U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

February 10, 2022

Congressional Addressees

EMERGENCY RENTAL ASSISTANCE: Additional Grantee Monitoring Needed to Manage Known Risks

Congress appropriated $46.55 billion to the Department of the Treasury for the Emergency Rental Assistance (ERA) program to address financial and housing instability caused by the Coronavirus Disease 2019 (COVID-19) pandemic.[1] The ERA program makes funding available to state, territorial, tribal, and local governments (grantees), which are to use the funds to develop ERA programs and provide assistance to eligible households for rent, utility, and other housing-related expenses. In the early months of the program, many grantees experienced implementation challenges that delayed the distribution of funds to renters, landlords, and utility providers.[2] To accelerate the distribution of funds, Treasury revised its ERA guidance to encourage grantees to adopt administrative flexibilities. However, we have highlighted the need for Treasury to balance speed in spending with accountability and oversight in the program.[3]

The CARES Act includes a provision for us to monitor and oversee federal efforts to prepare for, respond to, and recover from COVID-19.[4] We were also asked to review how Treasury has administered and overseen the ERA program. This report examines (1) ERA spending trends and (2) Treasury's plan to monitor grantees' use of ERA funds and the extent to which it implemented related policies and procedures.

To describe ERA spending trends, we reviewed Treasury data on grantee-reported ERA expenditures for January–November 2021 (the most recent data available at the time of our review), as well as Treasury data on reallocated ERA1 funds. To evaluate Treasury's monitoring plan for grantees and its implementation of related policies and procedures, we reviewed the agency's policies, procedures, and guidance and interviewed officials from Treasury and the Treasury Office of Inspector General. We compared these efforts against federal internal control

[1]We refer to ERA1 and ERA2 as the ERA program for convenience. While Treasury uses the same approach, it clarified that it considers them to be two separate programs managed by the same office.

[2]GAO, *COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response,* GAO-21-105051 (Washington, D.C.: Oct. 27, 2021).

[3]See GAO, *COVID-19 Housing Protections: Moratoriums Have Helped Limit Evictions, but Further Outreach Is Needed*, GAO-21-370 (Washington, D.C.: Mar. 15, 2021).

[4]Pub. L. No. 116-136, div. B, § 19010, 134 Stat. 281, 579-81 (2020). We regularly issue government-wide reports on the federal response to COVID-19. For the latest report, see GAO, *COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies*, GAO-22-105291 (Washington, D.C.: Jan. 27, 2022). Our next government-wide report will be issued on April 27, 2022, and will be available on GAO's website at https://www.gao.gov/coronavirus.

standards for designing and monitoring control activities.[5] We determined that the risk assessment and monitoring components of internal controls were significant to the objective, along with the underlying principles that management should respond to risks and monitor the internal control system and evaluate results.

To collect information on how grantees have implemented Treasury's guidance and designed ERA programs, we interviewed representatives from a nongeneralizable sample of five state grantees (selected to include grantees that did and did not adopt Treasury's administrative flexibilities), as well as two organizations that have studied ERA grantees' programs—the National Council of State Housing Agencies (which represents many state grantees), and the National Low Income Housing Coalition (which advocates for affordable housing).[6]

We conducted this performance audit from October 2021 to February 2022 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Congress appropriated funding for the ERA program in two separate acts. In December 2020, the Consolidated Appropriations Act, 2021 authorized Treasury to disburse about $25 billion to grantees to remain available until September 30, 2022 (referred to as ERA1 by Treasury).[7] In March 2021, the American Rescue Plan Act of 2021 authorized Treasury to disburse an additional $21.55 billion to remain available to grantees until September 30, 2025 (ERA2).[8]

At the end of November 2021, Treasury had disbursed all the ERA1 funding to grantees and about $11.6 billion of the ERA2 funding to grantees that applied for an award, according to Treasury data.[9] Treasury allocated ERA funds to grantees based primarily on their population, as required by law.[10] Because the initial ERA allocations were not tied directly to the local needs of renters or landlords, the extent to which grantees have been able to expend their allocations has varied. To address such an issue, the Consolidated Appropriations Act, 2021 required

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[5]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 10, 2014).

[6]We interviewed representatives from the Alabama Housing Finance Authority, Arkansas Department of Human Services, Colorado Department of Local Affairs, Oregon Housing and Community Services, and Wyoming Department of Family Services. We used data from the National Low Income Housing Coalition to select grantees that had and had not implemented self-attestation of eligibility and direct-to-tenant payments.

[7]Pub. L. No. 116-260, div. N, tit. V, § 501, 134 Stat. 1182, 2069-78 (2020) (to be codified at 15 U.S.C. § 9058a). The American Rescue Plan Act of 2021 extended availability from December 30, 2021, to September 30, 2022. *See* Pub. L. No. 117-2, tit. III, § 3201(h), 135 Stat. 4, 58 (2021). The Consolidated Appropriations Act, 2021 reserved $15 million of the ERA1 appropriation for administrative expenses of the Secretary of the Treasury.

[8]American Rescue Plan Act of 2021 §§ 3201(a),(g), (to be codified at 15 U.S.C. §§ 9058c(a),(g)). The law reserved $33 million of the ERA2 appropriation for expenses of the Secretary of the Treasury and Office of Inspector General.

[9]The American Rescue Plan Act of 2021 required Treasury to pay eligible grantees not less than 40 percent of their total ERA2 allocations within 60 days of March 11, 2021. American Rescue Plan Act of 2021 § 3201(c), (to be codified at 15 U.S.C. 9058c(c)). According to Treasury officials, some local governments eligible for an ERA2 allocation did not apply for the additional funds. Treasury is disbursing additional ERA2 funds to grantees that have substantially expended their ERA1 allocation and obligated at least 75 percent of their initial ERA2 allocation.

[10]Consolidated Appropriations Act, 2021 § 501(b), (to be codified at 15 U.S.C. § 9058a(b)); American Rescue Plan Act of 2021 § 3201(b), (to be codified at 15 U.S.C. § 9058c(b)).

Treasury at the end of September 2021 to begin recapturing excess unobligated ERA1 funds (as determined by the Secretary) and reallocating them among grantees that obligated at least 65 percent of their allocation.[11] In its reallocation guidance, Treasury provided grantees that did not meet its spending targets with an opportunity to limit the recapture of funds by submitting a program improvement plan that detailed program changes intended to expedite spending.

Grantees are to administer ERA programs in accordance with requirements of the two appropriating laws and Treasury's guidance. Treasury provided grantees with guidance on program requirements in a series of frequently asked questions (starting in January 2021 and updated periodically). Grantees are responsible for establishing policies and procedures to screen applications; making payments as appropriate to landlords, utility providers, and eligible renter households; and designing controls to deter misuse of ERA funds. In general, eligible households for ERA1 assistance are those that (1) experienced a financial hardship directly or indirectly due to COVID-19 or qualified for unemployment benefits, (2) demonstrate a risk of housing instability or homelessness, and (3) have household income not exceeding 80 percent of their area median.[12]

Treasury's Office of Recovery Programs (which oversees several pandemic relief programs) administers the ERA program and shares monitoring and oversight authority for ERA1 funds with the Office of Inspector General. The Consolidated Appropriations Act, 2021 provided the Office of Inspector General with authority and funding to monitor and oversee the disbursement, receipt, and use of ERA1 funds and to recoup certain funds spent in violation of eligible uses.[13]

Many Grantees Have Exhausted Their ERA1 Allocations, and Treasury Is Reallocating about $1.1 Billion in Unused Funds

Nearly one quarter of grantees (21 percent) had exhausted their ERA1 allocation and transitioned to distributing ERA2 funds at the end of November 2021, according to our analysis of the most recent Treasury data available during our review.[14] In total, grantees had spent about $17.4 billion, including $14.6 billion (58 percent) of their ERA1 allocations and about $2.8 billion (13 percent) of their ERA2 allocations. In addition, grantees have accelerated ERA2 spending in recent months as ERA1 spending continued to decline. In November 2021, ERA2 expenditures and households served had more than doubled from the prior month, while ERA1 expenditures and households served declined for the second consecutive month (see fig. 1).

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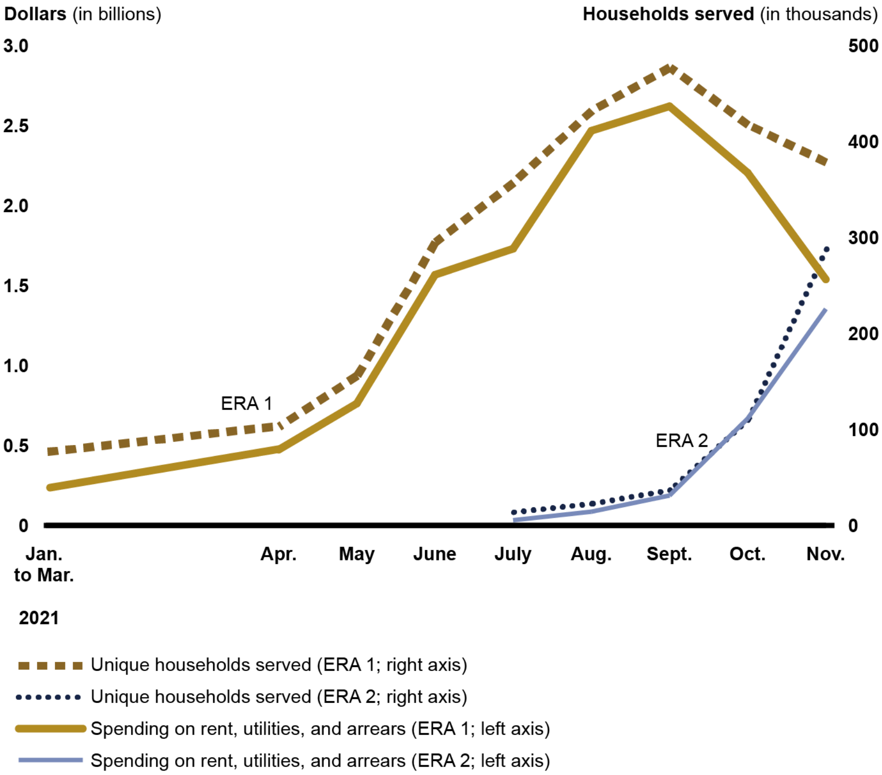
[11]Consolidated Appropriations Act, 2021 § 501(d), (to be codified at 15 U.S.C. § 9058a(d)). Treasury's initial guidance issued in October 2021 sets out the process for reallocating excess ERA1 funds. Treasury considers ERA funds to be obligated if the grantee has spent the funds on financial assistance and housing stability services (expenditures) or the grantee has committed the funds under certain circumstances. Department of the Treasury, Emergency Rental Assistance under the Consolidated Appropriations Act, 2021 Reallocation Guidance (Washington, D.C.: Oct. 4, 2021).

[12]Consolidated Appropriations Act, 2021 § 501(k)(3), (to be codified at 15 U.S.C. § 9058a(k)(3)).

[13]Consolidated Appropriations Act, 2021 § 501(i), (to be codified at 15 U.S.C. 9058a(i)). For ERA2 funds, the American Rescue Plan Act of 2021 provided the Office of Inspector General with authority and funding for oversight but not for monitoring or recoupment activities. American Rescue Plan Act of 2021 § 3201(a)(2)(c), (to be codified at 15 U.S.C. § 9058c(a)(2)(c)). Treasury officials and officials from the Office of Inspector General told us they do not plan to coordinate on monitoring and recoupment for ERA2 funds.

[14]This calculation excludes local grantees that redirected funds to their county or state governments.

Figure 1: Emergency Rental Assistance (ERA) Program Spending and Unique Households Served (January–November 2021)



Source: GAO analysis of Department of the Treasury data. | GAO-22-105490

Note: From January to March 2021, Treasury collected ERA1 data on a quarterly rather than monthly basis. ERA2 expenditures (about $453 million) and unique households served (about 72,000) from April to June 2021 are excluded because Treasury also collected these data on a quarterly rather than monthly basis.

Treasury plans to reallocate about $1.1 billion in ERA1 funds among grantees in its initial round of ERA1 reallocation. According to Treasury officials, the agency approved 59 of the 140 program improvement plans it received from underperforming grantees. Nonetheless, Treasury reported in January 2022 that it recaptured and planned to reallocate about $240 million in ERA1 funds to grantees that had spent their allocations more rapidly (with priority going to grantees in the same state). In addition, 14 grantees volunteered to reallocate about $875 million in ERA1 funds to other grantees within their state—primarily from state to local grantees. Treasury will conduct additional rounds of ERA1 and ERA2 reallocation in the coming months.

Treasury Has Yet to Implement Monitoring Procedures to Address Risks Associated with Administrative Flexibilities

In light of the COVID-19 national emergency and expiration of the national eviction moratorium, Treasury updated its ERA guidance with administrative flexibilities to encourage grantees to spend funds more quickly.[15] Treasury expanded these flexibilities periodically from February to August 2021 as some grantees experienced challenges and delays implementing ERA

[15]The Centers for Disease Control and Prevention's eviction order had prohibited evictions of covered renter households for the nonpayment of rent.

programs and distributing funds.[16] However, Treasury has yet to implement monitoring procedures needed to manage increased risks associated with these flexibilities. We reported in March 2021 that administrative flexibilities might be necessary to help grantees expediently meet the needs of renters during the pandemic, but they also potentially expose Treasury and grantees to significant risks, such as noncompliance with laws and agency guidance and improper payments.[17]

Federal internal control standards state that agencies should establish and operate monitoring activities to assess control systems and evaluate results.[18] Effective monitoring activities for internal control systems generally include establishing a baseline (the current state of controls compared to the agency's design) and conducting ongoing monitoring and evaluation of results, such as through direct testing or external audits. Treasury's directive for its Internal Control Program also acknowledges the importance of establishing controls, monitoring their application, and periodically reviewing their effectiveness.[19]

Treasury allows ERA grantees to determine the eligibility of applicants who cannot provide supporting documentation, such as a pay stub to demonstrate income eligibility or a signed lease to demonstrate a rental obligation. For instance, grantees may confirm eligibility through written attestations provided by the applicant (known as self-attestation), prior verification of eligibility through another government program (categorical eligibility), and determinations made using secondary data, such as the average income in an applicant's geographic area (fact-specific proxy). Grantees have used self-attestations to document multiple eligibility requirements, such as income, financial hardship, and rental obligation. Treasury also encouraged grantees to make ERA1 payments directly to tenants (direct-to-tenant payments) when they cannot obtain the cooperation of landlords or utility providers.[20] In addition to its program guidance, Treasury has promoted these flexibilities through a series of "promising practices" and sample forms it collected in partnership with selected ERA grantees.

Treasury's reallocation procedures issued in October 2021 suggest that grantees' ability to retain ERA1 funds is at least partially contingent on their adoption of these flexibilities. The procedures require grantees that have not met certain spending targets to submit a program improvement plan to Treasury to limit having a portion of their funds recaptured.[21] The procedures also state that to be approved, the plans must identify program changes related to adopting key policies and practices Treasury recommended, such as the use of self-attestation to determine eligibility. Grantees also must commit to ceasing practices Treasury discouraged, such as imposing eligibility requirements beyond those required by law. Treasury otherwise may recapture and reallocate their excess funds to grantees that meet the spending targets and demonstrate a need for additional assistance (as determined by the Secretary).

[16]As we reported in October 2021, most grantees could not deploy funds immediately because they needed time to develop or enhance existing rental assistance programs and experienced other challenges. See GAO-21-105051.

[17]GAO-21-370.

[18]GAO-14-704G.

[19]Department of the Treasury, Directive 40-04 (Washington, D.C.: July 12, 2017).

[20]ERA1 grantees must make reasonable efforts to obtain the cooperation of landlords and utility providers to accept payments but may make payments directly to tenants after meeting certain outreach requirements.

[21]Department of the Treasury, 2021 Reallocation Guidance.

Our prior work has acknowledged that use of these administrative flexibilities in the ERA program creates risks of noncompliance with eligibility requirements, improper payments, and fraud by increasing the likelihood of grantees making payments to ineligible households.[22] According to our *Framework for Managing Fraud Risks in Federal Programs*, using self-reported data to determine eligibility for receiving benefits can introduce risks that may require additional controls and monitoring.[23] We also reported earlier in the pandemic that reliance on self-attestation of eligibility introduced risks of improper payments in other assistance programs, such as the Paycheck Protection Program and Pandemic Unemployment Assistance program.[24]

Other federal and local auditors tasked with overseeing ERA funds have acknowledged these risk. For example, in October 2021 auditors in Montgomery County, Maryland, noted deficiencies related to improper payments and controls for determining eligibility in a program administering ERA funds.[25] The auditors noted that while the decision to rely on self-attestation in the program expedited application processing and made it easier for those without formal documentation to qualify for awards, it also increased fraud risks. Officials from Treasury's Office of Inspector General also told us they believed the ERA program was at an increased risk for fraud and were investigating several larger instances of fraud in the program (in excess of $100,000). Lastly, in July 2021 the Office of Management and Budget designated ERA as a higher-risk program requiring additional oversight.[26]

Treasury has updated ERA guidance to require that grantees implement controls when using self-attestation and other administrative flexibilities. Specifically, in February 2021 Treasury updated its guidance to require grantees to document policies and procedures for determining household eligibility, including specifying under what circumstances they will accept written self-attestations from applicants without further documentation. The updated guidance also requires grantees to have controls in place to ensure compliance with policies and procedures, including reasonable validation and fraud-prevention procedures. In May 2021, Treasury further updated its guidance to require grantees to investigate and address potential instances of fraud or misuse of funds.[27] Treasury's guidance also requires grantees to recertify household income and rental obligations every 3 months when established through self-attestation (which grantees can recertify through documentation or another written attestation).[28]

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[22]GAO-21-370.

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

[24]GAO-21-105051; and *Small Business Administration: COVID-19 Loans Lack Controls and Are Susceptible to Fraud*, GAO-21-117T (Washington, D.C.: Oct. 1, 2020).

[25]Office of the Inspector General, Montgomery County, Maryland, *COVID-19 Rental Assistance Programs* (Rockville, Md.: Oct. 8, 2021).

[26]Office of Management and Budget, *2 CFR PART 200, Appendix XI Compliance Supplement* (Washington, D.C.: Aug. 25, 2021).

[27]Treasury's guidance does not require grantees to include statements about penalties for knowingly providing false information through self-attestation. However, several example forms that Treasury collected from ERA grantees and published on its website require the signer to acknowledge penalties for knowingly providing false, misleading, or incomplete information, such as fines and imprisonment associated with violations of 18 U.S.C. § 1001.

[28]Treasury's award terms for ERA also require grantees to comply with an Office of Management and Budget rule that requires grantees to establish and maintain effective internal controls and monitor and evaluate compliance with statutes, regulations, and terms and conditions of federal awards. Reprinted in *2 CFR PART 200*.

While Treasury has recognized the potential for improper payments in the ERA program by requiring grantees to manage risks associated with the administrative flexibilities, the agency has not yet developed or implemented procedures to monitor or evaluate grantees' required controls, consistent with federal internal control standards. As previously discussed, these standards state that agencies should establish and operate monitoring activities to assess control systems and evaluate results, such as the additional controls Treasury requires for grantees that use self-attestation to determine eligibility.[29] According to our *Framework for Managing Fraud Risks in Federal Programs*, such monitoring might include unannounced examinations, site visits, covert data testing, or surveys of managers responsible for controls.[30]

Treasury has implemented some procedures to monitor grantees' programs, but they do not include procedures to monitor and evaluate controls. In October 2021, Treasury began collecting quarterly data from grantees that includes detailed information on their programs' activities, expenditures, recipients, and compliance issues. In December 2021, Treasury implemented post-award compliance testing procedures that generally include automated tests to validate these data and identify potential compliance issues that require further examination by agency personnel. Treasury officials told us they applied the procedures to data submitted by grantees in October 2021 and planned to apply them to future quarterly data submissions. However, the procedures do not describe how the agency plans to use grantee-reported data or other information, such as single audit reports, to monitor and evaluate grantees' controls, including required controls for validation and fraud prevention when relying on self-attestation.[31]

Treasury officials said the agency plans to assess the risk of improper payments in the ERA program in fiscal year 2022 as part of its requirements to improve payment integrity. The Office of Management and Budget requires Treasury to assess improper payment risks in the ERA program and, if cost-effective, establish methods to identify and recover improper payments. We previously recommended that Treasury design and implement procedures to identify and recover overpayments in the ERA program.[32]

Treasury officials told us they did not believe there was an established connection between the use of self-attestation and increased risks of noncompliance, improper payments, and fraud in the ERA program that would necessitate further oversight given the requirement that grantees implement additional validation and fraud-prevention procedures. However, we and others have acknowledged that use of self-attestation introduced risks into the ERA program and other pandemic assistance programs. In addition, Treasury has not yet had an opportunity to assess improper payment risks in the ERA program, which is necessary for understanding how grantees have implemented the additional control requirements and determining whether they are effectively managing risks.

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[29] GAO-14-704G.

[30] GAO-15-593SP.

[31] In January 2022, we recommended that the Office of Management and Budget, in consultation with Treasury, issue guidance on Single Audit Act requirements for the ERA program. Treasury said it was working with the office (which did not provide comments on our recommendation) to publish guidance in early 2022. See GAO-22-105291.

[32] Office of Management and Budget, Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-21-19 (Washington, D.C.: Mar. 5, 2021). In January 2021, we recommended that Treasury design and implement processes, such as payment recovery audits, to help ensure timely identification and recovery of overpayments made by grantees to households, landlords, or utility providers. The agency agreed with this recommendation. See GAO-22-105291.

Without such monitoring and evaluation, Treasury cannot have reasonable assurance that grantees are meeting program requirements or effectively managing risks. Grantees we interviewed generally believed their controls effectively mitigated risks but said they remained concerned about the potential for improper payments and future audit findings. The administrative flexibilities Treasury introduced and the controls needed to manage their risks may be new to grantees that traditionally have administered assistance programs that require strict documentation. Grantees we interviewed that had implemented Treasury's flexibilities told us they employed a variety of controls, including pre-payment verification of recipients' identities using tax records and post-payment reviews of a sample of applications. However, most grantees we interviewed told us improper payment risks still exist, and they adopted self-attestation and other administrative flexibilities without understanding how Treasury would evaluate their payments and controls.

Furthermore, the absence of monitoring procedures and grantee compliance data has delayed oversight efforts by Treasury's Office of Inspector General. The Consolidated Appropriations Act, 2021 requires the office to monitor and oversee the receipt, disbursement, and use of ERA1 funds and recoup funds spent in violation of the eligible uses. However, officials from the office told us in September 2021 that their monitoring and oversight of grantees' programs (known as desk reviews) were delayed because they were unable to reconcile desk review procedures with the Office of Recovery Programs' own monitoring procedures to avoid duplication. Officials from the Office of Inspector General told us the implementation of desk review procedures was hindered further because of grantee reporting challenges that delayed compliance data submissions.[33] In January 2022, officials from the Office of Inspector General told us they had received complete grantee data for the first three quarters of 2021 from the Office of Recovery Programs and planned to move forward with desk reviews as soon as they assessed the reliability of the data.

Conclusions

Given the urgent needs of landlords and renters during the pandemic, it is understandable that Treasury introduced administrative flexibilities to help grantees spend funds quickly. Yet, Treasury's promotion of these flexibilities without concurrent efforts to manage their risks could weaken important eligibility requirements designed by Congress and expose the program to increased risks of noncompliance, improper payments, and fraud. In addition, because some grantees remain uncertain about how Treasury will evaluate their payments and controls, they may face a difficult tradeoff between adopting the administrative flexibilities to avoid recapture and managing the potential risk of improper payments and recoupment. We have noted the importance of balancing program implementation with accountability and oversight since the onset of the ERA program in January 2021. As Treasury begins to reallocate funds to those grantees that have adopted administrative flexibilities and demonstrated an ability to spend funds quickly, prioritizing monitoring and oversight efforts to ensure grantees are effectively managing risks and safeguarding ERA funds is critical.

[33]In October 2021, Treasury began collecting full quarterly data from grantees for the first three quarters of 2021. However, Treasury has not published these data, and many grantees experienced challenges meeting Treasury's reporting requirements and were provided exemptions that delayed their data reporting until early 2022.

Recommendation for Executive Action

The Secretary of the Treasury, in consultation with the Treasury Inspector General, should develop and implement procedures to monitor and evaluate ERA grantees' controls, including through the reallocation process. The monitoring procedures should include information on the minimum internal control systems expected for ERA grantees that rely on self-attestation and other administrative flexibilities that could increase risks of improper payments. (Recommendation 1)

Agency Comments and Our Evaluation

We provided a copy of this draft report to Treasury for review and comment. In its comments, reproduced in enclosure I, Treasury did not agree or disagree with our recommendation. Treasury said it planned to update its compliance testing procedures to include information on control systems expected for grantees that rely on administrative flexibilities, which generally aligns with our recommendation. We continue to emphasize the importance of monitoring and evaluating these controls and using that information to inform reallocation decisions.

Treasury restated that it should not be assumed that the administrative flexibilities increase fraud risks when grantees follow its requirement to employ additional validation and fraud-prevention procedures. Treasury also stated that it was not aware of existing evidence indicating that the administrative flexibilities created significant fraud risk, and that it was committed to ongoing monitoring of ERA grantees, with a focus on mitigating the most significant risks. However, as discussed in this report, we and other federal and local auditors have found that self-attestation—a key flexibility encouraged by Treasury—increases risks of noncompliance, improper payments, and fraud. Furthermore, Treasury has not yet assessed improper payment risks in the ERA program or the extent to which grantees have met its requirement to employ additional validation and fraud-prevention procedures. These steps are necessary for assessing risks to the ERA program and determining whether the additional control requirements have mitigated the inherent risks associated with self-attestation and other administrative flexibilities.

We are sending copies of this report to the appropriate congressional committees, the Secretary of the Treasury, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or GarciaDiazD@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report include Cory Marzullo (Assistant Director), Brandon Kruse (Analyst in Charge), Alicia Martinez, Marc Molino, Julia Robertson, Barbara Roesmann, Farrah Stone, and Sean Worobec.

Daniel Garcia-Diaz
Managing Director, Financial Markets and Community Investment

Enclosure

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Committee on Ways and Means
House of Representatives

Enclosure I: Comments from the Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

January 28, 2022

Daniel Garcia-Diaz
Managing Director, Financial Markets and Community Investment
Government Accountability Office
441 G St., NW
Washington, DC 20548

Dear Mr. Garcia-Diaz:

I write regarding the Government Accountability Office's (GAO) draft report entitled *Emergency Rental Assistance: Additional Grantee Monitoring Needed to Manage Known Risks* (Draft Report). The Draft Report examines the two Emergency Rental Assistance (ERA) programs created under the Consolidated Appropriations Act, 2021, and American Rescue Plan Act of 2021, with a focus on spending trends and the Department of the Treasury's (Treasury) monitoring of grantees' use of ERA funds.

Treasury has taken numerous steps to minimize the risk of fraud and improper payments in the ERA programs. In particular, as the Draft Report notes, Treasury requires ERA grantees using administrative flexibilities, such as self-attestation or fact-based proxies for certain eligibility criteria, to employ additional validation and fraud-prevention procedures. Therefore, it should not be assumed that these administrative flexibilities increase fraud risk where grantees are following Treasury's guidance. These types of administrative flexibilities can significantly improve the programs' ability to deliver much-needed assistance to the intended households, and Treasury is not aware of any existing evidence indicating that these ERA measures are creating significant fraud risk. Treasury is committed to ongoing monitoring of ERA grantees, with a focus on mitigating the most significant risks, and will assess the need for further action if appropriate.

The Draft Report recommends that Treasury develop and implement procedures to monitor and evaluate ERA grantees' programs and controls, and that these procedures include information on the minimum internal control systems expected for ERA grantees that rely on self-attestation and other administrative flexibilities. Treasury finalized robust post-award compliance monitoring procedures in mid-December, which include testing recipients' reports to validate the data they provide on use of funds, reallocations and other payments, as well as the number of households submitting applications for assistance as compared to those receiving ERA funds. Treasury plans to update the procedures to include information on control systems expected for grantees that rely on administrative flexibilities, as GAO recommends.

Thank you for the opportunity to review the Draft Report and for your consideration of our comments.

Enclosure I: Comments from the Department of the Treasury

Sincerely,

/s/ Jacob Leibenluft

Jacob Leibenluft
Chief Recovery Officer
U.S. Department of the Treasury

(105490)

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