



September 2021

COVID-19

Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds



A Century of Non-Partisan Fact-Based Work

Why GAO Did This Study

The COVID-19 pandemic and resulting economic downturn created housing instability for many families and individuals. Congress appropriated about \$12.4 billion to HUD in CARES Act funds to prevent, prepare for, and respond to housing needs related to COVID-19. GAO has previously reported on HUD's persistent management challenges and noted the potential for these challenges to affect the implementation and oversight of HUD's COVID-19 response.

The CARES Act includes a provision for GAO to monitor the federal government's efforts to respond to the COVID-19 pandemic. This report examines HUD's actions to oversee its CARES Act funding and manage risks, and HUD's implementation and monitoring of the CARES Act funds of selected community development, homelessness, and rental assistance programs.

GAO reviewed HUD documentation and analyzed HUD spending data, focusing on the four programs that received the most CARES Act funding. GAO also interviewed HUD officials and associations representing HUD funding recipients.

What GAO Recommends

GAO makes two recommendations to HUD to take additional steps to assess, document, and mitigate program and fraud risks for its CARES Act-funded programs. HUD agreed with our recommendation to take additional actions on fraud risk. HUD disagreed with our recommendation to take additional actions on program risks. GAO continues to believe the recommendation is valid, as discussed in this report.

View [GAO-21-104542](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov.

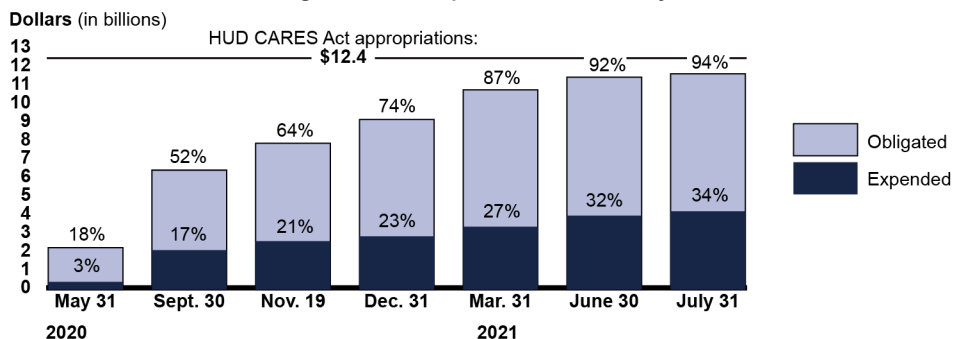
COVID-19

Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds

What GAO Found

The Department of Housing and Urban Development's (HUD) oversight of \$12.4 billion in CARES Act funding included monitoring spending and addressing reporting requirements, but further action is needed to more fully assess program and fraud risks. As of July 2021, HUD obligated 94 percent of its CARES Act funds, and 34 percent had been expended (see figure). The CARES Act significantly increased funding for some HUD programs—for example the Emergency Solutions Grant (ESG) program for homelessness assistance received more than 10 times its fiscal year 2020 funding. GAO previously reported that programs should update risk assessments when funding or the operating environment changes. To respond to COVID-19, HUD expedited its risk assessment process, and concluded the CARES Act funds did not substantially affect programs' risks or existing controls. While HUD's assessment identified risk factors and short-term steps to address them, it did not include some leading fraud risk management practices GAO previously identified. For example, HUD did not identify programs' new fraud risks or evaluate fraud risk tolerance. Additional risk assessment actions could help HUD better identify and address potential program and fraud risks of its CARES Act programs.

HUD CARES Act Funds' Obligations and Expenditures, as of July 31, 2021



Source: GAO analysis of Department of Housing and Urban Development (HUD) data. | GAO-21-104542

As of July 2021, HUD's Community Development Block Grant (CDBG) and ESG programs expended about 15 percent of their CARES Act funds, mostly for emergency payments that can include rental assistance. HUD officials said spending is slow because some grantees have limited capacity to administer the larger grants, other federal funding is available, and CDBG grantees had until mid-August 2021 to apply for CARES Act funds. HUD is providing grantees with training and support to help them administer and use the CARES Act funds and developing specific monitoring guidance.

Almost all of the CARES Act's \$1.25 billion for the Housing Choice Voucher program has been expended. To help public housing agencies navigate COVID-19, HUD issued numerous program waivers, such as letting owners self-certify property conditions in lieu of inspections. To monitor compliance, HUD is developing a portal for public housing agencies to report their use of the funds, which officials anticipate will be operational in December 2021. HUD also awarded a contract to support the program's CARES Act monitoring, including collecting information on waiver use.

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Abbreviations

CDBG-CV	Community Development Block Grant Coronavirus Response
COVID-19	Coronavirus Disease 2019
CPD	Office of Community Planning and Development
ESG-CV	Emergency Solutions Grants Coronavirus Response
HCCRT	HUD CARES Act Compliance Response Team
HCV	Housing Choice Voucher
HUD	Department of Housing and Urban Development
Multifamily Housing	Office of Multifamily Housing
OIG	Office of Inspector General
OMB	Office of Management and Budget
PBRA	Project-Based Rental Assistance
PHA	Public housing agency
PIH	Office of Public and Indian Housing
PRAC	Pandemic Response Accountability Committee
Treasury	Department of the Treasury

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September 30, 2021

Congressional Committees

The Coronavirus Disease 2019 (COVID-19) pandemic uprooted the U.S. economy, leaving many citizens without stable employment. Millions of families have had difficulty paying their rent or mortgage.¹ In March 2020, Congress passed the CARES Act, which provided over \$2 trillion in emergency assistance and health care response for individuals, families, and businesses affected by COVID-19.² To address housing needs, the CARES Act appropriated approximately \$12.4 billion to the Department of Housing and Urban Development (HUD).³

The CARES Act includes a provision for us to monitor and oversee the federal government's efforts to prepare for, respond to, and recover from COVID-19.⁴ In June and November 2020, we reported on concerns about the potential for grantee oversight and management challenges in HUD's CARES Act-funded programs based on our prior work.⁵ In November 2020, we noted additional concerns regarding low expenditures. For example, as of September 30, 2020, about \$2.1 billion (or 17 percent) of HUD's CARES Act funds had been expended.⁶

¹Consumer Financial Protection Bureau, *Housing Insecurity and the COVID-19 Pandemic* (Washington, D.C.: Mar. 1, 2021).

²Pub. L. No. 116-136, 134 Stat. 281 (2020).

³Pub. L. No. 116-136, div. B, tit. XII, 134 Stat. 601-13. The CARES Act also appropriated \$5 million to HUD's Office of Inspector General for audits and investigations.

⁴Pub. L. No. 116-136, div. B, § 19010, 134 Stat. 579-81. We regularly issue government-wide reports on the federal response to COVID-19. For the latest report, see GAO, *COVID-19: Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity*, [GAO-21-551](#) (Washington, D.C.: July 19, 2021). Our next government-wide report will be issued in October 2021 and will be available on GAO's website at <https://www.gao.gov/coronavirus>.

⁵GAO, *COVID-19: Urgent Actions Needed to Better Ensure and Effective Federal Response*, [GAO-21-191](#) (Washington, D.C.: Nov. 30, 2020); and *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts*, [GAO-20-625](#) (Washington, D.C.: June 25, 2020).

⁶[GAO-21-191](#).

In this report, we examined HUD's (1) actions to oversee its CARES Act funds and manage program risks, including fraud risk, (2) implementation and monitoring of the CARES Act funds of selected community development and homelessness grant programs, and (3) implementation and monitoring of the CARES Act funds of selected rental assistance programs. Our selected grant programs are the Community Development Block Grant Coronavirus Response (CDBG-CV) and Emergency Solutions Grants Coronavirus Response (ESG-CV) and our selected rental assistance programs are Housing Choice Vouchers (HCV) and Project-Based Rental Assistance (PBRA). We selected these programs because they received the largest of CARES Act appropriations among HUD programs (all received \$1 billion or more).

To examine HUD's actions to oversee the CARES Act and manage program risk (including fraud risk), we obtained and reviewed HUD documentation on its efforts to manage the CARES Act funds and manage program risks. We compared these efforts against HUD's policies on risk assessment and our Fraud Risk Framework.⁷ We also reviewed prior reports by GAO and HUD's Office of Inspector General (OIG) on HUD management challenges. In addition, we interviewed HUD officials on their CARES Act compliance and risk assessment efforts. Finally, we obtained and reviewed HUD financial data for its CARES Act funds from May 2020 to July 2021. To assess the reliability of these data, we interviewed HUD officials, checked the data for outliers and errors, and relied on our prior data reliability assessments of these data from November 2020. We determined that the data were sufficiently reliable for reporting on the status of HUD's CARES Act spending.

To examine HUD's implementation and monitoring of selected grant and rental assistance programs, we analyzed HUD documentation on these programs, such as notices and guidance. We also interviewed HUD program offices in headquarters and in selected field offices on their monitoring and compliance efforts. We selected field offices that generally received the most CARES Act funding for our selected programs and

⁷GAO, *A Framework for Managing Fraud Risk in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 28, 2015).

represented different geographic regions.⁸ In addition, we interviewed representatives of six industry associations that represented recipients of HUD's CARES Act funds, such as grantees and public housing agencies (PHAs).⁹ We selected associations that had publicly issued guidance or commentary on HUD's COVID-19 assistance and been previously interviewed for prior GAO work. Their views are not generalizable to other associations or all funding recipients but offered important perspectives. We also obtained and reviewed information on HUD's selected CARES Act performance metrics and reviewed available performance data. We assessed the reliability of these data by interviewing HUD officials, reviewing related documentation, and checking for outliers and errors. We concluded that these data were sufficiently reliable for the purposes of our review. Appendix I contains a more detailed description of our objectives, scope, and methodology.

We conducted this performance audit from September 2020 to September 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁸For CDBG-CV and ESG-CV, we interviewed Community Planning and Development staff in the Chicago, New York, and Philadelphia Regional Offices and the Los Angeles, Jacksonville, and Miami Field Offices. For HCV, we interviewed Office of Public and Indian Housing staff in the Boston, Chicago, and New York Regional Offices and the Los Angeles and Miami Field Offices. For PBRA, we interviewed Office of Multifamily Housing staff in the Atlanta, Chicago, New York, and San Francisco Regional Centers. We use the term "field office staff" to refer to staff in HUD's regional and field offices.

⁹A public housing agency is typically a local agency created under state law that manages housing for low-income residents at rents they can afford. PHAs administer the Housing Choice Voucher program on behalf of HUD. We interviewed representatives of three associations representing CDBG-CV and ESG-CV grantees (the National Community Development Association, Council of State Community Development Agencies, and National Association for County Community and Economic Development); two associations representing PHAs (the Council of Large Public Housing Agencies and Public Housing Authorities' Directors Association); and the National Council of State Housing Agencies, which represents the majority of the PBRA program's contract administrators.

Background

HUD's CARES Act Funding and Other Provisions

The CARES Act provided 10 existing HUD programs with about \$12.4 billion to prevent, prepare for, and respond to housing needs related to COVID-19. The four HUD programs that received the most CARES Act funds are the following:

- **Community Development Block Grant programs (CDBG)** provide grants to states, insular areas, and local governments (known as grantees).¹⁰ Grantees can use these funds to support a wide variety of activities, including housing, economic development, and neighborhood revitalization. Because the CDBG program already has a mechanism to provide federal funds to states and localities, it is widely viewed as a flexible solution to disburse federal funds to address unmet needs in disasters. It is administered by HUD's Office of Community Planning and Development (CPD).¹¹ The CARES Act appropriated \$5 billion to this program. The CARES Act-funded grants (which HUD refers to as CDBG Coronavirus Response, or CDBG-CV) can be used for any CDBG eligible activity as long as it is to prevent, prepare for, or respond to coronavirus.
- **Emergency Solutions Grants Program (ESG)** provides grants to states and local governments to support homelessness assistance and prevention activities. Grantees can use these funds for homelessness prevention, street outreach, rapid rehousing, and stabilization services. It is also administered by CPD. The CARES Act appropriated \$4 billion to this program. The CARES Act-funded grants (which HUD refers to as ESG Coronavirus Response, or ESG-CV) can be used for any eligible ESG activity to prevent, prepare for, or respond to coronavirus, along with new eligible uses (discussed in more detail later in this report).
- **Housing Choice Voucher (HCV)** provides vouchers for very low-income families to use in the private housing market. The voucher, or

¹⁰Specifically, under the traditional program, the annual CDBG appropriation is allocated to entitlement communities, states, and insular areas. Entitlement communities are principal cities of metropolitan statistical areas, other metropolitan cities with populations of at least 50,000, and qualified urban counties with a population of 200,000 or more (excluding the populations of entitlement cities). States distribute CDBG funds to local governments not qualified as entitlement communities.

¹¹CPD manages a number of grant programs that promote community-based efforts to develop housing and economic opportunities. Other programs in its purview include the Housing Opportunities for Persons with AIDS and the HOME Investment Partnerships programs.

housing assistance payment, generally pays the difference between the family's contribution toward rent and the actual rent for the unit. This program is administered by HUD's Office of Public and Indian Housing (PIH) and local PHAs.

The CARES Act appropriated \$850 million for PHAs' administrative expenses and \$400 million for housing assistance payments. The administrative expense funds could be used for PHAs' administrative costs (i.e., not vouchers), including new COVID-19-related activities or costs (such as personal protective equipment). The housing assistance payment funds were designated to help PHAs cover costs related to housing assistance contracts. The housing assistance payment assistance was only available to selected PHAs that either (1) experienced significant increases in voucher costs or (2) had insufficient funding for their vouchers and would otherwise need to stop families' rental assistance.

- **Project-Based Rental Assistance (PBRA)** provides subsidies to make privately owned multifamily properties affordable to eligible low-income households. Administered primarily by HUD's Federal Housing Administration's Office of Multifamily Housing Programs (Multifamily Housing), assistance under PBRA is tied to specific units rented to eligible low-income households. HUD designated \$800 million of CARES Act funds to support housing assistance payments and \$190 million as supplemental payments to reimburse property owners for COVID-19-related expenses.¹² Ten million dollars in PBRA funding was allocated for the Moderate Rehabilitation program administered by PIH.¹³

HUD also received \$50 million for the management and administration of CARES Act funding, consisting of \$35 million for administrative support offices and \$15 million for program offices (\$10 million for CPD and \$5 million for PIH). See appendix II for a complete list of HUD programs that received CARES Act funding and program descriptions.

The CARES Act also provided HUD with broad authority to waive many of its programs' statutes and regulations or issue alternative requirements to

¹²The Office of Multifamily Housing designated the CARES Act housing assistance payments to help compensate owners for decreased tenant rent payments resulting from reduced tenant income.

¹³The Moderate Rehabilitation program was not within the scope of this report as we focused on programs with CARES Act appropriations of at least \$1 billion.

ensure the safe and effective administration of these funds.¹⁴ For example, to reduce the risk of COVID-19 exposure, HUD issued a waiver allowing PHAs to delay an in-person inspection of new units in the HCV program. HUD issued an alternative requirement that an owner could self-certify that the property has no life-threatening conditions. HUD also suspended a requirement for an oral briefing for incoming tenants, instead allowing PHAs to provide information over video calls or in written materials.

The CARES Act also required quarterly reporting to the Pandemic Response Accountability Committee (PRAC).¹⁵ For recipients (such as grantees or PHAs) who received at least \$150,000 in CARES Act funds, the act required them to report to the Committee:

- the total amount the recipient received from the agency;
- obligations and expenditures by project or activity;
- a detailed list of all projects or activities, including name, description, and estimated number of jobs created or retained; and
- detailed information on subcontracts or subgrants.

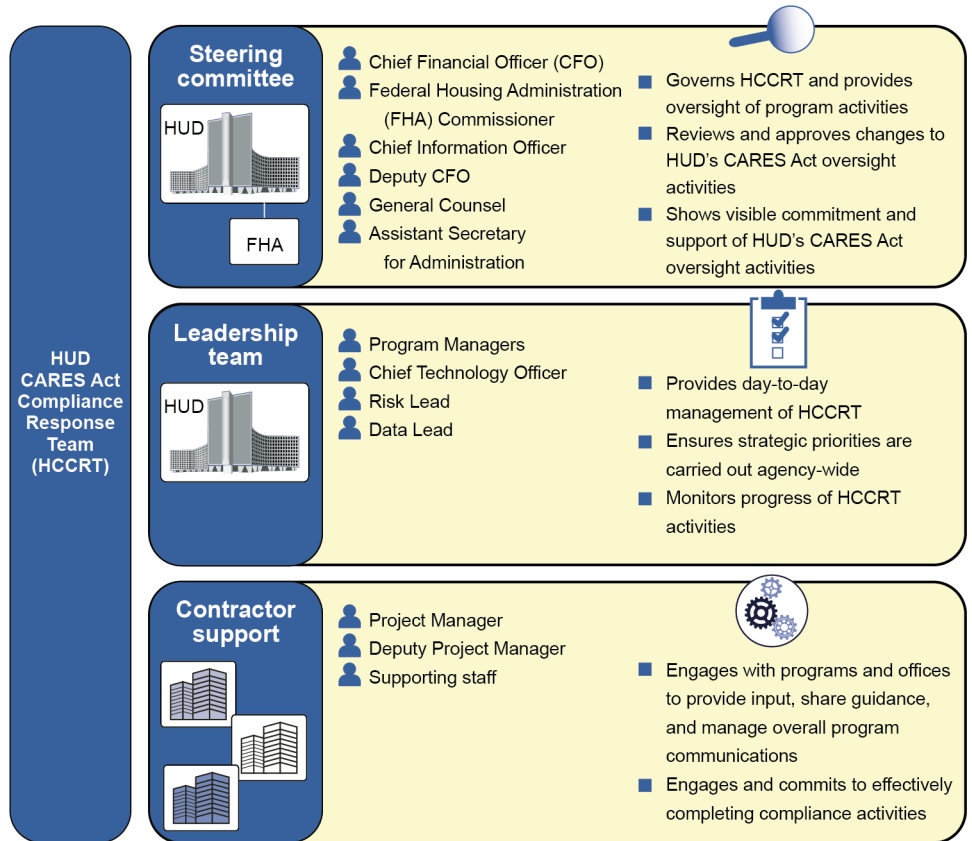
HUD CARES Act Compliance Response Team

In April 2020, HUD established the HUD CARES Act Compliance Response Team (HCCRT) to provide a unified, agency-wide approach to HUD's compliance with the CARES Act. HCCRT is largely composed of key HUD officials, program managers, and contractor staff (see fig. 1). HCCRT includes a steering committee of six HUD officials that provides governance and oversight of program activities, a leadership committee of departmental staff, and additional support from contractor staff.

¹⁴However, the CARES Act specified HUD could not waive requirements related to fair housing, nondiscrimination, labor standards, and the environment. See, e.g., Pub. L. 116-136, 134 Stat. at 602 ("Tenant-based Rental Assistance"); at 607 ("Community Development Fund").

¹⁵Pub. L. No. 116-136, § 15011, 134 Stat. 533 (2020). The CARES Act created the PRAC as a committee of the Council of the Inspectors General on Integrity and Efficiency to promote transparency and support oversight of the federal government's pandemic response. It is composed of 22 Inspectors General.

Figure 1: HUD CARES Act Compliance Response Team Organizational Structure



Source: GAO analysis of Department of Housing and Urban Development (HUD) documentation. | GAO-21-104542

According to its 2020 charter, HCCRT is responsible for

- establishing ongoing monitoring and oversight, including tracking of CARES Act fund spending levels and deadlines;
- developing and reviewing internal controls and processes;
- ensuring HUD has appropriate systems and human resources in place to support impactful results and accurate reporting; and
- providing stewardship of HUD resources.

HCCRT's goals are to (1) safeguard housing by tracking funds to encourage timely distribution to intended recipients; (2) strengthen internal controls to maximize effectiveness and programs and minimize

fraud, waste, and abuse; and (3) enhance capabilities to enable successful program results.

HUD Tracks CARES Act Spending but Has Not Fully Assessed Risks, Including Fraud Risks

HCCRT Has Tracked CARES Act Spending and Taken Steps to Meet Reporting Requirements

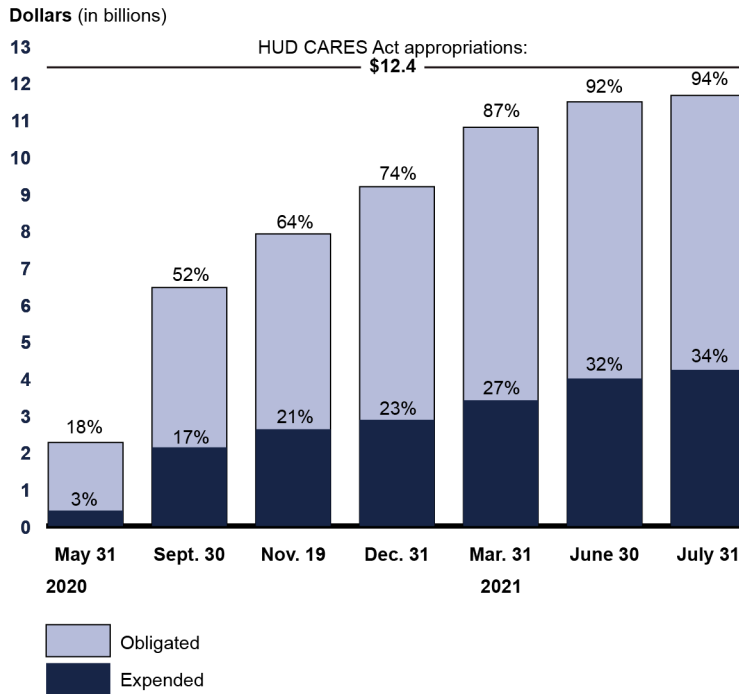
As part of its objective to promote timely distribution of CARES Act funding, HCCRT tracks spending. According to officials, HCCRT does this by reviewing data and spending reports, and using data analytics and information from existing HUD systems to monitor CARES Act disbursements and obligation rates. HCCRT officials told us they worked with program offices to address disbursement issues. For example, HCCRT officials told us they held regular check-in meetings with CPD and discussed spending rates when disbursement rates slowed or were below expectations. HCCRT reviews HUD's weekly reports on CARES Act funds spending and, as required by the act, reports spending data monthly to Congress, the Department of the Treasury (Treasury), and the Office of Management and Budget (OMB).¹⁶

As of July 31, 2021, HUD had obligated 94 percent of its CARES Act program funds and 34 percent had been expended (or \$4.2 billion of the \$12.4 billion) (see fig. 2).¹⁷ For more information on obligation and expenditure rates for HUD's CARES Act funds by programs, see appendix II.

¹⁶The CARES Act required agencies to report monthly to OMB, Treasury, PRAC, and appropriate congressional committees on any obligation or expenditure of large covered funds (amounts greater than \$150,000), including loans and awards, until September 30, 2021.

¹⁷HUD provided us with CARES Act spending and performance measurement data from different offices and reporting systems. As such, some data may be reported from different time periods.

Figure 2: HUD CARES Act Funds Obligation and Expenditure Rates, May 31, 2020–July 31, 2021



Source: GAO analysis of Department of Housing and Urban Development (HUD) data. | GAO-21-104542

HCCRT has worked with program offices to develop reporting playbooks that identify how to use existing reporting and data systems to meet CARES Act reporting requirements. The playbooks also identify where these requirements cannot be met with existing program data, and interim and longer-term solutions for addressing these gaps. HUD also developed an internal coding system to track and report on CARES Act funds through its existing systems. For example, CPD amended its reporting system to create reports on CDBG-CV grantees' financials and activities, which CPD staff said helped them monitor compliance. In April 2021, the HUD OIG reported that HUD incorporated federal disaster emergency fund codes into its financial systems for each CARES Act

program, enabling HUD to track the status of each program's CARES Act funds.¹⁸

In the same April 2021 report, the HUD OIG found HUD's reporting processes generally supported PRAC reporting requirements.¹⁹ However, the HUD OIG found HUD's processes did not support PRAC requirements for reporting on subrecipient data or the estimated number of jobs created or retained by a project. The HUD OIG noted HUD's subrecipient reporting relied on preliminary data from grantees because the PRAC quarterly reporting schedule did not align with HUD's existing financial reporting schedule.²⁰ HUD reports corrections to its preliminary data in the following report after the financial data have been reconciled.²¹

OMB stated in a memo that agencies and recipients are not expected to perform additional reporting to meet the CARES Act requirements.²² The memo also stated that OMB anticipated centrally available economic data would be sufficient to meet the jobs created reporting requirement without the need for recipients to report the estimated number of jobs created or retained by a project or activity. In April 2021, HCCRT officials stated they met the reporting requirement on job creation through OMB's centrally available economic reports.

As part of its efforts to monitor the effects of HUD's CARES Act program funds, HCCRT leveraged programs' existing performance metrics and did

¹⁸Department of Housing and Urban Development, Office of Inspector General, *HUD's Use of, Accounting for, and Reporting on CARES Act Funding*, 2021-OE-0006 (Washington, D.C.: Apr. 26, 2021).

¹⁹HUD OIG, *HUD's Use of, Accounting for, and Reporting on CARES Act Funding*.

²⁰HUD relies on grantees to report subrecipient information. According to HCCRT officials, HUD developed training for program offices and grantees to help improve the quality of subrecipient reporting, and program offices have worked with grantees to ensure they understand subrecipient reporting requirements. As of April 2021, HUD was developing a PIH reporting portal to help address reporting limitations for PIH programs and comply with CARES Act reporting requirements.

²¹HUD OIG, *HUD's Use of, Accounting for, and Reporting on CARES Act Funding*.

²²Office of Management and Budget, *Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19)*, OMB Memorandum M-20-21 (Washington, D.C.: Apr. 10, 2020).

not develop any new performance metrics.²³ The CARES Act did not require HUD to establish specific performance metrics to measure the effectiveness of its CARES Act programs. In its quarterly PRAC report covering January–March 2021, HUD included performance metrics for the first time and plans to do so going forward. Specifically, it included metrics for CDBG-CV, ESG-CV, Multifamily Housing, Fair Housing Assistance Programs, and technical assistance programs.

HUD Used CARES Act Funds to Address Staffing and Technology Needs

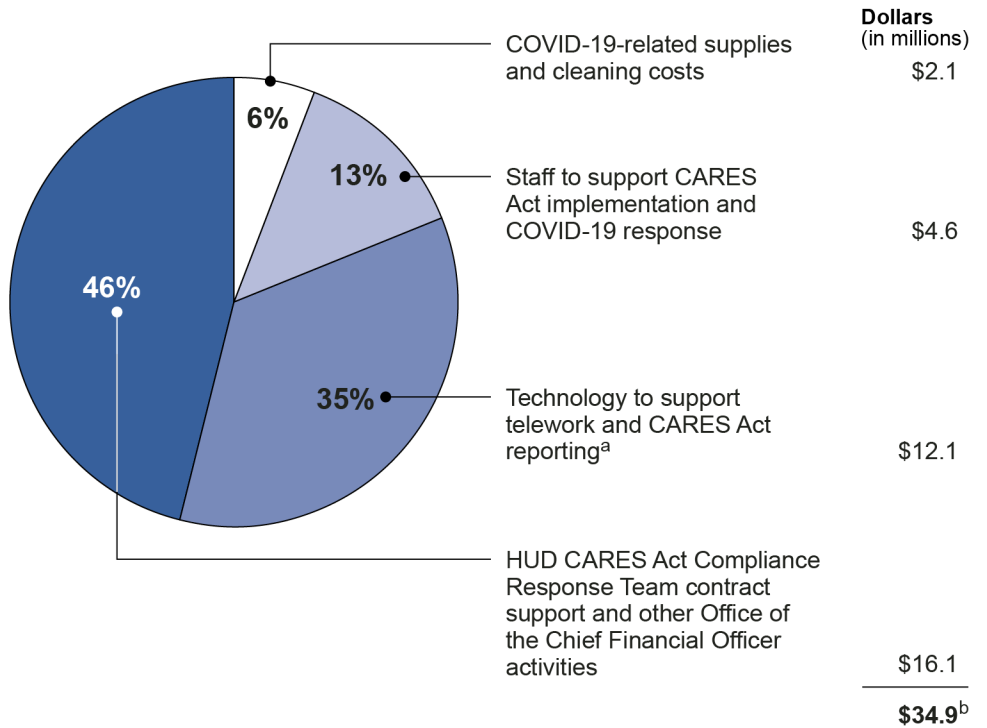
HUD used the \$35 million its administrative support offices were appropriated in the CARES Act for management and administration on contractor support, information technology (IT), and staffing to support its CARES Act oversight (see fig. 3).²⁴

- **Contractor support.** HUD spent about \$16 million on HCCRT contractor support. According to HCCRT officials, the contractors manage communication with programs and offices, provide and share CARES Act guidance within HUD, and complete HCCRT’s compliance activities. Officials said they planned to maintain HCCRT contractor support as long as funding was available, as HCCRT would remain in place to monitor and report on its CARES Act programs.
- **IT needs.** HUD used around \$12 million to support telework during COVID-19 and CARES Act reporting, including nearly \$2 million for IT infrastructure related to CPD.
- **Staffing and supplies.** HUD used around \$5 million to support CARES Act-related staffing needs in the Office of Housing, Office of General Counsel, and for department-wide technical assistance. HUD also spent around \$2 million for COVID-19-related supplies and equipment.

²³Performance metrics are a component of performance measurement, the ongoing monitoring and reporting of program accomplishments conducted by program or agency management. Performance metrics may address the type or level of program activities conducted (process), the direct products and services delivered by a program (outputs), or the results of those products and services (outcomes).

²⁴The CARES Act appropriated \$50 million to HUD for management and administration, consisting of \$35 million for administrative support offices and \$15 million for program offices (\$10 million for the Office of Community Planning and Development and \$5 million for the Office of Public and Indian Housing).

Figure 3: HUD's Use of CARES Act Management and Administration Funding for Administrative Support Offices, as of July 2021



Source: GAO analysis of Department of Housing and Urban Development documentation. | GAO-21-104542

Note: The CARES Act appropriated \$50 million to HUD for management and administration purposes, consisting of \$35 million to HUD administrative support offices and \$15 million to program offices. The funds are available for obligation until September 30, 2021.

^aIncludes \$1.8 million for Office of Community Planning and Development information technology to support CARES Act reporting needs.

^bHUD reserved the remaining \$100,000 of \$35 million for unplanned needs.

In April 2021, HCCRT officials said that the CARES Act funding was generally sufficient to meet the agency's short-term staffing and IT needs for implementing and overseeing the CARES Act. Data from June 2021 showed the agency had hired 51 temporary employees using its CARES Act funds to support related activities. However, selected program office officials told us that implementing and overseeing the CARES Act had increased their workload and stretched their capacity, even with the additional temporary staff (discussed later in this report). HCCRT officials told us they anticipated longer-term staffing and IT challenges, particularly for CPD's grant programs, as tracking and reporting would continue after the CARES Act management and administration funds expire on September 30, 2021.

We and the HUD OIG have reported on longstanding IT issues and human resources constraints at HUD. The HUD OIG identified management and oversight of IT and human resources management among HUD's top management challenges for 2021.²⁵ One of our priority open recommendations for HUD addresses its IT management.²⁶ Further, the HUD OIG reported in 2020 that HUD's outdated IT systems cannot be adapted to handle HUD's current complex mission and demands for accountability.²⁷

The HUD OIG reported that from 2011 through 2021, HUD's staffing levels declined while its program responsibilities increased, and staffing issues affected many of HUD's mission challenges.²⁸ In addition, the HUD OIG reported that CARES Act funding and related hiring needs burdened HUD's already overtaxed human resources staff to oversee the use of funds and hire new staff quickly.²⁹ The President's proposed fiscal year 2022 HUD budget includes a 10 percent increase in full-time staff at HUD, an increase of 788 full-time employees.³⁰

In 2016, we recommended HUD regularly review, revise, and update its human capital, workforce, and succession plans.³¹ These plans identify

²⁵Department of Housing and Urban Development, Office of Inspector General, *Top Management Challenges Facing the U.S. Department of Housing and Urban Development in 2021* (Washington, D.C.: Nov. 25, 2020).

²⁶GAO, *Priority Open Recommendations: Department of Housing and Urban Development*, [GAO-21-558PR](#) (Washington, D.C.: June 21, 2021). This recommendation from December 2014 is aimed at establishing a process to enable HUD to identify IT governance actions and projects that are achieving cost savings and efficiencies. HUD agreed with this recommendations and, as of June 2021, was developing an implementation plan for a new approach intended to improve and expand the tracking of IT investments. In addition, HUD developed a new IT cost-savings process that it plans to initiate in fiscal year 2021. To fully implement our recommendation, HUD needs to finalize its implementation plan and process for identifying and tracking data on cost savings and efficiencies from IT governance and projects.

²⁷HUD OIG, *Top Management Challenges*.

²⁸HUD OIG, *Top Management Challenges*

²⁹HUD OIG, *Top Management Challenges*.

³⁰Department of Housing and Urban Development, *2022 Congressional Justifications* (Washington, D.C.: May 28, 2021).

³¹GAO, *Department of Housing and Urban Development: Actions Needed to Incorporate Key Practices into Management Functions and Program Oversight*, [GAO-16-497](#) (Washington, D.C.: July 20, 2016).

HUD's strategic goals and objectives for addressing human capital challenges, assess workforce needs and determine staff resources required to fulfill HUD's mission, and describe approaches and strategies for identifying and preparing employees for future work performance. HUD agreed with our recommendation, but as of September 2021, HUD had not fully implemented it. Assessing and updating its human capital, workforce, and succession plans on a regular basis would help ensure that HUD has a strategic vision for managing its workforce and addressing human capital challenges.

HUD Has Not Fully Assessed and Documented Program Risks, Including Fraud Risks, for Certain CARES Act Programs

We have reported that COVID-19 relief programs are vulnerable to significant risk of fraudulent activities because they required the government to provide funds and other assistance quickly.³² In this review, we found that HUD's actions to assess the CARES Act's impact on program risks, including fraud risks, did not align with its own risk assessment policy or best practices for fraud risk management.

HUD's Rapid Risk Assessment Documentation Did Not Align with Key Aspects of HUD's Front-End Risk Assessment Policy

HCCRT led HUD's risk assessment of its CARES Act program funding. One of HCCRT's goals is to strengthen internal controls to maximize the CARES Act programs' effectiveness and minimize fraud, waste, and abuse.³³ Under regular circumstances, HUD's risk assessment policy requires the Office of the Chief Financial Officer and program offices to work together to develop a front-end risk assessment for new or significantly revised programs, including programs that receive a significant funding increase.³⁴ A front-end risk assessment is a formal, documented review to determine the susceptibility of a new or substantially revised program or administration function to waste, fraud, abuse, and mismanagement. HUD's policy states that the purpose of a front-end risk assessment is to detect conditions that may adversely affect the achievement of strategic, operational, compliance, and reporting objectives.

³²[GAO-20-625](#).

³³Department of Housing and Urban Development, *Fiscal Year 2020 Annual Performance Report* (Washington, D.C.: Jan. 15, 2021).

³⁴Department of Housing and Urban Development, Office of the Chief Financial Officer, *Front-End Risk Assessment (FERA) Policy* (Washington, D.C.: July 1, 2019).

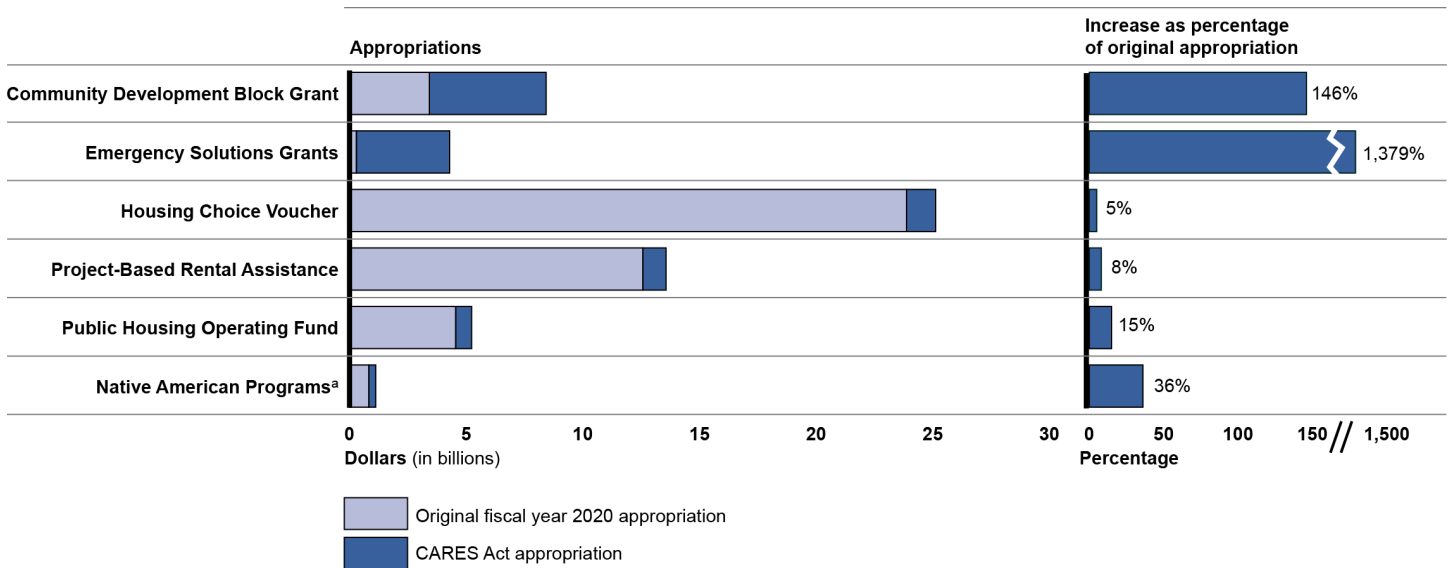
For a substantially revised program, HUD's policy states that the assessment should include identification and ranking of risk factors, strategies for mitigating the highest scoring risks, and milestones for risk mitigation. HUD defines a substantially revised program as one that receives a funding increase or decrease of at least \$82 million, and the percentage change in funding is at least 5 percent more than its normal budget.³⁵ Based on our analysis, six of the 10 HUD programs that received CARES Act appropriations in March 2020 now meet HUD's criteria for completing a front-end risk assessment (see fig. 4).³⁶ HUD officials said that they had not previously completed front-end risk assessments for any of these programs prior to the CARES Act because the programs initially pre-dated the policy and had not yet satisfied HUD's criteria for completing one.³⁷ However, they emphasized that other program risk information was available for the existing programs to draw on, including annual OMB A-123 internal controls reviews and improper payments testing (we discuss these in more detail later in this report).

³⁵HUD's front-end risk assessment policy also requires a front-end risk assessment for any new program with annual funding greater than or equal to HUD's materiality threshold, which was \$82 million as of fiscal year 2019, and for any new or existing program that HUD's Chief Risk Officer deems as either posing significant risk for fraud, waste, abuse, or mismanagement, or exhibiting an enterprise-wide or cross-program impact.

³⁶In addition, in March 2021, the American Rescue Plan Act appropriated an additional \$5 billion to HCV, and \$5 billion to HUD's HOME Investment Partnerships program to help create housing and services for people experiencing or at risk of homelessness, an increase of 370 percent over its original fiscal year 2021 appropriation of \$1.35 billion.

³⁷Our selected programs were initially enacted between 1974 and 1986. HUD revised its front-end risk assessment policy in 2019.

Figure 4: CARES Act Appropriations Compared to Fiscal Year 2020 Appropriations for Programs that Meet HUD’s Risk Assessment Criteria



Source: GAO analysis of Department of Housing and Urban Development (HUD) data. | GAO-21-104542

^aIncludes the Native American Housing Block Grants program and Indian Community Development Block Grant program.

HCCRT adapted its risk assessment approach for the CARES Act programs to meet the urgency of COVID-19-related housing needs and quickly implement the programs—completing an expedited assessment HUD officials refer to as a “rapid risk assessment” in May 2020, 2 months after the CARES Act’s enactment. In contrast, under HUD’s front-end risk assessment policy, a formal front-end risk assessment for one program would typically take longer to complete. According to HCCRT officials, HUD has a process for completing an accelerated front-end risk assessment in as little as two weeks, but HCCRT opted not to use this accelerated approach for its risk assessment of the CARES Act funding because HCCRT’s contractor staff had expertise in assessing internal controls. In addition, HUD’s front-end risk assessment policy does not mention this rapid risk assessment process.

To assess CARES Act program risks, including fraud risks, under compressed timeframes, HCCRT held facilitated discussions with program offices and field offices on the impact of and challenges in implementing the CARES Act that covered topics such as CARES Act reporting requirements, HUD’s reporting capabilities, and program risks, including fraud risks, related to implementing the CARES Act. It also

worked with program offices to review the CARES Act's potential impacts on programs' existing internal controls. According to HCCRT officials, HCCRT largely focused its risk assessment on internal controls because it concluded that the CARES Act affected risks associated with compliance, reporting, and internal controls more significantly than other program-level or agency-wide risks.

From this rapid risk assessment, HCCRT produced an internal memo in October 2020 describing its risk management and internal controls assessment strategy, and a list of the top risks affecting HUD's CARES Act programs and short-term actions for addressing them. Specifically, HCCRT identified 10 risk factors related to monitoring, reporting, staffing, and technology.³⁸ HCCRT's identified risk factors include monitoring public housing agencies' use of PIH waivers and increased opportunity for fraud, waste, and abuse resulting from funding recipients' use of administrative relief more generally. The short-term actions did not include specific timeframes for completion. According to HCCRT officials, HCCRT discussed short- and long-term action items and timeframes among its members. However, the documentation HUD provided did not include long-term actions or specific timeframes for completing them.

Further, HCCRT updated its top risks list in March 2021 but did not include updated short-term or long-term actions to address the identified risks. HCCRT's updated risk list identified eight risks, including increased opportunities for fraud, waste, and abuse. It also included risks related to reporting technology, timely distribution of grant funds, and program offices' management of waivers.³⁹ The updated version removed

³⁸The 10 risk factors HUD identified as part of its risk assessment are: (1) monitoring distribution and use of grant funds to grantees and funding recipients; (2) reporting challenges for HUD and sub-recipients due to HUD's legacy reporting mechanisms; (3) suspended onsite monitoring; (4) increasing opportunities for fraud, waste, and abuse due to administrative relief; (5) monitoring use of waivers by public housing agencies; (6) liquidity challenges for servicers and issuers and monitoring the impact of Federal Housing Administration loans; (7) meeting PRAC and OMB reporting requirements; (8) funding limitations for staffing, as program office requests exceeded available funding; (9) inadequate staffing levels to support increased workload; and (10) effectiveness of remote working arrangements.

³⁹The eight specific risk factors HUD identified in its updated risk list in March 2021 are: (1) enhancing technological capabilities of CARES Act reporting; (2) impact of executive actions and economic stimulus legislation; (3) impact of eviction moratorium on tenants and landlords; (4) timely and compliant distribution of grant funds to grantees and recipients; (5) suspended onsite monitoring; (6) increasing opportunities for fraud, waste, and abuse; (7) management of waivers by program offices; and (8) liquidity challenges for servicers and issuers and monitoring the impact of Federal Housing Administration loans.

previously identified risks related to human resources and telework. HCCRT officials stated there were no major unaddressed risks in the CARES Act programs.

HCCRT's rapid risk assessment methodology and documentation also did not include key aspects of a front-end risk assessment. Specifically, the risk assessment documentation HCCRT provided did not thoroughly identify program-level risks, rank risks, or identify mitigation milestones—all of which would have been included in a front-end risk assessment per HUD policy. In addition, while HCCRT officials stated these items were discussed in its steering committee meetings, the documentation HCCRT provided did not mention these discussions or their outputs.

According to HCCRT's rapid risk assessment and HUD officials, HUD and program offices generally planned to rely on existing controls and processes to manage program risks, including fraud risk, for the CARES Act programs, primarily improper payments testing and A-123 internal control reviews.⁴⁰ For example, HUD officials noted that with respect to improper payments, HCCRT designed and distributed risk assessment questionnaires to program offices to identify the CARES Act funds' potential risk of fraud, and used the results to inform its risk assessment approach. HCCRT officials noted that they believed existing controls were sufficient for managing CARES Act program risks, including fraud risks, associated with funding recipients' use of waivers and additional expense types.

For improper payments testing, an agency must identify programs and activities that may be susceptible to significant improper payments, estimate the annual amount of improper payments for each of these

⁴⁰OMB Circular A-123 requires that an agency evaluate its internal controls, summarize deficiencies, determine the effectiveness of internal controls, evaluate their components, and conclude an overall assessment of an internal control system. Office of Management and Budget, *Management's Responsibility for Enterprise Risk Management and Internal Control*, OMB Circular A-123 (Washington, D.C.: July 15, 2016).

programs or activities, and report the estimates.⁴¹ HCCRT officials told us improper payments testing and A-123 internal control reviews would include CARES Act programs as part of their normal processes and CPD officials confirmed CDBG-CV funds were included in their last reviews.⁴² However, the HUD OIG has reported on longstanding issues with HUD's compliance with improper payments requirements.⁴³ In fiscal year 2020, HUD identified PBRA and Tenant-Based Rental Assistance, which includes HCV, as susceptible to significant improper payments.

As discussed above, HCCRT has not provided documentation that its rapid risk assessment process included key components of a front-end risk assessment, such as identifying and ranking risks by program and establishing milestones for addressing identified risks. As a result, it is unclear the extent to which HUD has thoroughly assessed the CARES Act funds' effects on program risks and developed a plan for mitigating them. As of September 2021, HUD had completed many high-priority tasks to implement the CARES Act, such as issuing guidance and allocating funding. However, the agency has significant ongoing CARES Act oversight activities, including monitoring recipients' use of CARES Act funds. Reassessing whether to conduct full front-end risk assessments, or taking and documenting additional risk assessment steps, could ensure that HUD mitigates any susceptibility of its CARES Act programs to fraud, waste, and abuse.

HUD Has Not Fully Assessed Its CARES Act-related Fraud Risks

HCCRT's rapid risk assessment process did not fully assess the CARES Act's effect on the programs' fraud risks or incorporate leading fraud risk management practices previously identified by GAO. We previously reported that changes in a program's funding or operating environment in

⁴¹Under the Payment Integrity Information Act of 2019, agencies are required to report an estimate of *improper payments*. Fraud is distinct from improper payments, as improper payments are any payments that should not have been made or that were made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. Improper payments include any payment to an ineligible recipient or ineligible service, duplicate payments, payments for services not received, and any payment for an incorrect amount. However, not all improper payments are fraud.

⁴²As of July 2021, HUD officials expected HUD would complete its fiscal year 2020 improper payments testing and its A-123 review by November 2021 (its end of the fiscal year 2021 reporting period).

⁴³Department of Housing and Urban Development, Office of Inspector General, *HUD Did Not Fully Comply with the Improper Payments Elimination and Recovery Act of 2019*, 2021-AT-0002 (Washington, D.C.: May 17, 2021).

response to an emergency situation (like COVID-19) necessitate conducting a new or revised fraud risk assessment.⁴⁴ We also have reported that the public health crisis, economic instability, and increased flow of federal funds associated with the COVID-19 pandemic present new risks to federal programs, including increased pressures and opportunities for fraud.⁴⁵ The CARES Act provided \$12.4 billion to HUD programs to address COVID-19-related housing needs and some individual programs received a significant percentage increase in funding, as previously discussed. For example, ESG-CV received a funding increase of over 10 times its fiscal year 2020 appropriation under the CARES Act and grantees are expected to spend all these funds by September 30, 2022.

GAO's Fraud Risk Framework identifies leading practices in fraud risk assessments, including identifying and assessing risks to determine a program's fraud risk profile, an essential piece of an overall antifraud strategy that informs the design and implementation of specific fraud control activities.⁴⁶ These steps are: (1) identify inherent fraud risks affecting the program; (2) assess the likelihood and impact of inherent fraud risks; (3) determine fraud risk tolerance; (4) examine the suitability of existing fraud controls and prioritize residual fraud risks; and (5) document the program's fraud risk profile. Fraud risk tolerance is the amount and type of risk an organization is willing to accept in pursuit of its objectives.⁴⁷ We have previously reported that during times of emergency, such as the COVID-19 pandemic, federal program managers may need to adjust fraud risk tolerance and related controls as a result of emergency-related changes to a program or its operating environment based on an understanding and assessment of how a program is likely to be defrauded.⁴⁸ For example, federal program managers may decide, based on a robust fraud risk assessment, to accept a higher tolerance for fraud risk to help implement emergency programs more quickly.

HCCRT's rapid risk assessment documentation does not have key information needed to effectively manage fraud risks for its programs—including identifying inherent or new fraud risks, assessing its program

⁴⁴[GAO-20-625](#) and [GAO-15-593SP](#).

⁴⁵[GAO-20-625](#).

⁴⁶[GAO-15-593SP](#).

⁴⁷[GAO-15-593SP](#).

⁴⁸[GAO-20-625](#).

risk tolerance, and documenting the program's fraud risk profile. Program office officials and field office staff we interviewed about the four selected programs had not identified or documented any changes to programs' fraud risks in light of the CARES Act. However, as noted earlier, the CARES Act granted HUD broad authority to waive many of its programs' statutes and regulations or issue alternative requirements to promote the safe and effective administration of these funds. HCCRT cited administrative relief, which includes waivers, as one of the agency's top risks associated with the CARES Act funds, noting that they increased funding recipients' opportunity for fraud, waste, and abuse, but did not document risks for specific waivers or by program.⁴⁹ For HCV alone, PIH issued 38 waivers that modified the program, such as allowing HCV residents to self-certify income and allowing owners to self-certify property conditions in lieu of inspections.

While HCCRT officials said that their priority was to implement CARES Act programs quickly to help funds reach intended beneficiaries—which indicates a higher fraud risk tolerance—this change is not documented in any of the fraud risk assessment documentation HUD provided. Finally, although HCCRT officials noted they discussed fraud risks as part of their rapid risk assessment process, HUD did not thoroughly document fraud risks. None of the rapid risk assessment documents provided by HCCRT focused exclusively on fraud. Further, all of the materials had a high-level focus, and none thoroughly examined program-level fraud risks.

CPD, PIH, and Office of Multifamily Housing officials said that they were not aware of any instances of fraud in the four largest CARES Act programs as of July 2021. In addition, CPD officials we interviewed said they did not consider fraud risk a significant problem because the programs' reporting process had internal controls to help prevent fraud. HCCRT officials noted that although HUD had taken steps to detect internal control weaknesses that could give rise to fraud, the HUD OIG was solely responsible for investigating fraud in HUD's programs.⁵⁰

⁴⁹In their technical comments on our draft report, CPD officials said the CDBG-CV waivers did not create additional opportunities for fraud, waste, and abuse but did not discuss any specific reasoning or analysis for this conclusion.

⁵⁰Offices of inspector general prevent and detect fraud, waste, abuse, and mismanagement in federal agencies' programs and operations; conduct and supervise audits and investigations; and recommend policies to promote economy, efficiency, and effectiveness. GAO, *Inspectors General: Independence Principles and Considerations for Reform*, [GAO-20-639R](#) (Washington, D.C.: June 8, 2020).

However, we have noted that federal managers have a responsibility to detect fraud.⁵¹ As of September 2021, the HUD OIG was conducting ongoing work on CDBG-CV- and ESG-CV-related fraud risks. In recent years, the HUD OIG had identified several cases of fraud involving the selected programs from prior to the CARES Act.⁵² In addition, we have previously reported that CDBG-Disaster Recovery operates in a decentralized risk environment that may make it vulnerable to fraud since funds flow through a number of entities before reaching their intended recipients.⁵³ Similarly, CDBG-CV and ESG-CV funds often go through at least one grantee and one subrecipient before reaching the intended beneficiary (such as an individual or family receiving assistance). According to HUD officials, it is generally too early to detect fraud in the CDBG-CV and ESG-CV programs based on their low spending rates (15 and 16 percent, respectively, as of July 2021). While program spending may be slow, preventing fraud offers the most cost-efficient use of resources as it enables managers to avoid the costly and inefficient “pay-and-chase” model.⁵⁴ Programs can incur financial losses related to fraud that are never identified, and such losses are difficult to reliably estimate. In addition, identified fraud cases can take many years to resolve. For example, the HUD OIG closed cases in 2017–2020 resulting from Hurricane Sandy in 2012.

According to HCCRT officials, although the CARES Act provided a surge of funding to HUD’s programs, it did not materially alter program offices’ existing controls, activities, processes, or risk profiles. However, we have previously reported that COVID-19 relief programs are vulnerable to significant risk of fraudulent activities because they required the government to provide funds and other assistance quickly.⁵⁵ Further, we

⁵¹[GAO-15-593SP](#).

⁵²From 2019–2021, the HUD OIG reported on nine cases involving the selected programs from prior to the CARES Act in which there were convictions or settlements regarding alleged fraud. These cases included two cases related to CDBG, one for ESG, five for HCV, and one for PBRA. For example, one CDBG case involved a bribery and fraud scheme in which a city employee received \$65,000 in bribes in exchange for awarding contractors multiple HUD-funded CDBG rehabilitation contracts totaling approximately \$426,000.

⁵³[GAO-21-177](#).

⁵⁴“Pay-and-chase” refers to the practice of detecting fraudulent transactions and attempting to recover funds after payments have been made. [GAO-15-593SP](#).

⁵⁵[GAO-20-625](#).

have also reported that once an immediate emergency response has passed, program managers should reassess fraud risk tolerance, particularly for programs with significant expenditures.⁵⁶ Completing more comprehensive fraud risk assessments of each of the CARES Act-funded programs—including identifying inherent or new fraud risks, assessing the program’s fraud risk tolerance, and documenting the program’s fraud risk profile—would help HCCRT and program offices identify and respond to potential program risks, including risks for fraud, waste, abuse, and mismanagement. By incorporating leading practices into its CARES Act programs’ fraud risk assessments, HUD may be able to leverage its risk assessment strategy for other emergency funding now and in the future.

HUD is Providing Technical Assistance to Help CDBG-CV and ESG-CV Grantees Address Slow Spending and Developing Specific Monitoring Guidance

HUD’s actions to implement CDBG-CV and ESG-CV include allocating funding and issuing guidance. However, as of July 2021, grantees have expended relatively little of their CARES Act funds in part due to limited capacity to administer the large funding increase from HUD and also managing other federal assistance programs, according to HUD officials and grantee associations. HUD is providing training and assistance to help grantees increase spending, as well as developing specific monitoring guidance for the CARES Act funds.

HUD Has Allocated Funding and Developed Guidance for CDBG-CV and ESG-CV

The CARES Act appropriated \$5 billion and \$4 billion to CDBG-CV and ESG-CV, respectively. The CDBG and ESG programs cover a wide range of activities (including rental assistance) to prevent, prepare for, or respond to COVID-19 (see table 1).

⁵⁶[GAO-20-625](#).

Table 1: Community Development Block Grant Coronavirus Response (CDBG-CV) and Emergency Solutions Grants Coronavirus Response (ESG-CV) Program Descriptions

	CDBG-CV	ESG-CV
CARES Act Appropriation	\$5 billion	\$4 billion
Recipients	Funds are awarded to grantees. Grantees are states and localities. Grantees may then work with implementing partners or subrecipients to develop programs to distribute funds to recipients (e.g., families and individuals).	
Purpose	Support state and local government activities to prevent, prepare for, and respond to COVID-19.	Prevent, prepare for, and respond to COVID-19, among individuals and families experiencing homelessness or receiving homeless assistance and support homelessness prevention activities to mitigate the impacts of COVID-19.
Examples of eligible activities	Wide range of uses, including certain types of business assistance and emergency payments that can help with housing and other expenses.	Emergency shelters and street outreach, rapid rehousing, and rental assistance. Waivers also allowed new eligible activities, such as temporary emergency shelter, handwashing stations, and landlord incentives.
Expenditure deadlines	Grants are available for 6 years. Grantees had until August 16, 2021, to apply for their grants. ^a	September 30, 2022 ^b

Source: GAO analysis of Department of Housing and Urban Development (HUD) documentation. | GAO-21-104542

^aCPD officials noted that they have the authority to extend the period of performance for a CDBG-CV grantee.

^bThe CARES Act states that HUD must obligate the ESG-CV funds by September 30, 2022. HUD also established that date as the deadline by which grantees must expend funds to promote the timely use of funds.

Shortly after the CARES Act was enacted in March 2020, HUD began implementing the CDBG-CV and ESG-CV programs by allocating funding to grantees and issuing guidance and waivers.

- **Funding allocations.** Beginning in April 2020, HUD allocated CARES Act funds to grantees who had already previously received CDBG and ESG grants in fiscal year 2020. HUD allocated CDBG-CV funds to prior grantees in three rounds. The first round of CDBG-CV funding allocated in April 2020 used the same formula that determined CDBG fiscal year 2020 allocations.⁵⁷ The CARES Act mandated that HUD allocate the second and third rounds based on a locality’s risk of transmission of COVID-19, number of COVID-19 cases compared to the national average, and economic and housing market disruptions. HUD determined a specific allocation formula based on these criteria

⁵⁷The CARES Act required the first round of funds to be allocated within 30 days of enactment using this formula.

for the second round and allocated these funds in May 2020.⁵⁸ The agency allocated the third round in September 2020 and refined its allocation formula to include additional data, such as overcrowded households, which is considered a risk factor for both COVID-19 transmission and housing instability.

ESG-CV funds were allocated in two rounds in April and June 2020. As prescribed in the CARES Act, the first round was allocated based on the same formula used to determine grantees' fiscal year 2020 allocation and the second round was allocated based on factors that reflected grantees' populations experiencing or at risk of homelessness. As with CDBG-CV, HUD developed a specific allocation formula based on metrics that reflect these criteria, including grantees' populations experiencing homelessness, populations experiencing unsheltered homelessness, and very-low-income renter populations.

- **Guidance and communication.** In April 2020, CPD released guidance on how grantees could apply for CARES Act funds using a substantial amendment to grantees' existing annual plans.⁵⁹ However, HUD did not issue official notices (which included program rules and waivers) for CDBG-CV and ESG-CV until August and September 2020, respectively.⁶⁰ It also issued additional information through a

⁵⁸Department of Housing and Urban Development, *Methodology for Round 2 Allocations of CDBG CARES Act Funds – revised 5/15/2020* (Washington, D.C.: May 15, 2020). CPD selected specific metrics including the grantees' count of low-income elderly and changes in unemployment insurance claims.

⁵⁹Department of Housing and Urban Development, *CARES Act Flexibilities for CDBG Funds Used to Support Coronavirus Response and plan amendment waiver*, (Washington, D.C.: Apr. 9, 2020). An annual plan provides a summary of grantees' planned actions, activities, and the specific federal and non-federal resources that will be used each year to address grantees' priority needs and specific goals identified through grantees' consolidated planning process. The consolidated planning process serves as the framework for a community-wide dialogue to identify housing and community development priorities that align and focus funding from the CPD formula block grant programs: CDBG, ESG, HOME Investment Partnerships Program, and the Housing Opportunities for Persons with AIDS Program.

⁶⁰In November 2020, we reported that a grantee association attributed its members' initial slow spending to HUD's delays in releasing official guidance. [GAO-21-191](#). *Notice of Program Rules, Waivers, and Alternative Requirements Under the CARES Act for Community Development Block Grant Program Coronavirus Response Grants, Fiscal Year 2019 and 2020 Community Development Block Grants, and for Other Formula Programs*, 85 Fed. Reg. 51457 (Aug. 20, 2020); and Department of Housing and Urban Development, *Waivers and Alternative Requirements for the Emergency Solutions Grants (ESG) Program Under the CARES Act*, Notice CPD-20-08 (Washington, D.C.: Sept. 1, 2020).

variety of materials, such as frequently asked questions on both programs and guides on various aspects of CDBG-CV and ESG-CV program implementation, such as eligible activities to support infectious disease response. CPD officials stated that they had released over 100 resources to assist communities in responding to the challenges of serving people experiencing or at risk of homelessness during COVID-19. They also hosted weekly office hours to present best practices and address grantee questions in a timely manner.

Two grantee associations we interviewed reported that some of their members had received conflicting information from CPD on CDBG-CV and ESG-CV, which initially impeded their implementation of the programs. For example, the National Community Development Association found almost half of its 71 members who provided feedback on their experiences with CDBG-CV and ESG-CV had received inconsistent information between CPD headquarters and field staff. However, representatives from the Council of State Community Development Agencies said this appeared to be more of a challenge early in the pandemic.⁶¹

- **Waivers.** The CARES Act specified several waivers for the CDBG-CV and ESG-CV programs, and CPD issued additional waivers to facilitate program implementation.⁶² There were also waivers to allow ESG-CV funds to be used for additional eligible activities associated with preventing and responding to COVID-19 among individuals experiencing homelessness or at risk of homelessness, including handwashing stations and temporary emergency shelter. In total, there were 50 waivers for both CDBG-CV and ESG-CV, including those in the CARES Act. CPD officials and two grantee association representatives said grantees had found the waivers useful to facilitate the use of CARES Act funds. For example, HUD officials said a number of grantees used a waiver shortening the required period of public comment on an action plan (which describes intended use of the grant) from 30 days to 5 days. In addition, CPD officials said many

⁶¹The National Community Development Association is a nonpartisan national nonprofit organization comprised of more than 400 local governments across the country that administer federally supported community development, economic development, and affordable housing programs, including HUD programs. The Council of State Community Development Agencies represents states in advocating for and promoting community development and affordable housing, eliminating homelessness, and in providing technical assistance and increasing collaboration among state partners.

⁶²Waivers in the CARES Act included allowing grantees to shorten the mandatory public comment period on action plans and allowing virtual hearings to receive public input.

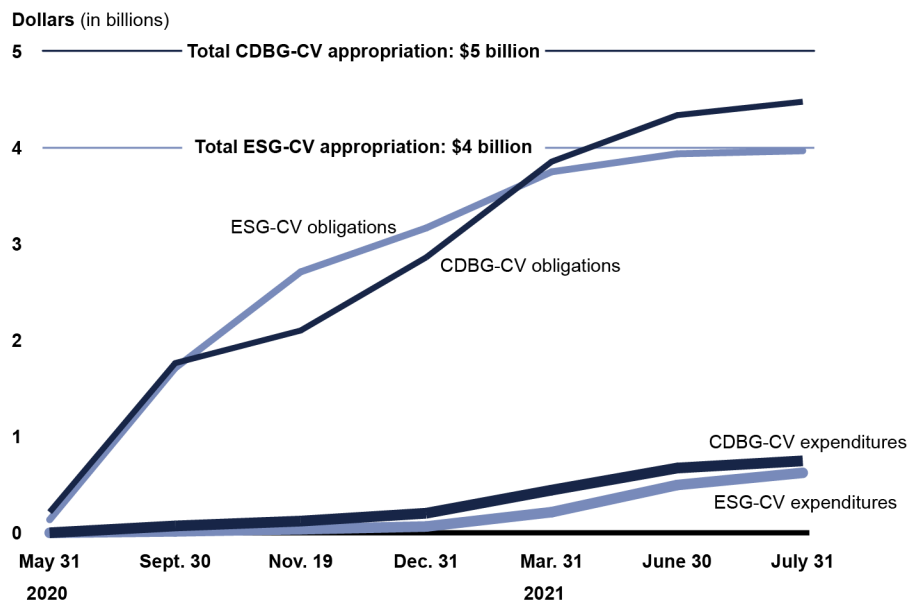
CDBG-CV grantees used a waiver removing the 15 percent cap on spending for public service activities (this category includes emergency payments to a provider, such as a housing provider, on behalf of a family or individual).

As many of the waivers were administrative, such as those about applying for funds, and some waivers were included in the CARES Act, and thus enacted into law, CPD officials stated they were not tracking their usage. In addition, CPD officials noted that grantees are required to keep records on their compliance with program requirements, such as waivers.

Grantees Have Expended Relatively Little of Their CDBG-CV and ESG-CV Funds

As of July 31, 2021, HUD obligated \$4.5 billion in CDBG-CV funds and \$4.0 billion in ESG-CV funds, meaning HUD and a grantee had signed a grant agreement, making funding available to a grantee to spend directly through its own programs or by working through implementing partners, such as a service provider or contractor (see fig. 5). However, grantees had expended \$747 million (15 percent) of appropriated CDBG-CV funds and \$623 million (16 percent) of appropriated ESG-CV funds.

Figure 5: Obligations and Expenditures for Community Development Block Grant Coronavirus Response (CDBG-CV) and Emergency Solutions Grant Coronavirus Response (ESG-CV), May 2020–July 2021



Source: GAO analysis of Department of Housing and Urban Development (HUD) data. | GAO-21-104542

HUD data showed that about 20 percent of CDBG-CV grantees and about 9 percent of ESG-CV grantees had not spent any of their grant funds, as of July 2021.⁶³ A few other grantees had not entered into grant agreements (see table 2). Less than 10 percent of grantees in each program had spent over 50 percent of their grants. CPD field staff and grantee associations we interviewed said grantees were concerned about meeting ESG-CV spending deadlines, including expending 20 percent of funds by September 30, 2021, and all funds by September 30, 2022. Funds not expended by these deadlines may be recaptured by HUD. HUD has the authority to extend the expenditure deadline. As of July 2021, CPD officials stated they were continuing to monitor grantee spending as the deadline approaches.

Table 2: Community Development Block Grant Coronavirus Response (CDBG-CV) and Emergency Solutions Grants Coronavirus Response (ESG-CV) Grantees' Spending Status, as of July 2021

	CDBG-CV		ESG-CV	
	Number of grantees	Percentage	Number of grantees	Percentage
Grantees	1,239	n/a	362	n/a
Grantees with expenditures				
Expended over 50 percent of their grant	89	7	18	5
Expended less than 50 percent of their grant	843	68	292	81
Grantees with no expenditures				
Grantees with grant agreement but no expenditures	248	20	33	9
Grantees with no grant agreement	59	5	2	1

Source: GAO presentation of data from the Department of Housing and Urban Development. | GAO-21-104542

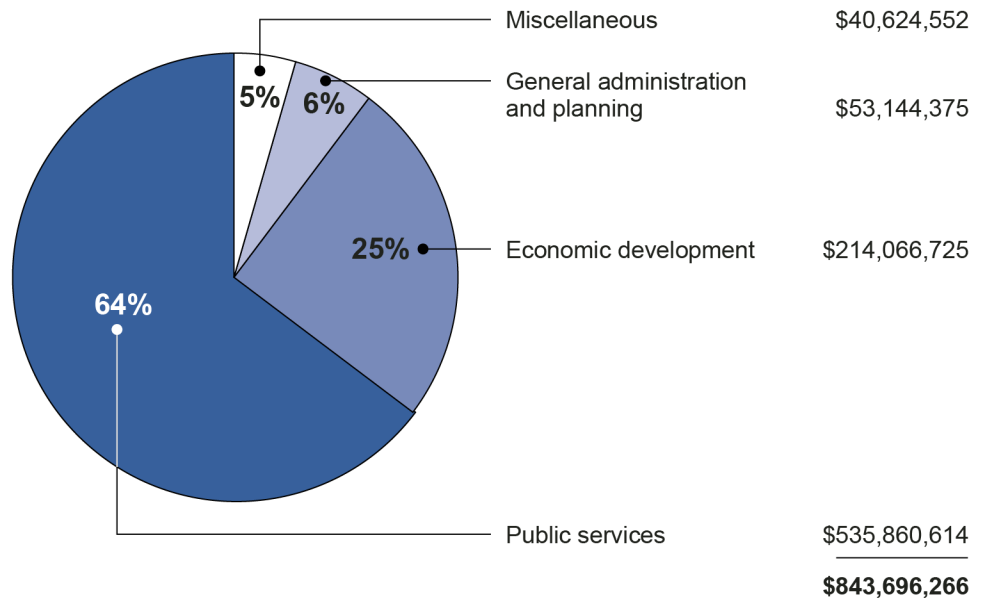
Of the \$844 million in CDBG-CV funds expended as of August 31, 2021, HUD data showed that 64 percent had been spent on public services, which include emergency payments that can be used for rental or mortgage assistance.⁶⁴ CDBG typically limits each recipient to three

⁶³In July 2021, HUD provided us with recent data on CDBG-CV and ESG-CV grantees' obligations and expenditures.

⁶⁴While rental or mortgage assistance is not a specified use of CDBG funds, these funds can be used for emergency payments to help pay for rent, mortgages, or utilities. The payments must be made to the provider (such as a landlord) on behalf of a family or individual. Examples of other types of public service activities include food assistance and daycare.

monthly emergency payments, but HUD issued a waiver allowing CDBG-CV funds to be used for up to 6 months of emergency payments. Twenty-five percent of CDBG-CV funds had been spent on economic development activities, such as assistance to businesses with five or fewer employees or larger businesses creating jobs in low- to moderate-income areas (see fig. 6). According to HUD officials, as of June 2021, almost 58 percent of ESG-CV funds had been spent on shelter; 17 percent on homelessness prevention; 16 percent on rapid rehousing; and remaining funds spent on administration, street outreach, and data collection.

Figure 6: Community Development Block Grant Coronavirus Response Expenditures by Category, as of August 31, 2021



Source: GAO presentation of data from the Department of Housing and Urban Development. | GAO-21-104542

Note: August 31, 2021 was the most recently available data that HUD provided.

HCCRT and CPD officials stated they plan to rely on existing metrics to assess the performance of CDBG-CV and ESG-CV funds because they already capture relevant indicators, such as number of persons directly assisted and jobs created or retained. In addition, grantees report their annual performance metrics on a rolling basis from January to October, enabling CPD to provide updated information quarterly to the PRAC. HCCRT and CPD identified other key performance metrics for CDBG-CV such as the number of jobs created or retained, number of housing units rehabilitated, and number of housing units created. According to HUD's

August 2021 performance data, CDBG-CV funds had directly assisted about 5.7 million individuals and supported the creation or retention of 12,080 jobs. Key performance metrics identified for ESG-CV are number of persons or households served in (1) rapid re-housing, (2) emergency shelters, and (3) homelessness prevention. CPD officials reported that from October 2020–June 2021, the CARES Act funds had been used to support emergency shelter for 697,885 people, homelessness prevention for 115,768 people, rapid rehousing for 106,091 people, and street outreach for 98,560 people.

Reasons for Low Spending Include Grantee Capacity Challenges and Availability of Other Federal Funds, According to Stakeholders

HUD officials and grantee associations we spoke with attributed the low expenditures of CDBG-CV and ESG-CV funds to grantee capacity challenges stemming from the large increase in HUD funding and the availability of other federal COVID-19 relief funds.

Capacity Challenges

Many grantees were having difficulty scaling up their capacity to administer the large increase in federal funding, according to grantee associations and CPD officials, and this has limited their ability to expend their CDBG-CV and ESG-CV grants. The CARES Act provided CDBG with an increase in funding of 146 percent over its fiscal year 2020 appropriation, and provided ESG with an increase in funding of 1,379 percent over its fiscal year 2020 appropriation. Many grantees also received new federal funding from Treasury (discussed in more detail below), which further compounded grantees' capacity challenges as grantees had to manage a large influx of funding from multiple federal programs, each with their own rules and regulations. HUD officials said grantees needed additional time to plan how best to use the HUD grants compared to other federal funding sources, including seeking input from the public and stakeholders on how funds should be used. CPD officials noted that CDBG-CV grantees had until August 16, 2021 to apply for funding, and that the additional time was to help grantees design compliant programs for the new funding. However, CPD officials also noted that this later application deadline contributed to lower expenditures.

Further, some grantees are using the funds to develop new programs, which requires additional time for program design. The National Community Development Association reported a majority of its members reported they were developing new programs with the CARES Act

grants.⁶⁵ In addition, CPD officials and two grantee associations said some states or localities are under hiring restrictions, meaning they cannot easily hire additional staff to help administer the increased federal funding. The three grantee associations we interviewed reported that grantees' implementing partners also had capacity challenges, or they were having trouble finding new implementing partners.⁶⁶

To help grantees use their CARES Act funding and address capacity challenges, CPD officials stated they have been providing grantees with technical assistance such as training and additional guidance.⁶⁷ The CARES Act appropriated \$10 million to CDBG-CV and \$40 million to ESG-CV for technical assistance. As of July 2021, 12 percent of CDBG-CV and 33 percent of ESG-CV technical assistance funds had been expended.⁶⁸ Since the CARES Act's enactment, CPD has shared information to help grantees design and implement the CARES Act funds on HUD Exchange, an online platform providing a variety of support materials to grantees and their partners. CPD has also held online training webinars and made technical assistance providers available to grantees. In May 2021, CPD officials we interviewed told us they are planning a series of grantee clinics for CDBG-CV and ESG-CV to span the next several years. In preparation, CPD staff are working with the technical assistance providers to identify grantees' issues. CPD staff said that they are planning to focus the first clinic on grantees with low expenditures or difficulty launching their programs. In addition, in July 2021, HUD organized a two-day conference to help CARES Act grantees implement their CARES Act funding that included sessions on financial management, reporting, and program design.⁶⁹

CPD officials also said they were in the process of conducting hands-on assistance workshops for ESG-CV grantees and had provided such

⁶⁵The National Community Development Association solicited input from its 459 members on their experiences with CDBG-CV and ESG-CV and 71 responded.

⁶⁶Grantees may work with subrecipients, such as direct service providers, to implement programs.

⁶⁷Technical assistance refers to programs, activities, and services provided by federal agencies to strengthen the capacity of grant recipients and to improve their performance of grant functions.

⁶⁸As of June 2021, all of the technical assistance funds for both programs were obligated.

⁶⁹The conference and clinics will also address the needs of grantees who received CARES Act funds through CPD's Housing Opportunities for Persons with AIDS program.

assistance to 56 grantees as of May 2021. CPD officials also said that for ESG-CV, they developed a targeted technical assistance strategy to provide access to technical assistance coaches for grantees with the most money or those that had potential risks based on past ESG spending. CPD also developed an administrative review checklist for staff to document technical assistance provided to CARES Act grantees as part of its CARES Act Administrative Review process. The checklist documents the issues to be addressed by technical assistance, the grantee's successes or challenges in program implementation, and provides a structure to discuss goals and obstacles.⁷⁰ In June 2021, CPD published a CDBG-CV Toolkit that aims to assist grantees in identifying and implementing CDBG-CV program activities that best serve their communities.

Other Available Federal Assistance

A number of CDBG-CV and ESG-CV grantees also received funding from two new Treasury programs that can be used for similar purposes, according to CPD officials and grantee associations. The CARES Act created the Coronavirus Relief Fund, which directed Treasury to disburse \$150 billion to state and local grantees to offset costs incurred from COVID-19, and the program's eligible expenses included housing assistance and small business assistance.⁷¹ In December 2020, the Consolidated Appropriations Act, 2021, appropriated \$25 billion to Treasury for the Emergency Rental Assistance Program, which provided rental assistance funding to state and local grantees.⁷² In March 2021, Congress appropriated this program an additional \$21.55 billion in a second round of funding through the American Rescue Plan Act of

⁷⁰The checklist is used for CDBG-CV, ESG-CV, and Housing Opportunities for Persons with AIDS program CARES Act grantees.

⁷¹Payments from this fund can be used to cover costs that (1) are necessary expenditures incurred due to the public health emergency with respect to COVID-19; (2) were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and (3) were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. Pub. L. 116-136, div. A, tit. V, §5001(a), 134 Stat. 281, 501 (2020), as amended by Pub. L. 116-260, § 1001, div. N, tit. X, 134 Stat. 1182, 2145 (2020) (codified at 42 U.S.C. § 801(d)).

⁷²Pub. L. No. 116-260, div. N, tit. V, § 501, 134 Stat. at 2069. The act directed Treasury to disburse \$25 billion in funds to eligible state and local grantees primarily based on population by January 26, 2021. Emergency Rental Assistance program funds are reserved for households experiencing financial hardship that can demonstrate a risk of housing instability and have income no greater than 80 percent of the area median income. Grantees also must prioritize funds for households with income no greater than 50 percent of the area median income or that are experiencing extended unemployment.

2021.⁷³ Grantees must use Emergency Rental Assistance funds for financial assistance—generally through direct payments to property owners and utility providers—and eligible costs include rent and accrued rent, utilities, and other housing expenses.

CPD field staff and representatives from two grantee associations said grantees found the Treasury funds to be more flexible than the HUD grants because they had fewer requirements. For example, recipients do not need to submit a plan to Treasury about how they intend to use the funds, while HUD grantees must submit an amendment to their action plans before they can receive funds. Additionally, each CDBG-CV grantee must ensure that at least 70 percent of their CDBG-CV grant funds are used to benefit low- to moderate-income persons, while the Treasury funds do not have a similar requirement. Representatives from all three of the grantee associations we interviewed said their members also prioritized Coronavirus Relief Fund funds because these funds had an earlier deadline of December 31, 2021.⁷⁴ In contrast, CDBG-CV grantees have 6 years to expend funds. Thus, if a grantee who received funding from both CDBG-CV and the Coronavirus Relief Fund wished to use the funding for emergency payments to households, the grantee would likely opt to first use the Treasury funding because it could be used for the same purpose, had fewer requirements, and an earlier deadline.

CPD officials stated they thought the CDBG-CV and ESG-CV expenditure rates would increase as grantees exhausted other funding—for example, if a grantee first established a program with Treasury funds and then used the HUD funds when the Treasury funds expired. In May 2021, Treasury announced it was finalizing an interagency agreement with HUD to

⁷³Pub. L. No. 117-2, 135 Stat. 4, 54 (2020).

⁷⁴The Coronavirus Relief Funds were originally set to expire on December 31, 2020. Congress subsequently extended the deadline to December 31, 2021. The CARES Act, as amended, requires that qualified expenses be incurred during the covered period which ends on December 31, 2021. Treasury's initial guidance provided that a cost was incurred when a recipient had expended funds to cover the cost. It later clarified that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time (though it was generally expected that this would take place within 90 days of a cost having been incurred). 86 Fed. Reg 4182, 4183 (Jan. 15, 2021). The Emergency Rental Assistance Program's first round of \$25 billion remains available through September 30, 2022, and the second round of \$21.55 billion remains available through September 30, 2025.

coordinate their emergency rental assistance funds.⁷⁵ In July 2021, HUD officials said that the agreement would focus on coordinating technical assistance for the Emergency Rental Assistance Program.

CPD field staff and the three grantee associations noted that eviction moratoriums also limited the use of ESG-CV funds for rental assistance. The federal government and a number of states, territories, and local governments have implemented moratoriums to limit evictions during the COVID-19 pandemic.⁷⁶ An individual covered by an eviction moratorium does not meet the eligibility criteria for ESG-CV homelessness prevention assistance, according to CPD officials. Grantee associations said their members are therefore limited in the extent to which they can use ESG-CV funds for rental assistance while the eviction moratoriums are in place.⁷⁷ For example, one grantee said it had planned to use most of its ESG-CV funds for homelessness prevention (such as rental assistance), but the state extended its eviction moratorium to August 30, 2021, so the grantee had to reallocate those funds to another use.

Finally, some grantees also received funds from the Federal Emergency Management Agency, which assists persons experiencing homelessness and provides up to 2 months of rental assistance to individuals displaced

⁷⁵Department of the Treasury, *Fact Sheet: The Biden-Harris Administration Announces Enhanced Efforts to Prevent Evictions and Provide Emergency Assistance to Renters*, accessed July 19, 2021, https://home.treasury.gov/system/files/136/FACT_SHEET-Emergency-Rental-Assistance-Program_May2021.pdf.

⁷⁶GAO, *COVID-19 Housing Protections: Moratoriums Have Helped Limit Evictions, but Further Outreach Is Needed*, *GAO-21-370* (Washington, D.C.: Mar. 15, 2021). Specifically, the CARES Act included an eviction moratorium that prohibited property owners from initiating actions to evict tenants for the nonpayment of rent, which expired on July 24, 2020. Subsequently, the Centers for Disease Control and Prevention issued an eviction moratorium that was extended several times, but was struck down by the Supreme Court in August 2021. *Alabama Association of Realtors v HHS*, 594 U.S. ___ (2021), 2021 WL 3783142. There have also been limited federal eviction moratoriums for certain residents of single-family properties in foreclosure.

⁷⁷In addition to the National Community Development Association, the National Association for County Community and Economic Development solicited input from five of its members about their experiences with CDBG-CV and ESG-CV. The National Association for County Community and Economic Development was established to develop the technical capacity of county government practitioners that administer federally funded affordable housing, community development, and economic development programs benefiting low- and moderate-income households. It provides information, training, and representation to counties receiving direct assistance from CPD.

by presidentially declared disasters with no documentation of income.⁷⁸ Grantee associations noted the availability of these funds further limited grantees' need to expend CDBG-CV and ESG-CV funds.

CPD is Developing Specific Monitoring Guidance for CDBG-CV and ESG-CV Requirements

In May 2021, CPD officials told us they were planning to start monitoring CDBG-CV and ESG-CV funds in fiscal year 2022. Because of the complexity of pandemic response and programs' low expenditures, officials said they were initially focusing on reviewing grantees' plans and helping grantees launch programs. CPD officials said they are updating their existing monitoring processes to prepare for monitoring CDBG-CV and ESG-CV funds. First, they are developing a version of their grantee risk-rating rubric, which determines grantees' level of monitoring.⁷⁹ For all CPD programs, field office staff rate grantees' risk level on factors such as grant management and financial management. CPD staff said they are developing a rubric with specific risk factors for the CARES Act-funded programs. While CPD officials did not identify those factors, they said they anticipate releasing the rubric and assessing grantees' risk in the first quarter of fiscal year 2022. In addition, CPD officials said they are developing monitoring guidance and related forms for the CARES Act programs. They anticipate releasing these materials around January 2022 when they plan to begin monitoring programs (after CPD's grantee risk assessment).

In the meantime, in February 2021, CPD provided staff with guidance on initial monitoring activities to identify grantees with slow spending and provide them with targeted technical assistance as part of CPD's CARES Act Administrative Review process (discussed above). The guidance also notes that if a grantee is selected for financial management compliance monitoring as part of CPD's regular annual program oversight processes, then that grantee's financial management of its CARES Act funds will also be considered in the monitoring.

⁷⁸In June 2020, HUD guidance recommended that recipients prioritize using Federal Emergency Management Agency funds to support non-congregate shelters during COVID-19 before using ESG-CV or CDBG-CV funds. The guidance then recommended that recipients prioritize using ESG-CV to transition individuals out of non-congregate shelters, and then use CDBG-CV if ESG-CV funds were not available. Department of Housing and Urban Development, *Federal Funding Priority Order For Non-Congregate Shelter During COVID-19* (Washington, D.C.: June 23, 2020).

⁷⁹This method ranks program participants in descending order, from highest to lowest risk. Based on these risk levels, field staff determine a monitoring plan for grantees they oversee.

CPD officials said they needed to develop specific CARES Act monitoring guidance because program rules for CDBG-CV and ESG-CV differ from those of traditional CDBG and ESG grants. First, the CARES Act requires that HUD have adequate procedures to prevent duplication of benefits for CDBG-CV funds (for example, someone receiving rental assistance from both Treasury and HUD the same month). HUD is requiring CDBG-CV grantees to require that any person or entity that receives duplicative benefits agree to repay them and develop a method to assess whether a use of CDBG-CV funds will duplicate other financial assistance. CPD has provided guidance and other resources to help grantees meet this requirement. However, CPD field staff and two grantee associations told us grantees are concerned about complying with the requirement, in part because of the availability of other federal funds. Two grantee associations said their members are meeting this requirement by having beneficiaries sign a non-duplication of benefits affidavit and cross-checking beneficiaries' names with other assistance programs when feasible, among other methods.

In addition, to comply with the CARES Act, HUD requires grantees to demonstrate their CDBG-CV and ESG-CV expenditures are related to preventing, preparing for, and responding to COVID-19.⁸⁰

Representatives from two grantee associations noted their members are concerned about meeting this requirement as the pandemic improves. To help address these concerns, HUD issued a guide in April 2021 on how to link various activities back to the pandemic.⁸¹ For example, the guide described how assistance to small businesses can be cited as helping redress damage to local economies from COVID-19. CDBG-CV and ESG-CV monitoring will also need to reflect some of the waivers modifying the programs from the traditional versions. For example, for ESG-CV, the CARES Act waived a cap that grantees could not spend more than 60 percent of their grant on street outreach and emergency shelter.

As discussed previously, CPD's staff capacity is stretched, and this can affect its ability to monitor grantees. For example, one field office representative told us the field office went from overseeing about \$380 million in CPD grants to about \$1.1 billion after the CARES Act. The CARES Act included \$10 million for additional salaries and expenses to

⁸⁰85 Fed. Reg. 51457, 51467 (Aug. 20, 2020); and Notice CPD-20-08.

⁸¹Department of Housing and Urban Development, *Using CDBG and CDBG-CV to Support Pandemic Recovery* (Washington, D.C.: Apr. 30, 2021).

support CPD's CARES Act programs, but CPD had expended just 18 percent of these funds as of July 2021. HUD data from June 2021 showed these funds were supporting 22 temporary staff. The funds and temporary employees are set to expire on September 30, 2021, and the workload will then shift back to permanent CPD staff.

CPD headquarters and field staff we interviewed expressed concerns about managing their increased oversight and administrative workload without the temporary staff. In 2020, the HUD OIG expressed concern about grantees' capacity to manage and spend CARES Act funds. It further noted that CPD faced substantial challenges in monitoring its grantees, which might be amplified by the increase in funding to these grantees.⁸² The President's proposed fiscal year 2022 HUD budget includes an increase of \$22.5 million for CPD personnel to support 110 more full-time equivalent staff, specifically citing the increased workload from the CARES Act and other recent funding increases.⁸³

As part of our ongoing oversight of CARES Act funding, we will continue to monitor CDBG-CV and ESG-CV programs' spending rates and HUD's ongoing and planned efforts to assist and provide oversight of program grantees.

⁸²HUD OIG, *Top Management Challenges*. In addition, in 2018, the HUD OIG found that CPD did not have assurance that it correctly assessed grantee risk or monitored grantees in compliance with requirements because headquarters staff did not have effective supervisory controls of field staff's monitoring risk assessments and work plans. The HUD OIG recommended that headquarters staff have more substantive involvement in field offices' risk assessment and monitoring, and CPD implemented these recommendations in 2021. Department of Housing and Urban Development, Office of Inspector General, *CPD's Risk Assessment and Monitoring Program Did Not Provide Effective Oversight of Federal Funds*, 2018-FW-0001 (Fort Worth, TX: June 26, 2018).

⁸³Department of Housing and Urban Development, *2022 Congressional Justifications*. In March 2021, another CPD program—HOME Investment Partnerships—received \$5 billion in the American Rescue Plan, further adding to CPD's workload.

HUD Used Waivers to Assist Rental Assistance Programs' Pandemic Response and Is Taking Steps to Facilitate Monitoring

HUD Allocated HCV's CARES Act Funds and Issued Guidance to Assist PHAs

The CARES Act appropriated \$1.25 billion to the HCV program to help public housing agencies (PHAs) maintain normal operations and respond to COVID-19-related challenges. The CARES Act designated \$850 million for administrative funds and \$400 million for housing assistance payments (see table 3). For each of these CARES Act funding streams, the Office of Public and Indian Housing (PIH) allocated funding to PHAs and issued guidance.

Table 3: Department of Housing and Urban Development's Housing Choice Voucher (HCV) CARES Act Funds Program Descriptions

	Housing assistance payments	Administrative expenses
CARES Act appropriation	\$400 million	\$850 million
Recipients	Selected public housing agencies (PHAs) with housing assistance payment contracts (in which property owners provide tenant-based rental assistance).	All PHAs in the HCV program.
Purpose	Provide assistance to selected PHAs who either (1) experience unexpected increases in their voucher payments (for example, because of tenants' decreased income); or (2) have a shortfall in funds and would otherwise have to terminate rental assistance.	Can be used for existing administrative expenses or for new COVID-19-related expenses.
Eligible activities and uses	Funds limited to housing assistance payments.	Wide range of uses, including personal protective equipment, costs related to retention of property owners, and transportation to vaccination sites.
Allocation methodology	Eligible PHAs, which either have significant increases in per-unit costs or have insufficient funds, had to submit applications. Award amounts were based on unit expenses and voucher utilization.	All PHAs automatically received supplemental administrative fees. Award amounts were based on unit months leased.
Expenditure deadlines	Available until expended	

Source: GAO analysis of Department of Housing and Urban Development documentation. | GAO-21-104542

To implement the HCV program's CARES Act funds and help PHAs navigate COVID-19, PIH issued notices allocating funding, determined new eligible expenses, and provided guidance, among other activities.

- **Funding allocations.** Shortly after the CARES Act was enacted in March 2020, HUD began allocating HCV CARES Act funds to PHAs. PIH issued two notices, in April 2020 and July 2020, notifying PHAs of the two disbursements of the \$850 million in administrative expense funds and describing the formulas used to allocate funding to PHAs.⁸⁴ In July 2020, PIH issued a notice about the CARES Act housing assistance payment funds that described which PHAs were eligible to receive these funds and how PHAs could apply for them.⁸⁵
- **Eligible uses.** In its April and July 2020 notices announcing the administrative expense fund allocations, PIH also described new eligible uses for the CARES Act funds.⁸⁶ The new eligible uses included costs related to PHAs' maintaining public health, such as for personal protective equipment, and costs to retain or increase property owner participation in the HCV program. In April 2021, PIH further expanded the list of eligible uses to include other uses, such as transporting tenants and PHA staff to vaccination sites and one-time utility payments for tenants.

⁸⁴Department of Housing and Urban Development, *CARES Act – HCV Program Administrative Fees – Second Award*, Notice PIH-2020-18 (Washington, D.C.: July 31, 2020); and *CARES Act – HCV Program Administrative Fees*, Notice PIH-2020-08 (Washington, D.C.: Apr. 28, 2020). PIH provided \$378 million in the first round of administrative funding and PIH allocated it to PHAs using a formula based on a PHA's administrative funding from 2018 through 2019. PIH provided \$472 million in the second round of administrative funding using a formula based on PHAs' administrative fees and leasing, as of August 2020.

⁸⁵Department of Housing and Urban Development, *CARES Act – Housing Choice Voucher (HCV) Program Housing Assistance Payments (HAP) Supplemental Funding*, Notice PIH-2020-17 (Washington, D.C.: July 31, 2020). The application process and the specific allocation formulas for the funds depended on why a PHA needed support for its housing assistance payment. If a PHA was applying because of increases in voucher costs, the PHA had to resubmit its 2020 funding applications with updated data showing the increase in costs. The specific allocation formula is based on per-unit costs and leasing information. If a PHA was applying because of insufficient funding, the PHA must submit application materials to determine eligibility under two scenarios. PIH uses a funding forecasting tool to determine the level of funding. PIH officials noted that because HUD was authorized, pursuant to the CARES Act, to issue significant adjustments to housing assistance payments for Mainstream vouchers (which assist non-elderly persons with disabilities), additional units were leased throughout 2020 and into 2021.

⁸⁶Notice PIH-2020-18 and Notice PIH-2020-08.

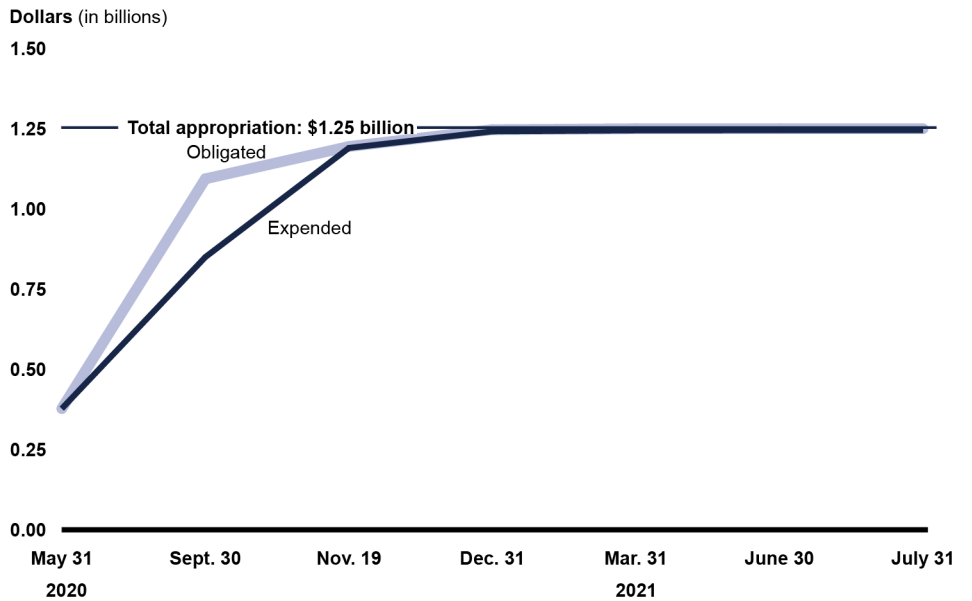
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- **Communication.** PIH communicated CARES Act and COVID-19 information to PHAs in a number of ways, including official notices, frequently asked questions documents, a mailbox for email inquiries, and webinars. PIH updated its frequently asked questions multiple times to include current information about eligible uses, inspections, reporting, and other topics. PIH also created an email mailbox for PHAs to submit questions about waivers and eligible uses. PIH also administered webinars for PHAs to learn about new CARES Act reporting guidance.

In interviews with PHA associations in September 2020, representatives told us PHAs received conflicting information from field offices.⁸⁷ When we followed up with these associations in April 2021, representatives said that consistency of communication has improved. In April 2021, PIH officials told us that to share accurate information with PHAs, they worked closely with field offices to ensure consistent information is communicated across all methods, including through newsletters, webinars, and town hall meetings.

As of July 31, 2021, 100 percent of CARES Act funds for HCV programs were obligated and over 99 percent were expended (see fig. 7). For the HCV program, HUD defines expenditures as payments made to PHAs for housing assistance payments and administrative expenses. Therefore, expenditures could include funds unspent by PHAs. HUD established December 31, 2021, as the deadline for most of the HCV CARES Act funds.

⁸⁷We interviewed representatives from the Public Housing Authorities Directors Association, which represents over 1,900 PHAs throughout the U.S., and the Council of Large Public Housing Agencies, which represents 70 of the largest PHAs in the U.S., which collectively manage almost 40 percent of the nation's public housing stock.

Figure 7: Obligations and Expenditures for Housing Choice Voucher Program, May 2020–July 2021



Source: GAO analysis of Department of Housing and Urban Development (HUD) data. | GAO-21-104542

Note: HUD defines expenditures as payments made to public housing agencies; they may include unspent funds.

PIH and HCCRT officials told us they are relying on existing performance metrics to assess the effectiveness of the HCV CARES Act funds. PIH officials said they considered the goal of the CARES Act funds to be maintaining leasing and voucher utilization levels while helping PHAs to sustain their operations. The relevant performance metrics HUD identified include the number of utilized vouchers, leasing potential, and HCV budget utilization.⁸⁸

In April 2021, PIH field staff stated they have generally observed no changes in the rate that HCV vouchers have been used during COVID-19, likely because during this period, tenants were less mobile and

⁸⁸HCV budget utilization is measured using a PHA's calendar year-to-date housing assistance payment expenditure as a percentage of budget authority.

landlord participation was stagnant.⁸⁹ However, in July 2021, PIH staff told us COVID-19 had placed a strain on PHAs and they had provided PHAs with additional resources to help them maximize their use of authorized vouchers and spend HCV funds during the pandemic. These resources included a new notice summarizing tools available to PHAs to help them optimize their HCV programs and new tools, such as a landlord engagement guidebook.⁹⁰ PIH officials also stated they will obtain additional performance information through a new CARES Act reporting portal and a contractor that will provide monitoring support for gathering this information.

PIH Issued Numerous Waivers to Assist HCV Program Implementation and Plans to Track Their Use

From April 2020 through May 2021, PIH issued 38 waivers modifying the HCV program in an effort to help PHAs navigate challenges resulting from the COVID-19 pandemic.⁹¹ For example, PIH issued waivers allowing owners to self-certify property conditions in lieu of inspections and suspended the requirement that new tenants receive an in-person oral briefing. PIH shared information about HCV waivers through notices, PIH resource webpages, and frequently asked question documents. PHA associations we spoke to said many of their members found the waivers useful, particularly those allowing owners to self-certify property conditions in lieu of inspections and allowing residents to self-certify income. As of May 2021, PIH had extended the period of availability of most waivers to December 31, 2021, to provide administrative relief to

⁸⁹In September 2021, the HUD OIG reported that the number of unused vouchers has increased each year since 2016, and in November 2020 (during the COVID-19 pandemic) there were 319,917 unused vouchers, or 12 percent of total vouchers. Department of Housing and Urban Development, Office of Inspector General, *HUD's Oversight of Voucher Utilization and Reallocation in the Housing Choice Voucher Program*, 2021-CH-0001 (Chicago, Ill.: Sept. 15, 2021).

⁹⁰Department of Housing and Urban Development, *Guidance for Running an Optimized Housing Choice Voucher Program*, PIH-2020-29 (Washington, D.C.: Oct. 16, 2020). HUD defines an optimized HCV program as one that maximizes the number of families served while minimizing rent burden within a given PHA's financial constraints.

⁹¹This count includes 29 waivers specific to the HCV program and 9 waivers for the HCV program and other PIH programs. Department of Housing and Urban Development, *COVID-19 Statutory and Regulatory Waivers and Alternative Requirements for the Public Housing, Housing Choice Voucher (including Mainstream and Mod Rehab), Indian Housing Block Grant and Indian Community Development Block Grant programs, Suspension of Public Housing Assessment System and Section Eight Management Assessment Program, Revision 3*, Notice PIH-2021-14 (HA) (Washington, D.C.: May 4, 2021).

PHAs and to allow for alternative approaches for implementing the HCV program.⁹²

PIH officials stated they were not currently tracking PHAs' waiver use and the CARES Act did not require PHAs to obtain HUD's approval or notify HUD before applying a waiver. However, in June 2021, HUD awarded a contract that will provide support for PIH's CARES Act activities, including monitoring PHAs' waiver use. According to the planned performance work statement, a PIH contractor is to develop a tracking tool to collect waiver use information from PHAs, including the specific waivers each PHA used and the timeframes the waivers were in place. The contractor is also to develop a handbook with best practices for maintaining operations during a future emergency that will include examples of waivers to use when encountering challenges. PIH officials stated the contractor is to provide these deliverables over the next year. In the interim, PIH required PHAs to keep written documentation detailing which waivers they used and the waivers' associated effective dates.⁹³

HUD Is Creating a New Reporting Portal and Has Enlisted Contractor Support to Facilitate Monitoring

As of April 2021, PIH staff said they had conducted limited monitoring of the HCV CARES Act funds because they are awaiting the release of a new PHA reporting portal. HUD's Office of the Chief Information Officer is developing a new reporting portal—the Coronavirus Aid, Relief, and Economic Security Act Reporting System—for PIH's CARES Act funds, which will help HUD comply with the CARES Act PRAC quarterly reporting requirements. Currently, PIH collects the required information from PHAs annually.

The portal was mentioned in a September 2020 PIH notice detailing PHAs' CARES Act reporting requirements.⁹⁴ In July 2021, PIH officials told us HUD put a hold on the portal's development because of issues with the IT contract. As of September 2021, PIH officials said that the vendor had addressed major technical issues and they anticipated the portal would be operational in December 2021. PHA associations told us that PHAs have concerns about the portal and that PHAs would have

⁹²Notice PIH-2021-14 (HA).

⁹³Notice PIH-2021-14 (HA). PHAs also must publicly post or make information publicly available to their tenants on the waivers they used. Additionally, PHAs must notify residents and owners of any impacts of the waivers to the program.

⁹⁴Department of Housing and Urban Development, *Extension of Period of Availability for CARES Act Supplemental Public Housing and Housing Choice Voucher Funds, Guidance on CARES Act Financial Reporting Requirements (FDS and Quarterly Reporting), and Other CARES Act Provisions*, Notice PIH-2020-24 (Washington, D.C.: Sept. 14, 2020).

benefited from additional communication from HUD during the portal's development. For example, representatives from the Public Housing Authorities Directors Association said some PHAs are concerned they will not have sufficient information and documentation about CARES Act spending when the time comes to report using the portal. In April 2021, a PIH official said PHAs will have to do some level of back-reporting for the portal, but it was not clear how far back PHAs would need to document.

PIH officials said they cannot fully monitor the CARES Act funds until the portal is available, as they have not collected sufficient information from PHAs to monitor compliance. According to PIH staff, the portal will help them fully review how CARES Act funds were spent, as the current data system does not allow for comprehensive reporting on CARES Act activities. When the web-based portal is active, PHAs will be required to use the system to report quarterly on each expenditure using CARES Act funds and classify the expense as for normal operations, COVID-related purposes, or housing assistance payments. PIH staff will then be able to create reports in the portal to summarize and report on quarterly PHA activity using CARES Act funds.

In the meantime, PIH staff said they have used fiscal year-end reporting data shared by PHAs annually and periodic checks of PHA drawdown of CARES Act funds as pre-monitoring activities. Specifically, PIH amended its existing financial reporting mechanism to include new data entry fields for PHAs to input information on CARES Act funds. PIH described these changes in a September 2020 notice and provided information for PHAs on how they should enter the data.⁹⁵ PIH also noted this interim reporting mechanism will help PHAs have a single record of CARES Act expenses. In July 2021, PIH staff said that CARES Act reporting in its existing data systems provides detailed information on how PHAs had spent CARES Act funds, but the main limitation is that PHAs report this information annually. However, as PHAs have different fiscal year ends, PIH receives some new information on CARES Act spending from different groups of PHAs each quarter.

For example, PHAs with a March 2021 fiscal year end reported that they had spent about half of the administrative funds they received in the

⁹⁵Notice PIH-2020-24.

CARES Act.⁹⁶ Of these administrative funds, PHAs had used about 11 percent for COVID-19-related costs (such as purchasing personal protective equipment) and about 83 percent for operating expenses (including providing hazard pay for PHA staff).⁹⁷ Additionally, the data showed that these PHAs had spent about 83 percent of the housing assistance payment assistance they received from the CARES Act.

PIH staff said the CARES Act has increased their monitoring and oversight workload and the office will rely on contractor staff to assist in these activities. PIH staff we interviewed in headquarters said that despite funds being almost entirely expended, they anticipate monitoring activities will increase their workload going forward. As of July 2021, PIH had expended just 5 percent of the \$5 million provided by the CARES Act to cover additional salaries and expenses. HUD data showed that the CARES Act funds had supported two PIH temporary employees as of June 2021. Officials stated that most of the remaining funds would be spent on a contract that will support CARES Act oversight and management.

The contract was awarded in June 2021 and one of the expected activities is for the contractor to develop monitoring and oversight plans for PHAs. Specifically, the contractor will assess PHA activity and risk using information on a PHA's expenditure levels and frequency of ineligible expenses. The contractor will also develop methods to identify high-risk PHAs that warrant additional oversight. These additional monitoring activities will supplement the information from the portal. The contractor will also provide support for other CARES Act-related activities, such as developing training and technical assistance sessions and assisting with remote video inspection plans.

PIH officials told us that they are seeking more in-house staff for its work related to the CARES Act and the American Rescue Plan Act, which

⁹⁶Specifically, these data come from PIH's Financial Data Schedule System that PHAs use for financial reporting. The data come from 628 PHAs out of 696 with a fiscal year end of March 31, 2021 (3,775 PHAs received CARES Act funding, according to PIH). These PHAs were awarded a total of about \$285 million out of the \$1.25 billion in HCV CARES Act funds. This was the most recently available data as of August 2021.

⁹⁷The remaining 5 percent was spent on miscellaneous costs including purchasing IT equipment to allow PHA staff to work from home.

appropriated PIH \$5 billion for emergency housing vouchers.⁹⁸ Specifically, the President’s proposed fiscal year 2022 budget for PIH requests an increase of \$32.2 million to support 136 more full-time equivalent staff to address these needs.⁹⁹

As part of our ongoing oversight of CARES Act funding, we will continue to monitor PIH’s oversight of its CARES Act funds, including development of the reporting portal.

PBRA Has Expended Most of Its CARES Act Funds and Continues to Award and Monitor Supplemental Payments

Multifamily Housing implemented the \$1 billion the CARES Act appropriated for the PBRA program by allocating funding as housing assistance payments and supplemental funds for COVID-related expenses and issuing guidance.

- **Funding allocations.** Multifamily Housing allocated \$190 million for COVID-19 supplemental payments to reimburse property owners for COVID-related expenses, and \$800 million for housing assistance payments.¹⁰⁰ The office announced CARES Act funding allocations in four rounds starting in May 2020. In May 2020, Multifamily Housing announced that CARES Act funding to support housing assistance payments—the amount property owners receive for rental assistance vouchers—would automatically be added to existing contracts for approximately 16,500 properties. Starting in July 2020, Multifamily Housing issued three notices notifying property owners of the three rounds for reimbursement supplemental payments for COVID-19-related expenses.¹⁰¹ These notices also describe application details and eligible uses.
- **Guidance.** Multifamily Housing used notices and frequently asked questions documents to provide guidance to property owners, such as on eligible uses of the supplemental payment funds. Multifamily

⁹⁸Pub. L. No. 117-2. § 3202, 135 Stat. 4, 58 (2021). In June 2021, HUD announced that 626 PHAs will receive 70,000 emergency housing vouchers. See Department of Housing and Urban Development, *HUD Awards \$1.1 Billion in American Rescue Plan Funds for Emergency Housing Vouchers*, accessed July 26, 2021, https://www.hud.gov/press/press_releases_media_advisories/HUD_No_21_099.

⁹⁹Department of Housing and Urban Development, *2022 Congressional Justifications*.

¹⁰⁰HUD allocated \$10 million for the Section 8 Moderate Rehabilitation program administered by PIH.

¹⁰¹Department of Housing and Urban Development, *Availability of Funds for COVID-19 Supplemental Payments for Properties Receiving Project-Based Rental Assistance Under the Section 8, Section 202, or Section 811 Programs*, Notice H 20-8; Notice H 2020-11; and Notice H 2021-01.

Housing staff said they worked closely with field offices to communicate guidance and publicize the supplemental payment rounds to property owners through public notices, meetings with property owners, and frequently asked questions documents. A representative from the National Council of State Housing Agencies, which represents PBRA contract administrators, told us its members were generally satisfied with HUD's administration and oversight of CARES Act funds, including guidance and communication.

- **Waivers.** Multifamily Housing issued one waiver that extended a financial reporting deadline (the waiver has since expired and the program has no active waivers). Multifamily Housing officials said they designed CARES Act program implementation to align with existing program requirements, and thus additional waivers were not needed. While the CARES Act funds for housing assistance payments were generally administered similarly to the regular program, Multifamily Housing made some changes to facilitate program operations during the pandemic. For instance, property owners could inspect units through video technology instead of in person.

As of June 2021, 84 percent of CARES Act funds for PBRA were obligated and about 83 percent were expended. HUD performance data showed that the CARES Act funds assisted almost 197,000 units from January–March 2021 (the first period for which performance data were available). Multifamily Housing staff also worked with members of HCCRT to make modifications to monitoring processes to ensure they met the CARES Act PRAC quarterly reporting requirements. According to Multifamily Housing officials, the remaining available funding was all designated for the COVID-19 supplemental payments. Multifamily Housing officials told us requests for reimbursements have been lower than expected. Subsequently, in April 2021, Multifamily Housing expanded eligible uses of the funds to include hosting COVID-19 vaccination and testing clinics.¹⁰²

Multifamily Housing representatives stated they monitor the COVID-19 supplemental payments as requests for reimbursement come in. To receive a reimbursement, property owners apply to HUD and must provide documentation to support the requested reimbursement. Field staff then review the application, including proof of expenses for larger requests (those over \$500). Multifamily Housing staff said they monitor the housing assistance payments under existing monitoring processes as these funds are awarded as part of normal processes. For instance,

¹⁰²Notice H-2021-01.

Multifamily Housing staff monitor these funds by reviewing financial statements and monthly fund vouchers.

Conclusions

HUD's CARES Act Compliance Response Team (HCCRT) and program offices have made progress in implementing and overseeing HUD's CARES Act funding, which significantly increased the size and scope of key programs. HUD took steps to respond quickly to address pandemic-related housing needs, including expediting its risk assessment of the CARES Act funds. HCCRT's rapid risk assessment identified risk factors and short-term actions, but did not thoroughly document how HUD assessed risks or its longer-term plans for mitigating identified risks, including fraud risk. As of September 2021, HUD has completed many major tasks to establish its CARES Act programs. At this time, additional risk assessment actions and documentation to align its rapid risk assessment with key components of front-end risk assessments—such as developing plans to mitigate identified risks—or completing front-end risk assessments for programs that received substantial funding increases from the CARES Act would help HUD identify factors that could hinder its ability to achieve its programs' objectives. In addition, such actions would help HUD manage programs' risks as the agency continues its implementation and oversight of its funding from the CARES Act and other recovery legislation, such as the American Rescue Plan Act of 2021.

As HUD considers next steps for its CARES Act risk assessments, it is important to incorporate leading practices for fraud risk management from GAO's Fraud Risk Framework.¹⁰³ Identifying and assessing fraud risks in light of the CARES Act funding and the pandemic, including the extent to which these changed the programs' fraud risk tolerances, would help HUD as it begins monitoring the CARES Act rental assistance programs and community development and homelessness grants. These assessment and documentation steps would help HUD develop more robust antifraud strategies for its CARES Act programs. Further, two of these programs—CDBG-CV and ESG-CV—have expended relatively little of their CARES Act funds, and thus more thorough assessments of their fraud risks could help HUD take steps to prevent fraud before a majority of the funds are expended. Additional fraud risk management actions and documentation would help inform HUD's fraud risk management strategies for other emergency funding to address

¹⁰³[GAO-15-593SP](#).

pandemic-related housing needs, such as the American Rescue Plan Act of 2021, and for future pandemics or other emergencies.

Recommendations for Executive Action

We are making two recommendations to HUD:

The Office of the Chief Financial Officer and HCCRT should work with relevant program offices for each of the six CARES Act programs that meet HUD's front-end risk assessment criteria to reassess the need to either (1) conduct a full front-end risk assessment; or (2) take and document additional risk assessment steps to align with key aspects of the front-end risk assessment process, such as ranking risks and developing plans to mitigate identified risks. (Recommendation 1)

The Office of the Chief Financial Officer and HCCRT should work with relevant program offices to identify inherent or new fraud risks, assess the program's fraud risk tolerance, document the program's fraud risk profile, and take appropriate action to mitigate identified potential risks for each of the six CARES Act-funded programs that meet the front-end risk assessment criteria. (Recommendation 2)

Agency Comments and Our Evaluation

We provided a draft of this report to HUD for review and comment. In written comments, which are summarized below and reproduced in appendix III, HUD disagreed with the draft report's first recommendation and agreed with the second recommendation.

HUD disagreed with the draft report's first recommendation that the Office of the Chief Financial Officer and HCCRT should work with relevant program offices for each of the six CARES Act programs that meet HUD's criteria to reassess the need to complete a front-end risk assessment for each program, and either conduct a full front-end risk assessment or take and document additional risk assessment steps to align with key aspects of the front-end risk assessment process, such as ranking risks and developing plans to mitigate identified risks. In its response, HUD reiterated steps it took as part of its governance and control of the CARES Act funds, including establishing HCCRT, conducting rapid risk assessments with all program offices that received CARES Act funding, and conducting its regular internal control A-123 and improper payments' testing reviews, which HUD said it leveraged in its evaluation approach.

We recognize HUD needed to act quickly to respond to the pandemic and that it took steps to analyze new risks and has conducted annual reviews of existing programs. However, HUD's response did not cite additional CARES Act risk assessment activities nor did HUD provide

documentation to support some of the risk assessment activities it cited during the audit. For example, while HCCRT officials told us they discussed long-term actions and timeframes to address identified risks of the CARES Act funds—key aspects of HUD’s front-end risk assessment policy—HCCRT has not provided documentation of such discussions or plans to address identified risks. Further, HCCRT has not provided documentation that it thoroughly analyzed the risks posed to each individual program and actions for mitigating them.

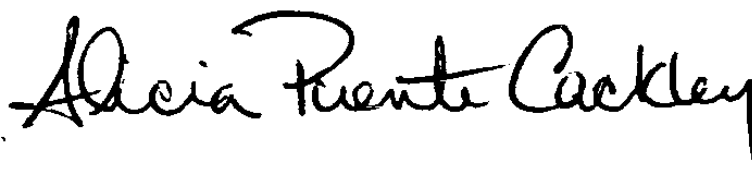
As HUD’s response stated it disagreed with our recommendation to complete a front-end risk assessment and did not specifically address the other option to take and document additional actions, we made minor edits to the recommendation language to further emphasize the flexibility it provides HUD. The recommendation does not prescribe front end-risk assessments. It provides the Office of the Chief Financial Officer and HCCRT, in consultation with program offices, with the flexibility to reassess what further actions are needed to supplement the CARES Act programs’ rapid risk assessments. For example, HUD could incorporate and document further actions as part of HCCRT’s fiscal year 2022 internal controls evaluation strategy that it mentioned in its response. Further, better documentation of these steps would help HCCRT, the Office of the Chief Financial Officer, and program offices ensure they are in agreement on each CARES Act program’s risks and actions to mitigate them. We continue to believe the recommendation is valid as it would help HUD more thoroughly understand the CARES Act’s effects on its programs’ risks and position it to better manage these risks as it continues its implementation and oversight of its funding from the CARES Act.

HUD concurred with the second recommendation that the Office of the Chief Financial Officer and HCCRT work with relevant program offices to take additional steps to assess and mitigate fraud risks presented by the CARES Act funding. Actions HUD takes to address this recommendation may also be responsive to our first recommendation.

HUD also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees and the Secretary of Housing and Urban Development. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or cackleya@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs are listed on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

A handwritten signature in black ink that reads "Alicia Puente Cackley". The signature is written in a cursive, flowing style.

Alicia Puente Cackley
Director
Financial Markets and Community Investment

List of Committees

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Chairman
The Honorable Richard Shelby
Vice Chairman
Committee on Appropriations
United States Senate

The Honorable Ron Wyden
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

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Committee on Oversight and Reform
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The Honorable Richard Neal
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The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
House of Representatives

Appendix I: Objectives, Scope, and Methodology

In this report, we examined the Department of Housing and Urban Development's (HUD) (1) actions to oversee its CARES Act funds and manage risks, including fraud risk, (2) implementation and monitoring of the CARES Act funds of selected community development and homelessness grant programs, and (3) implementation and monitoring of the CARES Act funds of selected rental assistance programs. The selected programs for the second and third objectives received CARES Act appropriations of at least \$1 billion: Community Development Block Grant Coronavirus Response (CDBG-CV), Emergency Solutions Grants Coronavirus Response (ESG-CV), the Housing Choice Voucher program (HCV), and Project-based Rental Assistance (PBRA).

To examine HUD's actions to oversee its CARES Act funds and manage risk (including fraud risk), we obtained and reviewed documentation from the HUD CARES Act Compliance Response Team's risk assessment efforts, including a memo on internal controls, a list of potential CARES Act impacts, a summary of program office discussions, and two lists of top risks. We then compared these documents to HUD's risk assessment policy and our Fraud Risk Framework.¹ We also interviewed HUD officials to more fully understand their risk assessment steps. We obtained and reviewed HUD documentation regarding HUD's CARES Act implementation and oversight activities, such as HUD's submissions to the Pandemic Response Accountability Committee and reporting playbooks on how HUD was meeting the CARES Act's reporting requirements. We also reviewed prior reports by GAO and HUD's Office of Inspector General (HUD OIG) on HUD risk management, staffing, and technology challenges to identify those that were relevant to HUD's CARES Act oversight. In addition, we interviewed HUD officials leading its CARES Act compliance efforts. Finally, we obtained and reviewed HUD financial data for its CARES Act funds from May 2020–July 2021. We used these data to analyze CARES Act obligation and expenditure rates over time. We assessed the reliability of these data by reviewing a prior data reliability assessment from November 2020, checking the data for outliers and errors, and interviewing HUD officials. We determined that the data were sufficiently reliable for reporting on the spending status of HUD's CARES Act funds.

To examine HUD's implementation and monitoring of the CARES Act funds for selected grant and rental assistance programs, we analyzed

¹GAO, *A Framework for Managing Fraud Risk in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 28, 2015).

HUD documentation on these programs, such as notices and guidance. We reviewed the CARES Act to identify the act's requirements for these programs and obtained HUD documentation and interviewed officials on how the agency and programs addressed these requirements. Finally, we reviewed prior GAO and HUD OIG reports on these programs to identify any management or oversight challenges that could affect the CARES Act programs.

We also reviewed information on these programs' CARES Act funds' performance metrics. For the grant programs, we obtained and reviewed HUD data on (1) CDBG-CV and ESG-CV grants' status, obligations, and expenditures as of July 2021; and (2) CDBG-CV and ESG-CV programs' performance metrics. For HCV, we reviewed May 2021 data from HUD's Financial Data Schedule reporting system on how public housing agencies had spent their HCV CARES Act funds. We assessed the reliability of these data by interviewing agency officials, checking the data for outliers and errors, and reviewing related documentation. We determined these data were sufficiently reliable for the purposes of our review. We also obtained and reviewed HUD documentation related to the new CARES Act reporting portal for HCV and other Office of Public and Indian Housing (PIH) programs.

We also interviewed six selected industry associations representing funding recipients for our selected programs to obtain their views on HUD's administration and oversight of CARES Act funds. We selected these associations because they had publicly issued guidance or commentary on HUD's COVID-19 assistance and been previously interviewed for prior GAO work.²

- For CDBG-CV and ESG-CV, we interviewed three associations representing grantees: the National Community Development Association, National Association for County Community and Economic Development, and Council of State Community Development Agencies. In response to our questions, the National Community Development Association solicited input from its 459 members and 71 responded. The association provided us with a summary of these responses. The National Association for County

²We interviewed three of these associations (National Community Development Association, Council of Large Public Housing Agencies, and Public Housing Authorities' Directors Association) in September 2020 as part of our work for GAO, *COVID-19: Urgent Actions Needed to Better Ensure an Effective Federal Response*, [GAO-21-191](#) (Washington, D.C.: Nov. 30, 2020).

Community and Economic Development also solicited input on our questions from its members, and provided us with the responses from five members representing counties in different regions of the U.S.

- For HCV, we interviewed two associations representing public housing agencies: the Council of Large Public Housing Agencies and Public Housing Authorities Directors Association.
- For PBRA, we interviewed the National Council of State Housing Agencies, which represents 33 of the program’s contract administrators (organizations that assist in HUD’s administration of the PBRA program by providing direct oversight and monitoring of the financial and physical condition of properties).

The views provided by these associations and their selected members are not generalizable to other associations or all funding recipients, but they offered important perspectives.

For all three objectives, we interviewed HUD officials from the Office of Community Development (CPD), which administers CDBG-CV and ESG-CV; PIH, which administers HCV; and Office of Multifamily Housing (Multifamily Housing), which administers PBRA. We also interviewed CPD, PIH, and Multifamily Housing staff in selected field offices.³ We generally selected field offices that received the most CARES Act funding and that represented different geographic regions. We interviewed:

- CPD field staff in the Chicago Regional Office, New York Regional Office, Philadelphia Regional Office, Los Angeles Field Office, and the Jacksonville and Miami Field Offices in Florida;
- PIH field office staff in the Boston Regional Office, Chicago Regional Office, New York Regional Office, Los Angeles Field Office, and Miami Field Office; and
- Multifamily Housing staff in the Atlanta Regional Center, Chicago Regional Center, New York Regional Center, and San Francisco Regional Center.

We conducted this performance audit from September 2020 to September 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We

³In general, HUD’s field office structure includes offices that oversee entire regions that include smaller field or satellite offices.

**Appendix I: Objectives, Scope, and
Methodology**

believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: CARES Act Funds Summary and Status for Department of Housing and Urban Development Programs

Figure 8: Status of Supplemental CARES Act Funding for all HUD Programs, as of July 31, 2021

HUD program office	Program ^a	Funding	Appropriated	Obligated	Expended	Purpose	Expiration date
Community Planning and Development	Community Development Block Grant	\$5 billion	90%	\$4.5 billion	\$747.5 million	Support state, community, and non-profit activities to prevent, prepare for, and respond to COVID-19	9/30/22
	Emergency Solutions Grants	\$4 billion	99%	\$4 billion	\$623.1 million	Provide homeless assistance and prevention activities for individuals and families	9/30/22
	Housing Opportunities for Persons with AIDS	\$65 million	99%	\$64.6 million	\$22.4 million	Maintain operations and rental assistance, supportive services, and other necessary actions	9/30/21 ^b
Public and Indian Housing	Tenant-Based Rental Assistance	\$1.25 billion	100%	\$1.25 billion	\$1.25 billion	Maintain public housing agency operations and take other necessary actions during the period of COVID-19	Available until expended
	Public Housing Operating Fund	\$685 million	100%	\$685 million	\$529.3 million		9/30/21
	Native American Programs	\$300 million	99%	\$298 million	\$168.0 million	Maintain normal operations and fund eligible affordable housing activities during the period of COVID-19	9/30/24
Housing	Project-Based Rental Assistance	\$1 billion	84%	\$841 million	\$835.0 million	Help property owners or sponsors that receive project-based rental assistance maintain normal operations and take other necessary actions during the period of COVID-19	Available until expended
	Section 202: Housing for the Elderly	\$50 million	57%	\$28.3 million	\$26.3 million		9/30/23
	Section 811: Housing for Persons with Disabilities	\$15 million	41%	\$6.1 million	\$6.1 million		9/30/23
Fair Housing and Equal Opportunity	Fair Housing	\$2.5 million	99%	\$2.5 million	\$1.7 million	Address fair housing issues and support fair housing education and outreach activities relating to COVID-19	9/30/21
HUD ^c		\$50 million	69%	\$31.8 million	\$22.0 million	Manage and administer CARES Act funding	9/30/21
		Total designated: \$12.42 billion		Total obligated (94%): \$11.7 billion			
				Total expended (34%): \$4.2 billion			

Source: CARES Act and GAO analysis of Department of Housing and Urban Development (HUD) data. | GAO-21-104542

^aThe CARES Act also appropriated \$5 million to the Office of the Inspector General for audits and investigations. As of July 31, 2021, the office had expended approximately 38 percent of its appropriation.

^bFunding for permanent supportive housing competitive grantees (\$10 million) is to remain available until September 30, 2022.

^cIncludes \$35 million for the Office of the Chief Financial Officer, \$10 million for Community Planning and Development, and \$5 million for Public and Indian Housing.

Appendix III: Comments from the Department of Housing and Urban Development



OFFICE OF CHIEF FINANCIAL OFFICER

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

MEMORANDUM FOR: Gene L. Dodaro, Comptroller General of the United States
Government Accountability Office
George Tomchick Digitally signed by George Tomchick
Date: 2021.09.09 15:13:53 -0400

FROM: George J. Tomchick III, Deputy Chief Financial Officer

SUBJECT: Management Response to Draft Report, "Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds", for HUD CARES Act Oversight (Engagement Code 104542)

DATE: September 9, 2021

Thank you for providing the Department of Housing and Urban Development (HUD) the opportunity to review and comment on the U.S. Government Accountability Office's (GAO's) Draft Report, *Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds for HUD CARES Act Oversight* (Engagement Code 104542). We appreciate the GAO's review of HUD's monitoring and oversight of \$12.4 billion in CARES Act funding that has provided critical support to HUD programs to prevent, prepare for, and to respond to housing needs resulting from the COVID-19 pandemic. Upon review of the GAO's draft report, we wanted to take the opportunity to clarify some of HUD's activities related to the identification and monitoring of CARES Act.

Within the *Recommendations for Executive Action* section of the draft report, the GAO reported two recommendations for the Office of Chief Financial Officer (OCFO). The first GAO recommendation is that OCFO should work with each program office for each of the six CARES Act programs that meets HUD's criteria (based on the CARES Act funds) to complete a front-end risk assessment (FERA) for each program, and either conduct a full FERA or document additional risk assessment steps to align with key aspects of the front-end risk assessment process, such as ranking risks and developing plans to mitigate identified risks. HUD does not concur with the GAO's recommendation to complete a FERA based on CARES Act funds.

As a method of governance and control over the CARES Act funding, HUD established the HUD CARES Act Compliance Response Team (HCCRT) to specifically focus on the impact of the CARES Act on HUD people, processes, and technology. HCCRT conducted a series of Rapid Risk Assessments on all program offices receiving CARES Act funding and aligned resources to targeted initiatives to address the risks facing the program offices resulting from the funding surge. The Rapid Risk Assessments were performed on all programs that received CARES funds, which enabled HUD to perform ongoing monitoring and report progress to HCCRT; and develop executive dashboards views of HCCRT program risk in support of transparency, organizational understanding, and communication to and for oversight bodies.

**Appendix III: Comments from the Department
of Housing and Urban Development**

While various risks were assessed through the Rapid Risk Assessments, some of the highest impact risks identified to HUD's programs were the introduction of new compliance and reporting requirements, and the ability to scale the programs' internal controls to mitigate these risks. As a response, in addition to the program offices' own internal monitoring programs, the HCCRT assessed internal controls within HUD's existing programs in accordance with A-123 requirements, monitored the status of CARES Act funds from obligation to outlay, defined and tracked the compliance strategy for each legislative requirement, and established a reporting team to engage with the program offices on meeting compliance and performance reporting requirements. Additionally, with respect to improper payments, HCCRT designed and distributed risk assessment questionnaires to the program offices to identify the potential risk of fraud; and leveraged the results to inform its evaluation approach.

After completion of the Rapid Risk Assessments, HCCRT continued to engage with programs to strengthen and monitor internal controls and other mitigating activities related to overseeing and disbursing CARES Act funds and establish next steps accordingly. These discussions held with the program offices will inform HCCRT's FY22 internal controls evaluation strategy and other risk mitigation strategies.

The GAO's second recommendation is that OCFO should work with relevant program offices to identify inherent or new fraud risks, assess the program's fraud risk tolerance, document the program's fraud risk profile, and take appropriate action to mitigate identified potential risks for each of the six CARES Act-funded programs that meet the front-end risk assessment criteria. HUD concurs with the GAO's recommendation to work with the program offices related to fraud risk management activities on a prospective basis.

HUD continues to be committed to fulfilling its mission of creating strong, sustainable, inclusive communities and quality affordable homes for American families and individuals, while also responding to the impacts of COVID-19 on housing. We acknowledge the importance of GAO's review and recognize that there may be opportunities to improve Federal response and recovery effort. HUD will continue to work with its' programs to provide comprehensive and timely risk management and compliance monitoring support.

cc:

Arthur Jemison, Principal Deputy Assistant Secretary for Community Planning and Development
Lopa P. Kolluri, Principal Deputy Assistant Secretary for Housing - Federal Housing
Commissioner
Dominique Blom, General Deputy Assistant Secretary for Public and Indian Housing
Christopher Webber, Chief Information Officer
MelaJo K. Kubacki, Assistant Chief Financial Officer for Financial Management, OCFO
John Rabil, Senior Advisor to the CFO, OCFO
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Shannon Steinbauer, Director, Audit Liaison Division, OCFO

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Alicia Puente Cackley, (202) 512-8678 or cackleya@gao.gov

Staff Acknowledgments

In addition to the contact named above, Allison Abrams (Assistant Director), Miranda Berry (Analyst in Charge), Heather Chartier, Dahlia Darwiche, Heather Dunahoo, John McGrail, Marc Molino, Shenandoah Sowash, and Farrah Stone made significant contributions to this report.

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