



November 16, 2021

MEMORANDUM NO:
2022-CH-0801

Memorandum

TO: Danielle L. Bastarache
Deputy Assistant Secretary, Office of Public Housing and Voucher Programs, PE

//signed//

FROM: Kilah S. White
Assistant Inspector General for Audit, GA

SUBJECT: Public Housing Agencies' Experiences and Challenges Regarding the Administration of HUD's CARES Act Funds

INTRODUCTION

We conducted a limited review of the U.S. Department of Housing and Urban Development's (HUD) Coronavirus Aid, Relief, and Economic Security (CARES) Act supplemental public housing operating funds (supplemental funds). Our objective was to assess public housing agencies' (PHA) experiences and challenges and HUD's efforts in providing guidance related to the administration of the supplemental operating funds under the CARES Act. As a result of our review, we found that the PHA survey respondents generally cited positive experiences and no major challenges related to the administration of supplemental funds under the CARES Act. Although there are no recommendations in this memorandum, we are providing two key considerations for HUD.

SCOPE AND METHODOLOGY

We performed our review remotely from November 2020 through August 2021. Our review covered the period March 27, 2020, through June 11, 2021. To accomplish our objective, we interviewed HUD's and PHAs' staff. In addition, we obtained and reviewed the following:

- Applicable laws (Public Laws 116-94 and 116-136); HUD's regulations at 24 CFR (Code of Federal Regulations) parts 905 and 990; and HUD Office of Public and Indian Housing (PIH) Notices PIH-2020-05, PIH-2020-07, PIH-2020-13, and PIH-2020-24.
- PIH's COVID-19-related frequently asked questions (FAQ) for PHAs, HUD's CARES Act Reporting FAQs for PHAs, and HUD training webinar slides.
- HUD's weekly Line of Credit Control System (LOCCS) reports on the status of the PHAs' funding drawdowns.

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We interviewed a sample of 10 PHAs about their experiences and challenges in administering the supplemental funds to assist us with refining the questions in a survey issued to a larger sample of PHAs.¹

From HUD’s list of 2,874 PHAs that received supplemental funds, we selected a nonstatistical sample of 100 PHAs to survey regarding their experiences and challenges related to the administration of supplemental funds. We used a nonstatistical sample because (1) the total of 2,874 PHAs awarded supplemental funds was too large to review 100 percent, (2) it allowed us to quickly obtain sufficient information to answer the review objective, and (3) we were not projecting our results to the population that we did not review. We grouped the 2,874 PHAs into 5 strata, based on the award amounts, and sorted in each stratum from largest to smallest award amounts. The random number generator function in Microsoft Excel was used to assign a value to each PHA. We selected the PHAs with the highest random number values from each stratum for review. The number of PHAs selected from each stratum closely depended on the percentage of the PHAs in the stratum. See the table below for the sample size for each stratum.

Stratum #	Award amount	Population of PHAs	% of total population	Sample of PHAs
1	\$5 million - \$150 million	12	0.42%	2
2	\$1 million - \$4,999,999	75	2.61%	3
3	\$500,000 - \$999,999	84	2.92%	3
4	\$100,000 - \$499,999	584	20.32%	20
5	< \$100,000	2,119	73.73%	72
Totals		2,874	100%	100

We emailed the surveys in Adobe’s fillable portable document format to 100 PHAs between January 26 and 27, 2021, and received responses from 87 PHAs from January 26 through February 11, 2021. We followed up telephonically with the PHAs’ staff when necessary to clarify unclear survey responses. The surveys contained the following nine closed-ended questions:

1. For which of the following expenses can the supplemental funds be used (check all that apply)? (a) COVID-19-related expenses to prevent, prepare for, and respond to

¹ The results of these 10 interviews were not included in the memorandum because the audit team used the interviews only to refine the survey questions for a larger sample of PHAs and not as a formal part of our review.

coronavirus; (b) regular public housing operating expenses; (c) regular public housing capital expenses; (d) all of the above.

2. When can the PHA draw down the supplemental operating funds (check all that apply)? (a) when the PHA anticipates having to pay for a future eligible expense; (b) when the PHA has incurred an eligible expense and needs to pay for the eligible expense.
3. Has the PHA encountered any major challenges in drawing down or spending the funds? If yes, please explain the challenges.
4. Does the PHA believe that it will draw down and spend its supplemental funds before the December 2021 deadline? If no, please explain why the PHA will not be able to draw down or spend all of the funds.
5. Does the PHA believe that it has a clear understanding of the expenses for which the supplemental funds can be used? If no, please explain what is not clear to the PHA regarding eligible expenses.
6. Has the PHA contacted HUD's Office of Public Housing or its local HUD field office, asking supplemental funding-related questions either via email or telephone? If yes, please identify the topic of the question(s) asked and state whether the PHA believed that the question(s) was addressed adequately and in a timely manner.
7. Does the PHA believe that the guidance, FAQs, program notices, criteria, and online training webinars issued by HUD cover the main areas of the supplemental operating funds? If no, please explain the areas of the supplemental funds that have not been adequately covered.
8. Is there anything further HUD can do to assist the PHA in administering its supplemental operating funds? If yes, please explain the additional actions HUD could take to assist the PHA.
9. Is the PHA aware of any complaints regarding the CARES Act funds? If yes, please explain the nature of those complaints.

HUD's LOCCS as of February 26, 2021, had identified 415 PHAs that had drawn down less than 20 percent of their supplemental funds. We contacted 19 of the 415 PHAs regarding their experiences and challenges in drawing down the supplemental funds.

We grouped the 415 PHAs into three strata, based on the award amounts, and sorted in each stratum from largest to smallest award amount. The random number generator function in Excel was used to assign a value to each PHA. We selected the PHAs with the highest random number values from each stratum for review. See the table below for the sample size for each stratum.

Stratum #	Award amount	Population of PHAs	Sample of PHAs
1	\$500,000 - \$43 million	17	10
2	\$100,000 - \$499,999	83	7
3	< \$100,000	315	3
Totals		415	20

We emailed the survey questions to 19 PHAs² on March 8 and 9, 2021, and received responses from all PHAs from March 9 through 17, 2021. We followed up telephonically with PHA staff when necessary to clarify unclear responses. The email contained the following three questions:

1. Why has the PHA drawn down a small percentage of its supplemental funds?
2. If the PHA plans to draw down funds in the future, for what types of expenses will the funds be used?
3. Does the PHA plan to draw down and spend the supplemental funds before the December 2021 deadline?

During our review, there were two significant scope limitations.

1. The PHAs' responses reflected a specific point in time.³ We understand that as the pandemic continues, PHAs' experiences and challenges in administering the supplemental funds may change.
2. We did not verify the information reported by the PHAs. Rather, this memorandum contains the PHAs' experiences and challenges as they were reported to us.

Our sampling methods did not allow us to project our results but were sufficient to meet the objective of our review. We relied on computer-processed data in LOCCS. While we did not perform tests on the reliability of the data, we found the data to be adequate for our purposes.

We conducted the review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate

² A LOCCS report, dated March 8, 2021, indicated that one of the PHAs that was awarded less than \$100,000 in supplemental funds recently drew down 100 percent of its supplemental funds. Therefore, we excluded this PHA from our sample and did not follow up with the PHA.

³ Of the 100 PHAs surveyed, 87 responded from January 26 through February 11, 2021, and another sample of 19 PHAs responded to our followup questions regarding funds drawn down from March 9 through 17, 2021.

evidence to provide a reasonable basis for our conclusions based on our objective(s). We believe the evidence obtained provides a reasonable basis for our conclusions based on our objective.

We determined that internal controls were not relevant to our objective. Our objective was not to evaluate or provide assurance on HUD's internal controls. Therefore, we did not assess HUD's controls or express an opinion on them.

BACKGROUND

On March 27, 2020, the President signed the CARES Act into law to provide unprecedented stimulus to the American economy and support distressed businesses and individuals in the wake of the COVID-19 pandemic. The CARES Act made \$685 million in supplemental funds available to 2,874 PHAs through the Public Housing Operating Fund. The funds were available to PHAs beginning May 1, 2020 and are available until December 31, 2021.⁴ According to HUD's LOCCS report, dated October 13, 2021, PHAs have drawn down more than \$563 million of the \$685 million (82.3 percent) in supplemental funds.

CARES Act supplemental funds can be used by the PHAs to prevent, prepare for, and respond to the pandemic and for normal Public Housing Operating and Capital Fund expenses not related to the pandemic. According to Notice PIH-2020-07, supplemental funds could be used for pandemic-related expenses, such as purchasing personal protective equipment for PHA staff and residents, travel costs associated with COVID testing of PHA staff and residents, payment of salaries of PHA staff unable to work due to public health restrictions, payment for increases in sick leave allowances for PHA staff, and expenses to transport PHA staff and residents in need of medical attention.

Operating Fund expenses include such items as administration expenses, routine maintenance, anticrime and antidrug activities, resident participation in management, insurance costs, energy costs, and other costs related to the operation and management of mixed finance projects and repayment of debt service to finance rehabilitation and development of public housing units. In addition, eligible Capital Fund expenses include the development, financing, and modernization of public housing projects, including the redesign, reconstruction, and reconfiguration of public housing sites and buildings.⁵

RESULTS OF REVIEW

Based on the survey responses received and additional communication, PHAs generally cited positive experiences and no major challenges related to the administration of supplemental funds under the CARES Act. The following paragraphs summarize the responses from the 87 PHAs that responded to the survey⁶ and 19 PHAs contacted regarding their drawdowns, based on five areas.

⁴ HUD Notice PIH-2020-24, issued September 14, 2020

⁵ HUD's regulations at 24 CFR (Code of Federal Regulations) 905.200(b)

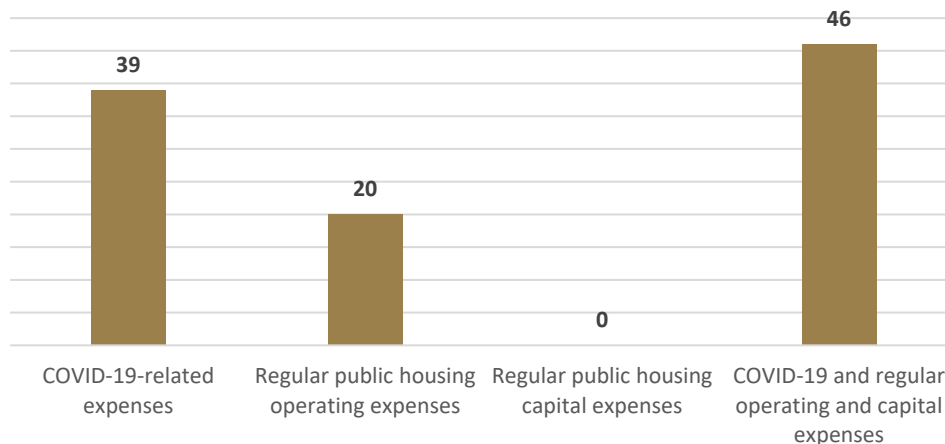
⁶ See the appendix located on the last page of the memorandum for a summary of the survey results.

Understanding of Eligible Expenses and Timing of Drawdowns

Of the 87 PHAs that responded to the survey, 86 (99 percent) indicated that they had a clear understanding of eligible expenses for which the supplemental funds could be used.⁷ However, when we asked about expenses that the funds could be used for, only 46 of the 87 PHAs (53 percent) correctly indicated that the supplemental funds could be used for COVID-19-related expenses and regular public housing operating and capital expenses.

PHA responses regarding use of funds⁸

For which of the following expenses can funds be used?



Notice PIH-2020-07, published on April 28, 2020, before the supplemental funds were available for use in LOCCS, states that the funds could be used for eligible Operating and Capital Fund activities or to address the coronavirus. Other HUD guidance, including a letter to PHAs from the Assistant Secretary for Public and Indian Housing, dated August 2020, and PIH’s COVID-19-related FAQs for PHAs published on September 29, 2020, emphasized that PHAs could use the supplemental funds for COVID-19-related expenses as well as regular operating and capital expenses.

Regarding the timing of drawdowns, 83 PHAs (95 percent) correctly indicated that supplemental funds could be drawn down when a PHA incurred an eligible expense and needed funds to pay the expense. The remaining four PHAs indicated that supplemental funds could be drawn down when the PHAs anticipated having to pay for a future eligible expense. Notice PIH-2020-07, section 4, states that PHAs would be able to draw down the supplemental funds “as needed, to fund eligible immediate needs.” Therefore, although HUD has issued guidance on the eligible use of the supplemental funds and the timing for drawing down funds, some PHAs may need additional guidance.

⁷ The remaining PHA stated that initially funds could be used only for COVID-19-related expenses but now funds can be used for other items, which led to confusion.

⁸ The applicable survey question regarding use of funds allowed PHAs to select more than one response.

PHAs' Ability To Meet the Spending Deadline and Slow Drawdowns

Of the 87 PHAs that responded to the survey, 85 (98 percent) stated that they anticipated drawing down and spending the supplemental funds before the December 2021 deadline.⁹ Of the remaining two PHAs, one indicated that it did not plan to use the supplemental funds because it had not incurred any COVID-19-related or additional expenses as a result of the pandemic¹⁰, and the other stated that it had ample regular operating funds to cover COVID-19-related expenses.

Based on HUD's LOCCS report, dated February 26, 2021, 415 (14.4 percent) of the 2,874 PHAs that received supplemental funds had drawn down less than 20 percent of their funds.¹¹ To determine the reason(s) why PHAs were slow at drawing down funding, we contacted a sample of 19 PHAs and were provided the following reasons as of March 2021:

- Twelve PHAs planned to conduct activities, which had not begun or were in progress that would be funded with supplemental funds. These PHAs planned to use the supplemental funds to (1) install WIFI at their public housing sites, (2) purchase laptops, (3) perform office improvements to address social distancing, (4) install fencing around the exterior of public housing sites, (5) purchase maintenance trucks, (6) install key frequency operating button entry into buildings, etc.
- Seven PHAs had not drawn down supplemental funds to cover all their CARES Act-eligible expenses. These PHAs were using their regular operating funds or operating fund reserves to pay for eligible expenses and then drawing down the supplemental funds to reimburse these accounts. These PHAs indicated that staff turnover, staff absence as a result of illness, time spent gathering and reviewing documentation to support the drawdowns, and staff time assigned to other responsibilities had delayed their ability to draw down supplemental funds for incurred CARES Act-related expenses. These PHAs planned to use the supplemental funds for such items as additional security at public housing sites to limit incoming visitors, tree and stump removal at public housing sites, replacing ceilings in apartment bathrooms, and personal protective equipment for staff and residents.

All 19 PHAs planned to draw down and spend their supplemental funds before the December 2021 deadline.

HUD staff had implemented several efforts to assist PHAs in using supplemental funds, including conducting training webinars and issuing COVID-19 FAQs for PHAs regarding the eligible use of funds. In addition, the Director of HUD's Coordination and Compliance Division indicated that the local HUD field offices maintained communication with the PHAs regarding

⁹ According to Notice PIH-2020-24, the period of availability for the use of CARES Act supplemental public housing operating funds was extended to December 31, 2021.

¹⁰ HUD's LOCCS report, dated May 7, 2021, indicated that the PHA had drawn down 100 percent of its supplemental funds.

¹¹ Based on HUD's LOCCS report, dated October 13, 2021, 101 (3.5 percent) of the 2,874 PHAs that received the supplemental operating funds had drawn down less than 20 percent of the funds. Of the 101 PHAs, 59 had not drawn down any of the supplemental operating funds awarded to them. Therefore, the number of PHAs that had drawn down less than 20 percent of their supplemental funds had decreased.

the importance of using the funds. In March 2021, HUD made available a Power Business Intelligence dashboard that provides up-to-date information on the amount of funds drawn down by each PHA. HUD field office staff could use this dashboard to identify high-risk PHAs based on the low percentages of funds drawn down.

Challenges Encountered

Of the 87 PHAs, 83 (95 percent) indicated that they did not encounter any major challenges in drawing down or spending the supplemental funds. Of the remaining four PHAs, the following challenges were cited:

- One PHA's staff spent significant time setting up ledger accounts and maintaining supporting documentation to account for the supplemental funds.
- One PHA fell behind on completing CARES Act-related work because the executive director had contracted coronavirus.
- One PHA's staff could not access LOCCS because it had not been recertified. However, shortly after our survey was submitted, LOCCS access had been granted to the PHA's staff.
- One PHA mistakenly drew down its entire supplemental award amount, but the HUD field office assisted the PHA in returning the funds.

HUD Guidance and Assistance

When asked about the adequacy of the guidance provided by HUD, 85 of the 87 PHAs (98 percent) indicated that guidance issued by HUD, including the FAQs, program notices, criteria, and online training webinars, covered the main areas of the supplemental funds and, thus, was believed to be adequate. Of the remaining two PHAs, one indicated that HUD's webinar dealing with the quarterly reporting requirements was not clear because the presenters did not seem to have a clear understanding of the quarterly reporting requirements, and the remaining PHA expressed difficulty in processing the information or guidance that HUD issued due to the volume of information provided.

Of the 87 PHAs, 21 indicated that their staff had contacted HUD headquarters or their local HUD field office asking supplemental fund-related questions. Of the 21 PHAs, 20 (95 percent) generally indicated that their questions were adequately answered and addressed in a timely manner. The remaining PHA indicated that its local HUD field office referred it to a HUD notice but did not provide a clear answer to its question regarding how to track hazard wages paid with supplemental funds.

Regarding additional action needed from HUD, 79 (91 percent) of the 87 PHAs indicated that there was nothing further HUD could do to assist them in administering the supplemental funds. The remaining eight PHAs cited the following:

- Two indicated that another round of supplemental funds was needed to address the pandemic.
- One indicated that HUD could improve its guidance by eliminating unnecessary jargon and providing bullet point summaries of what PHAs need to do as most executive directors are time constrained.

- One indicated that when it asked its local HUD field office questions, sometimes a yes or no answer was preferred rather than HUD's referring the PHA to a HUD notice. The PHA believed that the HUD field office did not adequately answer its question regarding how to track hazard wages paid with supplemental funds.
- One indicated that if HUD planned to conduct reviews of the supplemental funds, it should provide guidance that would address the types of financial records or details PHAs would need to meet the requirements.
- One indicated that HUD should allow PHAs to use supplemental funds to reimburse themselves for lost tenant revenue as a result of the pandemic.
- Three indicated that HUD needs to finalize its quarterly reporting requirements. Of those three, one PHA specified that it would be useful to have more information about the requirements for quarterly reporting to ensure that required information can be readily entered into the reporting portal. The remaining two PHAs were waiting to hear from HUD on how or when to proceed regarding the quarterly reporting.

Section 15011 of the CARES Act requires that recipients of \$150,000 or more in CARES Act funding submit, not later than 10 days after the end of each calendar quarter, a report containing information regarding the amount of funds received, the amount of funds obligated or spent for each project or activity, a description of each project or activity, and detailed information on any subcontracts or subgrants awarded by the recipient.

The availability of the reporting portal had been delayed because HUD's Office of the Chief Information Officer needed to ensure that the portal could meet the complex reporting requirements. HUD had anticipated that the reporting portal would be available in June 2021. As of August 26, 2021, the web-based reporting portal, which PHAs would use to meet their quarterly reporting requirements, was not available. HUD's Director of Public Housing Programs anticipates that at the earliest, the portal would be available for the December 31, 2021, reporting period. Until the reporting portal becomes available to PHAs, PHA quarterly reporting requirements have been suspended. When the reporting portal becomes available, PHAs will need to report on past quarters.

Complaints Regarding CARES Act Funds

All 87 PHAs indicated that they were not aware of any complaints regarding the CARES Act funds. HUD headquarters PIH staff stated that it was not aware of any complaints involving misuse of CARES Act funds. Generally, public housing complaints would be directed to the local HUD field offices, and HUD headquarters would follow up if complaints were forwarded to it. HUD headquarters does not have a separate process or procedures to address complaints regarding the supplemental funds. However, it would follow its regular complaint procedures to address complaints related to these funds.

CONCLUSION

Based on the responses to the survey, the PHAs generally expressed positive experiences and no major challenges related to the administration of supplemental funds under the CARES Act. Additionally, the 19 PHAs that had drawn down less than 20 percent of their funds as of February 2021 indicated that they had activities, which had not begun or were in progress, that

would be funded with supplemental funds or they had not drawn down supplemental funds for all of the CARES-eligible expenses incurred.

Based on information provided by HUD and our online research, we found that HUD had either provided guidance through training and communications or made information available to PHAs for the administration of the supplemental operating funds in the form of PIH notices and FAQs. Although this memorandum does not contain formal recommendations, we have the following key considerations for HUD:

- HUD should continue to keep the lines of communication open with PHAs to (1) clarify guidance when warranted and (2) ensure that the PHAs know how to properly use the reporting portal, once it is functional, to meet the quarterly reporting requirements. For instance, HUD should consider offering training, webinars, and additional guidance to ensure that PHAs know how to properly use the portal when implemented.
- HUD should continue to monitor the PHAs that are slow in drawing down supplemental funds and offer assistance as applicable to ensure that funds are spent by the deadline of December 31, 2021.

AUDITEE COMMENTS

We held an exit conference with HUD and discussed the results of our review. HUD chose not to provide a written response.

Appendix – CARES Act supplemental public housing operating funds survey results

1. For which of the following expenses can the apply)? ¹²	COVID-19-related expenses to prevent, prepare for, and respond to coronavirus	Regular public housing operating expenses	Regular public housing capital expenses	All of the mentioned 53%
2. When can the PHA draw down the supplemental operating funds?	When the PHA anticipates having to pay for a future eligible expense 5%	When the PHA has incurred an eligible expense and needs to pay for the eligible expense 95%		
3. Has the PHA encountered any major challenges	Yes 5%	No 95%		
4. Does the PHA believe that it will draw down and spend its supplemental funds before the December 2021 deadline?	Yes 98%	No 2%		
5. Does the PHA believe it has a clear understanding of the expenses for which the supplemental funds can be used?	Yes 99%	No 1%		
6. Has the PHA contacted HUD’s Office of Public Housing or its local HUD field office, asking supplemental funding-related questions either via email or telephone?	Yes 24%	No 76%		
7. Does the PHA believe that the guidance, FAQs, program notices, criteria, and online training webinars issued by HUD cover the main areas of the supplemental operating funds?	Yes 98%	No 2%		
8. Is there anything further HUD can do to assist the PHA in administering its supplemental operating funds?	Yes 9%	No 91%		
9. Is the PHA aware of any complaints regarding the CARES Act funds?	Yes 0%	No 100%		

¹² For this question, some PHAs selected more than one response. Therefore, the total percentage exceeds 100.