



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OIG-CA-24-020

July 29, 2024

Emergency Rental Assistance (ERA1) Program Notice of Recoupment – State of Missouri

Summary

The ERA1 statute (Division N, Title V, Subtitle A, § 501, of the Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260), Dec. 27, 2020, and codified at 15 USC § 9058a) directs the Department of the Treasury (Treasury) to make allocations and payments to eligible grantees such as States and local governments, who in-turn, make funding available in the form of rental assistance to eligible households. The statute also directs the Treasury Office of Inspector General (OIG) to conduct monitoring and oversight of the receipt, disbursement, and use of funds made available to grantees. As part of this oversight authority, if OIG determines that a grantee failed to comply with the use of funds requirements in the statute, the amount equal to the amount of funds used in violation shall be booked as a debt of such entity owed to the Federal Government.

The State of Missouri is a recipient of funds under the ERA1 statute. In June 2023, we made an inquiry to Missouri Housing Development Commission (MHDC), a subrecipient that administers the ERA program for the State of Missouri, regarding an allegation of fraud reported by MHDC to the OIG Hotline that an individual submitted fraudulent applications to receive rental assistance funds. Based on the information obtained in response to our inquiry, we determined that MHDC paid out ERA1 funds in the amount of \$24,600 in violation of the ERA1 statute because the funds were disbursed to an ineligible household. On April 18, 2024, Treasury's Bureau of the Fiscal Service issued an invoice for \$24,600 to the State of Missouri, establishing a debt to the Federal Government.

The following document is OIG's Notice of Recoupment (Notice) that established this debt. The State of Missouri was given an opportunity to provide a written response to a draft of the Notice and its written response and our evaluation of that response is also included in the Notice.

We conducted our review of this ERA case from June 2023 to April 2024. We inquired of the grantee and other relevant parties, reviewed related documentation, and performed other appropriate procedures. We believe the evidence obtained is sufficient and appropriate to provide a reasonable basis for our determination in this Notice.

In conducting our review, we followed the OIG's system of quality management for ensuring that the information in this report is accurate. We also followed the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Federal Offices of Inspector General* which require that our work adheres to its general standards for integrity to include objectivity, independence, professional judgement, and confidentiality as well as its general standard for receiving and reviewing allegations.

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State of Missouri

Missouri Housing Development Commission



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Notice of Recoupment

Emergency Rental Assistance

**Division N, Title V, Subtitle A, § 501 of the Consolidated Appropriations Act, 2021
(Pub. L. No. 116-260), Dec. 27, 2020, and codified at 15 USC § 9058a. (ERA1)**

December 5, 2023

Grantee: State of Missouri

Point of Contact: Shawn McCauley

Shawn.McCauley@oa.mo.gov

(573) 526-4200

Mailing Address: 301 W High Street, Room 570, Jefferson City, Missouri 65101

Federal Award Identification Numbers: ERA0300, ERA0449

Proposed Recoupment Amount: \$24,600.00

Background/Legal Authority

Under ERA1 section 501(c), Use of Funds, an eligible grantee shall only use ERA1 funds to provide financial assistance and housing stability services to eligible households. The financial assistance includes: the payment of rent; rent arrears; utilities and home energy costs; utilities and home energy costs arrears; and other expenses related to housing incurred due, directly or indirectly, to the COVID-19 outbreak, as defined by the Department of the Treasury (Treasury). Such assistance shall be provided for a period not to exceed 12 months except that grantees may provide assistance for an additional 3 months to ensure housing stability (subject to availability of funds). ERA1 allows for up to 3 months (with exceptions) for prospective rent payments within the 12/15 month total assistance limitation.

ERA1 section 501(k)(3) defines eligible household as a household of 1 or more individuals who are obligated to pay rent on a residential dwelling and that (1) 1 or more individuals within the household has qualified for unemployment benefits or experienced a reduction in household income, incurred significant costs, or experienced other financial hardship due, directly or indirectly, to the COVID-19

outbreak, which the applicant shall attest in writing; (2) 1 or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability, which may include a past due utility or rent notice or eviction notice; unsafe or unhealthy living conditions; or any other evidence of such risk, as determined by the eligible grantee involved; and (3) the household has a household income that is not more than 80 percent of the area median income for the household. The grantee must also ensure that, to the extent feasible, any rental assistance provided to an eligible household is not duplicative of any other federally funded rental assistance provided to such household.

Pursuant to its authorities, Treasury established the last day of availability for ERA1 funds as December 29, 2022.

ERA1 section 501(i), Inspector General Oversight; Recoupment, directed that the Treasury Office of Inspector General (OIG) conduct monitoring and oversight of the receipt, disbursement, and use of funds made available under the Act. As part of this authority, if OIG determines that a grantee failed to comply with the use of funds requirements in the Act (section 501(c)), the amount equal to the amount of funds used in violation shall be booked as a debt of such entity owed to the Federal Government.

Facts and Analysis

On June 6, 2023, we made an inquiry to Missouri Housing Development Commission (MHDC), a subrecipient that administers the ERA program for the State of Missouri (Grantee), regarding a complaint (allegation of fraud) reported by an MHDC representative to the OIG Hotline that an individual submitted fraudulent applications to receive rental assistance funds. In its June 20, 2023, response to our inquiry, MHDC reported that the individual identified in the complaint had submitted two applications posing as a landlord. In the first application (No. [REDACTED]), MHDC detected, among other things, that the address for which assistance was requested was not valid, and that the address where the landlord purported to reside also was not valid. In the second application (No. [REDACTED]), MHDC found that the landlord, in the application, did not own the property for which assistance was sought. MHDC determined that there was a likelihood of fraud and the individual was banned from future participation in MHDC's ERA program. However, for these two applications, MHDC had already paid out from ERA1 funds a total of \$24,600 (\$16,800 and \$7,800, respectively) for rent and rent arrears.

Based on the information obtained in response to our inquiry, we determined that MHDC paid out ERA1 funds in violation of the Use of Funds statute because the funds were disbursed to an ineligible household. That is, there was no established obligation by the tenants to pay rent for the two properties for which assistance

payments were made. Accordingly, these funds are required to be returned to the Federal Government.

Grantee Response

We provided the State of Missouri an opportunity to respond to our Notice of Proposed Recoupment. On October 20, 2023, the State of Missouri provided MHDC's written response regarding the payments of financial assistance for the two applications in question. MHDC's written response is included in the Appendix to this Notice.¹ In its response, MHDC provided comments related to its ERA policies and procedures and the two subject applications for ERA1 financial assistance. In addition, MHDC asserted that it is inappropriate for Treasury OIG to seek recoupment and requested that Treasury OIG withdraw this Notice. MHDC's response is summarized below.

- MHDC's policies and procedures for the review and approval of emergency rental assistance applications for eligible households under ERA1 have, at all times, conformed to statutory requirements and all additional guidance set forth by Treasury. MHDC requires an executed written lease, with limited exceptions. In the absence of a lease, MHDC may permit alternative forms of proof. Additionally, MHDC collects information to verify all income and/or hardship information required under ERA1 section 501(k)(3), including self-attestations. In this case, the two subject applications contained all the information required under the statute and with Treasury guidance to determine the applicant was an eligible household, including bank statements, supporting financial and hardship information, self-attestations, and signed current leases that identify the unit where the applicant resides and establish the rental payment amount.
- In the first application (identified by MHDC as No. [REDACTED]), made on May 29, 2021, the applicant included all required information, including a current executed lease. After review, MHDC had no cause to deny the application as it was an eligible household according to ERA1 requirements supported by the documentation provided to MHDC by the applicant and MHDC appropriately granted the request for ERA funds, in the amount of \$7,800, which was paid on July 6, 2021. Treasury OIG identifies the issue with the first application as being that the address for assistance that was requested was not valid and that the address where the landlord purported to live was not valid. Upon further inquiry, the addresses of the property subject to the lease and residence of the landlord both do exist within the City of St. Louis,

¹ The exhibits supporting MHDC's written response are not included as part of this Notice due to the volume of information provided. These exhibits were considered as part of our evaluation of MDHC's response.

just located in specific municipal subdivisions within the greater St. Louis area that the applications could have inadvertently referenced in error.

- On July 12, 2021, a second application was submitted (identified by MHDC as No. [REDACTED]), which also included all required information, including a current lease. After review, MHDC had no cause to deny the application as it was an eligible household according to ERA1 requirements supported by the documentation provided to MHDC by the applicant and MHDC appropriately granted the request for ERA1 funds, in the amount of \$16,800, which was paid on August 10, 2021. Treasury OIG identifies the issue with the second application as being that the landlord applicant did not actually own the property ERA1 funds were requested to support. The suspicion that the landlord applicant is not the owner of the property was only discovered subsequent to the application being made and after MHDC correctly determined the application to be an eligible household at the time of application fully supported by an executed lease and all other required information.
- At the time the applications were received and evaluated to determine eligibility, there were no suspicious facts known that would have given rise to a denial of ERA1 funds under the statutory rules and Treasury guidance. Upon additional limited investigation, MHDC determined that the two subject applications were suspicious and suspended the applicant from any further use of MHDC's ERA program. MHDC is not able to determine for certainty whether any particular applicant has engaged in fraudulent behavior in submitting applications or documentation. MHDC's role in administering ERA1 funds is to determine whether the applicant is an eligible household at the time application is made, has provided supporting documentation in accordance with ERA1 section 501(c) and section 501(k)(3), as well as Treasury guidance, and to authorize the payment of funds to the applicant if the applicant has provided all of the required materials supporting a good faith determination of eligibility.
- Treasury's guidance to grantees since the inception of ERA has been to quickly administer emergency rental assistance to eligible households but to not impose undue documentation burdens upon recipients given the scope of the need. MHDC faithfully observes Treasury's preference for lease documentation of residency, income and hardship documentation, and self-attestation. It is inconsistent with statute and Treasury's guidance to attempt to recoup funds from the Grantee (essentially punishing MHDC) for reporting suspicious behavior related to a particular ERA applicant discovered subsequent to the legitimate determination of eligibility and good faith

payment of ERA funds authorized in full compliance with all applicable rules. Treasury OIG seeking recoupment in this matter and under these circumstances is inappropriate and MHDC requests that Treasury OIG withdraw this Notice.

OIG Evaluation

We considered MHDC's written response in finalizing this notice. Of note, in its response MHDC mistakenly associated Application No. [REDACTED] to the issue of invalid tenant and landlord addresses. This issue relates to Application No. [REDACTED]. Further, MHDC mistakenly associated Application No. [REDACTED] to the issue of the landlord not being the property owner. This issue relates to Application No. [REDACTED]. For our evaluation, we presumed that MHDC intended to associate each issue with the appropriate application in its response.

For Application No. [REDACTED] MHDC did not provide sufficient evidence to support that it was an eligible household. In its response, MHDC claims it had no cause to deny this application as it was an eligible household according to ERA1 requirements. Along with its response, MHDC provided screenshots of Google Maps searches that are intended to support its determination that the properties/addresses in the application are valid, including the property located at 8540 [REDACTED] Place, University City, MO. However, MHDC's assertion that this property/address is valid and exists within the City of St. Louis is misleading. One of MHDC's screenshots shows an arbitrary pin on a map without any physical property or address number. See Figure 1 below. In our search of the St. Louis County Assessor's Office records, we found each house at and around the Google Maps pin that MHDC provided in its response with the corresponding property address around the pin. However, that address, 8540 [REDACTED] Place, does not exist by way of picture (see Figure 2) or property record (see Figures 3 and 4). Furthermore, an internal MHDC post-payment review of this application reached the same conclusion in a report dated September 8, 2021. As such, we conclude that this was not an eligible household.

Figure 1. Google Maps Screenshot for 8540 [REDACTED] Place Provided by MHDC



Figures 2, 3, and 4. St. Louis County Assessor's Records for the Property Address of 8540 [REDACTED] Place, Retrieved by Treasury OIG

Figure 2. Street View at the Site of the Pin in Figure 1 Shows No Property Located at 8540 [REDACTED] Place (No Even Numbered Addresses Facing that Area of [REDACTED] Place)

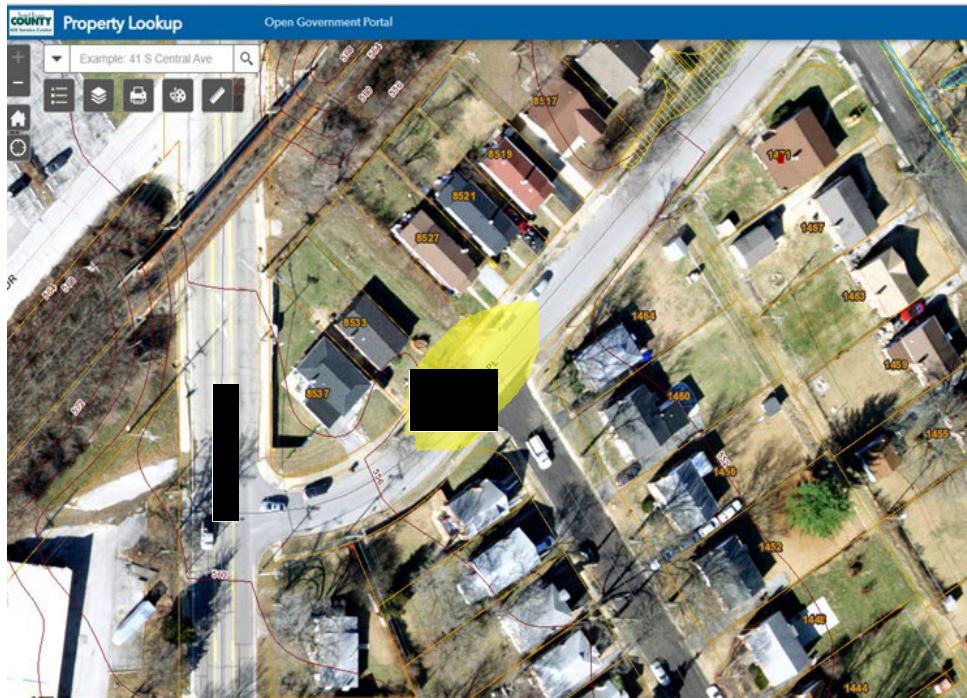
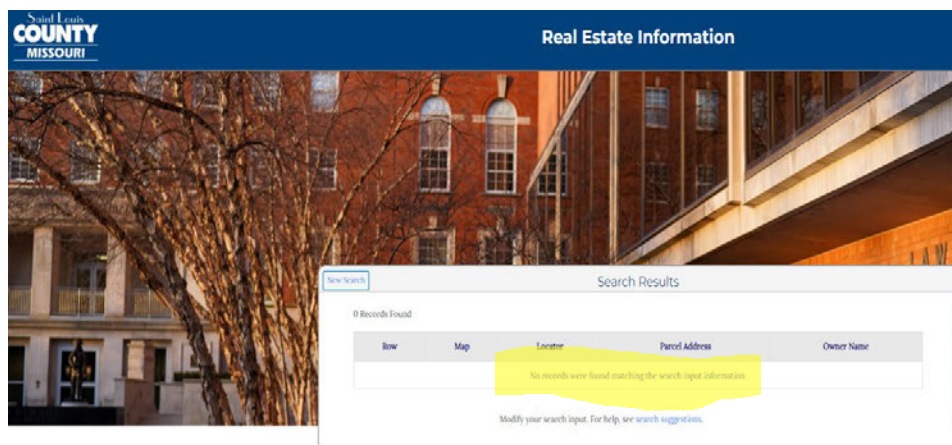


Figure 3. St. Louis County Assessor's Look-up/Search for the Property Address in Question

Figure 4. St. Louis County Assessor's Search Results for the Property Address in Question



For Application No. [REDACTED] MHDC did not provide sufficient evidence to support that it was an eligible household. In its response, MHDC claims it had no cause to deny this application as it was an eligible household according to ERA1 requirements. In its written response, MHDC acknowledged that the landlord listed in Application No. [REDACTED] was not the owner of the property located at [REDACTED]. Additionally, using a simple search of St. Louis County Assessor's Records, we confirmed that the applicant's name does not match the name of the owner of the property in question, nor has it matched the name of the owner (going back at least to 2017). See Figure 5. As such, we conclude that this was not an eligible household.

Figure 5. St. Louis County Assessor's Records Showing Ownership of the Property Located at [REDACTED], Retrieved by Treasury OIG

Effective 11/7/2023

Locator Number:

Owner Name:

Property Location:

Subdivision:

Block Number:

Lot Number:

School Sub Code:

Legal Description:

Assessed Value:

139Z

Real Estate Tax History:

Tax Year	Owner Name	Tax Code	Sewer Lateral Fee	Total Assessed Value	Amount Due	Amount Paid	Date Paid
2023		139Z	\$28.00	\$32,570.00	\$2,954.94	\$0.0	Not Paid
2022		139Z	\$28.00	\$27,250.00	\$2,780.36	\$2,780.36	11/30/2022
2021		139Z	\$28.00	\$27,250.00	\$2,631.78	\$2,631.78	12/6/2021
2020		139Z	\$28.00	\$22,490.00	\$2,334.66	\$2,334.66	11/30/2020
2019		139Z	\$28.00	\$22,490.00	\$2,297.32	\$2,297.32	11/27/2019
2018		139Z	\$28.00	\$18,190.00	\$2,012.85	\$2,012.85	11/28/2018
2017		139Z	\$28.00	\$18,190.00	\$2,010.55	\$2,010.55	12/1/2017

Finally, MHDC's assertion that it is inconsistent with statute and Treasury's guidance to attempt to recoup funds from the Grantee for reporting suspicious behavior discovered subsequent to the determination of eligibility and good faith payment of ERA funds is misguided. Under ERA1 section 501(i), if a Grantee failed to comply with the Use of Funds requirements in the Act which requires that funds are only to be used to provide financial assistance and housing stability services to eligible households, the amount equal to the amount of funds used in violation shall be booked as a debt owed to the Federal Government. In accordance with the statute, this recoupment is valid because MHDC did not comply with the Use of Funds requirements when it provided financial assistance to ineligible households for the two subject applications.

Based on our evaluation of MHDC's response to OIG's Notice of Proposed Recoupment, MHDC has not provided sufficient evidence to demonstrate that the financial assistance provided for the subject applications were for eligible households. Accordingly, these funds are required to be returned to the Federal Government.

Grantee Response

RESPONSE TO TREASURY RECOUPMENT NOTICE – OCTOBER 16, 2023

The Missouri Housing Development Commission (the “MHDC”) responds to the Draft Notice of Proposed Recoupment provided by the U.S. Department of Treasury (“Treasury”), Office of Inspector General received on October 5, 2023 (the “Notice”) regarding two applications for ERA1 funds by [REDACTED] the “[REDACTED] Applications”). MHDC reserves the right to supplement or revise this response based upon additional investigation or further communications with Treasury.

As Treasury explained in its most recent guidance, its May 1, 2023, FAQ Bulletin, in an effort to speed out ERA funding during the height of the pandemic’s uncertainty, “These requirements provide for various means of documentation so that grantees may extend this emergency assistance to vulnerable populations without imposing undue documentation burdens.” FAQ Bulletin at *1. Regarding documentation of residency, these requirements demand, “if available, a current lease, signed by the applicant and the landlord or sublessor, that identifies the unit where the applicant resides and establishes the rental payment amount.” *Id.* at *6. However, even in the absence of a written lease, Treasury still permits grantees to distribute ERA funds:

If an applicant is able to provide satisfactory evidence of residence but is unable to present adequate documentation of the amount of the rental obligation, grantees may accept a written attestation from the applicant to support the payment of assistance up to a monthly maximum of 100 percent of the greater of the Fair Market Rent or the Small Area Fair Market Rent for the area. *Id.*

This is also essentially the same procedure that Treasury required at the time of the [REDACTED] Applications. In its June 24, 2021 guidance, Treasury explained that, while a current lease was preferable, “grantees may accept a written attestation from the applicant to support the payment of assistance.” June 24, 2021, Treasury FAQ Bulletin at *5. Additionally, that guidance required that aid “may only be provided for three months at a time,” which was also the case for the [REDACTED] Applications. *Id.* at **5-6. Finally, as it has in nearly all guidance, in 2021 Treasury was heavily emphasizing the need to quickly “extend this emergency assistance to vulnerable populations,” including by “be[ing] flexible as to the particular form of documentation they require,” including the use of attestation. *Id.* at *2.

MHDC’s policies and procedures for the review and approval of emergency rental assistance applications for “eligible households” under ERA1 have at all times conformed to the statutory requirements set forth, including specifically under ERA1 section 501(c), 501(k)(3), and all additional guidance set forth by Treasury. MHDC requires an executed written lease, with extremely limited exceptions. In the absence of a lease, MHDC may permit alternative forms of proof as discussed by Treasury’s guidance, such as “evidence of paying utilities for the residential unit, an attestation by a landlord who can be identified as the verified owner or management agent of the unit, or other reasonable documentation as determined by the grantee.” *Id.* Additionally, MHDC collects information to verify all income and/or hardship information required under ERA1 section 501(k)(3) as set forth in the Notice, including self-attestations which have been expressly permitted by statute and Treasury guidance.]

Grantee Response

In this case, the [REDACTED] Applications contained all the information required under the statute and with Treasury guidance to determine the applicant was an “eligible household”. The [REDACTED] Applications contained bank statements, supporting financial and hardship information, self-attestations, and, crucially, signed current leases “that identif[y] the unit where the applicant resides and establish[] the rental payment amount,” as preferred by Treasury’s guidance. *Id.*

In the first application, made on May 29, 2021, the applicant included all required information, including a current executed lease (the “First Application”). A true and accurate copy of this First Application is attached hereto as **Exhibit A**, and the lease is on pages 44 through 61. This First Application also includes communications establishing the rental amount, and a self-attestation that is “subject to civil and criminal penalties.” See **Exhibit A** at *42. After review, MHDC had no cause to deny the application as it was an “eligible household” per ERA1 requirements fully supported by the documentation provided to MHDC by the applicant and MHDC appropriately granted the request for ERA funds, in the amount of \$7,800, which was paid on July 6, 2021. Treasury identifies the issue with the first application as being that the address for assistance that was requested was not valid and that the address where the landlord purported to live was not valid. Upon further inquiry, the addresses of the property subject to the lease and residence of the landlord both do exist within the City of St. Louis, just located in specific municipal subdivisions within the greater St. Louis area that the applications could have inadvertently referenced in error.

On July 12, 2021, a second application was submitted, which also included all required information, including a current lease (the “Second Application”). The Second Application is also attached hereto as **Exhibit B** and the lease is contained on pages 44 through 61. After review, MHDC had no cause to deny the application as it was an “eligible household” per ERA1 requirements fully supported by the documentation provided to MHDC by the applicant and MHDC appropriately granted the request for ERA1 funds, in the amount of \$16,800, which was paid on August 10, 2021. Treasury identifies the issue with the second application as being that the landlord applicant did not actually own the property ERA1 funds were requested to support. The suspicion that the landlord applicant is not the owner of the property was only discovered subsequent to the application being made and after MHDC correctly determined the application to be an “eligible household” at the time of application fully supported by an executed lease and all other required information.

It is vitally important to note that only subsequent to the Second Application being paid did MHDC discover any discrepancies in the [REDACTED] Applications, including that the listed landlord was not the title owner of the building. At the time the applications were received and evaluated to determine eligibility, there were no suspicious facts known that would have given rise to a denial of ERA1 funds under the statutory rules and Treasury guidance. Upon additional limited investigation, MHDC determined that the [REDACTED] Applications were suspicious and suspended the applicant from any further use of MHDC’s ERA program. These facts were reported to Treasury, which opened its own investigation into the [REDACTED] Applications. MHDC has cooperated with Treasury in all respects in this investigation and has provided all requested information and documentation. MHDC is not able to determine for certainty whether any particular applicant has engaged in fraudulent behavior in submitting applications or documentation. MHDC’s role in administering ERA1 funds is to determine whether the applicant is an “eligible household” at the time application is made, has provided supporting documentation in accordance with ERA1 section 501(c) and section 501(k)(3), as well as Treasury guidance, and to authorize the payment

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Grantee Response

of funds to the applicant if the applicant has provided all of the required materials supporting a good faith determination of eligibility.

Treasury's guidance to grantees since the inception of ERA has been to quickly administer emergency rental assistance to "eligible households" but to not impose "undue documentation burdens" upon recipients given the scope of the need. FAQ Bulletin at *1. In particular, in its April 30, 2022, Compliance Statement, Treasury assured grantees that "To the extent that a grantee has established and consistently followed its own reasonable procedures for implementing an eligibility determination process, consistent with Treasury's guidance, it is not Treasury's expectation that grantees should seek additional documentation from a beneficiary after the initial determination of eligibility." Treasury Compliance Supplement, April 30, 2022, at *7. Here, MHDC faithfully observes Treasury's preference for lease documentation of residency, income and hardship documentation, and self-attestation. It is inconsistent with statute and Treasury's guidance, to attempt to recoup funds from the Grantee (essentially punishing MHDC) for reporting suspicious behavior related to a particular ERA applicant discovered subsequent to the legitimate determination of eligibility and good faith payment of ERA funds authorized in full compliance with all applicable rules.

Treasury seeking recoupment in this matter and under these circumstances is inappropriate and MHDC respectfully requests that Treasury withdraw its Notice. MHDC has at all times adhered to all requirements set forth in statute and espoused by Treasury to determine an "eligible household", and, upon independent investigation, suspended the applicant's further use of the ERA program in this case, where suspicious information was subsequently discovered. If the Inspector General has any additional questions or requests for documentation, MHDC remains willing to cooperate.

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