

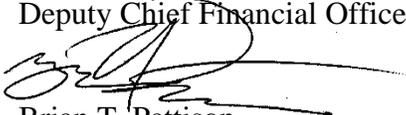
# MEMORANDUM

April 26, 2021



U.S. DEPARTMENT  
OF HOUSING  
AND URBAN  
DEVELOPMENT

To: George J. Tomchick III  
Deputy Chief Financial Officer, Office of the Chief Financial Officer (OCFO), F

From:   
Brian T. Pattison  
Assistant Inspector General for Evaluation, Office of Inspector General, G

Subject: Final Report - Assessment of the U.S. Department of Housing and Urban Development's Use of, Accounting for, and Reporting on Coronavirus Aid, Relief, and Economic Security Act Funding, 2021-OE-0006

Please see the attached final report on our evaluation of the U.S. Department of Housing and Urban Development's use of, accounting for, and reporting on Coronavirus Aid, Relief, and Economic Security Act funding. We do not offer any recommendations in this report. The report will be posted to our website within 3 days.

I greatly appreciate the assistance you and your staff provided throughout the evaluation. Please feel free to contact Paul Bergstrand, Director of the Program Evaluations Division, at 202-440-1275 or [PBergstrand@hudoig.gov](mailto:PBergstrand@hudoig.gov) with any questions.

Attachment

cc:  
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**U.S. Department of Housing and Urban Development**

**Office of Inspector General**  
**Office of Evaluation**



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

Program Evaluations Division



# Executive Summary

## HUD's Use of, Accounting for, and Reporting on of CARES Act Funding

Report Number: 2021-OE-0006

April 26, 2021

### Why We Did This Evaluation

In March 2020, the U.S. Department of Housing and Urban Development (HUD) received \$12.4 billion as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). As part of the annual appropriation process, the U.S. House of Representatives' Subcommittee on Transportation, Housing, and Urban Development asked us to assess HUD's use of, accounting for, and reporting on of CARES Act funding.

HUD's CARES Act funds have various expiration dates. More than \$9.8 billion in funds expires on or before September 30, 2022. To balance speed with transparency, HUD must disburse these CARES Act funds, which meet crucial needs, in a timely manner; follow CARES Act reporting requirements; and take steps to ensure payment integrity.

We also use this report to describe published and ongoing reviews related to our oversight of the CARES Act.

As of March 31, 2021, HUD had disbursed \$3.4 billion and obligated \$7.4 billion of its \$12.4 billion in CARES Act funds. Meanwhile, HUD has more than \$1.6 billion in CARES Act funds unobligated. These funds have various expiration dates. For example, HUD has until September 30, 2021, to obligate \$28 million of the remaining management and administration CARES Act funds and until September 30, 2022, to obligate more than \$1.3 billion of the remaining Office of Community Planning and Development's CARES Act funds. If HUD is unable to obligate funds properly before its appropriations expire, it may have balances canceled and returned to the General Fund when the expired account(s) closes.

HUD tracks all CARES Act funding in its financial systems using disaster emergency fund codes (DEFC) "N" and "O" assigned by the Office of Management and Budget and the U.S. Department of the Treasury. HUD incorporates these DEFCs into the fund code for each program, which allows HUD to track the status of each program's CARES Act funds. Regarding the CARES Act requirement for preventing duplication of benefits, the Act does not specify a structure for meeting this requirement. According to HUD, it passed on the responsibility to prevent the duplication of benefits to Community Development Block Grant-CARES Act grantees.

HUD's reporting process generally supports CARES Act reporting requirements, which are outlined in Section 15011 of the CARES Act. By leveraging existing reporting mechanisms, HUD has established a process to meet portions of its Pandemic Response Accountability Committee (PRAC) quarterly reporting requirement on behalf of covered recipients. However, HUD's process does not support reporting quarterly on the estimated number of jobs created or retained or on subrecipient data, as required for covered recipients in the CARES Act. Further, unclear reporting requirements and the required reporting schedule pose challenges to HUD's quarterly reporting to the PRAC.

As of March 31, 2021, HUD's Office of Inspector General (OIG) had undertaken 26 reviews related to the CARES Act, of which one report offers a recommendation on CARES Act-related accounting. HUD OIG has published two other reports highlighting the need for customer service-related improvements. HUD OIG has several ongoing reviews and continues to perform oversight work related to the CARES Act.

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# Introduction

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## Objectives

Our objective was to assess the U.S. Department of Housing and Urban Development's (HUD)

- use of Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding,
- accounting for CARES Act funding, and
- reporting on CARES Act funding.

For the purposes of this assessment, we avoided duplicating the work of HUD's annual consolidated financial statement audit by defining "accounting" as synonymous with "tracking." The scope of the annual consolidated financial statement audit covers a review of HUD's accounting for all of HUD's funding, including CARES Act funds within the framework of generally accepted accounting principles (GAAP).

## Background

### **In Response to the Coronavirus Pandemic, the CARES Act Provided Unprecedented Funding**

On March 11, 2020, the World Health Organization categorized the global outbreak of the coronavirus disease 2019 (COVID-19) as a pandemic, expressing concern over the alarming levels of spread and severity. On March 13, 2020, President Donald Trump declared a nationwide emergency to increase Federal support for the ongoing COVID-19 pandemic response. By March 23, 2020, more than 90 percent of the American population was affected by school closures and restrictions on restaurants, stores, bars, and other places of business. Many businesses were closed due to social distancing measures designed to stop the spread of the virus.

On March 27, 2020, the CARES Act became effective. Unprecedented in size and scope, the legislation was the largest economic stimulus package in American history. The CARES Act provided \$2.2 trillion to stimulate the economy and to support distressed businesses and individuals in response to the COVID-19 pandemic.

### **HUD Programs and Activities Received CARES Act Funding and Require Oversight**

HUD received \$12.4 billion in CARES Act funds with various expiration dates. The CARES Act appropriated \$9.1 billion to HUD's Office of Community Planning and Development (CPD), specifically for CPD's Community Development Block Grant (CDBG), Homeless Assistance grants, and Housing Opportunities for Persons With AIDS programs. HUD's Office of Public and Indian Housing (PIH) received \$2.2 billion for its Tenant-Based Rental Assistance, Public Housing Operating Fund, and Native American programs. The Office of Housing (Housing) received \$1.1 billion for Project-Based Rental Assistance, housing of the elderly, and housing for persons with disabilities. The CARES Act appropriated \$2.5 million to the Office of Fair Housing and Equal Opportunity (FHEO). HUD also received \$50 million for management and

administration activities to prevent, prepare for, and respond to COVID-19. The Office of Inspector General (OIG) received \$5 million to prevent, prepare for, and respond to COVID-19, including conducting reviews<sup>1</sup> of HUD projects and activities carried out with CARES Act funds.

Most of HUD's CARES Act funds are for grant programs. HUD **obligates** funds when it promises to spend money, such as when HUD enters into a grant agreement, but HUD, the grantee, or the recipient has not yet spent the funds. When HUD, the grantee, or the recipient spends the funds, the funds are considered **disbursed**. When HUD has not promised funds because a binding mechanism, such as a grant agreement or contract is not in place, funds are considered **unobligated**. Grantees or recipients do not have the ability to spend unobligated funds.

The CARES Act contains multiple provisions for the funds, which apply to HUD and other Federal entities. First, the CARES Act established the Pandemic Response Accountability Committee (PRAC) to promote transparency and oversight of covered funds.<sup>2</sup> Second, Section 15011 of the CARES Act describes reporting requirements on the use of CARES Act funds. Third, the CARES Act provided protections against eviction and a mortgage forbearance option to borrowers with a federally backed mortgage who were experiencing financial hardship due to the COVID-19 pandemic.

### **OMB Issued Implementing Guidance for Overseeing CARES Act Funds**

On April 10, 2020, the Office of Management and Budget (OMB) issued a memorandum, M-20-21,<sup>3</sup> to provide implementing guidance that promotes spending transparency and regular reporting for supplemental funding provided in response to the COVID-19 pandemic. The guidance stated that agencies should use disaster emergency fund codes (DEFC) for COVID-19 supplemental funding. It also allowed agencies and recipients to meet CARES Act reporting requirements by using, with minimal modifications, existing reporting requirements within agency financial systems and existing reporting processes under the Digital Accountability and Transparency Act (DATA Act).<sup>4</sup> M-20-21 notes that agencies and recipients are not expected to perform additional reporting to meet the requirements of the CARES Act.

## **Scope and Methodology**

We completed this evaluation under the authority of the Inspector General Act of 1978 as amended and in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency (January 2012).

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<sup>1</sup> Reviews may refer to audits, evaluations, or other written work products.

<sup>2</sup> The PRAC was established as a committee of the Council of the Inspectors General on Integrity and Efficiency. HUD OIG participates as a member of the PRAC.

<sup>3</sup> Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19)

<sup>4</sup> The DATA Act amends the Federal Funding and Transparency Act.

## Scope

We conducted this evaluation from January to April 2021. The scope of this evaluation included programmatic activities occurring between March 2020 and March 2021 within the Office of the Chief Financial Officer (OCFO) and HUD program offices that received CARES Act funding.<sup>5</sup>

Although HUD OIG also received CARES Act funding, assessing HUD OIG's use of, accounting for, and reporting on CARES Act funding was not within the scope of this evaluation. Instead, we examined what CARES Act-related work HUD OIG had published or had ongoing as of March 31, 2021. We did not include HUD OIG work that was still in the planning or research stage or any reviews undertaken by HUD OIG's Office of Investigation.

This report does not address HUD's accounting for CARES Act funds within the framework of GAAP. The scope of HUD's annual consolidated financial statement audit covers a review of HUD's accounting for all of HUD's funding, including CARES Act funds. We also did not assess the quality of HUD's CARES Act reporting. DATA Act reporting is being leveraged to meet CARES Act reporting requirements. An ongoing HUD OIG audit will review HUD's compliance with DATA Act requirements.<sup>6</sup>

## Methodology

To assess HUD's use of CARES Act funding, we gathered data on HUD's spending and its status of funds from HUD's General Ledger system.<sup>7</sup> We associated the funding data with HUD's programs and used General Ledger codes to identify the status of those funds. We calculated the unobligated, obligated, and disbursed<sup>8</sup> funds by program. Disbursed funds represent the amount paid to liquidate an obligation, an expenditure, or the actual spending of money. Obligated funds represent the amount the Government has a legal liability to pay because an obligation was incurred through a mechanism, such as a contract or grant but payment has not been made. Unobligated funds represent the amount that has not yet been obligated and is, therefore, available for obligation. We validated our calculations against amounts reported directly by HUD.

Our assessment of HUD's use of CARES Act funding also considers requirements outlined in the CARES Act for preventing the duplication of benefits for Community Development Block Grant – CARES Act (CDBG-CV) funds. The CARES Act specifically states that HUD's Secretary must "ensure there are adequate procedures in place to prevent any duplication of benefits" for CDBG-CV funds. We contacted CPD program staff and reviewed documents to identify how HUD was meeting this requirement.

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<sup>5</sup> Funds from the American Rescue Plan Act of 2021 were outside of our scope.

<sup>6</sup> In March 2021, HUD OIG announced an ongoing audit of HUD's compliance with the DATA Act as it related to HUD's program funds and CARES Act funds.

<sup>7</sup> The U.S. Department of the Treasury's (Treasury) Oracle Federal Financials is HUD's General Ledger system.

<sup>8</sup> While the amount of funds disbursed indicates how much funding has been spent, the extent to which recipients and grantees are following HUD's disbursement policy was outside of our scope.

To assess HUD's accounting and reporting of CARES Act funding, we reviewed and summarized the CARES Act accounting and reporting requirements outlined in

- the CARES Act,
- OMB memorandum M-18-08,
- OMB memorandum M-20-21, and
- the DATA Act.

We also reviewed publications from the Treasury and other Government agencies to understand Government financial terms and systems. We met with HUD staff members and contractors most familiar with tracking and reporting on CARES Act funds to understand how they were meeting CARES Act accounting and reporting requirements.

To assess HUD OIG's oversight work related to the CARES Act, we collected, combined, and summarized data from HUD OIG components. We reviewed each oversight review's objectives and published recommendations, as applicable, and then categorized the reviews based on their status and relationship to the CARES Act.

### **Limitations**

We had no limitations associated with this evaluation.

## Findings

### As of March 31, 2021, HUD Had Disbursed More Than \$3.4 Billion of Its CARES Act Funds

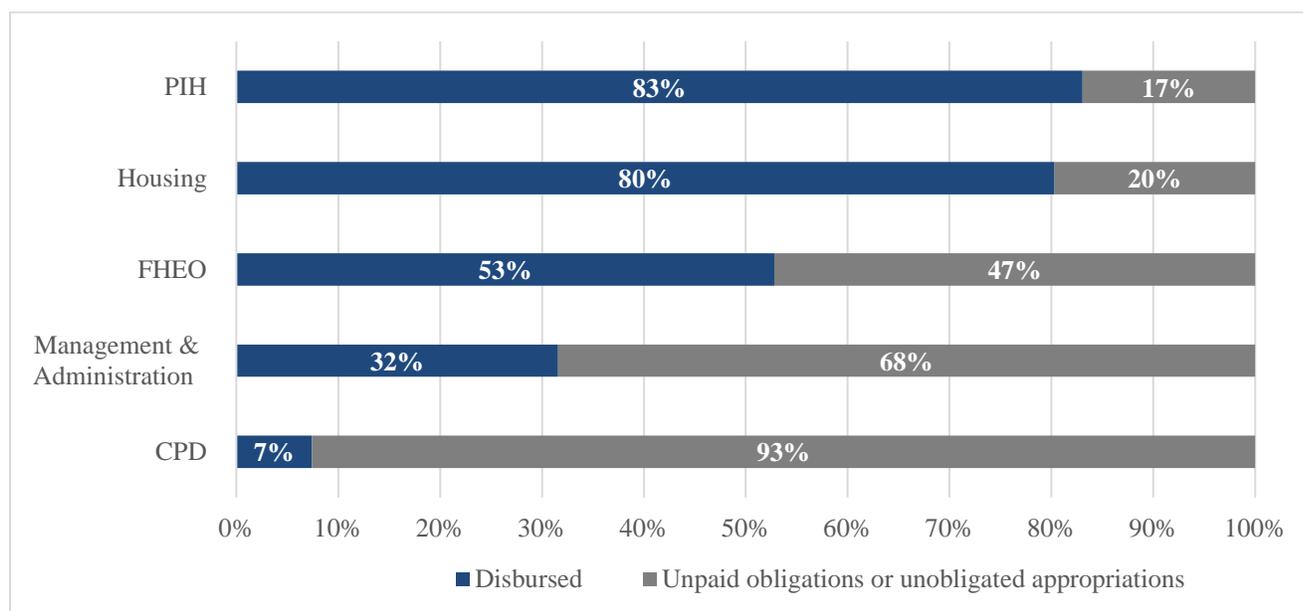
In about a year, HUD has disbursed or obligated more than \$10.7 billion of its \$12.4 billion in CARES Act funds. Specifically, as of March 31, 2021, HUD had disbursed \$3.4 billion, or 27 percent, of its CARES Act funds and obligated \$7.4 billion, or an additional 60 percent. As of March 31, 2021, \$1.6 billion, or 13 percent, of HUD's CARES Act funds remained unobligated. Table 1 below summarizes the status of HUD's CARES Act funds by program.

**Table 1 – Status of HUD's CARES Act funds by program, as of March 31, 2021, reported in thousands**

Program	Appropriation	Expires (MM/YY)	Unobligated	Obligated	Disbursed
<b>CPD</b>					
Community Development Fund	\$ 5,000,000	09/22	\$ 1,144,009	\$ 3,412,304	\$ 443,687
Homeless Assistance grants	4,000,000	09/22	249,562	3,535,544	214,894
Housing Opportunities for Persons With AIDS (formula)	55,000	09/21	380	42,776	11,844
Housing Opportunities for Persons With AIDS (competitive)	10,000	09/22	383	7,585	2,032
<b>PIH</b>					
Tenant-Based Rental Assistance	1,250,000	-	0	5,100	1,244,900
Public Housing Operating Fund	685,000	09/21	0	196,966	488,034
Native American Programs	300,000	09/24	2,056	174,477	123,467
<b>Housing</b>					
Project-Based Rental Assistance	1,000,000	-	166,372	7,296	826,332
Housing for the Elderly	50,000	09/23	23,776	2,945	23,279
Housing for Persons With Disabilities	15,000	09/23	9,439	36	5,525
<b>Management and Administration</b>					
Administrative support offices	35,000	09/21	14,571	5,708	14,721
Program offices <sup>9</sup>	15,000	09/21	13,775	163	1,062
<b>FHEO</b>					
FHEO	2,500	09/21	11	1,169	1,320
<b>Total</b>	<b>12,417,500</b>	<b>Various</b>	<b>1,624,334</b>	<b>7,392,069</b>	<b>3,401,097</b>

As stated earlier, HUD had disbursed \$3.4 billion, or 27 percent, of its CARES Act funds as of March 31, 2021. Meanwhile, HUD has \$9 billion, or 73 percent, in CARES Act funds left to spend, meaning that funds are either unobligated or HUD has unpaid obligations. Figure 1 summarizes HUD's spending progress by program office.

<sup>9</sup> The CARES Act appropriated "an additional amount for 'Program Offices,' \$15,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus." The CARES Act and OCFO have both grouped this category of funding under HUD management and administration.

**Figure 1 – HUD’s spending progress as of March 31, 2021, by program office**

While figure 1 shows that 93 percent of CPD’s CARES Act funds have not been disbursed, CPD has obligated more than \$6.9 billion, or 77 percent, of its CARES Act funds as shown in table 1. This means that CPD has promised to pay more than \$6.9 billion because an obligation was incurred through a mechanism, such as a grant, but drawdowns have not been made.

### **HUD’s CARES Act Funds’ Unobligated Balances Have Various Expiration Dates**

Several of HUD’s CARES Act funds have expiration dates that are approaching in 2021 or 2022. Overall, HUD has more than \$792 million in CARES Act funds that expire on September 30, 2021, of which more than \$28 million, or 4 percent, remained unobligated as of March 31, 2021. Of the funds that expire in September 30, 2021, HUD received \$50 million for management and administration. As of March 31, 2021, \$28 million, or 57 percent, of those management and administration funds remained unobligated. For funds expiring in fiscal year 2022, HUD has until September 30, 2022, to obligate more than \$1.3 billion, or 15 percent, of CPD’s CARES Act funds. See table 1 for a list of the expiration dates for all CARES Act funds by program.

If HUD is unable to obligate funds before they expire, it may have balances canceled and returned to the General Fund when the expired account(s) closes. Returned funds are no longer available for any purpose.

### **According to HUD, It Has Passed on the Responsibility To Prevent the Duplication of Benefits to CDBG-CV Grantees**

The CARES Act provided \$5 billion for the CDBG program and required HUD’s Secretary to “ensure there are adequate procedures in place to prevent any duplication of benefits” for the use

of CDBG-CV<sup>10</sup> funds. The CARES Act does not specify how HUD should meet this requirement. According to HUD, it has passed on the responsibility to prevent the duplication of benefits to CDBG-CV grantees. A duplication of benefits occurs when a person, household, business, government, or other entity receives financial assistance from multiple Federal sources for the same purpose and the total assistance exceeds the total need for assistance.

According to CDBG-CV Federal Register Notice, FR-6218-N-01, CDBG-CV grantees must establish policies and procedures for conducting duplication of benefits analyses to determine their total need for assistance and document<sup>11</sup> their compliance.<sup>12</sup> In addition, any person or entity, including subrecipients and direct beneficiaries, receiving CDBG-CV funds must agree to repay any duplicative assistance received.

CPD administers the CDBG-CV program. To assist CDBG-CV grantees, HUD provides resources related to preventing the duplication of benefits on its official website. These resources include the following four documents:

- CDBG-CV Duplication of Benefits Quick Guide
- CPD memorandum, CDBG Coronavirus Response Grantee Resources Related to Preventing Duplication of Benefits
- Summary of Primary CDBG Activity Categories To Support Coronavirus
- CARES Act Programs Through the Small Business Administration, Federal Emergency Management Agency, Internal Revenue Service, Treasury, U.S. Department of Agriculture, and the U.S. Department of Health and Human Services for CDBG Grantee Awareness for Duplication of Benefits

In addition to the resources provided on HUD's website, CPD provided training on preventing duplication of benefits to CPD staff and CDBG-CV grantees and subrecipients. On August 5, 2020, CPD staff were provided with a webinar, entitled "Duplication of Benefits Basics," on preventing duplication of benefits for CDBG-CV. On August 20, 2020, HUD provided CDBG-CV grantees and subrecipients with a webinar on the requirements outlined in the CDBG-CV Federal Register Notice, FR-6218-N-01. As of February 22, 2021, CPD indicated that there was no additional upcoming training on preventing duplication of benefits for CDBG-CV.

As of March 9, 2021, CPD indicated that it was developing a CARES Act monitoring document for its staff, which will include a review of grantees' policies and procedures to prevent the duplication of benefits.

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<sup>10</sup> CDBG-CV provides grants to States, insular areas, and local governments to prevent, prepare for, and respond to the spread of COVID-19.

<sup>11</sup> To analyze the total need for assistance, a grantee should complete the following steps: (1) determine the total amount of need (in other words, the total cost) for an activity, (2) determine the amount of assistance already provided by adding the assistance that the grantee already received and will receive from all sources to pay for the same activity, and (3) determine the unmet need by calculating the difference between the amount of assistance already provided and the amount of need, and (4) document the analysis.

<sup>12</sup> Effective August 7, 2020, this notice describes the requirements applicable to CDBG-CV funds and annual formula CDBG grants awarded in fiscal years 2019 and 2020. This notice also describes conforming waivers and alternative requirements for other formula programs included in the consolidated planning regulations in 24 CFR (Code of Federal Regulations) part 91.

## HUD Tracks CARES Act Funding Using DEFC “N” and “O”

HUD tracks all CARES Act funding in its financial systems using DEFC “N” and “O” assigned by OMB and Treasury.<sup>13</sup> On April 10, 2020, OMB issued a memorandum, M-20-21, which assigned DEFC “N” to track emergency CARES Act funding and DEFC “O” to track nonemergency CARES Act funding. Effective for the June 2020 financial reporting period, OMB required Federal agencies to report financial and award data using DEFCs “N,” “O,” “L,” and “M” to USASpending.gov through a web-based application known as the DATA Act Broker submission.<sup>14</sup> HUD incorporates these DEFCs into the fund code for each program, which allows it to track the status of each program’s CARES Act funds. Table 2 below summarizes the descriptions and applications of these DEFC values.

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HUD uses DEFC “N” and “O” to track CARES Act funding. OMB assigned DEFC “N” to CARES Act funding designated as emergency and DEFC “O” to CARES Act funding designated as nonemergency.

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**Table 2 – DEFC values, descriptions, and applications**

DEFC value	Description	Application
DEFC “N”	CARES Act funding designated as emergency	Existing reporting requirement for accounts designated as emergency
DEFC “O”	CARES Act funding not designated as emergency	Most accounts that received nonemergency funding in the CARES Act
DEFC “L”	Public Law 116-123, <sup>15</sup> designated as emergency	Existing reporting requirement for accounts designated as emergency
DEFC “M”	Public Law 116-127, <sup>16</sup> designated as emergency	Existing reporting requirement for accounts designated as emergency

HUD officials told us that tracking CARES Act funding using DEFCs is not challenging because HUD’s usual practice includes establishing DEFCs and executing funds within its financial systems. When HUD receives funding, it establishes fund codes, including DEFCs, in its General Ledger, Treasury’s Oracle Federal Financials. Along with other funds, CARES Act funds then flow through existing Treasury and HUD financial systems. To track CARES Act funding, one can use a DEFC to filter the CARES Act-related financial data. Please see appendix A for a detailed description of HUD’s financial process and systems.

<sup>13</sup> OMB and Treasury identify DEFCs to track funds classified as disaster or emergency.

<sup>14</sup> Agencies use the DATA Act Broker to securely upload, validate, and certify financial data.

<sup>15</sup> The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020

<sup>16</sup> The Families First Coronavirus Response Act

## Except for a Few Challenges, HUD's Process for Reporting Generally Supports CARES Act Reporting Requirements

As directed by OMB's implementing guidance (M-20-21), HUD is using its DATA Act reporting process to meet many of the requirements established in Section 15011 of the CARES Act. Section 15011 of the CARES Act outlines reporting requirements. Section 15011 requires

- monthly reporting on obligations or expenditures of large covered funds,<sup>17</sup>
- a plan describing how HUD will use the covered funds,<sup>18</sup>
- quarterly reporting by covered recipients to the PRAC,<sup>19</sup> and
- making information reported publicly available.<sup>20</sup>

HUD's process for CARES Act reporting generally supports these requirements. DATA Act reporting for CARES Act funding has changed from quarterly to monthly. To meet the monthly reporting requirement, HUD prepares DATA Act Broker submissions.<sup>21</sup> These submissions include data on financial awards, including obligations and expenditures made using CARES Act emergency appropriations tracked with a DEFC "N." HUD personnel said the increased reporting frequency has been "time intensive."

In June 2020, HUD published an agency plan for using covered funds.<sup>22</sup> HUD has also made its data publicly available on both the PRAC's oversight website and USASpending.gov.

HUD has established a process on behalf of covered recipients to meet portions of the quarterly reporting requirement. HUD has submitted quarterly reports to the PRAC by leveraging reporting currently conducted to meet requirements under the DATA Act. However, HUD's current process does not support quarterly PRAC reporting for covered recipients on

- the estimated number of jobs created or retained by the project or activity<sup>23</sup> or
- subrecipient data.<sup>24</sup>

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HUD's current processes do not support quarterly PRAC reporting for covered recipients on

- the estimated number of jobs created or retained by the project or
  - subrecipient data.
- 

While HUD's process does not support these reporting requirements, M-20-21 notes that agencies and recipients are not expected to perform additional reporting to meet the requirements of the CARES Act. Despite the flexibility that M-20-21 offers, new processes are needed for HUD's CARES Act reporting and there have been delays in developing the portal for recipient

<sup>17</sup> Section 15011(b)(1)(A)

<sup>18</sup> Section 15011(b)(1)(B)

<sup>19</sup> Section 15011(b)(2)

<sup>20</sup> Section 15011(b)(3)

<sup>21</sup> The quality of HUD's DATA Act Broker submissions was not in the scope of this review. An ongoing HUD OIG audit will review HUD's compliance with DATA Act requirements.

<sup>22</sup> OCFO, Planned Use of CARES Act Funding, June 2020

<sup>23</sup> Section 15011(b)(2)(C)(iii)

<sup>24</sup> Section 15011(b)(2)(D)

reporting. For example, HUD personnel told us that the Office of Native American Programs' existing procedures for tracking funding are conducted through annual performance reports, while Section 15011 of the CARES Act requires this information to be provided quarterly. Accordingly, the Office of Native American Programs has been working with OCFO and the Office of Chief Information Officer to develop a portal in which CARES funding recipients can provide quarterly reports.

Additionally, the PRAC identified gaps with using USASpending.gov to meet CARES Act reporting requirements in its report entitled "Transparency in Pandemic-Related Federal Spending: Report of Alignment and Gaps."<sup>25</sup> For example, the report specifically identified reporting gaps related to job creation and subrecipient funding use data. It offered policy options<sup>26</sup> to resolve those gaps, and we echo the need to ensure that (1) reporting processes and systems collect all data required by the CARES Act, and (2) adequate guidance and structure are provided for agencies and recipients to meet requirements successfully.

Further, unclear reporting requirements and the required reporting schedule pose challenges to HUD's quarterly reporting to the PRAC. HUD personnel said that PRAC quarterly reporting requirements related to the data elements required for reporting are unclear. While HUD has submitted quarterly reports to the PRAC, HUD personnel told us that the reports rely on preliminary data because the PRAC reporting schedule does not align with the existing financial reporting schedule. HUD reports corrections to its preliminary data in the following quarterly report, after the financial data have been reconciled.<sup>27</sup>

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<sup>25</sup> 99-D-00005/PRAC-20-A-0002, November 19, 2020

<sup>26</sup> The report offers three alternative scenarios to address the gaps. The first alternative is continuing the status quo. The second alternative is policy and system changes that require a low-level of effort, and the third alternative is complex policy and system changes. These policy options were not directed to HUD specifically.

<sup>27</sup> According to HUD, all Federal agencies must complete a monthly closure and data transfer process before starting any external reporting activities. The monthly closeout and data transfer process typically runs through the sixth business day after the end of the previous month. The deadline to submit the report to the PRAC is 10 calendar days after the last month of each quarter, leaving HUD 3 to 4 days to prepare and submit the report. HUD personnel said that the current report deadline does not provide HUD with enough time to prepare a report for the PRAC.

## Agency Comments and OIG Response

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We requested comments on our draft report from agency officials. They provided technical comments, some of which we incorporated into the report, but they did not provide formal comments.

# Appendixes

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## Appendix A – HUD’s Financial Process and Systems

### HUD’s Fund Code Structure

Upon receiving funding, HUD establishes fund codes in Treasury’s Oracle Federal Financials, HUD’s General Ledger, including DEFCs. HUD uses the Funds Control Matrix to document the fund code, which consists of 15 characters. The first three characters of a fund code identify the agency. The next four characters are the four-digit main account code following Treasury Account Symbol (TAS).<sup>28</sup> The next two characters are the two-character budget authority type. The 10th through 13th characters are the four-digit beginning and ending fiscal years of the funds’ availability.<sup>29</sup> The last two characters are a unique fund identifier that distinguishes whether the fund is supplemental or nonsupplemental. The last two characters may include a DEFC. If a DEFC does not apply to the funding, these characters are filled in with “XX.”

“HUD0144DB2021DN” is an example of a supplemental fund code. This fund code consists of an agency identifier “HUD,” the main account code “0144,”<sup>30</sup> a budget authority identifier “DB,” the fiscal year of availability “2021,” and the unique identifier “DN.” The unique identifier “D” indicates that the funding is for disaster, and the unique identifier “N” is the DEFC that indicates it is emergency CARES Act funding.

“HUD0156DB2021XX” is another example of a supplemental fund code. This fund code consists of an agency identifier “HUD,” the main account code “0156,”<sup>31</sup> a budget authority identifier “DB,” the fiscal year of availability “2021,” and the unique identifier “XX.” The “XX” indicates that the funding is nonsupplemental.

### HUD’s Financial Systems

After HUD establishes fund codes, HUD’s financial data (including all CARES Act-related data) flows into HUD Central Accounting and Program System (HUDCAPS) through New Core Interface Solution (NCIS).<sup>32</sup> HUD processes PIH’s Section 8 programmatic transactions in HUDCAPS. Non-Section 8 program budget data flows into the Line of Credit Control System (LOCCS) for disbursement. LOCCS also interfaces with other HUD program offices’ financial

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<sup>28</sup> Treasury, OMB, and the owner agency assign a TAS, an identification code, to an individual appropriation, receipt, or other fund account. All Federal agencies classify their financial transactions using TAS for reporting to the Treasury and OMB. TAS consists of the two-digit agency identifier, four-digit main account code, and three-digit subaccount code, which is optional. The Federal Account Symbols and Titles, also known as the “FAST Book,” lists all authorized TAS.

<sup>29</sup> For annual funds, the beginning and ending fiscal year will be the same for the fund code. If it is a no year fund, these digits will be “XXXX.”

<sup>30</sup> “0144” is the TAS (more specifically, main account code) for HUD’s Fair Housing Activities within FHEO.

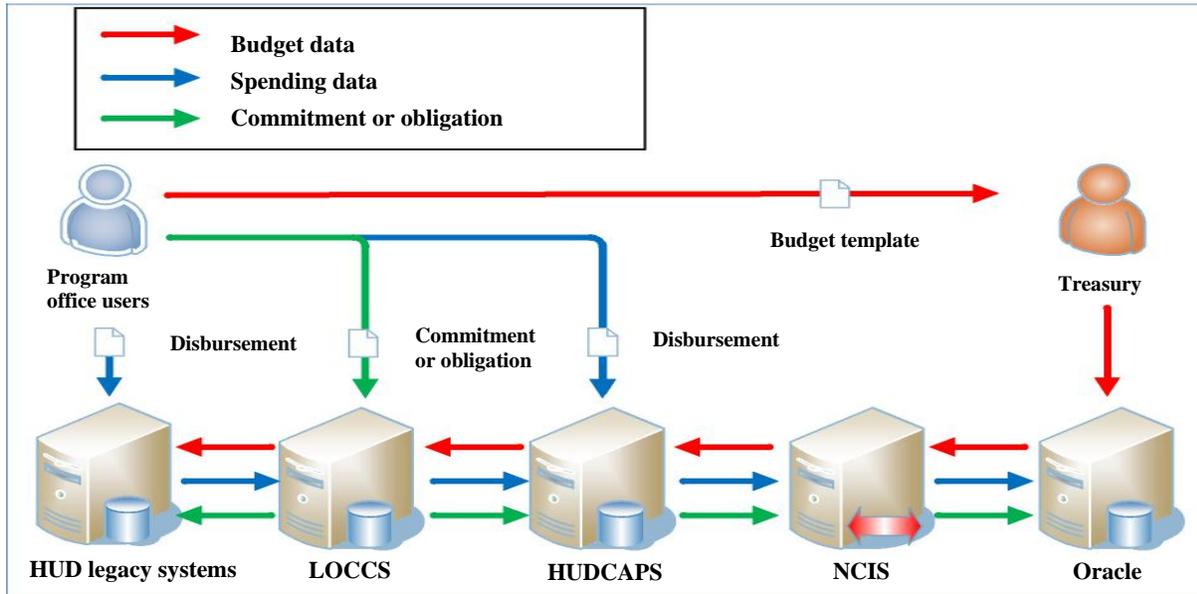
<sup>31</sup> “0156” is the TAS (more specifically, main account code) for Housing Counseling Assistance, Housing Programs.

<sup>32</sup> NCIS translates and transforms the budget file coming from Treasury’s Oracle Federal Financials to HUDCAPS. NCIS ensures that the nightly transaction of HUD’s financial data requirements entered into HUD’s legacy systems correctly interacts with Treasury’s Oracle Federal Financials, and vice versa.

legacy system<sup>33</sup> as those offices execute their grants. HUD program offices record (1) spending and (2) commitment or obligation data using LOCCS and send them back to HUDCAPS. HUDCAPS then sends the data back to Treasury’s Oracle Federal Financials through NCIS.

Figure 2 below summarizes how HUD’s financial data flows among the various financial systems.

**Figure 2 – Flow of HUD’s financial data among financial systems**



<sup>33</sup> HUD is working toward decommissioning legacy systems. In fiscal year 2020, the Program Accounting System was decommissioned when its functionality was migrated to LOCCS. HUD financial legacy systems include the Northridge Loan Accounting System.

## Appendix B – HUD OIG Is Actively Performing CARES Act-Related Oversight Work

As of March 31, 2021, HUD OIG had undertaken 26 reviews related to the CARES Act, of which one report offers a recommendation on CARES Act-related accounting. HUD OIG has published two other reports that highlight needed improvements to CARES Act-related customer service. HUD OIG has several ongoing reviews and continues to perform oversight work related to the CARES Act.

Of the 26 total reviews that HUD OIG has undertaken, HUD OIG has published 12 reports. As of March 31, 2021, 14 reviews were ongoing.<sup>34</sup> We categorized all of the published and ongoing HUD OIG reviews based on their relation to this assessment’s objectives. Specifically,

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HUD OIG has published 12 reports related to the CARES Act. Fourteen reviews were ongoing.

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- four relate to the use of CARES Act funds,
- three relate to accounting for CARES Act funds,
- four relate to reporting on CARES Act funds, and
- fifteen relate to other CARES Act-related activities.

HUD OIG has published one report that offers four recommendations on CARES Act-related accounting and two other reports that highlight needed improvements to CARES Act-related customer service. On December 4, 2020, HUD OIG published its annual audit report on HUD’s financial statements, *Audit of HUD’s Fiscal Year 2020 Consolidated Financial Statements*.<sup>35</sup> One of the accounting issues identified in this report concerned accounting for Housing Choice Voucher Program administrative CARES Act funds.<sup>36</sup> The audit found that HUD had control weaknesses in financial reporting and did not always comply with GAAP. The report recommends that “[o]nce additional data are available, at least quarterly, [the HUD Chief Financial Officer] reduce the CARES Act PIH prepayment by the amount actually spent by PHAs [public housing agencies] or an estimated amount with a low level of estimation uncertainty.” The report also recommends that the Assistant Secretary of PIH “ensure that OCFO has the data it needs to record a reasonable PIH prepayment estimate related to supplemental pandemic funding in fiscal year 2021 and beyond if additional funding is provided.” The report also offers two other recommendations to the Chief Financial Officer related to this finding.

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<sup>34</sup> Reviews may refer to audits, evaluations, or other written work products.

<sup>35</sup> HUD OIG, Office of Audit, Financial Audits Division, *Audit of HUD’s Fiscal Year 2020 Consolidated Financial Statements* (2021-FO-0003)

<sup>36</sup> HUD OIG found that HUD originally expensed all of the \$850 million in Housing Choice Voucher Program CARES Act administrative funds that were prepaid to PHAs, which misstated HUD’s financial statements by the portion of the \$850 million that PHAs had not spent. When HUD OIG brought this matter to OCFO’s attention, it recorded the \$850 million as a prepayment. However, the amount of eligible expenses incurred to liquidate the prepayment was not known because PHAs had reported very little expense data to HUD. Using the available data, OCFO adjusted its General Ledger and financial statements to record an expense estimate in time for yearend reporting. However, due to the lack of data available to determine eligible expenses incurred, there was a high degree of estimation uncertainty that management was unable to reduce.

On September 22, 2020, HUD OIG issued a memorandum report on HUD’s responses to inquiries regarding forbearance and foreclosure relief.<sup>37</sup> HUD OIG found that HUD could improve its customer service to borrowers, industry partners, and the general public by providing more direct, accurate, and complete responses to their inquiries.

On October 13, 2020, HUD OIG issued a memorandum report, which focused on HUD’s communication to renters pertaining to Section 4024 in the CARES Act.<sup>38</sup> HUD added a page to its website that specifically targeted renters. HUD OIG found that critical information is available on this web page but the information is difficult to locate, not fully updated, and inconsistent. The report also stated that HUD should improve its website, published guidance, and joint websites that it hosts with the Consumer Financial Protection Bureau and the Federal Housing Finance Agency.

Tables 3, 4, 5, and 6 list all the reviews undertaken by HUD OIG as of March 31, 2021. Tables 3, 4, and 5 list the published and ongoing HUD OIG reviews related to the use of, accounting for, and reporting on of CARES Act funds. Table 6 lists the published and ongoing HUD OIG reviews related to other CARES Act-related activities.

**Table 3 – HUD OIG reviews related to use of CARES Act funds as of March 31, 2021**

Review title	Objective	Review identifier	OIG component	Status
Drawdown Levels for the Initial Round of CARES Act Emergency Solutions Grants (ESG) Were Minimal	To identify the HUD CARES Act drawdown levels for the initial round of ESG funding.	2021-LA-0801	Audit	<a href="#">Published</a>
Top Management Challenges Facing HUD in 2021	To identify what HUD OIG considers to be the most serious management and performance challenges facing the Department.	Top Management Challenges 2021	Management	<a href="#">Published</a>
HUD and its CDBG-DR [Disaster Recovery] grantees have experienced challenges related to the COVID-19 Pandemic	To determine the challenges that HUD and its CDBG-DR grantees are experiencing related to the COVID-19 pandemic and to help inform CPD and Congress on the issues faced in responding to the pandemic.	2021-GA-0801	Audit	<a href="#">Published</a>
CPD CARES Act Fraud Risk Inventory	To gain an understanding of HUD’s fraud risk management practices and the fraud risks HUD has identified for CDBG and ESG funds appropriated by the CARES Act and to develop an inventory of fraud risks not already identified by HUD.	To be determined (TBD)	Audit	Ongoing

<sup>37</sup> HUD OIG, Office of Audit (Region 3), Opportunities Exist to Improve HUD’s Responses to Inquiries From Borrowers, Industry Partners, and the General Public Regarding Forbearance and Foreclosure Relief Provided by the CARES Act (2020-PH-0801)

<sup>38</sup> HUD OIG, Office of Audit (Region 2), Opportunities Exist To Improve HUD’s Communication to Renters About Eviction Protections (2021-NY-0801)

**Table 4 – HUD OIG reviews related to accounting for CARES Act funds as of March 31, 2021**

Review title	Objective	Review identifier	OIG component	Status
Audit of HUD's Fiscal Year 2020 Consolidated Financial Statements	To express an opinion on the fair presentation of HUD's consolidated financial statements in accordance with GAAP applicable to the Federal Government.	2021-FO-0003	Audit	<a href="#">Published</a>
COVID-19 Forbearance Reporting by Federal Housing Administration (FHA) Servicers	To determine whether COVID-19 forbearance data available in HUD's single-family default monitoring system are consistent with the loan information maintained by loan servicers.	TBD	Audit	Ongoing
Status of CARES Act Indian Housing Block Grant and Indian CDBG Funds	To determine the status of Indian Housing Block Grant and Indian CDBG funds authorized under the CARES Act and identify any areas of potential concern.	TBD	Audit	Ongoing

**Table 5 – HUD OIG reviews related to reporting on CARES Act funds as of March 31, 2021**

Review title	Objective	Review identifier	OIG component	Status
Key Considerations From Prior Audits of the Single Family Default Monitoring System and the Partial Claim Loss Mitigation Option	To determine lessons learned and risks identified in prior audits of HUD's default reporting system that HUD should act on now to ensure program integrity and mitigate the risk of financial loss for COVID-19-related forbearance assistance and foreclosure moratorium.	2021-KC-0801	Audit	<a href="#">Published</a>
COVID-19 Forbearance Activity by FHA Servicers	To determine whether FHA-insured borrowers properly received the CARES Act forbearance.	TBD	Audit	Ongoing
HUD's CARES Act Supplemental Operating Funds	To assess PHAs' experiences and challenges and HUD's efforts in providing guidance related to the administration of supplemental operating funds under the CARES Act.	TBD	Audit	Ongoing
HUD's Compliance With the DATA Act	To audit HUD's compliance with the DATA Act as it relates to HUD's program funds and CARES Act funding.	TBD	Audit	Ongoing

**Table 6 – HUD OIG reviews related to other CARES Act-related activities as of March 31, 2021**

Review title	Objective	Report identifier	OIG component	Status
Opportunities Exist To Improve HUD’s Responses to Inquiries From Borrowers, Industry Partners, and the General Public Regarding Forbearance and Foreclosure Relief Provided by the CARES Act	To evaluate the accuracy of HUD’s responses to inquiries from borrowers, industry partners, and the general public regarding forbearance and foreclosure relief provided by the CARES Act.	2020-PH-0801	Audit	<a href="#">Published</a>
Survey of HUD Employees Regarding Telework and its Impact on HUD Operations during COVID-19 Pandemic	To summarize, survey, and interview responses related to mandatory telework on HUD operations due to COVID-19 pandemic.	2020-OE-0006	Evaluation	<a href="#">Published</a>
Some Mortgage Loan Servicers’ Websites Continue To Offer Information about CARES Act Loan Forbearance That Could Mislead or Confuse Borrowers, or Provide Little or no Information at all	To followup on information HUD OIG shared previously regarding what information servicers of mortgage loans insured by FHA are providing to borrowers regarding forbearance options available under the CARES Act.	Single Family Mortgage Forbearance	Evaluation	<a href="#">Published</a>
Some Mortgage Loan Servicers’ Websites Offer Information about CARES Act Loan Forbearance That Is Incomplete, Inconsistent, Dated, and Unclear	To assess what information servicers of mortgage loans insured by FHA are providing to borrowers regarding forbearance options available under the CARES Act.	Single Family Mortgage Forbearance Brief	Evaluation	<a href="#">Published</a>
Interim Audit Memorandum – The HUD Single Family Insurance Operations Division Should Take Additional Action To Inform Homeowners of Changes to Its FHA Refund Process Resulting From the COVID-19 Pandemic	To determine how COVID-19 has affected policies, procedures, and distribution of FHA refunds and whether HUD’s response was appropriate.	2021-LA-0802	Audit	<a href="#">Published</a>
Opportunities Exist To Improve HUD’s Communication to Renters About Eviction Protections	To review HUD’s communication to renters regarding the eviction moratorium found in Section 4024. The objective of the review was to highlight the progress HUD has made and identify areas for improvement.	2021-NY-0801	Audit	<a href="#">Published</a>
PRAC – Top Challenges Facing Federal Agencies: COVID-19 Emergency Relief and Response Efforts	To provide insight into the top management challenges facing federal agencies that received pandemic related funding as identified by Offices of Inspector General.	-	Joint effort between HUD OIG and PRAC	<a href="#">Published</a>

Review title	Objective	Report identifier	OIG component	Status
Assessment of HUD's Information Technology (IT) Infrastructure to Support Telework Due to COVID-19	To plan on doing research on HUD's IT infrastructure to support telework due to COVID-19. From the research the team will determine whether an audit should be conducted to determine whether HUD's IT infrastructure was prepared to and capable of supporting the agency's workforce during mandatory telework.	TBD	Audit	Ongoing
PIH and Office of Multifamily Housing (Multifamily) Vacancies During a Disaster Declaration	To determine how PIH and Multifamily vacancies have been used during previous presidentially declared disasters and how they are being used during the COVID-19 pandemic.	TBD	Audit	Ongoing
HUD's Reopening of Offices to Employees During the COVID-19 Pandemic	To determine whether HUD is following (1) its Resuming Normal Operations Guide, COVID-19 Response, Headquarters and Field Offices; (2) Federal, State, and local government and appropriate non-governmental guidance; and (3) best practices in reopening its offices to employees.	TBD	Audit	Ongoing
COVID-19 Risk Awareness and Lessons Learned From Audits and Evaluations of the CDBG-DR Program	To provide CPD information regarding risk awareness and lessons learned from audits and evaluations of the CDBG-DR program for CDBG-CV grantees.	TBD	Audit	Ongoing
Administration of Procurement Activities Under the CARES Act	To determine what HUD has done to accommodate contractors' pandemic-related issues while ensuring that HUD meets its business objectives.	TBD	Audit	Ongoing
Continuum of Care (CoC) Slow Spenders Internal Audit	To determine whether HUD is effectively tracking and monitoring slow spending CoC grants to ensure that grantees are providing homelessness services in accordance with program objectives and to assess the impact of COVID-19 on CoC grantee spending.	TBD	Audit	Ongoing
HUD's Assurance of PHAs Processing of Reasonable Accommodation Requests	To determine whether PIH had adequate policies and procedures for ensuring that its PHAs properly addressed, assessed, and fulfilled requests for reasonable accommodations, including COVID-19 related requests.	TBD	Audit	Ongoing
Impact of COVID-19 on Nursing Homes	To determine the biggest challenges that nursing home owners face related to COVID-19 and whether they are prepared to meet their future financial obligations.	TBD	Audit	Ongoing

## Appendix C – Acknowledgements

This report was prepared under the direction of Brian T. Pattison, Assistant Inspector General for Evaluation; Paul Bergstrand, Director of the Program Evaluations Division; and Lindsay Clarke Brubaker, Supervisory Evaluator. The Office of Evaluation staff members who contributed are recognized below.

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## Appendix D – Acronyms and Abbreviations

ACRONYM	DEFINITION
<b>CARES Act</b>	Coronavirus Aid, Relief, and Economic Security Act
<b>CDBG</b>	Community Development Block Grant
<b>CDBG-CV</b>	Community Development Block Grant – CARES Act
<b>CDBG-DR</b>	Community Development Block Grant – Disaster Recovery
<b>CoC</b>	Continuum of Care
<b>COVID-19</b>	coronavirus disease 2019
<b>CPD</b>	Office of Community Planning and Development
<b>DATA Act</b>	Digital Accountability and Transparency Act
<b>DEFC</b>	disaster emergency fund code
<b>ESG</b>	Emergency Solutions Grant
<b>GAAP</b>	generally accepted accounting principles
<b>FHA</b>	Federal Housing Administration
<b>FHEO</b>	Office of Fair Housing and Equal Opportunity
<b>Housing</b>	Office of Housing
<b>HUD</b>	U.S. Department of Housing and Urban Development
<b>HUDCAPS</b>	HUD Central Accounting and Program System
<b>IT</b>	information technology
<b>LOCCS</b>	Line of Credit Control System
<b>Multifamily</b>	Office of Multifamily Housing Programs
<b>NCIS</b>	New Core Interface Solution
<b>OCFO</b>	Office of the Chief Financial Officer
<b>OIG</b>	Office of Inspector General
<b>OMB</b>	Office of Management and Budget
<b>PHA</b>	public housing agency
<b>PIH</b>	Office of Public and Indian Housing
<b>PRAC</b>	Pandemic Response Accountability Committee
<b>TAS</b>	Treasury Account Symbol
<b>TBD</b>	to be determined
<b>Treasury</b>	U.S. Department of the Treasury



The Office of Inspector General is an independent and objective oversight agency within the U.S. Department of Housing and Urban Development. We conduct and supervise audits, evaluations, and investigations relating to the Department's programs and operations. Our mission is to promote economy, efficiency, and effectiveness in these programs while preventing and detecting fraud, abuse, and mismanagement.

Report fraud, waste, and mismanagement in HUD programs and operations by

Completing this online form: <https://www.hudoig.gov/hotline/report-fraud>

Calling the OIG hotline: 1-800-347-3735

Whistleblowers are protected by law.

<https://www.hudoig.gov/whistleblower-rights>

Website

<https://www.hudoig.gov/>



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