



SIGTARP

Office of the Special Inspector General
For The Troubled Asset Relief Program

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Media Inquiries: 202-927-8940

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EVALUATION OF BLIGHT ELIMINATION PROGRAM AND DEMOLITIONS FINDS HAZARDOUS MATERIAL RISKS, LACK OF STATE AGENCY QUALITY ASSURANCE AND OVERSIGHT

SIGTARP and U.S. Army Corps of Engineers Review of Hardest Hit Fund-Paid Demolitions in South Carolina Shows Program is Unnecessarily Risky

A new review conducted by the U.S. Army Corps of Engineers (the Corps) on behalf of SIGTARP found significant risks at the federal, state, and contractor level in the Hardest Hit Fund's (HHF) \$755 million Blight Elimination Program. These findings come nearly two years after SIGTARP warned the U.S. Department of Treasury that a similar review of demolitions in Flint, Michigan found program-wide risks of hazardous materials, illegal dumping, and contaminated soil.

"The health and safety of communities require greater oversight by Treasury and state agencies and should not be left to individual contractors," said Special Inspector General Christy Goldsmith Romero. "Many TARP-funded demolitions are large, complex and require the removal of hazardous materials like asbestos. This is the second of eight state agencies where the Army Corps has found a lack of federal and state oversight in this area."

The Corps compared program requirements to federal and state environmental, health, and safety industry standards, and best practices. It also analyzed the state agency files of a completed demolition of a large 77-unit apartment building in Columbia and made onsite visits and visual inspection of multiple properties in process of demolition in Spartanburg, including a large 110-unit apartment building.

In its broad program review, the Corps found that the state agency lacked technical oversight and quality assurance throughout the lifecycle of the demolition process. Best practices require periodic state agency on-site presence and inspections, training of state agency oversight employees, and testing. But the South Carolina agency only requires initial and closeout inspections, which creates significant risks. Critically the state agency does not require proof prior to demolition that all asbestos and other hazardous materials are removed, stored, transported and disposed of following federal and state requirements. The South Carolina agency also does not require contractors to track the amount of hazardous materials found, creating a risk that some material may be left.

Given the lack of effective state agency quality assurance and oversight, in its review of specific demolitions the Corps found substantial inconsistencies in the state agency file. In Columbia, the Corps found significant omissions, discrepancies and other errors in documentation in the state agency file

related to the demolition of a property in Columbia. For example, the state agency file had no certification of the final disposition or completion of the asbestos abatement, no listing of the asbestos abatement contractor in the prime contract, and differing quantities of asbestos containing material on one abatement license and the estimated amount indicated in the specifications.

After visiting in process ongoing demolition site in Spartanburg, the Corps concluded that the City of Spartanburg and its contractors appeared to be following demolition best practices and were taking care to minimize harm to the environment and the surrounding community.

Exposure to asbestos and other hazardous materials remains one of the top challenges and threats in TARP. Given that around \$200 million in TARP funds remain to be spent over the next two and half years for demolitions, SIGTARP urges Treasury to adopt the recommendations made in this report, which are similar to our 2017 recommendations, to protect the communities where these demolitions are taking place and federal taxpayer dollars.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency that targets crime at financial institutions or in TARP housing programs and is an independent watchdog protecting the interests of the America people. SIGTARP investigations have resulted in the recovery of \$10 billion and 278 defendants sentenced to prison.

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