



# SIGTARP

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

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## **RISK OF ASBESTOS EXPOSURE, ILLEGAL DUMPING, AND CONTAMINATED SOIL FOUND IN FEDERAL BLIGHT ELIMINATION PROGRAM**

*Risks Identified by U.S. Army Corps of Engineers in Field Inspections and Document Review of Hardest Hit Fund-Paid Demolitions in Flint, Michigan*

House demolitions funded by the Hardest Hit Fund's (HHF) \$806 million Blight Elimination Program could expose residents to hazardous materials and other risks, unless specific industry best practices are required and state agency oversight is strengthened, according to a new report conducted by the U.S. Army Corps of Engineers (the Corps) on behalf of SIGTARP.

"Treasury and state agencies are trusting and assuming that these demolitions and related activity are proceeding safely, appropriately, and in compliance with all applicable environmental and safety requirements and industry standards, but the U.S. Army Corps of Engineers found that this was not the case in Flint, Michigan," said Special Inspector General Christy Goldsmith Romero. "With demolitions ongoing, once we saw the Corp's report we decided to alert Treasury promptly so it can take action to prevent as much harm as possible. With risk in all 248 cities and counties across eight Rust Belt and Southern states in the program, there is no time to waste: state agencies should require local partners and contractors to follow industry-standard, common sense safeguards. These safeguards protect against risk of exposure to asbestos and other hazardous materials, illegal dumping of debris, and contaminated material filling the demolition hole. And the Corps raises an important point that Treasury should require state agencies to strengthen their oversight. Trust is not enough to protect the residents of Flint and other cities across the country where these demolitions are occurring: they need active measures to mitigate these serious risks. We thank the Corps for working with SIGTARP to prevent harm to residents and prevent fraud, waste, and abuse to taxpayers."

The Corps conducted field inspections of multiple properties in various stages of demolitions in July, 2017, and reviewed documents of one completed demolition. The Corps most significant findings include:

- "Asbestos removal appears to have been mismanaged by the Land Bank" continuing through all contractors involved with asbestos.
- "It's unclear whether the material placed in the hole was clean and provided in accordance with the State and contract requirements."
- "On properties with significant quantities of hazardous materials, Partners and Contractors may have allowed undue risks in order to keep total project costs under the \$25,000 cap."
- "All of the agreements and execution documentation were lacking in quality assurance."

- “The State, City, and Land Bank performed redundant inspections of winter grade and final grade, and no other physical inspections were documented.”

To mitigate the major risks identified by the Corps that could extend beyond Flint, SIGTARP has issued six recommendations to the U.S. Department of the Treasury, which manages the Blight Elimination Program. While state agency flexibility is an important component of the HHF, it does not eliminate the need for appropriate safeguards. Treasury should require all state agencies in HHF to hold all local partners and contractors accountable to ensuring that all parts of the demolition process proceed safely, appropriately, and in compliance with all applicable environmental and safety requirements and standards, and without fraud, waste and abuse. Taxpayers and people living in hard-hit neighborhoods deserve nothing less.

### **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 237 defendants sentenced to prison.

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