



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

September 26, 2024

MEMORANDUM FOR JESSICA MILANO
CHIEF PROGRAM OFFICER, OFFICE OF CAPITAL ACCESS

FROM: Deborah L. Harker /s/
Assistant Inspector General for Audit

SUBJECT: Desk Review of Emergency Rental Assistance Payments Made by
the City of Houston, TX and Harris County, TX (OIG-CA-24-029)

This report notifies you of issues found during our desk review¹ of assistance payments made by the City of Houston, TX and Harris County, TX, two grantees with overlapping jurisdictions, and their Emergency Rental Assistance Program (ERA)² authorized under the Consolidated Appropriations Act, 2021 (the Act).³ Section 501 of the Act established the first Emergency Rental Assistance Program (ERA1) and appropriated \$25 billion to the Department of the Treasury (Treasury) to distribute the funds to eligible grantees.⁴ Treasury created the Office of Capital Access (OCA), formerly the Office of Recovery Programs, to oversee the ERA1 Program and related compliance activities, in accordance with the Act. As reported on OCA's webpage, Treasury distributed \$24.98 billion of the \$25 billion appropriated to eligible ERA1 grantees by February 2021.⁵ All grantees were to use ERA1 funds to provide financial assistance and housing stability services to, or on behalf of, eligible renter households, referred to as beneficiaries,

¹ The purpose of desk reviews is to evaluate selected grantee's documentation supporting the uses of Emergency Rental Assistance (ERA1) funds and assess the risk of unallowable use of funds.

² Houston and Harris County jointly ran their Emergency Rental Assistance Program; however, the grantees maintained separate funding and reporting functions.

³ P.L. 116-260, Division N, Title V, Subtitle A, Section 501 (December 27, 2020)

⁴ ERA1 eligible grantees include: states, including the District of Columbia; units of local government with more than 200,000 residents; five U.S. territories (the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa); and Indian tribes, defined to include Alaska native corporations and the Department of Hawaiian Home Lands, or the tribally designated housing entity of an Indian tribe, as applicable.

⁵ Department of the Treasury, "ERA Allocations and Payments," <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/allocations-and-payments> (accessed October 26, 2023)

who experienced a reduction in household income, incurred significant costs, or experienced other financial hardship due to the impact of the Coronavirus Disease 2019 pandemic. Eligible beneficiaries include individual households, landlords, utility providers, or vendors for other related housing expenses to whom grantees pay ERA funds directly or indirectly.^{6, 7} Treasury's guidance does not allow ERA funds from more than one grantee to cover the same period of rent, utilities, rental arrears, or utility arrears, and when this occurs, it is referred to as duplicative assistance.⁸ Treasury encourages grantees with overlapping or contiguous jurisdictions to coordinate and participate in joint administrative solutions to meet the non-duplication requirement.⁹ Treasury provides guidance on corrective actions for grantees that discover duplicative assistance payments in its Frequently Asked Questions.

Section 501 of the Act assigned our office the responsibility to conduct monitoring and oversight of the receipt, disbursement, and use of ERA1 funds and the authority to recoup funds used in violation of the Act and Treasury's guidance. Based on numerous complaints received through our Office of Investigations hotline, we initiated desk reviews of Houston's and Harris County's (collectively, the grantees) ERA1 Program. After the start of our desk reviews, we received a request from the U.S. Government Accountability Office to review potential duplicative assistance involving these grantees. This report focuses on potential duplicative assistance, a specific subject within the scope of our overall desk reviews of Houston and Harris County.

Summary Results

We identified 21,123 potential duplicative assistance payments related to overlapping grantee jurisdictions for Houston and Harris County from Treasury's ERA1 database as of December 31, 2021. The grantees submitted participant household payment data files (PHPDF) which included 148,428 transactions totaling \$134.9 million through December 31, 2021. We then compiled

⁶ According to Title V, Subtitle A, Section 501 of the Consolidated Appropriations Act, 2021, if a landlord submits an application for rental assistance on behalf of their tenant, the landlord must obtain the tenant's signature on the application; landlords can then receive funds directly from the grantee on behalf of their tenant.

⁷ Before a grantee can make a payment directly to a tenant, the grantee must make reasonable efforts to obtain the cooperation of landlords and utility providers to accept payments for ERA1. Department of the Treasury, "Emergency Rental Assistance Frequently Asked Questions" (May 7, 2021), <https://home.treasury.gov/system/files/136/FAQs-05102023.pdf> (accessed January 2, 2024) See question 12.

⁸ Department of the Treasury, "Emergency Rental Assistance Frequently Asked Questions" (May 10, 2023), <https://home.treasury.gov/system/files/136/FAQs-05102023.pdf> (accessed January 2, 2024) See question 45.

⁹ Department of the Treasury, "Emergency Rental Assistance Frequently Asked Questions" (May 10, 2023), <https://home.treasury.gov/system/files/136/FAQs-05102023.pdf> (accessed January 2, 2024) See questions 33 and 15.

1,797 matching address groupings with payments totaling approximately \$20 million within the data by combining address street number with street name.¹⁰ We selected 29 address groupings for review based on the largest dollar amounts paid. The selected address groupings received approximately \$1.4 million in household assistance collectively from the two grantees. From these 29 address groupings, we then non-statistically selected and analyzed payments to 50 beneficiaries who received \$456,150 in assistance payments from Houston and/or Harris County.

Based on the non-statistical sample reviewed, we found 21 beneficiaries who received \$110,928 in overpayments. Of the \$110,928 in overpayments, we are questioning \$98,242 as unallowable costs. We will pursue recoupment of these unallowable costs from the grantees per our authority under Section 501 of the Act unless the grantees can demonstrate with documentation that they have otherwise resolved their responsibility for the ineligible expenses in accordance with Treasury guidance. The grantees recharacterized¹¹ the remaining \$12,686 of overpayments to other ERA1 eligible expenses or to the second ERA program, ERA2,¹² as permitted by Treasury. The transactions we reviewed were a small portion of approximately \$20 million in payments identified as potential duplicative assistance in the ERA1 program paid as of December 31, 2021. We note that there are likely additional duplicate payments in the ERA1 and ERA2 programs in addition to the small sample we selected for detailed review. The need for further review of the entire universe of potential duplicate transactions is addressed in our recommendations.

Although the \$110,928 in overpayments were largely a result of duplicative assistance payments, we also found overpayments due to assistance exceeding

¹⁰ We used address groupings in our analysis because the grantee-submitted data sometimes excluded a necessary apartment number. For example, if there was an apartment complex at 123 Main St, some entries related to that apartment complex only listed an address of 123 Main St while others included an apartment number. We grouped entries that excluded an apartment number together for our analysis and requested the underlying detail to select beneficiaries for review.

¹¹ According to Department of the Treasury, "Emergency Rental Assistance Frequently Asked Questions" (May 10, 2023), <https://home.treasury.gov/system/files/136/FAQs-05102023.pdf> (accessed October 26, 2023), question 45, there may be cases in which a grantee discovers that a household has received ERA assistance from multiple grantees intended to cover the same period of rent, utilities, rental arrears, or utility arrears. In such cases, assuming certain conditions are met, the grantee may decline to recover its payment and instead recharacterize it as assistance covering a different period of eligible rental or utility expenses.

¹² The American Rescue Plan Act of 2021 extended the monthly limit of total ERA that a beneficiary may receive from 15 months under ERA1 (see footnote 12) to no longer than 18 months of combined ERA1 and ERA2 funding. 117th Congress, HR 1319, March 11, 2022, <https://home.treasury.gov/system/files/136/era-2-program-statute-section-3201.pdf> (accessed January 29, 2024)

15 months,¹³ payments for ineligible expenses to beneficiaries who did not provide adequate proof of identification or proof of residence in accordance with grantees' program policy, and a payment error. In addition, we identified a payment on behalf of a beneficiary where the landlord and tenant may have had a familial relationship.

We are making three recommendations in this report. We recommend that OCA management:

1. Require Houston's and Harris County's management to take appropriate and timely corrective actions to (a) determine if payments related to the total population of 1,797 ERA1 household address groupings with potential duplicative assistance totaling approximately \$20 million as of December 31, 2021, from which we identified \$98,242 in questioned costs from a sample, were made to eligible beneficiaries in the correct amounts, (b) identify whether additional ERA1 ineligible and duplicate payments occurred after December 31, 2021 and, if applicable, provide the amount of such payments, and (c) identify whether ineligible and duplicate payments were made during the entire ERA2 award period of performance and, if applicable, provide the amount of such payments. OCA should require corrected ERA1 and ERA2 reports from Houston and Harris County based on the results of the review. For any ERA1 payments determined to be ineligible or duplicative, OCA should ensure that the grantees return funds to Treasury. For any ERA2 payments determined to be ineligible or duplicative, OCA should ensure that the grantees return funds to Treasury or reimburse the grantees' ERA2 programs with non-Federal funds, as appropriate.
2. Develop, document, and communicate to our office OCA's processes to monitor grantees for overpayments and duplicate payments, track grantees' recharacterizations, and ensure data quality for household addresses provided by grantees.
3. Provide technical advice and counsel to all grantees and our office about the use of funds in circumstances where a landlord and a tenant are related.

All work completed for this report complies with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Federal Offices of Inspectors General, which requires that the work adheres to the professional

¹³ Title V, Subtitle A, Section 501 of the Consolidated Appropriations Act, 2021 requires that grantees are not to provide assistance for longer than 12 months unless the funds are necessary to ensure the housing stability for a household, in which case the grantee may provide assistance for 3 additional months (15 months in total) subject to the availability of funds.

standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.¹⁴

Selection Methodology and Review Approach

We identified 21,123 potential duplicative assistance payments related to overlapping grantee jurisdictions for Houston and Harris County from Treasury's ERA1 database. The grantees submitted PHPDF which included 148,428 transactions totaling \$134.9 million through December 31, 2021. We then compiled 1,797 matching address groupings with payments totaling approximately \$20 million within the data by combining address street number with street name. We selected 29 address groupings for review based on the largest dollar amounts paid. The selected address groupings received approximately \$1.4 million in household assistance collectively from the two grantees. We requested the underlying household payment detail and documentation from the grantees to examine the selected beneficiary information for overpayments.

We analyzed the grantee-provided information for the 29 address groupings, from which we non-statistically selected 50 beneficiaries that received \$456,150 in assistance payments for review. We selected beneficiaries based on our observations including, but not limited to, beneficiaries who may have received duplicative assistance, household addresses with multiple associated names, or multiple payments to beneficiaries with the same or similar surnames. For the selected beneficiaries, we requested relevant applications and all documentation that the grantees used to approve assistance. We reviewed documentation supporting payments made to, or on behalf of, the beneficiaries.

Our testing of the payments to the 50 beneficiaries included:

- Comparing the approved and paid amounts for each beneficiary and investigating any differences.
- Comparing the supporting documentation to the payment file address.¹⁵
- Identifying duplicate payments to a household address (duplicative assistance).
- Determining whether a beneficiary received more than 15 months of ERA1 assistance for a household address.
- Researching the grantee data to identify additional payments to the same household address. Frequently, the beneficiaries' supporting documentation

¹⁴ Council of the Inspectors General on Integrity and Efficiency, Quality Standard for Federal Offices of Inspector General, August 2012, <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf> (accessed March 29, 2024)

¹⁵ We reviewed the supporting documentation in accordance with Houston and Harris County ERA Program Eligibility Policies and Procedures related to proof of residence.

contained additional detail not included within the data submitted to OCA, such as apartment numbers or other parties/tenants living within the household.

Review Results of ERA1 Payments by Houston and Harris County

We identified \$110,928 of overpayments associated with 21 of the 50 beneficiary files reviewed. Of the \$110,928, there is \$98,242 in questioned cost, and the remaining \$12,686 was recharacterized by the grantee to other ERA eligible expenses under the ERA1 or ERA2 programs. We provide additional information on the \$110,928 of overpayments associated with 21 beneficiaries in Table 1.

Table 1. Results by Error Description, Overpayment Amounts, and Beneficiary Count

Payment Error Description	Total Overpayments	Total Beneficiaries
Two Grantees		
- Duplicative Assistance	\$54,709	8
- More than 15 months	16,294	4
- Ineligible Applications	30,000	1
One Grantee		
- Duplicative Assistance	8,334	7
- More than 15 Months	1,591	1
Total	\$110,928	21

Source: Treasury Office of Inspector General Analysis

We found that most of the overpayments were due to the grantees having overlapping jurisdictions and both grantees providing assistance to beneficiaries within the same household for the same eligible expense. Specifically, 8 of the 50 selected beneficiaries received a total of \$54,709 of duplicative assistance overpayments from both grantees. In addition, we determined that 1 of the 8 beneficiaries receiving duplicative assistance was also an ineligible beneficiary because they did not submit adequate proof of residency documentation.¹⁶ The beneficiary in question received \$20,000 in assistance.¹⁷

¹⁶ The grantees’ program guidance defines proof of residence at a rental unit as a current photo identification with address of rental unit; a current utility bill; a lease; or mail from a government office, financial institution, or utility provider to the applicant at the rental unit address.

¹⁷ This beneficiary, and the \$20,000 they received in assistance, was associated with multiple grantee errors. We determined that this beneficiary was both ineligible to receive ERA and received duplicative assistance. In Table 1, we grouped this with duplicative assistance to highlight the number of errors specific to the grantees’ overlapping jurisdictions.

Also, 4 of the 50 selected beneficiaries received \$16,294 of overpayments that exceeded the 15-month limitation for ERA1 assistance. In addition, there was a payment error when 1 of these 4 selected beneficiaries received 17 months of assistance but was only approved for 14 months.

One (1) of the 50 selected beneficiaries had an ineligible application, but still received \$30,000 of overpayments. We determined that the application was ineligible because the beneficiary did not provide adequate proof of identification.

Finally, the grantees made overpayments not related to or caused by overlapping jurisdictions. We found that 7 of the 50 selected beneficiaries received \$8,334 of overpayments because of duplicative assistance,¹⁸ and 1 of 50 selected beneficiaries received \$1,591 in payments that exceeded the 15-month limitation for ERA1 assistance from a single grantee.

Other Observations

Grantee-reported data did not accurately capture information from the beneficiary-provided supporting documentation. Specifically, we observed:

- Incorrect data entry of household information (incorrect, invalid, or incomplete entry of a household address, apartment number, etc.) within the household payment file submitted by the grantees to OCA.
- Beneficiary names or addresses associated with applications in the grantee-provided data did not match supporting documentation.

These differences complicated our review, may have led to overpayments, and affect the reliability of the grantee-reported household file.

We also observed that one beneficiary's application package (not included in the \$110,928 of overpayments) appears to have a familial tenant/landlord relationship. The grantee was unable to provide supporting documentation that the tenancy was an arm's-length transaction. The grantee stated that there was no OCA or grantee requirement to gather additional documentation based on tenant-landlord familial relationships or suspected familial relationships if the tenant and landlord did not reside in the same household.

Grantee Coordination

We communicated our results and observations to the grantees relating to the \$110,928 in overpayments we identified. In response, grantee management informed us that they are pursuing recoupment of overpayments from the payees,

¹⁸ For example, a single grantee paid two different beneficiaries from the same household address for the same eligible expense for the same month, such as rent for October 2021.

recharacterizing payments when the grantee determined it was appropriate, and initiating an internal review of supporting eligibility documentation.¹⁹ Specifically related to our questioned costs, the grantees identified \$12,686 to recharacterize. As a result, \$98,242 remains as questioned costs from our review. We will pursue recoupment of unresolved questioned costs from the grantees.

Grantee Management Response

As part of our reporting process, we provided Houston's and Harris County's management an opportunity to comment on a draft of this report. Houston management provided a formal response to our report; Harris County management declined to formally respond to this report.

Houston Management Response

In its written response, Houston management acknowledged the exceptions we identified. However, Houston management believes the error rate of its ERA program is likely less than what our sample indicates due to our use of a specifically targeted method of selecting transactions for review. Houston management stated that it independently discovered payment issues, and has taken steps to address them, including reclassifying ERA1 payments to ERA2 to comply with the maximum allowable assistance per beneficiary. They believe these actions should be considered when evaluating any observations. Houston management also asserted that ERA1 was still an active project at the time of the desk review, noted that it implemented multiple processes for identification and correction of duplicate payments, and requested that we recognize its de-duplication approach to managing duplicate payments. Finally, Houston management requested an opportunity to review the final sample and payment data from our review to further determine whether Houston or Harris County funds were used, or if the alleged duplication issues had already been resolved.

Houston's management response is included in its entirety in Appendix 1.

OIG Comment on Houston's Management Response

Our report identifies questioned costs based on specific payments reviewed but does not extrapolate those exceptions to any broader population of payments. Due to the ineligible costs we identified and the likelihood of additional ineligible payments, we are recommending analysis of the \$20 million of potential duplicate

¹⁹ On June 1, 2022, the grantees launched a joint recharacterization process following guidance from Treasury about the recharacterization of duplicate assistance. Pursuant to the guidance, the grantees formulated their own joint funding recapture and recharacterization policies and procedures.

payments identified by us that were made by the grantees through December 2021, as well as a review of subsequent ERA1 and ERA2 payments.

We agree that any grantee-discovered payment issues which have been corrected should be considered when evaluating remaining duplicate payments from the grantees; however, recharacterizing already-ineligible payments from ERA1 to ERA2 is not an acceptable resolution.

While we initiated the desk review during the ERA1 award period of performance, our review of duplicate payments, identification of errors, and subsequent communication occurred after the end of the ERA1 award period of performance. Further, the grantees have not provided evidence to us that they have resolved all the exceptions we identified. During our duplicate payments review, the grantees did inform us that they had implemented a process to identify and correct duplicate payments in April 2021. Regardless, we identified \$110,928 of overpayments associated with 21 of the 50 beneficiary files reviewed.

We disagree with Houston's assertion that its management has not reviewed the details of the cases in question. We could not have confirmed the existence of duplicate payment transactions without continued coordination with the grantees. We communicated every potential exception to the grantees during our review as we identified them. Throughout our review, we provided detailed conclusions on all transactions to both Houston and Harris County, concurrently. During our review, the grantees provided written confirmation of the issues we identified and stated that the grantees (a) planned to investigate the issue, (b) planned to recover the funds in question, or (c) had already taken corrective action, such as recharacterization of the payment from their ERA1 award to ERA2 award or to another ERA1 eligible expenses incurred during the ERA1 award period of performance.

In all instances where we identified duplicative payments or payments exceeding the allowable 15-month threshold for ERA1 assistance, we obtained supporting documentation that the payment either (a) was booked in the receivable report by the responsible funding grantee with an intent to recover or (b) had been recharacterized. Due to our coordination, we reduced the total identified overpayments by \$12,686 to account for eligible recharacterizations. The remaining \$98,242 represent questioned costs that violate the use of funds requirements in the ERA1 statute regardless of recharacterization status.

In addition to the coordination between our office and the grantees during our review, we provided a summary of all impacted case numbers and our detailed analysis to the grantees for review on July 18, 2024. Houston management did not provide any further comment or additional information related to the questioned costs or an update on the status of its cases.

Coordination with OCA

In advance of our report, we communicated our results and observations to OCA informing them that we are questioning \$98,242 of Houston and Harris County ERA1 payments as unallowable costs.

OCA Management Response

As part of our reporting process, we provided OCA management an opportunity to comment on a draft of this report. In its written response, OCA management concurred with our recommendations and stated that it has reached out to the grantees to ensure each has access to the data needed to address the potential duplicative payments. OCA management also stated that it will require both grantees to submit corrective action plans within 90 days of this report and continue to work with both grantees to ensure their ERA1 and ERA2 reports are accurate. In addition, OCA management emphasized its requirement for grantees to submit complete and accurate reports, and agreed to update grantee monitoring procedures for ERA2 within the calendar year. Furthermore, OCA management acknowledged that current guidance does not address familial tenant/landlord relationships. OCA management stated it will reach out to federal agency partners and review other federal program guidance to determine how best to address this issue. OCA's management response is included in its entirety in Appendix 2.

OIG Comment on OCA's Management Response

While OCA concurred with our recommendations and its planned corrective actions meet the intent of our recommendations, management did not provide an implementation date for its planned corrective action for our third recommendation regarding familial tenant/landlord relationships. OCA management should include the specific corrective actions and timeframes for completion in Treasury's Joint Audit Management Enterprise System.

If you would like to discuss this report, please contact Deborah L. Harker, Assistant Inspector General for Audit, at (202) 486-1420 or John N. Tomasetti, Audit Director, Housing Assistance, at (202) 927-2665.

cc: Blossom Butcher-Sumner, Attorney-Advisor (Finance), Department of the Treasury
Carolyn Appel, Attorney-Advisor (Finance), Department of the Treasury
Janet Gonzalez, Director, Budget and Performance, Harris County, TX
Paul Wilden, Manager, Grants Accounting, Harris County, TX
Jennifer Bell, Rental Assistance Program Manager, Harris County, TX
Michael Nichols, Director, City of Houston, TX

Kennisha London, Deputy Director Compliance and Grant Administration,
City of Houston, TX

Melody Barr, Deputy Assistant Director, Public Services, City of Houston, TX

Appendix 1: City of Houston Management Response

DocuSign Envelope ID: 7FEEA3BC-2985-43A5-BE9D-3A5A1A9789F2



CITY OF HOUSTON
Housing & Community Development Department

John Whitmire

Mayor

Michael C. Nichols
Director
2100 Travis, 9th Floor
Houston, Texas 77002

T. (832) 394-6200
F. (832) 395-9662
www.houstontx.gov/housing

May 31, 2024

John Tomasetti, Housing Assistance Audit Director
Community Development & Revitalization
Housing Assistance Audit Director
Department of the Treasury | Office of Inspector General
875 15th Street NW | Washington, DC 20005

Re: Draft - Desk Review of Emergency Rental Assistance ("ERA Program") Payments

Dear Mr. Tomasetti:

The City of Houston ("City") received and reviewed the Draft Memorandum concerning the Desk Review of Emergency Rental Assistance Payment Made by City of Houston, TX, and Harris County, TX. The City appreciates the opportunity to review the draft and to provide comments and feedback that we hope you will consider as you prepare to finalize the memorandum. Please note that the City's response in this letter is independent from any response that may be provided by Harris County.

It is important to note that the sample population appears to have been specifically targeted to find files with errors, rather than a truly random sample. As a result, the chosen methodological process will result in a sample that does not accurately reflect the entire population as a whole. The specificity of the targeted sample appears to have led to observations that do not accurately reflect the overall performance or issues within the broader population. While it may be true that the selected sample files have errors, the error rate of the ERA Program overall is very likely less than what is indicated by the sample.

Additionally, timing of the sample collection in relation to the ERA Program's closeout is critical. We note that ERA1 was still an active project at the time of the desk review of the Treasury Department ("Treasury"). It is likely that the City already independently discovered a number of these problems and has taken steps to cure them. Specifically, there were instances where the City, in accordance with ERA Program guidelines, reclassified items between ERA1 and ERA2 in order to comply with the maximum allowable aid per recipient under ERA1 and ERA2. These reclassifications of certain files were essential for the accurate closeout of ERA1 funding and should be taken into account when evaluating any observations.

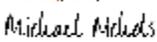
Council Members: Amy Peck Tarsha Jackson Abble Kamin Carolyn Evans-Shabazz Fred Flickinger Tiffany D. Thomas Mary Nan Huffman Mario Castillo
Joaquin Martinez Edward Pollard Martha Castex-Tatum Julian Ramirez Willie R. Davis Twila Carter Letitia Plummer Sallie Alcorn
Controller: Chris Hollins

Furthermore, it is not possible to accurately determine the resolution of any of the cases from Treasury's sample without specific identification of the cases in question. Without this information, we cannot effectively assess the resolution status or the level of duplication among cases. It is important to note that the City and its partners implemented multiple processes for identification and correction of duplication of payments, including reallocating duplicate assistance months to other eligible past due months. The City requests that this de-duplication approach to managing duplicates be recognized and factored into the review and duplication analysis conducted by Treasury.

Based on our review of the draft memorandum, the City believes that the points identified hereinabove are crucial for a comprehensive understanding of Treasury's desk review and observations regarding the ERA Program. We would appreciate the opportunity to review the final sample and payment data that led to the consolidated observations results to further determine whether City or Harris County funds were used, or if the alleged duplication issues have already been resolved.

Thank you for your attention to and consideration of our general feedback. If you have any additional questions or concerns, please contact Kennisha London, Compliance and Grant Administration Division Deputy Director, Kennisha.London@houstontx.gov or (832) 394-6197.

Very truly yours,

DocuSigned by:

Michael C. Nichols

Appendix 2: Office of Capital Access Management Response



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

August 30, 2024

Deborah Harker
Assistant Inspector General for Audit
U.S. Department of the Treasury – Office of Inspector General
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Ms. Harker:

I write regarding the Office of Inspector General's (OIG) draft report entitled *Desk Review of Emergency Rental Assistance Payments Made by the City of Houston, TX, and Harris County, TX* (Draft Report), which reviews documentation provided by both the City of Houston, Texas and Harris County, Texas related to their uses of funds provided by the Emergency Rental Assistance (ERA) programs, which were created by the Consolidated Appropriations Act, 2021 (ERA1), and the American Rescue Plan Act of 2021 (ERA2), respectively. Treasury takes seriously its responsibility for stewarding taxpayer funds, and we appreciate OIG's work on this engagement.

The ERA programs provided critical funding for state, local, territorial, and Tribal governments to prevent eviction and support housing stability during the COVID-19 pandemic. As the Draft Report describes, Congress tasked Treasury with implementing the ERA programs rapidly and under extraordinary emergency conditions. Despite these challenges, Treasury quickly implemented these programs and oversaw unprecedented rental assistance.

Collectively, the ERA programs have provided more than 12.3 million household payments totaling over \$40 billion in expenditures to families in need. To date, Treasury has disbursed all ERA1 award funding to grantees and is in the process of closing out the program following its expiration in December 2022. In addition, Treasury has disbursed over 99 percent of the ERA2 award funds to grantees and grantees have paid out over \$18 billion in assistance (more than 83 percent) of the total \$21.55 billion appropriated for the program.

The Draft Report contains three recommendations in response to OIG's desk review of potential duplicative payments related to the overlapping jurisdictions of the City of Houston and Harris County, Texas. Recommendation 1 calls for Treasury to require these two specific grantees to take certain actions related to these potential duplicate payments. In response to this recommendation, we agree that Houston and Harris County need to take additional steps to ensure potential duplicative payments and overpayments are detected and resolved, and we are committed to facilitating their work ahead. To that end, we have reached out to both grantees to ensure each has access to the data needed to address the potential duplicative payments. As soon as we receive confirmation, we will require both grantees to submit corrective action plans to Treasury within 90 days. Once Treasury receives the corrective action plans, we will follow up

with the grantees as appropriate. We also will continue to work with both grantees to ensure their ERA1 and ERA2 reports are accurate, and we will keep OIG apprised of the grantees' progress.

Recommendations 2 and 3 are more general and apply to all ERA grantees. Recommendation 2 calls for Treasury to develop processes to (a) monitor grantees for overpayments and duplicate payments, (b) track grantee recharacterizations, and (c) ensure data quality for household addresses provided by grantees. Treasury has consistently required all ERA grantees to certify the accuracy and completeness of their quarterly reports and identified the ERA programs as "high-risk" for Single Audit reviews. These actions are intended to provide grantees strong incentives to implement reasonable controls to ensure duplicative payments or overpayments of ERA assistance are handled appropriately. While ERA1 is currently in close out, we agree that augmentation of our ERA2 written procedures with respect to grantee monitoring would be appropriate and we intend to complete that process within the calendar year.

Recommendation 3 calls for Treasury to issue technical guidance and counsel to grantees and OIG on the allowability of providing assistance to beneficiaries when there is a familial tenant/landlord relationship. Treasury acknowledges that current ERA guidance does not address familial tenant/landlord relationships and we will reach out to federal agency partners and review other federal program guidance to determine how best to address this issue.

* * *

Even as the ERA programs come to a close, Treasury remains committed to taking appropriate actions to improve program performance and protect the taxpayers' interests. Thank you for the opportunity to review the Draft Report, and for your consideration of our comments.

Sincerely,



Jessica Milano
Chief Program Officer
U.S. Department of the Treasury