



OFFICE OF THE SPECIAL INSPECTOR GENERAL


FOR THE TROUBLED ASSET RELIEF PROGRAM

1801 L STREET, NW, 4TH FLOOR

WASHINGTON, D.C. 20220

JUN 04 2019

MEMORANDUM FOR: The Honorable Steven Mnuchin – Secretary of the Treasury

FROM: The Honorable Christy Goldsmith Romero – Special Inspector General for the Troubled Asset Relief Program 

SUBJECT: Engagement Memorandum – Evaluation of Hardest Hit Fund Blight Elimination Program in Michigan and Demolition Activities in Detroit (EVAL 012)

SIGTARP's Audit Mission:

SIGTARP audits and evaluates TARP programs to prevent and identify fraud, waste, abuse, ineffectiveness, and inefficiency, among other risks. SIGTARP has identified the risk of asbestos exposure, contaminated soil, and illegal dumping in the Hardest Hit Fund as one of the top threats and challenges existing in TARP.

Newly Announced Evaluation:

SIGTARP and the U.S. Army Corps of Engineers previously reviewed TARP-funded blight demolition technical requirements and oversight in Michigan as well as selected demolition activities in Flint, Michigan. This review resulted in our November 2017 findings that demolitions could expose residents to asbestos and other hazardous materials, and the risk of contaminated soil and illegal dumping – risks that could be mitigated with specific industry best practices and safeguards, as well as increased state agency oversight. For your convenience, I have attached our recommendations to Treasury from that report.

Michigan has the highest number of TARP-funded demolitions of any state (17,633 demolitions costing \$280.4 million in TARP, as of March 31, 2019), with an additional \$100.8 million remaining to be spent.¹ Detroit, in particular, has the highest number of TARP-funded demolitions of any city (11,283 properties costing \$186.6 million in TARP), as of March 31, 2019, with an additional \$72.1 million to be spent.

At the request of U.S. Representatives Brenda L. Lawrence and Rashida Tlaib, SIGTARP is initiating an evaluation to update its review of technical and other requirements for demolitions in the HHF Blight Elimination Program in Michigan. Among other things, SIGTARP will evaluate whether and how its earlier recommendations have been implemented by Treasury and the Michigan State Housing Development Authority, whether there are current program risks, and if found, how to mitigate those risks. SIGTARP in connection with the Army Corps of Engineers will also evaluate selected in process as well as completed demolition activities in Detroit (Wayne County), Michigan. Among other things, SIGTARP will analyze these activities against industry best practices and safeguards to determine any program risks, and if found, how to mitigate those risks. A member of

¹ Remaining available TARP dollars could fluctuate as Treasury no longer requires its approval for state agencies to move TARP dollars around Hardest Hit Fund subprograms.



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SIGTARP staff will contact Treasury staff to arrange an entrance conference to discuss the scope and objectives of the evaluation. Please contact me at any point in our review.

Attachment

- 1) SIGTARP Recommendations from November 2017 Report

Attachment 1

SIGTARP RECOMMENDATIONS

1. To protect the Hardest Hit Fund's goal of neighborhood stabilization, and prevent waste, fraud, and abuse, Treasury should require state agencies to, and state agencies should, prevent contractors or any other entity or person who has been charged or fined for violations of local, state, Federal environmental, or safety requirements from participating in the Blight Elimination Program under the Hardest Hit Fund. If the person or entity has been charged and is later found not guilty, that person could be allowed to participate, but should not participate while charges are pending.
2. To protect the Hardest Hit Fund's goal of neighborhood stabilization, and prevent waste, fraud, and abuse, Treasury should require state agencies to, and state agencies should, install safeguards and a quality assurance program by establishing technical requirements for all engaged in work in the Blight Elimination Program that are consistent with regulations and best practices, including in the following high-risk areas: 1) proper removal and storage of asbestos and other hazardous material; 2) proper removal and dumping of all debris in approved landfills or recycling facilities; 3) filling in the demolition holes with only clean soil from approved sources; and 4) proper seed inoculation, compaction and grading, and dust and noise control.
3. To protect the Hardest Hit Fund's goal of neighborhood stabilization by protecting Americans from exposure to asbestos or other hazardous material, and to prevent waste, fraud, and abuse, Treasury should require state agencies to, and state agencies should, conduct oversight of the quality of the demolitions and related activities, including by not paying any TARP dollars until the state agency has: (1) received and reviewed documentation of inspections, by a qualified inspector, during the removal of all material containing asbestos or other hazardous material; (2) ensured that the inspection confirms the proper handling, proper storage in leak-tight and warning-labeled containers, and disposal of hazardous material in compliance with the state's technical requirements, and all other applicable requirements, including those of the Occupational Safety and Health Administration (OSHA), the National Emissions Standard for Hazardous Air Pollutants (NESHAP), and state and local requirements; and (3) compared the inspection report with the hazardous material analyses or plans, the asbestos abatement or other hazardous material work plan, the asbestos health and safety plan, chain of custody manifests, and other documents related to compliance with OSHA and NESHAP requirements.
4. To protect the Hardest Hit Fund's goal of neighborhood stabilization by protecting Americans from exposure to contaminated material filled into the demolition hole, and to prevent waste, fraud, and abuse, Treasury should

require state agencies to, and state agencies should: (1) institute safeguards by determining in its requirements the approved sources for fill dirt; (2) conduct oversight of the quality of demolitions and related activities, including by not paying any TARP dollars until the state agency has reviewed documentation of: (a) the purchase and delivery of fill dirt from an approved source; and (b) an inspection of the open hole to ensure that all demolition debris has been removed and all foundation material has either been crushed or removed in accordance with applicable Federal, state, and local regulations and with the contract requirements; and (3) confirm and document that the hole is only filled with clean material from the approved source. The state agency should also conduct periodic soil testing, at random intervals, for every contractor. The frequency of the soil testing should relate to the experience of the contractor, and any issues raised from the documentation or lack of documentation.

5. To protect the Hardest Hit Fund's goal of neighborhood stabilization by protecting Americans from exposure to illegal dumping, and to prevent waste, fraud, and abuse, Treasury should require state agencies to, and state agencies should: (1) install safeguards by determining technical requirements to require that all materials removed are disposed at an appropriate waste or recycling facility, and creating a list of approved waste or recycling facilities; and (2) conduct oversight over the quality of the demolitions and related activities, including by not paying any TARP dollars until the state agency has reviewed documentation, including (a) landfill receipts and waste manifests to confirm the disposal at an approved facility; and (b) truck weight tickets showing the weight of debris that left the facility matched the weight received at the landfill or recycling facility.
6. To protect the Hardest Hit Fund's goal of neighborhood stabilization, and to prevent waste, fraud, and abuse, Treasury should require state agencies to, and state agencies should, conduct oversight over the quality of the demolitions and related activities, including by not paying TARP dollars until it receives evidence of compliance with all seed inoculation, compaction/grading, and dust/noise control requirements in accordance with applicable Federal, state, and local regulations and with contract requirements.