HUD Continuum of Care Grantee Spending Levels

Office of Community Planning and Development

Washington, DC | 2023-LA-0002

October 19, 2022

Date: October 19, 2022

To: Darrell Clark
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             //signed//
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Subject: HUD Could Improve Its Tracking and Monitoring of Continuum of Care Grantee Spending Levels

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's Continuum of Care Program grantee spending levels. HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at https://www.hudoig.gov.

If you have any questions or comments about this report, please do not hesitate to call Tanya Schulze, Audit Director, at (213) 534-2471.

Highlights

HUD COULD IMPROVE ITS TRACKING AND MONITORING OF CONTINUUM OF CARE GRANTEE SPENDING LEVELS | 2023-LA-0002

What We Audited and Why

We performed a review of the U.S. Department of Housing and Urban Development's (HUD) monitoring and tracking of Continuum of Care (CoC) grantees that have been slow to spend their grant funds.

Our objectives were to determine whether HUD was effectively tracking and monitoring CoC grant spending and to determine the impact of COVID-19 on CoC grantee spending.

What We Found

HUD generally tracked and monitored its grantees; however, it did not prioritize grantees that encountered challenges in spending their CoC grant funds before the grants expired. This condition occurred because HUD did not have written guidance that detailed how field offices should review grantees for spending issues. Between 2017 and 2020 HUD recaptured nearly $257 million from CoC grantees that had not fully spent their funds. While several factors outside of HUD's control contributed to the spending challenges, improved tracking and monitoring could help ensure that the grantees timely address those factors and mitigate their impact. Without proactive measures, grantee spending challenges will likely continue, leading to unused funds that could otherwise have gone toward addressing homelessness. In addition, although the pandemic did impact how CoC grantees carried out their programs and some grants had to be temporarily put on hold, overall nationwide CoC grant fund spending was not significantly impacted in the long term by COVID-19.

Recommendations

We recommend that the Deputy Assistant Secretary for Operations for HUD's Office of Community Planning and Development (CPD) implement written procedures to ensure consistency among field offices in reviewing spending, potentially preventing up to an estimated $47 million in annual CoC recaptures. In addition, we recommend that CPD's Deputy Assistant Secretary of Special Needs Programs design and implement a strategy-intensive training program for grantees.

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Background and Objectives

The CoC grant program was authorized under the McKinney-Vento Homeless Assistance Act, as amended by the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009.[1] The CoC grant program (1) promotes communitywide commitment to the goal of ending homelessness; (2) provides funding for efforts by nonprofit providers and State and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; (3) promotes access to and effective use of mainstream programs by homeless individuals and families; and (4) optimizes self-sufficiency among individuals and families experiencing homelessness.

HUD's Office of Special Needs Assistance Programs (SNAPS)[2] awards CoC program funding annually based on a competitive process. A CoC is a regional or local planning body that coordinates housing and services funding for the homeless. There is at least one CoC for every State and the District of Columbia, Puerto Rico, and Guam.[3] CoCs are tasked with tracking and managing the homeless in their region or local area. They typically work with community partners and other nonprofit subgrantees to help them provide housing and services to the homeless. The services provided by CoCs include outreach, intake, assessment of individuals and families; emergency shelter; temporary housing; permanent housing; and case management.

According to HUD's monitoring guide, monitoring is an integral management control technique and a U.S. Government Accountability Office standard. (See appendix C.) It is the activities that management establishes and operates to assess the quality of performance over time. Monitoring provides information about program participants that is critical for making informed judgements about program effectiveness and management efficiency. It also helps in identifying instances of fraud, waste, and abuse. It is the principal means by which HUD ensures that HUD-funded programs and technical areas are carried out efficiently, effectively, and in compliance with applicable laws and regulations. The goal of monitoring is to determine compliance, prevent or identify deficiencies, and design corrective actions to improve or reinforce program participant performance.

CPD used a monitoring risk assessment tool to determine which grantees would be monitored for each fiscal year. The tool looked for different deficiencies over the last 3 program years for all CPD programs, both formula and competitive grants.[4]

Before monitoring is conducted, field offices are required to perform premonitoring in accordance with Handbook 6509.2, REV-7, CHG-2 (see appendix D), which includes reviewing and analyzing participant reports, available data, field office files, audits and financial information, previous monitoring reports, and

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[1] The Act streamlined HUD's homeless grant programs by consolidating the Supportive Housing Program and the Shelter Plus Care and Single Room Occupancy grant programs into the CoC program.
[2] SNAPS is under HUD's Office of Community Planning and Development (CPD).
[3] As of January 2021, there were 390 CoCs overall.
[4] These include Community Development Block Grant, HOME Investment Partnerships Program, Emergency Solutions Grants, Neighborhood Stabilization Program 2, and Housing Opportunities for Persons With Acquired Immunodeficiency Syndrome.

issues. In addition, CPD typically ran various LOCCS reports and looked at drawdowns, allowing it to recognize the grants with spending issues for potential followup during the monitoring.

The U.S. Department of Housing and Urban Development (HUD) has made approximately $2 billion or more[5] available annually toward ending homelessness in the form of CoC grants. [6]

CoC funding awarded		
Year	Amount	Funding increase
2020	$2,470,363,511	8.0%
2019	2,286,521,843	5.6%
2018	2,165,930,757	6.5%
2017	2,033,244,110	3.9%
2016	1,957,438,119	0.9%
2020	$2,470,363,511	8.0%
Total	10,913,498,340	

COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and President Trump declared the outbreak a national emergency. On April 2, 2020, recognizing the needs of the homeless, HUD announced $3 billion in COVID-19 relief funding available to communities across the Nation through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This funding was to build more emergency shelters, operate emergency shelters, and provide hotel and motel vouchers and services to people experiencing homelessness. While no CARES Act funding was awarded as CoC grants, HUD granted Office of Community Planning and Development (CPD) grant recipients, including the CoC program, with waivers as of March 2020. These waivers were to provide additional flexibility to communities to prevent the spread of COVID-19 and better assist individuals and families, including those experiencing homelessness, infected with the virus or economically impacted by the virus.

Our audit objectives were to determine whether HUD was effectively tracking and monitoring CoC grant spending and to determine the impact of COVID-19 on CoC grantee spending.

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[5]   On August 18, 2021, HUD Notice No. 21-124 announced that HUD was making $2.656 billion in grant funding available in fiscal year 2021 for the CoC program. The applications were due to HUD on November 16, 2021, and the awards are typically announced beginning in January of the following year.

[6]   CoC funds are awarded through a competitive process, and the individual grants can have an effective date starting in the following year. Therefore, it may be a year and a half to 3 years between the notice of funding availability (NOFA) open date and the respective grant's expiration date. HUD now refers to the NOFA as the notice of funding opportunities (NOFO).

Results of Audit

FINDING 1: HUD COULD IMPROVE ITS TRACKING AND MONITORING OF COC GRANTEE SPENDING LEVELS

HUD generally tracked and monitored its grantees; however, it did not prioritize grantees that encountered challenges in spending their CoC grant funds before the grants expired. This condition occurred because HUD did not have written guidance that detailed how field offices should review grantees for spending issues. Between 2017 and 2020[7] HUD recaptured nearly $257 million from CoC grantees that had not fully spent their funds. While several factors outside of HUD's control contributed to the spending challenges, improved tracking and monitoring could help ensure that the grantees timely address those factors and mitigate their impact. Without proactive measures, grantee spending challenges will likely continue, leading to unused funds that could otherwise have gone toward addressing homelessness.

HUD Tracks Grant Spending Quarterly

As part of HUD's tracking of CoC grant spending, CPD's SNAPS generates a quarterly spending report via Excel. The spreadsheet is sent out to the local field offices and directly to the CoCs. This spreadsheet, often referred to as the CoC Quarterly Spending Report, includes active and expired grants within the grantee's portfolio. The spreadsheet shows each grant operating start date, expiration date, Line of Credit Control System (LOCCS)[8] balance, and recaptured grant amount. Although the quarterly report comes from SNAPS, the field offices are responsible for following up with grantees. The follow up generally includes contacting the grantees by e-mail, informing them of their grants with lower spending levels, and asking questions regarding what problems they have been having spending the grant funds. HUD's tracking of its CoC grantees generally met requirements.

CPD Did Not Prioritize Grantee Spending During Monitoring

CPD looked for program deficiencies identified through violations, findings, or poor performance and documented risk analysis results for each grantee into HUD's Grant Management Process system.[9] This system provides the results in two composite lists; one for formula grants and one for competitive grants. Grantees on both lists are then ranked in descending order, from highest to lowest risk. The management representative can deviate from monitoring grantees in the ranked order based on exception categories. In addition, the field office directors also have the option to either choose to monitor 100 percent of grantees in rank order or 70 percent in rank order and the remaining 30 percent

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[7]   This included unused grant amounts from CoC competition years 2016 to 2018 that expired during our audit period of October 2015 to September 2020 and had been recaptured by HUD as of October 2020. The earliest of these three competition year grants expired on December 31, 2017, and the latest expired on June 30, 2020.

[8]   LOCCS is HUD's primary grant and subsidy disbursement system that handles disbursement and cash management for the majority of HUD grant programs.

[9]   The Grants Management Process system is a computer-based information system that incorporates CPD's risk analysis process and is used to provide a documented record of conclusions and results. This system provides the results in two composite lists; one for formula grants and one for competitive grants. Grantees on both lists are then ranked in descending order, from highest to lowest risk.

at their discretion. However, spending rates did not factor into the grantee rankings and was, therefore, not an automatic qualification for monitoring.

Our review of CPD monitoring reports identified instances in which CPD included CoC grants with spending concerns; however, it did not appear that CPD consistently monitored them. Specifically, we reviewed all 13 CPD monitoring reports between 2016 and 2019 for our sample of CoCs with recaptured funds and found that CPD monitored only 2 grants from our sample.[10]

- CoC MI-500: The 2019 monitoring report identified the grantee's low spending level[11] for recapture sample grant MI0565L5F001700 (see appendix D), also noting that the grantee had a history of challenges with drawing down funds for several of its grants.

- CoC CA-500: The 2019 monitoring report included our recapture sample grant CA0021L9T001609 and our balance due for recapture sample grant CA0825L9T001705 (see appendix E) but did not have a finding or concern on spending. However, a prior-year monitoring of this grantee from 2017 did have a spending finding[12] for nonsample grants.

We found 2 additional examples in which the field offices identified other CoC grants outside our sample as having a spending finding or concern. In both instances, the grantees proved to have multiple grants with spending issues in their portfolio of CoC grants. However, in addition to the 2019 monitoring of a CA-500 grantee noted above, we found 2 instances in which grants CPD reviewed during the monitoring had significant spending issues and there was no associated finding or concern. In one instance, the $1.1 million recapture[13] was mentioned, but the report did not raise it to the level of a finding or concern. We also found instances in which the grantee had other CoC grants with spending issues or significant recaptures around the time CPD performed the monitoring, but the grants were not included in the review.

HUD Did Not Provide Spending Guidance to Field Offices

HUD had no written guidance on how field offices should address grantees whose spending rates risked having unspent grant funds by grant expiration or what types of remedies should be put into place. Our discussions with four CPD directors identified various steps they had taken to help these grantees, including

Contacting the grant recipient and discuss its challenges and planned strategies to address spending issues.

- Asking the grantee for a corrective action plan.

- Issuing a finding for failing to make quarterly draws of grant funds.

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[10]   The field offices typically selected multiple sample grants and CPD programs for the monitoring review.
[11]   HUD received additional corrective action information from the grantee to close the finding.
[12]   HUD received additional corrective action information from the grantee and closed the finding.
[13]   Although this OH-500 grant had a significant recapture over $1 million, it fell outside our sample selection methodology.

- Determining whether technical assistance is warranted.

- Amending the grant.

The actions taken varied at the discretion of the field office. Generally, each CPD director stated that he or she determined the appropriate steps by referring to the notice of funding opportunities[14] (NOFO), interim rule,[15] CoC Program Grants Administration Handbook, CoC program regulations, and CPD Monitoring Handbook. However, none of the guidance mentioned specifically addressed spending pace. Only 24 CFR (Code of Federal Regulations) 578.85 contained criteria related to CoC grant timeliness standards on spending, stating that funds must be drawn down once per quarter of the program year after eligible activities commence (see appendix C), but included nothing specific on addressing spending concerns.

As part of our analysis, we reviewed CPD monitoring reports between 2016 and 2019. There were 13 monitoring reports for the 7 different CoCs[16] applicable to our sample of 15 grants with recaptured funds. (See appendix D.) Among these monitoring reports, there were three monitoring reports with findings related to spending levels.[17] As expected, corrective actions taken by the corresponding field office were different.

1. The first report finding stated that drawdowns were not completed in a timely fashion from the Electronic Line of Credit Control System (eLOCCS). The corrective action taken included HUD staff's (1) creating a spending report and providing it monthly to the grantee during the program year and (2) giving the grantee's program staff "view" access to eLOCCS to allow greater understanding of the drawdown process. In addition, the grantee assigned additional staff to its Federal programs that added improvements to the drawdown schedule.

2. The second report finding stated that the grantee was not disbursing CoC funds in a timely manner in accordance with standards established at 24 CFR 578.85(c)(3). The corrective action required the grantee to describe the actions, including systems and procedures, that it would take to address the challenges with executing its grants and disbursing funds at least quarterly. CPD also required the grantee to describe the procedures it would follow to ensure that the execution of the following year's grant agreements and disbursement of grant funds followed timely disbursement standards.

3. The third report finding stated that the grantee did not draw funds from eLOCCS in a timely manner. The corrective action required the grantee to create a financial management or claims

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[14] Notice of Funding Opportunities (NOFO) – The Notice of Funding Opportunities (NOFO) is published each year on Grants.gov for HUD's Discretionary Funding Programs. These NOFOs describe the type of funding available on a competitive basis and provides information on submission of an application, typically up to 30 to 90 days from the date of the NOFO publication on grants.gov.

[15] Interim Rule – The Continuum of Care (CoC) Program interim rule, effective August 30, 2012, focuses on regulatory implementation of the CoC Program, including the CoC planning process.

[16] CPD's monitoring was generally focused on specific grantees. Since CoCs can include multiple-member grantees, each of which receives its own direct grants, CPD would not necessarily review the CoC as a whole.

[17] The three findings included all grants CPD reviewed as part of the sample monitoring reports, including grants that were not within our audit sample of grants.

process that would strengthen communication between finance and program staff so the status of reimbursements could be monitored and tracked regularly by both program and finance departments.

While field offices should have flexibility in how they deal with spending issues as a result of the complexity of the clients served, written guidance would be helpful to ensure some level of consistency throughout the field offices.

HUD Recaptured Nearly $257 million from CoC Grantees

HUD recaptures unused funds from grantees that do not fully spend down the awarded funds by grant term expiration. If the grant funds are not used within the grant term HUD will recapture the funds; however, HUD has the option of allowing an extension at its discretion based on grantee justification, such as a temporary loss of grantee staff.[18] CoC grants from competition years 2016 to 2018 with expiration dates through June 2020, had total original grant amounts of over $4.9 billion. As of October 2020, the grantees had not used $454 million (9 percent) of the expired CoC funding; of which, HUD had recaptured nearly $257 million (5 percent) and the remaining $197 million (4 percent) was due for recapture. There are various factors that contribute to grantees being unable to spend their CoC grant funds by grant expiration, as discussed in the section below.

Several Factors Outside of HUD's Control Contributed to Spending Challenges

As part of our review, we interviewed six CPD field office directors[19] overseeing the grants within our sample sets. The directors identified the main reasons grantees' faced challenges spending grant funds by grant expiration, as follows:

- One of the six directors stated that the subgrantee contracted under the CoC grant was a new grantee. Often, this condition results in a slow ramp-up period, causing the first draw in LOCCS to happen around the 6-month to 9-month mark of the grant period.

- One of the six directors stated that challenging fair market rents[20] compared to the actual rental market can make it difficult to move clients into affordable housing units and spend down the grant program funds for rental assistance.

- One of the six directors identified low staff capacity at the partner organizations. This condition can cause challenges within the program and administrative challenges on the front end with program participants and on the back end with submitting expenditures.

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[18] There was no indication that HUD granted extensions for our sample of recaptured grants; however, it did appear an extension was granted for one of the sample grants with a balance due for recapture, PA0072L3T001811, which submitted a draw after the normal closeout period reducing the unused amount due for recapture. (See appendix E).

[19] At the time of our interviews, the seventh CPD director was new to HUD as a CPD director.

[20] HUD's fair market rents are used to determine payment standard amounts for calculation of maximum award amounts for CoC recipients and the maximum amount of rent a recipient may pay for property leased with CoC funds.

- Three of the six directors identified turnover in staffing at the CoCs and the subgrantees. This condition results in a lack of knowledge and required some CPD field offices to provide technical assistance.

We also interviewed eight CoCs within our sample set with grants that had either been recaptured or were due to be recaptured. They identified several challenges that contributed to grant spending issues, including the following:

Outside HUD's Control

- Three of eight mentioned the lack of affordable housing stock.

- Two of eight mentioned the hesitancy of landlords renting to the homeless population or landlords refusing to accept rental assistance due to a lack of incentives for landlords to want to rent to homeless clients.

- One of eight mentioned that in one case, there was a significant automatic fair market rent increase between fiscal years 2017 and 2018 (4 percent, resulting in an additional $2 million plus, according to the grantee), and while many clients had a rent increase it did not equal the Fair Market Rent increase.

- One of eight mentioned that clients no longer needing services midgrant led to unused funding.

- One of eight mentioned grants budgeted for expected rent increases that did not occur due to the pandemic.

Within HUD's Control

- Two of eight grantees mentioned that new grantees have a longer ramp-up period. They need time to hire and train staff; find and enroll clients; and if a building is new, get the certificate of occupancy. The 12-month grant time is not enough time for a first-year grantee.

- Two of eight mentioned the lack of fungibility or lack of the ability to move funding from one budget line item to another.[21]

We acknowledge there are factors outside HUD's control that can contribute to HUD having to recapture unused grant funds. However, HUD did not have a system that tracked the reasons for recapture due to grantee spending. As part of our review of 13 monitoring reports (see above), HUD identified administrative issues as the causes for the 3 that had spending findings, with none that may have been outside HUD's or the grantee's control to potentially prevent or mitigate.

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[21] Grantees can make a 10 percent shift of funds from one budget line item to another; however, a shift of more than 10 percent requires prior HUD approval (24 CFR 578.105(b)).

Grant Term for First-Year Grantees

Our analysis of HUD's grantee recapture data confirmed that new grantees were at particular risk for encountering spending issues. First-year grantees had the highest recapture rate (15 percent)[22] in comparison with renewal grants, which tended to drop in later years (dropping from 11 to 3 percent in the next five renewal periods). The first-year grants also had the highest recapture amounts, averaging 34 percent of the original grant amount. In addition, we reviewed grants with balances due for recapture and found similar results, with first-year grantees making up the highest percentage at 24 percent.[23]

HUD recognized the challenges of first-year grantees and adjusted the 2019 NOFA to begin allowing first-year grantees the option to select 18-month terms for the initial year of the grant.[24] The 2019 CoC grants generally had terms starting in fiscal years 2020 or 2021, and potential underspending would not have been subject to recapture during our audit scope. Therefore, determining the impact of this change on first-year grantees was outside the scope of this review.

HUD Training and Other Tools Could Improve Grantee Spending Challenges

CPD had made various guidance material available to grantees; however, it could further develop strategies to help grantees improve spending challenges. Although the reasons for spending issues are not always within the grantee's control, based on interviews with some of the more successful grantees who were recommended by CPD directors (see Scope and Methodology), training focusing on specific strategies that could help the grantees with timely spending would be helpful, including

- ideas on how to bring new landlords on board,

- methods to reach clients or increase referrals (out-of-the-box ideas),

- ideas on new partners to collaborate with,

- ideas on additional funding resources so a grantee could overlease with backup funding to cover the excess costs, etc.

The results of such a training would assist with the challenges faced by grantees, including those that are not new grantees but continue to have challenges in spending all of their CoC grant funds.

After our fieldwork was completed, SNAPS informed us that it had recently introduced virtual binders, which are training tools that CoC grantees and subgrantees can use to ensure full compliance with the CoC program. These virtual binders provide information on various program areas, while breaking major

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[22] We reviewed the recapture amounts for 2016 through 2018 competition years with recapture amounts of $10,000 or more.

[23] We reviewed grants with balances of $10,000 or more for grants with expiration dates between December 2013 and June 2020. These grants had exceeded the 90-day closeout period at the time of the data pull, and the remaining funds would, therefore, be due for recapture.

[24] Since this option appeared to address a concern related to first-year grantees, we have not included a recommendation for HUD to extend the grant terms of first-year grantees.

topics into smaller specific topics, including links to the related Federal regulations.[25] As of September 2021, there were virtual binders for eligible CoC activities, environmental review, financial management, grant administration, homeless eligibility, leasing and rental assistance, match, program components, rent calculation, United Fund agencies[26], and additional requirements. There will also be a virtual binder on coordination,[27] which may address the CoC strategies that could help grantees be more successful with fully spending their CoC grant funds. However, these virtual binders had not been fully implemented during our audit period.

Increase in Homelessness

HUD requires CoCs to conduct annual point-in-time counts, which are counts of sheltered and unsheltered people experiencing homelessness on a single night in January. The point-in-time counts over the last 5 years showed a steady rise in the homeless population in America as shown in the table below.

Point-in-time counts[28]		
Year	Homeless	Change from prior year
2020	580,466	2.2%
2019	567,715	2.7%
2018	552,830	0.3%
2017	550,996	0.2%
2016	549,928	-2.6%

A comprehensive HUD strategy could mitigate grantee spending challenges and help preserve unspent funds that could contribute to addressing increased homelessness.

Conclusion

HUD could improve its tracking and monitoring of grantees that risk not fully spending their CoC grant funds by grant expiration. While there were factors outside of HUD and the grantees' control that contributed to spending challenges, HUD's absence of written guidance that detailed how field offices should review grantee spending issues was also a contributing factor. As a result of the challenges, between 2017 and 2020, nearly $257 million went unspent and was recaptured by HUD. While the

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[25] We did not review or evaluate the contents of the virtual binders in detail.

[26] A United Funding Agency is an eligible applicant (The Collaborative Applicant) selected by the CoC, which has the capacity to fulfill the duties in 24 CFR 578.11. It is approved by HUD to apply for a grant for the entire Continuum of Care, and is awarded a grant by HUD.

[27] As of August 2021, this binder was listed as "coming soon" on the HUD Exchange website for the virtual binders.

[28] There was a limited point-in-time count for 2021. HUD issued waivers to the CoC program's biennial point-in-time count of unsheltered homeless requirements.

recaptured funds will be available for award in later years, the spending delays represent a missed opportunity to address America's rising homelessness problem. Improvements to HUD's tracking and monitoring of grantee spending can potentially prevent up to an estimated $47 million in annual CoC recaptures.[29]

Recommendations

We recommend that the Deputy Assistant Secretary for Operations for HUD's Office of Community Planning and Development

1A. Implement written procedures to ensure consistency among field offices in reviewing spending issues, potentially preventing up to an estimated $47 million in annual CoC recaptures.

We recommend that the Deputy Assistant Secretary of Special Needs for HUD's Office of Community Planning and Development

1B. Design and implement a training program and other development tools to help grantees. The goal of such training would be to provide ideas and other development tools to help the CoCs better provide assistance with implementation of their grants and monitoring of their grantees, including assistance with developing outreach strategies, partnering with community providers, financial budgeting, and best practices. The training should focus on the needs of first-year grantees and CPD should take steps to encourage participation.

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[29] The recapture balance for CoC competition years 2016, 2017, and 2018 in excess of $100,000 during our audit period was $142,775,100. We rounded down to the nearest million and divided it over the 3 competition years to determine the average of $47 million. While there may be some circumstances outside HUD's control that contribute to grantee recaptures, HUD can mitigate spending issues and reduce annual recaptures through the implementation of the recommendations.

FINDING 2: COC GRANT FUND SPENDING WAS NOT SIGNIFICANTLY IMPACTED IN THE LONG TERM BY COVID-19

Nationwide CoC grant fund spending was not significantly impacted by COVID-19. Although the pandemic did (1) impact how CoC grantees carried out their program activities, (2) cause some grantees to temporarily put services on hold, and (3) curtail CPD's onsite monitoring, overall, there was no long-term significant net reduction in grantee spending levels. Grantees were able to adjust their operations to continue their CoC programs. The continued activity and ability to draw funds helped ensure that the goals of the CoC program were met during the pandemic.

COVID-19's Impact on Spending

We conducted interviews with eight CoCs and grantees and six CPD directors to determine how the COVID-19 pandemic affected the grantees' ability to spend their CoC grant funds. The grantees all agreed that COVID-19 had an impact on their programs. However, while some experienced a slowing with spending because some services were put on hold during the pandemic, others experienced an increase in spending due to a need for noncongregate housing. Generally, it appeared that the decreases and increases in spending offset each other throughout the country. The CPD directors agreed that COVID-19 affected the grantees and the way in which they conducted business; however, none believed that spending had substantially increased or decreased.

We also performed a trend analysis on COVID-19's impact on CoC spending and drawdowns, reviewing draw levels before and during the pandemic, from March 2018 to February 2021.[30] As shown in the figures below, nationwide, grant draws did fall in April and May 2020 at the beginning of the pandemic, with May 2020 being the lowest monthly draw amount since July 2018, despite increased CoC funding in later years. However, the draw amounts recovered in later months, with December 2020 having the highest draw amount during the period reviewed.[31]

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[30] Overall, we were able to review data for 12 months of the pandemic, March 2020 to February 2021, and compare the data to draw activity from the prior 24 months, March 2018 to February 2020. At the time our data were pulled in March 2021, all draws from this month had not been made, so the month was incomplete and not included in our analysis.

[31] The linear trend line (in green) on the two national draw amounts charts below indicate an overall positive trend in spending despite decreases in the early months of the pandemic.

National draw amounts
sum of draws per month
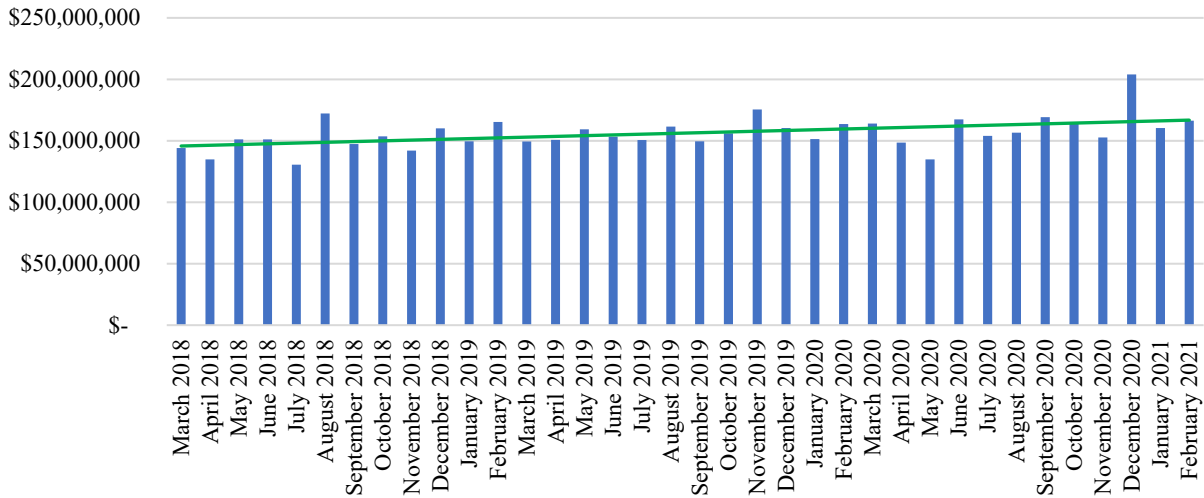
National draw amounts
percentage change from mean (average)
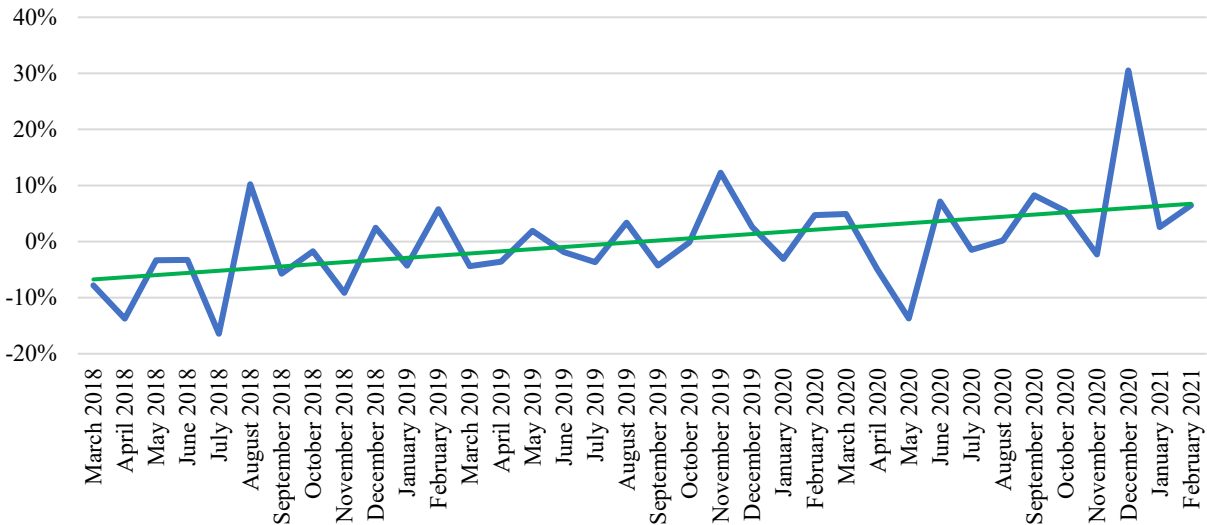
Additionally, we looked closer at the three States with the largest CoC annual funding amounts (based on the 2020 awards for all CoC grantees within the State): California, New York, and Illinois.[32]

- California did not experience a significant drop in draws until September 2020, when it was 14 percent lower than the State's average. However, the September amount was still higher than prepandemic amounts drawn in January 2020 and October 2019. In addition, its draws in June and December 2020 (both at the end of their respective quarters) were more than 30 percent higher than average, offsetting months with lower draws.

- New York experienced significant reductions in draw amounts in April and May 2020 (each more than 10 percent lower than average) and July and August of 2020 (each more than 20 percent); however, these monthly amounts were each still higher than the State's prepandemic July 2019 draws. Also, the draws at the end of the two respective quarters increased significantly (June and September 2020 at 25 percent and 53 percent above average, respectively).

- Illinois draws for April 2020 were at the lowest point for all months reviewed between March 2018 and February 2021, at 32 percent lower than the State's average draw amounts. May and August of 2020 and January 2021 also had significantly below average draw levels (each 10 to 16 percent lower than average). However, draws in June, September, and December 2020 (all at the end of their respective quarters) were well above average levels for the State (each more than 16 to 19 percent higher than average).

Overall, there appeared to be some significant short-term drops in draws in the first few months of the pandemic; however, the CoCs generally recovered and increased their draw rates. As a result, we do not believe the pandemic had a significant impact on grantee spending and draws.

Pandemic Monitoring

Due to the pandemic HUD stopped all monitoring of grantees. At the initiation of the outbreak both CPD and CoC grantee administrative staffs were working remotely, leading to monitoring being suspended in 2020. Although monitoring was suspended, interviews with six CPD directors indicated the field offices continued to review grantee spending in a variety of ways. Some ways used to keep track of the grantees included

- reviewing quarterly spending,

- continuing to review annual progress reports,

- reviewing closeout grant documents,

- reviewing weekly spending reports,

- conducting question and answer sessions with grantees, and

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[32] To get an overall better picture of monthly draw increases and decreases, we determined the mean (average) draws for the period March 2018 to February 2021 for each State and compared each month to that average.

- closing out previous years' monitoring report findings.[33]

CPD expected to resume monitoring its grantees during HUD's third quarter of fiscal year 2021 through remote monitoring. [34]

Conclusion

CoC grant fund spending was not significantly impacted in the long term by COVID-19. Although the pandemic did (1) impact how CoC grantees carried out their program activities, (2) cause some grantees to temporarily put services on hold, and (3) curtail CPD's onsite monitoring, overall, there was no long-term significant net reduction of grantee spending levels. Grantees were able to adjust their operations to continue their CoC programs. The continued activity and ability to draw funds helped ensure that the goals of the CoC program were met during the pandemic.

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[33] Since we did not identify significant long-term spending issues due to the pandemic, we did not verify the directors' assertions as part of this audit.

[34] As noted in finding 1, CPD's monitoring selection methodology did not necessarily prioritize CoC spending but considered grant spending among other factors for all grant programs.

Scope and Methodology

We performed our audit work remotely in the Los Angeles, CA, area between October 2020 and August 2021. Our audit generally covered the period October 2017 through February 2021.

To accomplish our objectives, we performed the following:

- Reviewed monitoring reports.

- Reviewed CoC criteria, including Federal regulations, the NOFA, the Homeless Emergency Assistance and Raid Transition to Housing Act of 2009, and the McKinney Vento Homeless Assistance Act.

We also

- Reviewed SNAPS-PR1, HUD Grants and Program Income report from e-SNAPS[35] file of CoC grants for 2017, 2018, and 2019.

- Reviewed grants that were recaptured.

- Reviewed documents from LOCCS.

- Reviewed COVID-19 waivers.

- Interviewed SNAPS staff.

- Interviewed CPD field office directors.

- Interviewed CoCs and subgrantees.

- Reviewed grants that were recaptured.

We selected two sets of sample grants within our audit period of fiscal years October 2015 to September 2020,[36] to include grants with recaptured funds and grants with funds due for recapture, as follows:

1. With the first sample set, CoC competition year 2016 to 2018 grants with funds recaptured, we determined that there was a total of 3,490 grants with a recaptured balance of $10,000 or more. We selected a nonstatistical sample of all 15 grants with recaptured amounts of more than $1 million. The threshold of $1 million was selected because the resulting grants represented the most significant recaptures during our audit period and could be reviewed within our audit

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[35]   eSNAPS is the electronic CoC program application and grants management system that HUD's Office of Special Needs Assistance Programs uses to support the CoC program funding application and grant awards process for the CoC program.

[36]   At the time of our October 2020 data pull, CoC grants expiring between July and September 2020 would still have been within HUD's 90-day closeout period for making final draws and were therefore not yet subject to recapture.

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timeframes. In addition, the grants provided coverage of multiple CoCs and HUD offices. (See appendix D.)

2. With the second sample set, grants with funds due to be recaptured, we determined that there was a total of 1,913 grants with a total LOCCS balance of $10,000 or more due for recapture. These grants had all expired and had exceeded the 90-day closeout period for making their final draws. We then selected all 18 grants with a balance of $1 million or more. As stated above, this threshold was selected because these grants had the most significant amounts due to be recaptured and were applicable to multiple CoCs and HUD offices. (See appendix E.) As of October 2021, the funds for two of the grantees were recaptured after our audit period, and a third grantee was allowed to make a late drawdown, substantially reducing the grant's balance due for recapture.

Several CoCs had multiple grants with recaptures or balances due for recapture, resulting in overlaps between the two samples. In addition, grant OH9007U5E001800 had both a recapture and a balance due for recapture. Overall, the two samples included 32 grantees, which were applicable to 12 CoCs, 5 regions, and 8 field offices.

We used HUD's Grants Management Process system and obtained monitoring reports between 2016 and 2019 for our first sample of 15 grants. We also selected the seven field office directors applicable to both sample sets for interview. However, since one director was new to HUD at the time of our interviews, we opted not to interview him. We reviewed LOCCS data and interviewed CPD staff to determine what challenges its grantees had, causing spending issues for our second sample of 18 grants. Additionally, grantees from both the first and second sample sets were selected for interview to determine what challenges they faced that prevented them from spending all of their grant funds. Some CoCs appeared on both of our samples, and several had multiple member grantees with recaptures or balances due for recapture. Therefore, not all of the grantees were interviewed. The results of our sample testing cannot be projected to the universe; however, the sample results combined with our discussions with CPD officials gave us an understanding of CPD's overall practices.

We interviewed a combination of eight CoCs and grantees to discuss best spending practices based on input from the CPD directors.

We used data from HUD's Financial Data Mart,[37] which contains details on all spending and drawdown activity. We extracted the CoC data, which contained all associated draws from fiscal year 2014 through February 2021. Next, we isolated draws with draw dates between March 1, 2018, and February 28, 2021. These dates were selected to compare approximately 1 year of pandemic draw amounts to prior years' draw activity. This information was then used to conduct trend analyses on COVID-19's impact on spending and drawdowns. Additionally, based on the 2020 CoC awards, we isolated the three States with the highest combined award amounts to all of the CoC grantees within the State (California, New York, and Illinois) for additional analysis.

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[37] Financial Data Mart is a warehouse of data extracted from a variety of HUD's financial systems and supported by a number of query tools for the purpose of improved financial and program data reporting. It is the primary reporting tool used to generate internal ad hoc reports, scheduled event-driven reports, and queries.

We also reviewed HUD's SNAPS-PR1 data to determine whether first-year grants had a higher rate of recapture. First-year grant numbers end with "00," and later years note the renewal number (ending with "01," "02," etc.). We separately sorted the data to identify both recapture amounts and balances due for recapture over $10,000, which we determined was a significant amount for our analysis.

We relied on the accuracy of computer-processed data taken from LOCCS, HUD's PR-1 reports, and HUD's Grants Management Process system. We used these data to obtain a reliable audit universe for our overall review and for the selection of grants recaptured in excess of $1 million and grants expected to be recaptured in excess of $1 million. Based on our assessment, we determined that the data obtained were sufficiently reliable for meeting our audit objectives.

We conducted the audit 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 objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendixes

APPENDIX A - SCHEDULE OF FUNDS TO BE PUT TO BETTER USE

Recommendation number	Funds to be put to better use 1/
1A	$47,000,000
Total	**47,000,000**

1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, they include $47 million in recaptured funding that could have been put to better use assisting the homeless as intended in the original geographic locations awarded. While the funds will go back into the CoC program funding appropriation, there is no guarantee that the funding will be returned to the original CoC or State. Similar future annual recaptures can be mitigated through the implementation of the recommend procedures.

Ref to OIG Evaluation

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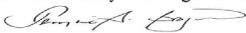
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

October 5, 2022

MEMORANDUM FOR: Tanya Schulze, Audit Director, Grants Management Audit Division, Office of Inspector General, 9GDA

FROM: Jemine A. Bryon, Acting General Deputy Assistant Secretary for Community Planning and Development, D

SUBJECT: HUD Could Improve Its Tracking and Monitoring of Continuum of Care Grantee Spending Levels

The Office of Community Development and Planning (CPD) has reviewed the draft audit, "Continuum of Care Slow Spenders" and offers the following comments on the draft audit report for consideration.

The HUD Office of Inspector General (OIG) conducted an audit of HUD's grantees that received funding through the Continuum of Care (CoC) program stating, "HUD does not have procedures, rules, or regulations in place for slow spending of CoC grants, including necessary enforcement tools to take action on slow spending grantees."

Comment 1

HUD is committed to updating policies and procedures as well as review additional training needs consistent with the recommendations. The discussion below includes CPD's comments on the specific OIG recommendations:

OIG Finding 1A. Implement written procedures to ensure consistency among field offices in reviewing spending issues, potentially preventing up to an estimated $47 million in annual CoC recaptures.

Comment 2

HUD Comment: By the end of FY 2023, CPD will update existing guidance provided to CoC Collaborative Applicants and its CPD field offices, that will also include a checklist for field office use to determine slow spenders and possible actions to resolve slow spending issues with recipients.

OIG Finding 1B. Design and implement a training program and other development tools to help grantees. The goal of such training would be to provide ideas and other development tools to help the CoCs better provide assistance with implementation of their grants and monitoring of

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Ref to OIG Evaluation	Auditee Comments

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their grantees, including assistance with developing outreach strategies, partnering with community providers, financial budgeting, and best practices. The training should focus on the needs of first year grantees and CPD should take steps to encourage participation.

Comment 3

HUD Comment: CPD has developed and made virtual binders available on the HUD Exchange that break down the CoC Program regulations by topic, specifically, Eligible Activities, Financial Management, and Grant Administration to assist recipients. The information in the virtual binders is designed to provide both an overview of the topics and guidance (training) to recipients. These virtual binders are strongly promoted to all grantees as an effective resource on requirements of grant administration. CPD will continue to assess the need for additional training for both field offices and recipients that may be helpful towards addressing slow spending.

Comment 4

As the OIG's report indicated, communities have been experiencing increases in homelessness. It is worth noting that when fund balances are recaptured from grants after the period of performance ends, HUD has the authority to recapture such funds and utilize them in future competitions in lieu of returning the funds to the U.S. Treasury. In fact, HUD recently issued a Notice of Funding Opportunity to specifically address the rise in unsheltered and rural homelessness utilizing recaptured funds.

CPD is grateful to the OIG for it's review of this matter.

OIG Evaluation of Auditee Comments

Comment 1   We commend HUD on its commitment to update policies and procedures and reviewing training needs.

Comment 2   We thank HUD for committing to developing plans to address existing guidance and provide additional tools to its field offices to help ensure consistency in addressing grantee spending issues. We will work with HUD through the audit resolution process to ensure the recommendation is fully addressed.

Comment 3   We acknowledge HUD's efforts to develop virtual binders and commend HUD for its willingness to further assess the training needs of its field offices and recipients. We will work with HUD through the audit resolution process to ensure the recommendation is fully addressed.

Comment 4   We agree that HUD can recapture the unused grant funds and utilize them through future competitions in lieu of returning the funds to the U.S. Treasury. While we believe it is critical for HUD to ensure CoC grantees use their funds for the needs of the homeless during the award period, we commend CPD for utilizing previously recaptured funds to help address the rise in unsheltered and rural homelessness.

APPENDIX C - CRITERIA

24 CFR Part 578 Continuum of Care Program, 578.21 Awarding funds

(c) Satisfying conditions.

HUD will withdraw an award if the applicant does not satisfy all conditions imposed on it. Correcting all issues and conditions attached to an award must be completed within the time frame established in the NOFA. Proof of site control, match, environmental review, and the documentation of financial feasibility must be completed within 12 months of the announcement of the award, or 24 months in the case of funds for acquisition, rehabilitation, or new construction. The 12-month deadline may be extended by HUD for up to 12 additional months upon a showing of compelling reasons for delay due to factors beyond the control of the recipient or subrecipient.

24 CFR Part 578 Continuum of Care Program, 578.85 Timeliness Standards

(c) Distribution. A recipient that receives funds through this part must:

(3) Draw down funds at least once per quarter of the program year, after eligible activities commence.

24 CFR 578.109 Closeout

(a) *In general.* Grants will be closed out in accordance with the requirements of 2 CFR part 200, subpart D, and closeout procedures established by HUD.

(b) *Reports.* Applicants must submit all reports required by HUD no later than 90 days from the date of the end of the project's grant term.

(c) *Closeout agreement.* Any obligations remaining as of the date of the closeout must be covered by the terms of a closeout agreement.

Notice of Funding Availability for Continuum of Care Program Competition for fiscal years 2017 to 2019

C. Renewal Projects.

(3) HUD will recapture grant funds remaining unspent at the end of the previous grant period when it renews a grant.

G. Other Project Eligibility Requirements.

(2) Threshold Requirements:

   b. (2) Project applicants and subrecipients must demonstrate the financial and management capacity and experience to carry out the project as detailed in the project application and the capacity to administer federal funds. Demonstrating capacity may include a description of the applicant/subrecipient experience with similar projects and with successful administration of SHP, S+C, or CoC Program funds or other federal funds.

CPD Monitoring Handbook 6509.2, REV-7, CHG-2

1-2 OBJECTIVES. Monitoring is an integral management control technique and a Government Accountability Office (GAO) standard.[38] It is the activities that management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews. Monitoring provides information about program participants that is critical for making informed judgments about program effectiveness and management efficiency. It also helps in identifying instances of fraud, waste and abuse. It is the principal means by which the Department:

A. ensures that HUD-funded programs and technical areas are carried out efficiently, effectively, and in compliance with applicable laws and regulations;

B. assists program participants in improving their performance, developing, or increasing capacity, and augmenting their management and technical skills; and

C. stays abreast of the efficacy of CPD-administered programs and technical areas within the communities these programs serve.

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[38] http://www.gao.gov/assets/670/665712.pdf

APPENDIX D - SAMPLE OF RECAPTURED GRANTS OVER $1 MILLION AS OF OCTOBER 15, 2020

Count	Region number	Field office name	CoC competition year	CoC number	Grant number	Recaptured total
1	9	Los Angeles	2017	CA-600	CA0464L9D001710	($1,009,198)
2	5	Columbus	2018	OH-500	OH9007U5E001800	(1,052,093)
3	9	San Francisco	2016	CA-500	CA0021L9T001609	(1,113,598)
4	9	Los Angeles	2017	CA-600	CA0913L9D001708	(1,118,674)
5	9	Los Angeles	2016	CA-600	CA1492L9D001601	(1,171,624)
6	9	Los Angeles	2016	CA-600	CA0405L9D001609	(1,195,903)
7	2	New York	2018	NY-604	NY0488L2T041811	(1,283,529)
8	2	New York	2017	NY-600	NY1166L2T001700	(1,329,328)
9	5	Detroit	2017	MI-500	MI0565L5F001700	(1,356,067)
10	10	Seattle	2016	WA-504	WA0000U0T041602	(1,368,451)
11	9	Los Angeles	2017	CA-600	CA1046L9D001707	(1,592,210)
12	2	New York	2017	NY-604	NY0488L2T041710	(1,657,764)
13	9	San Francisco	2016	CA-500	CA1293L9T001602	(1,773,976)
14	9	Los Angeles	2017	CA-600	CA1341L9D001703	(1,875,111)
15	2	New York	2017	NY-600	NY1044L2T001702	(2,417,692)
Total						(21,315,218)

APPENDIX E - SAMPLE OF GRANTS WITH UNSPENT BALANCES OVER $1 MILLION DUE FOR RECAPTURE AS OF OCTOBER 5, 2021

Count	Region number	Field office name	CoC competition year	CoC number	Grant number	Recaptured total
1	9	Los Angeles	2017	CA-600	CA1688L9D001700	$3,048,038
2	3	Philadelphia	2018	PA-500	PA0072L3T001811	462,686[39]
3	9	San Francisco	2017	CA-500	CA0825L9T001705	2,214,097
4	10	Seattle	2018	WA-500	WA0034L0T001811	1,742,499
5	2	New York	2018	NY-600	NY1044L2T001803	1,661,623
6	9	San Francisco	2017	CA-501	CA1462L9T011702	1,643,906
7	10	Seattle	2018	WA-500	WA0297L0T001804	1,538,625
8	9	San Francisco	2017	CA-500	CA0021L9T001710	1,530,394
9	9	San Francisco	2018	CA-500	CA0021L9T001811	1,489,059
10	9	San Francisco	2018	CA-500	CA0825L9T001806	1,444,725
11	9	Los Angeles	2017	CA-600	CA1686L9D001700	1,335,625
12	5	Detroit	2018	MI-500	MI0565L5F001801	1,190,721
13	9	Los Angeles	2017	CA-600	CA1689L9D001700	1,129,489
14	3	Washington	2015	DC-500	DC0086L3G001500	1,104,114
15	5	Columbus	2018	OH-500	OH9007U5E001800[40]	1,103,347
16	9	San Francisco	2018	CA-512	CA0968L9T121803	1,102,970*
17	2	New York	2015	NY-604	NY1049L2T041500	1,081,017*
18	9	Los Angeles	2017	CA-600	CA1687L9D001700	1,025,139
Total						**25,848,074**

* Sample balances amounts from October 2020 were reconfirmed in October 2021. For two samples the balance due for recapture was later recaptured by HUD after our audit period.

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[39]   As of our October 15, 2020, data pull, this grant expired on March 31, 2020, and had an outstanding balance of more than $3 million. However, HUD allowed a draw in December 2020, which reduced the unused balance to $462,686.

[40]   OH9007U5E001800 also had a recapture. (See appendix D.)