



November 16, 2020

MEMORANDUM NO:
2021-LA-0801

Memorandum

TO: Matthew Ammon, Acting General Deputy Assistant Secretary, D
Melajo Kubacki, HUD CARES Act Compliance Response Team
Program Manager, FM

//SIGNED//

FROM: Tanya E. Schulze
Regional Inspector General for Audit, 9DGA

SUBJECT: Drawdown Levels for the Initial Round of CARES Act Emergency Solutions
Grants Were Minimal

INTRODUCTION

We conducted this limited review to identify the U.S. Department of Housing and Urban Development's (HUD) Coronavirus Aid, Relief, and Economic Security Act (CARES Act)¹ drawdown levels for the initial round of Emergency Solutions Grants (ESG) funding. In addition, we researched information published by grantees on how they have used and will use their funds.

SCOPE AND METHODOLOGY

Our review generally covered the period April 2020 to July 8, 2020. We conducted the review from June to July 2020. To accomplish our review, we identified a universe of 362 grantees with a combined total of \$1 billion for the initial allocation of ESG CARES Act funding announced on April 2, 2020. We checked ESG CARES Act grant obligation² and drawdown amounts in HUD's Integrated Disbursement and Information System (IDIS)³ for all 362 grantees on June 2 and July 1, 2020.

¹ Public Law No. 116-136

² Grant funds are obligated upon execution of the grant agreement between HUD and the grantee. The funds are then available for use by the grantee.

³ IDIS is a nationwide database that provides HUD with current information regarding the program activities underway across the Nation, including funding data. HUD uses this information to report to Congress and to monitor grantees. IDIS is the drawdown and reporting system for the five Office of Community Planning and Development formula grant programs, including but not limited to the ESG Program.

In addition, we reviewed the public facing websites⁴ of 36 sample grantees (or 10 percent of the total number of grantees) from June 22 to July 8, 2020, to identify information that grantees had published on how they have used and will use their grant funds. The initial allocation for the 36 sample grantees totaled more than \$119.7 million. The sample was selected as follows:

- As of June 2, 2020, we determined that 15 of the 362 grantees had uploaded⁵ their ESG CARES Act grant information in IDIS, which made their grant funds available for use. As a result, we included those 15 as part of our sample of 36.
- The remaining 21 grantees were selected based on a stratified nonstatistical sample broken down into the categories of large, medium, and small grantees, based on CARES Act funds received. We used random sampling to select seven grantees from each of the three categories.

This sampling method did not allow us to project to the universe, but was sufficient to meet the objective of our review. We relied on computer-processed data in HUD's IDIS. We performed adequate testing to find the data sufficiently reliable to meet our objective.

We conducted the review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective(s). We believe the evidence obtained provides a reasonable basis for our conclusions based on our objective.

In planning and performing our review, our objective was to highlight the grantees' (1) drawdown levels for the initial round of ESG CARES Act funding and (2) published information on how the funds have and will be used. Our objective was not to provide assurance of HUD's internal controls over grantees' drawdown levels of ESG CARES Act funds or information posted by its grantees. Therefore, we did not assess HUD's controls or express an opinion on them. We reviewed and compared the various information on HUD's and grantees' websites, published guidance, and information in HUD's systems, such as IDIS.

BACKGROUND

On March 27, 2020, the President signed the CARES Act into law to provide \$4 billion in homeless assistance grants to remain available until September 30, 2022, to prevent, prepare for, and respond to coronavirus among individuals and families who are homeless or receiving homeless assistance. In addition, the CARES Act provides support for other homeless assistance and homelessness prevention activities to mitigate the impacts created by coronavirus under the ESG Program as authorized under Subtitle B of Title IV of the McKinney-Vento Homeless Assistance Act.

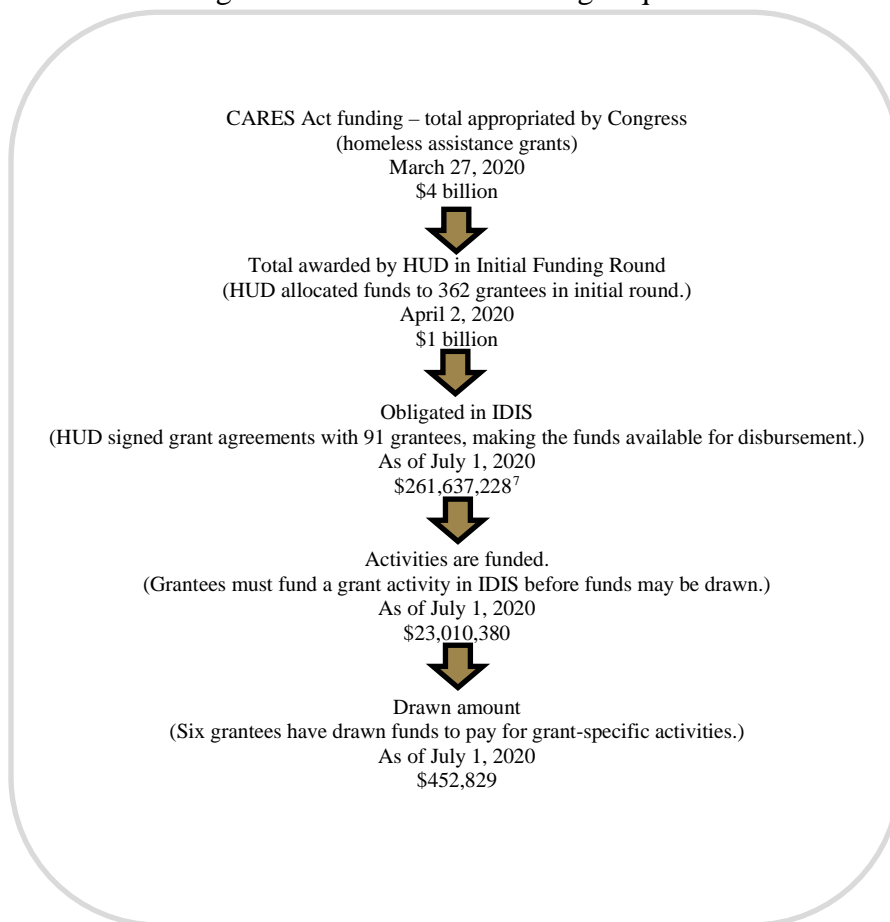
After the President signed the CARES Act, HUD Secretary Ben Carson directed HUD to immediately begin allocating \$3.064 billion to help America's low-income families and most

⁴ We did not follow up with grantees or HUD as this was only an informational review and not necessary to accomplish the review's objective.

⁵ The grant obligation amounts were entered into IDIS.

vulnerable citizens. Of the \$3.064 billion, \$1 billion⁶ was allocated under HUD’s ESG Program on April 2, 2020, to keep America’s homeless citizens safe by (1) building more emergency shelters for homeless individuals and families; (2) operating emergency shelters by providing maintenance, rent, repair, security, fuel, equipment, insurance, utilities, food, furnishings, and supplies necessary for the operation; (3) providing hotel and motel vouchers for homeless families or individuals; (4) providing essential services to people experiencing homelessness; and (5) preventing individuals from becoming homeless and rapidly rehousing homeless individuals. Please refer to figure 1 showing the process by which the CARES Act funding reaches the homeless population.

Figure 1: CARES Act Funding Sequence



The CARES Act specified that the use of amounts provided under the homeless assistance grants in this Act are not subject to the consultation, citizen participation, or match requirements that

⁶ This amount was distributed under 24 CFR (Code of Federal Regulations) 576.3 to grantees that received allocations under that same formula in fiscal year 2020, and the allocation was made within 30 days of enactment of the CARES Act. This initial allocation was awarded to grantees using HUD’s annual fiscal year 2020 ESG allocation methodology, as mandated by the CARES Act. HUD announced the remaining allocation of \$2.96 billion in ESG CARES Act funding on June 9, 2020.

⁷ An additional \$1.2 million in second round funding was obligated but not included in this total because it was outside our scope.

otherwise apply to the ESG Program, except that a recipient must publish how it has used and will use its allocation, at a minimum, on the internet at the appropriate government website or through other electronic media.⁸ On May 4, 2020, HUD issued a memorandum, entitled CARES Act Flexibilities for ESG and Housing Opportunities for Persons With Aids Funds Used To Support Coronavirus Response and Plan Amendment Waiver, which allowed ESG recipients to have the immediate ability to omit the citizen participation plan and consultation requirements for substantial amendments and new consolidated plan submissions for its ESG CARES Act funding.

RESULTS OF REVIEW

Our review determined that as of July 1, 2020, the ESG CARES Act drawdown levels for the initial round of funding of \$1 billion had been minimal. In addition, a majority of grantees in our sample had not elected to waive their citizen participation plans or indicated whether they would use their consultation waiver, and many had not published their planned uses of the funds.

Drawdown Levels for the Initial Round Had Been Minimal

As of July 1, 2020, of 362 grantees that received ESG CARES Act grant funds, only 6 grantees had drawn funding totaling \$452,829. On June 2, 2020, HUD's IDIS data identified that only one grantee had drawn down grant funds totaling \$103,501. Nearly a month later, on July 1, 2020, data showed that only five⁹ additional grantees had drawn an additional \$349,328.

Although drawdowns had been minimal, several grantees mentioned on their websites and in IDIS their plan to make retroactive draws, which is allowable. Specifically, the amounts of homeless assistance grants provided under the CARES Act may be used to cover or reimburse allowable costs to prevent, prepare for, and respond to coronavirus, which are incurred by a State or locality, including costs incurred before the date of enactment of the Act.

A Majority of Sample Grantees Had Not Omitted the Citizen Participation Plans and Had No Indication of Consultation Requirements

ESG grantees have the immediate ability to omit the citizen participation and consultation requirements for substantial amendments and new consolidated plan submissions for ESG CARES Act funding that otherwise apply to the ESG Program. Based on our sample of 36 grantees, we determined the following:

- 8 of the 36 grantees had not published information on their websites and had not uploaded their ESG CARES Act grants information in IDIS; therefore, we were unable to determine whether they took advantage of the waivers.
- 28 of the 36 grantees had published information on their websites or uploaded grants information in IDIS, and of those
 - 3 took advantage of the waiver and omitted citizen participation plans; however, those grantees had not drawn funds from IDIS. Two of the 3 also stated on their websites that they would use the consultation waiver.

⁸ CARES Act Title XII Department of Housing and Urban Development Homeless Assistance Grants

⁹ Overall, 4 of the 6 grantees with draws (1 initial + 5 additional) were part of our sample of 36.

- 20 reduced their regular 30-day comment period to 5 days, 4 of which drew funds from IDIS totaling \$314,196. None indicated if they used the consultation waiver.
- 1 reduced its 30-day comment period to 12 days, citing that it believed that reducing 30 days to 5 would make it challenging for the public to thoughtfully provide comments. The grantee had not drawn funds and did not indicate if it used the consultation waiver.
- 1 did not take advantage of the citizen participation waiver and had not drawn funds. It did not indicate if it used the consultation waiver.
- 3 did not indicate whether waivers were or will be used and had not drawn funds.

Please refer to table 2 at the end of this memorandum, summarizing use of waivers for citizen participation plans or consultation service requirements; ESG CARES Act plans or other related information published on grantee websites; ESG CARES Act grant funds obligated in IDIS as of July 1, 2020; and drawdown information as of July 1, 2020.

Many Grantees Had Not Yet Published¹⁰ on Their Websites How They Have Used and Will Use Their ESG CARES Act Funds

Of the 36 sampled grantees, 12 had not published information on their websites concerning how they have used and will use their grant funds. Those 12 grantees had a combined total of ESG CARES Act funds of more than \$19.3 million.

- 3 of the 12 grantees obligated their grant funds in IDIS in May 2020 and indicated on their websites that they would either waive or reduce their 30-day public comment period to 5 days.
- 9 of the 12 grantees had not published information on their websites or uploaded their ESG CARES Act grants information in IDIS. Although 1 of the 9 grantees did publish that it would reduce its comment period to 5 days, there was no information on how it would use its funds.

Four grantees in our sample of 36 had drawn down funds, and each had published information on their websites concerning how they have used and will use their grant funds. Please refer to table 2 at the end of this memorandum, summarizing information on which sample grantees published information and obligated ESG CARES Act funds in IDIS.

Grantees Indicated Plans for Their Use of ESG CARES Act Funding

Based on information on the grantee websites and in IDIS, we determined that 27¹¹ of our sample of 36 grantees will use funds for purposes including but not limited to the following:

- administrative costs
- emergency shelter services such as cleaning, operations, retrofit, and supplies
- homelessness prevention

¹⁰ Grantees’ websites were visited on specific dates during the period June 22 to July 8, 2020. As a result, the information obtained from the grantees’ websites represented only information reviewed on those dates.

¹¹ Twenty-four grantees had published information on their public websites. Three additional grantees had information in IDIS but not on their websites.

- rapid rehousing¹²

These planned uses by the 27 grantees appear to be allowable.¹³

We were unable to determine the planned use of ESG CARES Act grant funds for the remaining nine grantees because they had not published ESG CARES Act plans or information on their websites and had not uploaded their ESG CARES Act grants information in IDIS by the time of our review.

Data Between June 2 and July 1, 2020, Showed Minimal Drawdowns

As of July 1, 2020, there had been a significant amount of grant funds obligated; however, drawdown levels had been minimal. Please refer to the table below.

Table 1: Obligations, Drawdowns, and Commitments in IDIS

IDIS data	June 2, 2020	July 1, 2020	Difference
Number of grantees with obligation in IDIS	15	91	+76
Grant funds obligated in IDIS	\$61,244,703	\$261,637,228 ¹⁴	+\$200,392,525
Grant funds committed to activities in IDIS	Information was not available	\$23,010,380	Not applicable
Number of grantees that drew funds	1	6	+5
Number of draws	1	6	+5
Grant funds drawn	\$103,501	\$452,829	+\$349,328

CONCLUSION

As of July 1, 2020, the ESG CARES Act drawdown levels for the initial round of funding of \$1 billion had been minimal. Of the 362 grantees that received funding, only 6 grantees (less than 2 percent) had drawn funds totaling \$452,829 (less than one-tenth of a percent). In addition, only 3 of the 36 sample grantees had taken advantage of the waivers in eliminating their citizen participation plans or consultation requirements; however, they had not drawn any funds. Further, 12 of the 36 grantees had not published information on their websites regarding how they have used and will use their grant funds.

As a followup to this review, we plan to initiate more in-depth work related to the ESG CARES Act funding.

¹² Rapid re-housing rapidly connects families and individuals experiencing homelessness to permanent housing through a tailored package of assistance that may not include the use of time-limited financial assistance and targeted supportive services.

¹³ The listed activities were compared to those allowed under the CARES Act. However, we did not test or review them in detail.

¹⁴ An additional \$1.2 million in second round funding was obligated but not included in the total because it was outside our scope.



Table 2: Summary information for the 36 grantees selected for review

Sample number	Used waiver for citizen participation plan	Used waiver for consultation services	Published ESG-CARES Act plans or information on website	ESG-CARES Act grants obligated in IDIS as of July 1, 2020 ¹⁵	Amount of funds drawn as of July 1, 2020
1	No indication	No indication	Yes	No	\$ 0
2	Reduced to 5 days	No indication	Yes	No	0
3	Information not available	Information not available	No	No	0
4	Information not available	Information not available	No	No	0
5	Information not available	Information not available	No	No	0
6	Information not available	Information not available	No	No	0
7	Reduced to 5 days	No indication	Yes	No	0
8	No indication	No indication	Yes	No	0
9	Yes	Yes	Yes	Yes	0
10	Information not available	Information not available	No	No	0
11	Reduced to 5 days	No indication	Yes	No	0
12	Information not available	Information not available	No	No	0
13	Reduced to 5 days	No indication	Yes	No	0
14	No indication	No indication	Yes	No	0
15	Reduced to 5 days	No indication	No	No	0
16	Information not available	Information not available	No	No	0
17	Reduced to 5 days	No indication	Yes	Yes	0
18	Reduced to 5 days	No indication	Yes	No	0
19	Information not available	Information not available	No	No	0

¹⁵ Those grantees that had obligated their funds had obligated the entire amount awarded under the initial ESG CARES Act allocation.


Sample number	Used waiver for citizen participation plan	Used waiver for consultation services	Published ESG-CARES Act plans or information on website	ESG-CARES Act grants obligated in IDIS as of July 1, 2020 ¹⁵	Amount of funds drawn as of July 1, 2020
20	Reduced to 5 days	No indication	Yes	Yes	0
21	Reduced to 5 days	No indication	Yes	Yes	0
22	Reduced to 5 days	No indication	Yes	Yes	0
23	Reduced to 5 days	No indication	Yes	Yes	49,490
24	Reduced to 5 days	No indication	No	Yes	0
25	Reduced to 5 days	No indication	Yes	Yes	0
26	Reduced to 12 days	No indication	Yes	Yes	0
27	Reduced to 5 days	No indication	Yes	Yes	95,281
28	Reduced to 5 days	No indication	Yes	Yes	1,413
29	Reduced to 5 days	No indication	Yes	Yes	0
30	Reduced to 5 days	No indication	Yes	Yes	0
31	Yes	Yes	No	Yes	0
32	Reduced to 5 days	No indication	No	Yes	0
33	Reduced to 5 days	No indication	Yes	Yes	0
34	Yes	No indication	Yes	Yes	0
35	No	No indication	Yes	Yes	0
36	Reduced to 5 days	No indication	Yes	Yes	168,012
Sample total					314,196

Appendix A

Auditee Comments and OIG's Evaluation


Ref to OIG Evaluation

Auditee Comments


OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

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

MEMORADUM FOR: Tanya E. Schulze, Regional Inspector General for Audit, 9DGA

FROM: Matthew Ammon, Acting General Deputy Assistant Secretary,  Digitally signed by MATTHEW AMMON Date: 2020.10.14 13:09:20 -0500

SUBJECT: HUD Response to Draft ESG CARES Act Drawdown Levels Audit Memorandum

Dear Ms. Schulze,

Thank you for allowing the Department of Housing and Urban Development (HUD) the opportunity to respond to the Office of Inspector General (OIG) *Emergency Solutions Grants (ESG) CARES Act Drawdown Level Audit Memorandum*. HUD continues to be committed to fulfilling its mission to create strong, sustainable, inclusive communities and quality affordable homes for American families and individuals; while also responding to the impacts of COVID-19 on households and families.

While OIG's review is helpful in providing a snapshot of what a small subset of grantees have accomplished to date, the sample is random and may not be reflective of the full population. HUD, OIG and Congress could not review the conclusions and trends, except for the automated drawdown data taken from the Integrated Disbursement and Information System (IDIS), and make solid assertions regarding the level of work that has been conducted by ESG grantees, especially considering that ESG grantees can make retroactive draws.

The ESG program has a \$4 billion budget and has outlaid \$10M as of 9/24/2020, while Community Planning and Development (CPD) has \$9 billion associated with CARES Act Funding budgeted and has outlaid \$65M during that same time frame. Due to the forbearance and eviction protections that are in place through this year, these funds have largely not been necessary to disburse, but eviction initiations will likely cause a spike in the disbursements of these funds. HUD's Planned Use of CARES Act Funding posted on the website stated, "the funds will also provide resources to housing programs that will most certainly see an increase in requests for assistance because of the economic downturn created by the pandemic response. Providers will use these funds to prevent individuals and families from becoming homeless."

The funding for CPD has a long period of availability that can range from 3 to 6 years for different accounts. Our funds for ESG are available for 3 years so grantees tend to be somewhat strategic in how they use funds for the same purpose with differing expiration dates. In addition, Funding notices were not published for CARES Act ESG funds until September 1, 2020. Many grantees wait to write a plan until they see HUD's notice that details plan requirements. Because grantees can be reimbursed for funds they have spent through the beginning of this pandemic, there might not be much of a sense of urgency in submitting smaller amounts for reimbursement now. After grantees have had the chance review the notice then HUD will likely see larger reimbursement requests from grantees in the coming

www.hud.gov espano@hud.gov

Comment 1

Comment 2

Comment 3

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

2

months.

HUD is committed to protecting families during the pandemic of COVID-19 and will continue to monitor the progress of ESG funds.

Again, thank you for the opportunity to review this Audit Memorandum.

Sincerely,

Matthew Ammon
Acting General Deputy Assistant Secretary

Cc:

Melajo Kubacki, Assistant Chief Financial Officer for Financial Management, OCFO
Lori Michalski, Deputy Assistant Secretary for Operations, DO
Norman Suchar, Director, Office of Special Needs Assistance Programs, DNS
Tonya Proctor, Deputy Director, Office of Special Needs Assistance Programs, DNS
Shannon Steinbauer, Director, Audit-Liaison Division, FMA
Aaron Taylor, Management and Program Analyst, DOP
Monica Wallace, Management and Program Analyst, DOP
John Rabil, OCFO Senior Advisor
Larry Koskinen, Chief Risk Officer
Sairah Ijaz, Assistant CFO, Systems
Irving Dennis, Chief Financial Officer
Brian Montgomery, Deputy Secretary
George Tomchick, Deputy Chief Financial Officer
Michael Williams OGC
Kilah White, Assistant Inspector General for Audit, GA
Kimberly Randall, Deputy Assistant Inspector General for Evaluations, GAH
Brian Pattison, Assistant Inspector General for Evaluations, GAH
Charles Jones, Special Assistant to the IG for External Affairs, G
Stephen Begg, Deputy Inspector General, G

OIG Evaluation of Auditee Comments

Comment 1 Our review of the obligation and drawdown information in IDIS covered all 362 grantees in the initial round of funding. As discussed in the Scope and Methodology, our audit sample of grantees' websites was only partially random. We selected all 15 that had obligated their ESG CARES Act grant funds as of June 2, 2020. We also selected the remaining 21 through a stratified random sample of those that had not yet obligated or drawn funds. We agree the overall website sample was not statistical and therefore cannot be projected to the rest of the grantees in the universe; however, it did include a cross section of grantees of varying award levels from locations across the nation.

This was a limited review to identify the drawdown levels for the initial round of ESG CARES Act funding and associated information on a sample of grantee websites. It was not part of our objective to assess trends or the level of work that had been conducted by ESG CARES Act grantees; however, we agree that grantees can make retroactive draws, which some grantees identified plans to do on their websites and in IDIS.

Comment 2 We acknowledge that there have been additional drawdowns after our audit period ended on July 1, 2020. As of October 13, 2020, IDIS showed that the ESG CARES Act drawn amount increased to \$19.5 million, which represents about .005 percent of total awards to date.¹⁶ As this was a limited review, determining the reasons for the minimal drawdown levels or the potential future needs of the program was outside our audit scope. Nevertheless, we acknowledge that the drawdown rate will likely ebb and flow for the remainder of the availability of the awarded funds.

Comment 3 We acknowledge that ESG CARES Act funds are available for 3 years and that funding notice(s) were published after the end of our audit period. We agree grantees can make retroactive draws and have noted in our audit memorandum that several grantees mentioned plans to do so on their websites and in IDIS. However, determining the reasons grantees may have been waiting to draw funds was outside the scope of this review.

¹⁶ This amount is applicable to both rounds of ESG CARES Act awards. The second round increased the total ESG CARES Act awards to \$3.96 billion. The total draws of \$19.5 million as of October 13, 2020, are therefore approximately one-half of 1 percent (or .005 percent) of the total awards.