; there will be no glitches anywhere along the way. But sometimes, it does happen that you do find out that you have provided duplicative funds for a program or for a project.

Sometimes, actually, what happens is a grantee may receive more funds from their insurance claim than you may have accounted for in your assessment and when you identified the available resources and your beneficiary will actually send back the money to you, which is recaptured funds. So you need to make sure that you know what you're going to do and how you're going to treat these recaptured dollars.

You should have policies and procedures that address your recapture and those should be part of the first things that you're doing as you're setting up your program. So it's part of what you're



doing when you're doing your program design and you're coming up with your policies and procedures for your big CDBG-DR award that you include this issue about recapture.

There needs to be a document executed by every beneficiary that states that they will send back to the granting agency any funds they receive that are duplicative and the usual one we see is the subrogation agreement. You should check with your legal counsel in your state to see if that's the correct document. You can use a different kind of agreement, but you need to have one signed by every beneficiary.

The risk of the DOB should inform the policy you establish regarding how you're going to monitor for DOB after you've made your awards. So for those grantees who are using subrecipients to run programs, you are going to need to have a methodology for monitoring to ensure that all of the duplication of benefits requirements have been met by your subrecipients. There is risk involved with it. So especially where there may be sources of assistance that have not yet been finalized and coming into the program, you need to have these in place.

The other thing is that you need to make sure that in the subrogation agreement or whatever agreement you have that there is an ability to enforce the agreement. It does you no good if there is no way to hold a beneficiary to repaying those dollars. In some states, you may have the ability to withhold or hold back any state tax refunds that a beneficiary would get, but there -- usually in states, there are standard types of collection processes that you have that you should include in your policy. At this point, I'll turn it over to Brandy to see if we've got any questions in the queue.

Brandy Bones: Yes. We do have about three questions right now. So the first question relates to in-kind services and how they relate to duplication of benefits and whether they need to be counted.

Bonnie Lester: The biggest in-kind services usually are when organizations come in and actually do physical rebuilding. And yes, they do -- you can determine the amount of the materials and HUD does have a standard for volunteer labor. They do calculate that as well. But it is a duplicative benefit. It is one of those nonprofit benefits that can come in. Because the repair's already done. I mean, they're coming in and they're doing a repair instead of needing dollars to do them. So you just need to ensure that you can apply that correctly to what's been done.

Steve Higginbotham: Bonnie, if I can just add to that. That should be -- that should also -- if you remember, as Bonnie said, the first step is to calculate the need, the remaining need. So any in-kind services, that should be included when you calculate the need. Now, there is some cases where if your program calls for a reconstruct at a certain level of damage, you might have to tear down what someone else has already built up on in-kind services, in which case, that would not be considered part of the need because now your need has changed. So just wanted to add that point.

Bonnie Lester: Very good point. Thank you.

Brandy Bones: Okay. And then the second question was are applicants are beneficiaries for CDBG disaster recovery funding required to submit insurance claims?

Bonnie Lester: Required? You know, one of the questions you should be asking is did you have insurance on your property? Have you submitted a claim for the damage? But if there is insurance, the assumption would be that there would be some benefit to be received from making a claim against the insurance. If they don't have insurance, no one would require that they do that. But yes, as part of your program design, that should be a requirement of your program.

Steve Higginbotham: Thanks, Bonnie. And just to jump in add a point to reiterate, there's no requirement to file an insurance claim. But duplicative assistance needs to be recovered if a federal if the federal assistance duplicative benefits that are available to a person. And the way that the term available has been interpreted by courts is either assistance that the person actually has or that the person could have accessed to if they acted in a commercially reasonable manner. So as a grantee, you should certainly be looking into sort of why an insurance claim wasn't file if if a person has insurance and just simply didn't file one.

Bonnie Lester: Good. Thank you.

Brandy Bones: And I think related to that, there's another question about the burden of proof that the beneficiary has to provide for contractor fraud or that that's vandalism or forced mortgage payoff is mentioned, I think, like,, two slides previous. What burden of proof is required of a beneficiary?

Bonnie Lester: For the vandalism, I would think that the police report or some ability for the grantor to be able to prove that there is reason to agree that someone has vandalized the property, that if there was a fire, that somebody didn't just -- but it wasn't arson or some of those things. And the second -- there was another. Besides the vandalism, there was a second piece.

Brandy Bones: Contractor fraud. And then --

[talking over each other]

Bonnie Lester: Again, I think --

Brandy Bones: Yeah. Same thing, documentation. Yeah.

Bonnie Lester: Yeah. I think in that one you need to -- the party needs to actually initiate the activity around reporting it, that it's being looked into, that it's determined to be fraud. Yes. And I would say that the states do have requirements to protect against fraud, waste, and abuse. Most states that I've worked with have fraud hotlines. They encourage beneficiaries to report this if it occurs if it happens to them.

So there are ways that you can document that that, in fact, has been the case. Usually, it's turned over to their state attorney generals, who go after them. And again, that's something you can document. I would imagine it would -- the key is going to be that the beneficiary should have

receipts for what they may have paid them, they should have copies of the contract. You know, I think it gets to the documentation. It's not just word of mouth. "Well, that contractor defrauded me." There needs to be some evidence that there was an agreement between the beneficiary and a contractor and that the contractor failed to perform under that agreement.

Brandy Bones: Great. We have a couple more questions, one --

Steve Higginbotham: Bonnie --

Brandy Bones: Oh, go ahead.

Steve Higginbotham: Just to add to that, one just great rule of thumb for you to think of, and certainly what we look at when we come out, is what level of documentation would you require if this were your municipal funds, if this were your state government revenue? And you just need to treat ours like we would treat your own money, and when I say ours, of course, I mean the American taxpayer.

Bonnie Lester: And that is ours. Each one of us. That's great. Good. Okay. Are there any others? You said there were three. Does that take care of them?

Brandy Bones: Yeah. Let me just ask one more and then we'll [inaudible]. I think some of them will relate more to what you're going to be doing. Actually, there is a follow-up question related to that. And I think whatever documentation would be required. But there's a question if HUD has ever allowed an affidavit by the beneficiary for the related -- for contractor fraud or do we require documentation to back it up?

Bonnie Lester: Are you saying -- it would seem to me there would have to be some documentation to back it up. You know, copy of the contract that was executed, copy of checks that were cashed. I think Steve's point about what would you do if that was your municipality or your state's money? How would your folks be able to pursue fraud in this case? What do they need? How can they enforce that?

Brandy Bones: Great. Okay. And I'll hold the rest because I think some of them relate back to the next section we're going to be talking about.

Bonnie Lester: Okay. Those were good questions. And hopefully, we have some good discussion and some substantive answers for you to put into place. The next thing we're going to talk about is that under the CDBG-DR program, as in your CDBG programs and your home programs and any other program using federal funds, you need to follow the OMB guidance for these.

And in this case, we're going to be talking about what is reasonable and necessary. And these are the OMB cost principles, and I'm going to read these. A cost is necessary [in a program] if it is for an eligible CDBG-DR activity and meets the standards of the program. Again, we're going to mention that funds should not be used to pay down or pay off an SBA home or business loan without HUD approval.

A reasonable cost. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made. You're going to apply these to your programs, you're going to apply them to the request for funding that you get in, and these are the things that you need to ensure are in place in your program and they're discussed. This gets to there are other factors related to the reasonableness of the cost and they're described in 2 CFR part 200. So these will apply to your programs.

I want to talk a little bit about the treatment of declined SBA loans. We've talked about if they've got an SBA loan, you can't use CDBG-DR funds to pay down an SBA loan. But now, I want to talk a minute about declined loans. So after a disaster, one of the federal government's primary forms of disaster assistance is the small business administration loans, both for homes and for businesses.

That is the expectation. They're there first. They're the first line of defense. People who suffered a disaster should seek them out to see what they have. Now, you need to have policies and procedures in place to guide you in how you would handle it if a beneficiary declined an SBA loan, and that does happen. So you will get -- when you're verifying the assistance needed, you might find that one of your applicants had applied for an SBA loan, but it was never closed. So at least at that point in time, you might assume that they've declined that assistance.

So you need to determine why they declined it. It's reasonable to think that SBA sort of did underwriting to see if the beneficiary met certain requirements, if they could afford to repay the loan, all of those things. Because sometimes, SBA will turn someone down for a loan if they think that it is not in that person's best interest to have one.

So if you see that someone has been approved for an SBA loan and they've not taken it, you need to have policies and procedures in place to establish what the CDBG-DR benefits and assistance would be a appropriate for that beneficiary to receive. Normally, it's through your underwriting criteria. And it could be that the amount of the assistance is greater than the SBA loan or the need identified right after the storm and so, the beneficiary hasn't done anything. It could be that the beneficiary was also a small business owner and the income he used to have has been falling off because his business activity is not as robust as it was before.

There are a number of reasons that it could be perfectly legitimate for a beneficiary to decline taking SBA's assistance. But you need to determine what those are. You need to figure out a way to support it and then write it up in your policies and procedures as part of your program design. So the worst thing to have happen is not to have it in place and then for it to come up. And meanwhile there are other applicants who didn't get that same sort of look at things. So it's always easier to face these issues in advice than have to look at them after the fact.

We're at another end of a sort of brief section here and so, we'll go to Brandy to see if there are any questions in the queue.

Brandy Bones: Yes. We do have a couple of questions. So if a project has been submitted for an alternative source of federal funding, but that funding -- or, really, I guess it could be any other source of funding, but that funding has not yet been approved, how does this impact the duplication of benefits? For example, if they are still waiting to hear back as to whether they successfully received funding from another source but CDBG-DR funding becomes available, how should that factor into the duplication of benefits analysis?

Bonnie Lester: Okay. It's sort of as we discussed earlier about the insurance. In some ways, it's an anticipated amount that they should be eligible for and it is included in the assistance when you're doing it. If any point in time during the application process or award process the individual has been declined for that source of funding or the source of funding is different, they might be allowed, based on your program design, to come back in and to ask for another review.

Or you may have that review automatically occur at some future time in your process. But if it's an anticipated amount, you know you've applied for it, you just haven't heard, that does get included in the identification of the resources available to you as an estimated resource. And if it's duplicative of the CDBG award funds, it would be a reduction, unless it was one of those excluded sources that we talked about.

Brandy Bones: And Bonnie, could you talk a little bit about how you'd ensure that you would get that funding back if that happened and it was under duplicative?

Bonnie Lester: Again, you would size your award assuming that you would get it. So your award would be reduced. You could have a design program that would allow if the award of your CDBG-DR funding was not capped or the amount that you awarded was less than your cap, in your program you could state that in the event that a source anticipated to come in is not received or is unfunded, you could allow for someone to come back and request that amount of money as long as it did not exceed your program cap.

But this is all in how you design your program and whether or not you would allow for that person to come back in. Other questions, Brandy?

Brandy Bones: Yes. Two more I wanted to ask. So if a homeowner is given FEMA money, for example for housing repair, and instead used that money to pay for temporary housing, does that money still count as duplicative against CDBG disaster recovery money they may receive for rehabilitation? Does it apply to the duplication of benefits calculation?

Bonnie Lester: Yes. If FEMA gave you money for housing repair and you elected to use it to pay your temporary housing costs -- remember, we talked about looking at the purpose of the funds. So in this instance, the purpose of the FEMA money was to go to pay for the repairs to your home. So it is a duplicative assistance amount and it would be deducted from your unmet needs because it should be there to pay for it. You elected to use it for something else.

Brandy Bones: Okay.

Bonnie Lester: Any other questions?

Brandy Bones: Yeah. We do have a question about SBA loans and he says if the beneficiary actually gets the proof for a loan, but then decides not to accept the SBA proceeds for any number of reasons, because they maybe can't pay the loan or they're maybe going to get more on CDBG disaster recovery, how does this get factored into the duplication of benefit analysis as well?

Bonnie Lester: Okay. That's why we mentioned that you need to have policies in place about the acceptable reasons for declining SBA assistance. So if they were approved for an SBA loan and they voluntarily declined to accept that loan, you need to determine if the reason they used for declining the loan was in keeping with the policies that you established around this. Again, the expectation is that SBA is a primary responder to a disaster.

So if you've applied for a loan and SBA has qualified you for the loan, the assumption is that the underwriting that SBA did would indicate that that is not a burden for you to have. Yeah. We'd all like free money, but that's not the purpose of CDBG-DR. The purpose is to meet the unmet needs of your disaster event. And so the SBA loan issue becomes pretty important and you need to determine how you're going to decide what are those valid reasons? And that is up to you, but you need to have policies in place for that.

Brandy Bones: Great.

Bonnie Lester: Any other questions, Brandy?

Brandy Bones: I think we're good for now. Move on and I can get the rest after the next section. Thank you.

Bonnie Lester: Good. Well, thanks for asking the questions. You know, they're important and it's important to get your answers while you have us on the phone. The next section is monitoring for duplication of benefits. One of the things that, as a recipient of CDBG-DR funds, is that you will be monitored, HUD will be monitoring you, the Office of the Inspector General is likely to monitor you.

And that's a good thing. There's nothing wrong with that. And one of the things that they will be looking for is to see how you and your program have been established to ensure that you're looking for these duplication of benefits and that you have a process in place for it. So HUD is likely to ask you for those policies and procedures. They're going to want to know how you walk through that process and what you have in place for it.

And earlier, we talked about that you need to identify the sources available, the resources and assistance available to the beneficiary. This is where we're going to talk about the fact that you really need to be able to verify those sources. And the easy ones are FEMA, SBA, and the NFIP insurance. There are data feeds that you can get from each of those entities. You enter into an agreement, you establish it up front, they make the records available to you, and you can periodically check these to make sure that they haven't changed at all.

And so you can look for that information and verify it. The other sources, the private insurance, the nonprofit, you will ask the beneficiary or the insurance company or the nonprofit to support that information. The insurance claims that are paid out, the beneficiary can sign a privacy waiver.

You can request from the insurance company the amount of the claim that's been paid or that is pending and most insurance companies will provide that. In some states, you may have an insurance commission and may be able to work with them to get the larger insurers to provide you that data electronically. It just depends on your state and the laws within your state. But it's certainly worth checking out to see if that can be done.

So you need to just make sure that not only have you received that information for the applicant when they're requesting the funds, but that you verified the amount from the funding source. HUD in their monitoring is going to look for the documentation. They're going to look at the individual file to see how you identified what amount of money was needed from CDBG-DR.

They're going to look for that by identifying the sources of other assistance and your verification of those sources. And then they're going to see did you calculate the amount of the CDBG-DR award correctly? They're going to make sure that in every beneficiary file, there is a subrogation agreement or some other form of an agreement that provides for the return of any funds received after the award was made. And they're going to want to see if there was a declined SBA loan, what did you have in the file to document that it met your policy of your program?

So they're going to look for all of these things and those of you grantees who are working with subrecipients, these are the things that you should have in your monitoring policies to go out and review the duplication of benefits analysis that is being done by your subrecipients. So this is both if you're being monitored and if you will be monitoring. So keep these things in mind. This should be part of your program design. It should be part of your policies and procedures.

Your duplication of benefits file should also include the policy to address recapture. We talked about that earlier. It is really important because I don't want it to sound as if all recaptured funds come because you have to go out and seek it out. You will have beneficiaries who realize they received more insurance funds or they got -- there was a nonprofit that came in and provided some work for them after they'd closed your award. They will voluntarily send back the money to you.

I was a collector in banking for a short period of time as part of a training program and I can remember someone telling me we tend to think about the 3 percent to 5 percent of people who are out to get you, but we forget the 97 percent of the people that are doing the right thing. So you're going to have people doing the right thing and sending back funds that they're not entitled to.

So have a policy that addresses what you're going to do with it, have a policy for what you're going to do when you find it and it's not been repaid. You have to have a process then to enforce that recapture. As I said, many times, it mirrors your collection process that you have in other departments at the state level or the municipal level.

If you're not used to having to enforce these things, I would suggest that you work with your granting agency to help you describe how you're going to do that and have that process in place. And clearly, you need that agreement to be signed by the beneficiary before they've received any of the funds so that you have a mechanism to go out and seek redress in this situation.

Are there any questions, Brandy, on this, the random monitoring around the enforcement, the recapture, any of those items?

Brandy Bones: We did have a question about what is our expectation from HUD regarding verifying assistance received? Like, what are the third party verifications that are required and how are they required and the timing of obtaining this application?

Bonnie Lester: Okay. When you're doing your duplication of benefits analysis, part of the procedures you should have in place are the steps necessary to verify the assistance that your applicant has included in their application process. As I said, if you have the data feed with FEMA, with SBA, with the National Flood Insurance program, checking those sources is verification of those dollar amounts.

You may find it's sometimes difficult. The naming conventions sometimes are difficult to know. But it's gotten better and better and better over the years; that is the primary way that it's verified. Now, if you have someone who indicates that they received a FEMA award, but you don't find it through the data feed, that individual should have a letter from FEMA that states what benefits they received and what the purpose of the benefits were. The same with their NFIP insurance, the same with any SBA loans they may have gotten. So if they're saying they have it, if you can't find it through the data feeds, you should have a letter.

With the insurance claim, they may have a copy of the claim. If you submit a copy -- a letter to their insurance company asking the insurance company for verification of that amount, that would be verification when you receive that letter back from the insurance company. Again, if you can get a data feed from the major insurers in your area, that makes it easier.

Some do it and some don't. You may have a copy of the insurance check from the beneficiary that would show the amount of the claim, but the difficulty with that is you don't know if there is any part of a claim that is still being contested, which could be considered anticipated -- an anticipated source of funds.

With the nonprofits, you would have a verification from the nonprofit of the work they did or the work might be -- you could see it in place. So as Steve mentioned when you assess the need -- oftentimes, the nonprofits work early in the process. So if you're assessing the need after the work is done, it would no longer be a need; it's less of a requirement then. But it is important that you verify it and not only do you verify it, but you maintain the documentation that you verified it.



Brandy Bones: And then a related question about FEMA awards. How do grantees determine what the FEMA funding was awarded for? Like, if it was awarded specifically for repairs or temporary housing, how do they determine that?

Bonnie Lester: FEMA will define the purpose for the funds, and it's in the letter to the beneficiary, and I believe it's in the FEMA data feed as well. And besides homeowners, FEMA does pay for a lot of work in municipalities and on infrastructure and those kinds of things. Again, you would find it through the data feed, what the funding was for there.

On the non-individual needs, what they call their public dollars, there are work plans for the work that's done. Typically, your emergency management are might have access to those pieces of data. It will show you what the money was used for.

Brandy Bones: Great. And I think that's it for now.

Bonnie Lester: Okay. So here are some practical considerations. You know, we've been talking about all of the requirements and now you have to take all of that and make it work for you within your program. So the thing that you want to think through is there are two areas where there may be things that you can think about that will help you avoid duplications.

And there in your program design, when you're thinking about how you're going to make your programs work. What are the things we can do to avoid having a duplication? And the other is in your planning process, as you're getting ready to do this. So many of you are right now in your planning process, you may also have some program designs you're going to build on. But in the program design area some of the things to think about is think about what are the types of funds that you know are in your state, in your communities that might create a situation where you've got a duplication of benefits.

And think that through. Like in South Carolina, as I mentioned, the governor has this program that they've made available to nonprofits to award to people who have needs as a result of the disaster. So in South Carolina, they should be thinking about that as a possible source of assistance to many of their homeowners who may be seeking out any repair work. So if it's there, what are those needs? You need to think about those funds that might provide money that would overlap with your program.

Clearly, if the funds that are being raised are to be used to replace furnishings or fixtures or clothing, they are not likely to mirror what your program is going to have. So you need to think about it. And the communication between the funders is really critical. So the more you can communicate with what's going on with these different funding sources, the better. In your planning for how you're going to do things, you might want to plan to stagger some of your activities.

As I mentioned, some of the sources of funding are quick and are in there early. You can also assess the needs early. You might want to stagger some of those activities to come at the front end. Some of the things that are still to be determined, maybe some economic development activities or revitalization activities or infrastructure activities may take a little longer to get to

the point where you truly know what the need is. So maybe they would come a little later in how you design what you're going to do.

Again, in the planning stage, right now, you should be trying to develop those sharing agreements with the other funding sources. Think about getting that done as quickly as possible so when you start needing to verify the information, you've got that all taken care of and it's just a matter of going into the information system. And developing your subrogation agreement or some other document, and if you want another enforcement vehicle, whether you're going to -- as part of your program design, do you want to place covenants on the property, do you want to have a mortgage that gets released once you know there are no duplications? You know, those are things that in the planning stages you think about and then build them into your program design.

Have your policies and procedures. That should be something that is going on now, adopt them, share them with your subrecipients so they understand what you're going to be looking for. As a grantee of CDBG-DR funds, when you use a subrecipient to implement your program, you're required to provide them with the technical assistance they need in order to run those programs. So think about that as you're establishing your relationships with them. What kind of training will you need to provide so they understand the duplication of benefits process and what they need to do?

Know what sources to document in your application, which ones you've got the feeds for, and then make sure you understand what documentation you're going to require for some of those sources of funds that maybe you don't have data feeds for. So you need to be thinking about that now. You need to think about sharing information with your subrecipients and getting -- and with your other funders. So that's going to be the critical part. You might want insurance documented by letters or other data if you're in a state that does some data sharing.

I want to spend a little bit of time about reimbursement versus non-reimbursement. Many of you that are on the phone fall under the Public Law 113-2, which was after Sandy. And if that, in the Federal Register notices and the things that have come out, there has been the ability to reimbursement beneficiaries for some pre-application costs. There is guidance on that. CPD notice 15-07 talks about that pre-application process and how to consider them.

For those of you not funded under Public Law 113-2 and are under the allocation or appropriation made in December of 2015, look to your Federal Register notice that comes out specific to your disaster related event to determine whether or not there -- this will apply in your case or not. But if reimbursement is allowed, you need to adhere to the guidance in the CPD notice 15-07 and you can use an assessment of the need at the date of the storm. So in this instance, it is up to you and your program to decide are we going to reimbursement for some pre-application costs?

And if we do, that means we're going to need to have an assessment of the damage that goes back to the time of the storm. If reimbursement is not permitted, then you need to have a way to assess your need at the time of the award. So it's important for you to understand that whichever you use, you need to be able to document what that need is.

So whether it's through an appraisal, a physical examination, whether you're going out and doing the examination and doing a cost estimate at the time of the application, if you're using an estimate that was done at the time of the storm, you need to make those determinations based on the point in time in which you were going to count the assessment, when that becomes your identification of the need.

And then what are the steps you need to take in the event that you find that there is duplication of benefits after you've gone through the initial calculation and made your award? You need to reevaluate the need so that you can document the remaining duplication of benefit. And this is when sometimes having multiple checks through your process can be helpful.

You want to check your documentation in the file and make sure to see if you need to reevaluate the need and you need to ensure that you're starting from the right place and that you've identified all the sources and the amounts that they paid. If you've done that and there truly is a duplication of benefit and you've fully funded your CDBG-DR award, creating this duplication, you need to notify the beneficiary that there has been this duplication and you need to request a reimbursement of the funds. In that letter, you should give them a reasonable amount of time to respond to your request.

And you need to have the policies and procedures for what happens if, after that reasonable amount of time has expired, you have either not received the funding back or you've not even heard back from the beneficiary. What are the procedures you will follow to collect that amount of money? That is money that is due back to the program. These are duplicative dollars. They should not have been advanced to the beneficiary. If they are, they need to be recaptured.

And so it is up to you, as the grantee, to collect those funds. You're responsible to collect them and you're responsible for them in the event they're not collected. So you need a process in place to do that and then those collect amounts are considered part of the program funds. Any questions, Brandy, before we get into doing some of the calculations?

Brandy Bones: Yeah. There was a question about whether there is template available out there for ensuring that if additional funding gets received following the funding of an award, to ensure that that gets recaptured by the grantees, if there's any examples out there.

Bonnie Lester: You know, one of the nice things is that there are states that have received CDBG-DR funds. I would suggest you look at the -- that you might want to contact to see what they may have in place. You're all in this sort of together. I find that folks at the states where they have successful programs are more than willing to share what they have. The HUD Exchange site has some good information on this.

You know, I think the thing to look at first in terms of the collection process should be your own internal state or local policies and procedures related to collecting any funds that are due to you, and you should be -- you could use as your process for collection of funds.

In terms of the template for the awarding and calculating of duplication, it is the same framework that we used earlier. We're going to walk through it in the calculation and that may be helpful for you in terms of how you would find out. But in terms of collecting the funds, start with your state or local procedures for funds collection and then reach out to some of the other grantees that you know.

Brandy Bones: Okay. And I do believe there is a sample one in the CDBG-DR toolkit on the HUD Exchange. If you look in small business program one, you can find the template as well.

And then there's one other question related to flood insurance. In the event that a grantee has a program requirement for the beneficiary to have homeowner flood insurance and then a nonprofit pays for the premiums for the flood insurance or homeowner in charge for the beneficiary, is that considered a duplication of benefit and how does that tie to the overall activity that you might be funding?

Bonnie Lester: Again, if the nonprofit's purpose in providing the funding to the beneficiary is for the purpose of paying flood insurance premiums, that is not, to my knowledge, an activity that CDBG-DR funds would be used for necessarily. So it's duplicative if you've got two sources paying for the same need. That help? Any other questions, Brandy?

Brandy Bones: No. That's it for now.

Bonnie Lester: Well, if I haven't lost you all by now, I'm hoping I can keep you further engaged to go through a couple of scenarios so that we can get a little bit of practice in before we end this webinar.

So we're going to start off first with scenario one, which is a homeowner repair program scenario. In this case, Mr. and Mrs. Jones have applied to your Homeowner Rehabilitation Program. At the time of the storm, the damage to their property was estimated at \$115,000. Right after the storm, Mr. and Mrs. Jones started the repairs immediately.

And so some of the work had been completed from the time of the storm to the current time, which is when they're applying for your program. When your program inspector went out, they estimated the remaining cost to repair their home at \$85,000. While they were doing the repair work, the Joneses used \$15,000 of the FEMA award for the repairs, they took out \$10,000 from their personal saving, and they acquired a bank loan of \$5,000.

When they applied, in your application, they identified the following sources that were available to them for their damages or for their disaster recovery efforts. The Red Cross gave them \$2,500 for personal items. FEMA gave them \$10,000 for temporary housing costs. They also gave them \$20,000 for repairs to their home. Their insurance proceeds were \$40,000. However, the bank decided to apply that to the first mortgage. They were not going to let the Joneses use that money to repair the house. The bank decided, no. We're going to keep it. They have an SBA loan of \$15,000, they had a bank loan of \$5,000, and they have personal savings of \$30,000.

What we want to do now is do the DOB analysis to see how much CDBG-DR funding could be made available to the Joneses out of your program to repair their home. We're going to assume in this instance that reimbursement is allowed.

And remember, when we talked about it, reimbursement means that you can pay some of the costs that were done or incurred and paid for prior to the date of their application and from the time of the storm to that application date. So that's the basic scenario for this particular beneficiary. And they're looking to you to tell them how much they can get from CDBG-DR to help them fix their home.

So we're going back to our basic framework. We've seen this before. Again, it is the process by which you determine how much money you're going to provide out of CDBG-DR funding. So the first thing we're going to look at is step one. Remember, it was to calculate the duplication of benefit and the award amount. And the first step in this process is to assess the need. Well, we were given two numbers. The need was, one, at the time of the storm, which was \$115,000. And then when your inspector went out at the time of the application, it was down to \$85,000.

In this program, you've assumed that you're going to reimburse for eligible costs incurred prior to the application. The other thing to make sure of is once they make application to your program, that they stop the repair work once they've applied for funds so that they can wait for the environmental review, and that'll be discussed more in the next webinar. But we're going to assume here that the Joneses stop the repair work when they apply for the CDBG-DR funds. So the \$85,000 is what they need to finish their home.

So we now know that we need to fill our template or our analysis and put in what we've determined to be the need. In this case, it's the \$115,000. So we can see it in our reimbursement framework, with your assist template or something like it that you use. We record that number and we've documented it in the file based on the information that we have. So we're now at step two. We finished step one. We know what the need is. So now, we need to take a look at what all of the resources are, what all of the available assistance is that the Joneses have access to.

So they got all of these sources of funding. We mentioned them in the scenario. We went over all of them. And if you add all of those up, they total \$122,500. So their total assistance available to them is \$122,500. So we need to put that into our framework. We include that in our DOB assessment and we want to make sure that we've documented those sources of assistance.

Now, you'll note that it looks like it may be higher than the need. But we're not done yet. So we need to go on and after we've done the first two steps -- again, we've determined the need, we've identified all of the sources of assistance. We need to figure out of that assistance amount, how much of it is duplicative?

So we want to look at those things that you can exclude from the assistance, and we talked about this earlier on. In the Federal Register notice of November 2011, there are five things that can be excluded, five sources of assistance that do not have to count against the assistance available.

So we look at this and we know what they are. So we know what the categories are. So how do we apply that to the actual dollars that Mr. and Mrs. Jones received? So let's take a look at this now. We know they received \$2,500 from Red Cross, but those funds were for their personal property, for clothes, for maybe some furniture, for various things that they lost that were their personal property. So those were for a different purpose or for a general non-specific purpose, so they can be excluded. They have \$10,000 in FEMA funds for temporary housing. Housing is eligible for CDBG-DR to use in a repair program, but these were temporary housing. So it was for a different eligible use than what we're looking at. So we're going to exclude that \$10,000 as well. The bank decided they were going to keep the \$40,000 in insurance premiums to pay down the mortgage, so we'll exclude that. Their private loan of \$5,000 can be excluded because we're not expecting them to go into debt to do this. And then they have \$30,000 in their personal savings that they have available, again, that is not specifically to repair their home.

So when we look at all of these things that could be excluded from the things they've listed as their resources, we notice that out of all of it, \$87,500 can be excluded from the assistance they showed was available to support them. So what we need to determine now is how much, then, is duplicative in the amount of their assistance? They had \$122,500 available, of which \$87,500 can be deducted because they're exclusions, which means that out of all of it, \$35,000 is duplicative amount of assistance that needs to be used in our calculation when we're looking at our analysis.

So when we go back our form, the third thing we're going to capture is we're going to deduct the assistance determined to be duplicative, which is the \$35,000. So we enter that into our template.

And now, these last three steps kind of come all the same time. You've done the heavy lifting by the end of part three. So the rest of it is to actually help you get to the amount of your final CDBG-DR award amount. And you want to look at what would be the maximum unmet need and then you want to look at any caps that you have in your particular program and what's left will be the amount of the final award.

So remember, in step one, we had the \$115,000 that we identified as the need. Step two got us all of the assistance available, which is \$122,500. From that, we were able to exclude an amount of money, \$87,500, which left us with \$35,000 of duplicative assistance that the Joneses have received. So their maximum eligible award, you would take the need less the duplicative amount. So you would take \$115,000 less the duplicative amount of \$35,000, which leaves you \$80,000, and that is the maximum unmet need, the maximum eligible award amount under a CDBG-DR DOB analysis.

Now, in your program, you might have a cap of \$90,000. In which case, the final award would be \$80,000 because it's the lesser of your maximum eligible award or your program cap. So in this instance, the Joneses would receive \$80,000 in order to repair their home and they would receive that from the CDBG-DR award. That's the end of the first calculation. Are there any parts that are unclear or you'd like more information on? Brandy, are there any questions at this point?

Brandy Bones: We're actually all caught up for the moment.

Bonnie Lester: Okay. Excuse me. I get so excited about this stuff I just get a little choked up. We're going to go on to the second calculation. And this one is similar but a little different in that we are actually going to be looking at the City of Ocean View. They have applied to the CDBG-DR program to help rebuild its water treatment plant that was damaged in a flood. At the time of the flood, the damage was estimated to be \$1.5 million. Some time has passed. They've made [application ?] to the program. You've gone out, you've inspected, and the remaining work for the damage is \$1.1 million.

So the next thing in the application process, the city has informed you that they have used some assistance to pay for some of their repairs already. You know, it's just -- they needed to get this back up and moving as quickly as possible. So they used \$20,000 from FEMA. The EPA provided them \$150,000 that they used to pay for repairs.

They got local government funds; they tapped into that and used \$5,000 of their local funds to pay for it. They had \$125,000 they'd received from insurance that they applied to the repairs, and that was an amount of \$125,000. And they were able to get a line of credit at their bank to help get them under way. So they've been able to get something going.

They were able in their application to identify all of the following sources that are available to them in their effort to get their system back up and running. They received a total of \$50,000 from FEMA. \$30,000 of the FEMA money was to go for actual repairs of the property and \$20,000 was for debris removal to take away downed trees that were on the site in the parking area and that sort of thing. Their local government provided a \$5,000 FEMA match. It was 10 percent of the \$50,000, and the local government said we can cover that and gave them \$5,000. EPA gave them \$300,000. They've made them a grant award of \$300,000. But that \$300,000 is actually for two separate uses. There was \$150,000 that EPA said you can use for the repairs of your structure.

But also know that you've got to do a lot of water testing while you're doing this. You know, you want to know when your water gets to a reasonable level and you're going to spend a lot of money doing that. So part of our grant, \$150,000, will be used for water testing. Their insurance proceeds, the claim that they've got in that they anticipate receiving, is for \$445,000. Of that, \$405,000 have been determined to be the amount the insurance will pay for repairs and \$40,000 was to replace the contents within the building, for desks, for furniture, that kind of thing that they had. They also had that line of credit we mentioned earlier that they received from the bank to help with their repairs.

So we're going to do the same thing. Again, even though this is a town who has requested grant funds from your program, they are subject to the duplication of benefits analysis. So you have to follow your format for addressing this and analyzing where those duplication may exist. So we're going to go forward and use the very same framework that we used in our homeowner program because it's the same type of thing that you need to look at. So you need to follow this guideline. The basic calculations occur in steps one through three and four is a simple calculation and then five and six are to get you to how much you're going to award to Ocean View to help them out.

Okay. We're also going to assume that this, too, is under the reimbursement approval. So this, because we're in a reimbursement program, we are going to use the time of the storm damage. We knew that the need at the time of the storm was \$1.5 million, but at the time of the application, it was only \$1.1 million. But because we're reimbursement for those eligible costs that were incurred prior to the application, we're going to use the \$1.5 million. And again, once Ocean View applied to you for the grant funds, they stopped working on the repairs to their facility.

So we know the need. It's a reimbursement. We can use the need at the time of the storm. We capture that amount and we put it into the framework that we're using for our analysis. That is the very first step in any duplication of benefits process. You want to make sure it gets documented. The second step once we've identified the need is to identify all of the assistance available for the repairs to their facility.

So we had listed all of the available sources on the application and in that, we had identified -- let me go back a slide. I got too quick.

We want to identify all of the assistance. FEMA had \$50,000 that they were applying to this. They had the local government match of \$5,000. EPA had \$300,000 they were granting to Ocean View. Ocean View had pretty good insurance coverage; they had \$445,000. And they borrowed or had available to them from the bank a \$100,000 line of credit.

When you add up all of those sources of assistance, you get to a total of \$900,000 that Ocean View has available from all of the sources related to their recovery from the disaster. So again, we want to capture that amount in our analysis. It would go in the second line of your framework or your template and it represents all of the assistance that's available to Ocean View.

So from there, we're going to go to step three, and that is we are going to -- now that we know the need, now that we know the sources that are available, we have to determine of those sources, how much of them are duplicative? And that's, again, that two-step process. We need to determine which can be excluded from the assistance and then we need to calculate the difference.

We need to deduct those that are non-duplicative from the total assistance in order to get to the duplicative amount. So again, we know what the five categories of sources of funds that are not considered duplicative and therefore can be excluded from the calculation, but what we need to do is we need to think about it in terms of the funding that they receive.

So we had a list of all of the items when we calculated in step two all of the sources of assistance available. We know that they had \$300,000 from EPA that was available to them. But of that, \$40,000 was being used for the review of the -- \$150,00 from EPA was used -- was being used for water testing, which is a different purpose altogether. And then remember, of their insurance proceeds, \$40,000 of their insurance claim was to cover the contents of the building. So those two sources of assistance are for a completely different purpose or a general non-specific purpose. So they're excludable when we're looking at what monies are available to Ocean View to do the repairs to their facility.



There are some funds that could be for the same purpose, but they're different eligible uses. In this instance, the repairs to the public facility could be an eligible use. However, the removal of the trees from this site is not eligible under the program and so is therefore completely different and excludable from the funding available. The funds just not available in this case; there were none. They were no private loans. There was, however, a \$100,000 of funding in a line of credit that was made available to them.

So if you look at all of the excludable sources, you had \$150,000 from EPA, the \$40,000 in insurance, the \$20,000 from FEMA, and then \$100,000 from the line of credit, you can exclude \$310,000 from the assistance available to Ocean View. In this case, what you're left with, the duplicative amount is \$590,000.

So you would take the total sources that we calculated at \$900,000, the excludable amounts of \$310,000, and the remaining \$590,000 are sources that are available to help Ocean View repair their facility. So we want to capture that again in our template. So now, we have the three major components to determine the maximum eligible award amount. We've calculated or we've identified and verified the need, which is under a reimbursement, from the time of the storm. We identified and verified all of the assistance provided based on the information gathered in the application process. We determined that was \$900,000. We went through and calculated of that \$900,000, what is the amount that was determined to duplicative, which was the \$590,000.

So the next step is to get to the maximum eligible award amount. We subtract the amount determined to be duplicative, which is the \$590,000, from the amount of the need and, in this case, the maximum award amount is going to be \$910,000. In this program, there is a cap of \$1 million. So your final award is the \$910,000. If your cap was \$750,000, your final award could be no more than \$750,000. So that, again, is taking you through the framework of doing a DOB analysis. You identify the need and what the timing of that need is.

You identify and verify all of the assistance provided. You determine the amount to be excluded so you can get to the duplicative amount. You deduct the duplicative amount from the need and it determines the maximum eligible award or the unmet need. Apply your program cap and you get the resulting final award amount. At this point, we'll stop again to see if anyone has any questions or if they need to -- you know, and it's not just on the calculation. If you thought of something that we talked about earlier that you want to get answered, now is the time to feel free to ask those questions.

Brandy Bones: Yeah, Bonnie. Yeah. We have two questions. I think that -- and that's what we have time for. The first one is really what to do when we may not have backup documentation from potential beneficiaries related to other assistance they've received because maybe it's, like, two years after the storm, they didn't maintain it or they lost it, what's the -- what should be done in those cases?

Bonnie Lester: To identify the need at the time of the storm?

Brandy Bones: Yeah. And -- or, like, if the applicant may be providing information about the assistance they received, but they don't have the backup documentation to do verification of that that is, indeed, what they did receive.

Bonnie Lester: Hmm. I think that in most cases, and so I'm hard pressed, I think that, first of all, it would have to be sort of a design policy situation. But most forms of assistance provided, there is a way to work with whoever provided the assistance to get some verification of the assistance that was provided. So they may not have a copy of the insurance check, but they know who their insurance provider was. The grantor can have a letter that they send out to these insurance companies, along with a waiver of privacy from the applicant, and ask for that information. Most nonprofits even can tell you what services they provided.

So it's a matter of -- you have to define -- if they know they've received the assistance and how you document that assistance and what you're willing to take for it. The ones that are really critical to have the verification are those that are FEMA, SBA, insurance, NFIP, private insurance companies, and even the nonprofits, you know. If, for instance, they know they got money from Red Cross, but they're not sure what it was for, Red Cross may have a copy of the letter to show what the purpose of the funds were for.

Brandy Bones: Great. Okay. And then the last and final question that they had was what happens and how do we determine the amount of need when the amount of damage may have increased from the initial, for example, storm event to when they're actually receiving assistance?

So for example maybe there is a homeowner who didn't have the resources to fund any repairs, like a roof leak, and then that caused water damage, like, a year after ongoing water damage a year after the event. How does that get counted into the need and impact the duplication of benefits?

Bonnie Lester: I think that when you look at this, that you can -- you know, in that case, there would be nothing inappropriate for the program to have a system in place that, in the event that no activity has taken place since the time of the storm, you can send an inspector out to assess the need at that time. If there's been nothing done, there should be if -- even if the need is greater now, that would not necessary be unusual. If a home lost its roof, didn't have a roof for six months, it is likely that there's more damage than there may have been at the time of the storm.

But you need to define what is appropriate for your program and under what circumstances the current need -- you know, if you're in a reimbursement program, your general framework might be that you start with the need at the time of the storm, unless in your program, you have a policy that allows for a current assessment if no work has been done to serve as the unmet need. You know, you want to help these folks. You know, we're not here to force them to go back to what might have been the condition six months ago if they haven't been able to even protect what they do have. So I think you can frame your policies in such a way that you could use a more current assessment of need.

Brandy. Okay. And actually, with that, I think we are out of time for any additional questions. So anyone who maybe asked a couple of questions towards the end, feel free to follow up directly

with your field office reps and we'll -- we can also take a look at them. But I think we're off the questions for today webinar.

Bonnie Lester: Okay. Steve, do you have any parting words? You know, I want to thank everyone.

Steve Higginbotham: Just really quickly, great job. Thank you so much, Bonnie. Everyone, just to reiterate that, your HUD rep, your HUD specialists are always here to answer your questions. You guys came up with some really good questions. As you can tell, DOB is a really complicated issue. Anytime you have any questions, please feel free to come to us. We don't want you to get in any trouble either with us or with the OIG. So we're always here to help you. We'll never play got you. We'll always give you the answer that you need.

And back to you, Bonnie. Thank you.

Bonnie Lester: Thank you. Thank you all and tune in on April 21st for the environmental review webinar. Have a good afternoon.

(END)