



OFFICE of
INSPECTOR GENERAL

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

HOME and HOME ARP Draws Made Near Hold in Federal Funding Were Premature and Improper Payments

Report Number: 2026-LA-0003

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Highlights

HOME and HOME ARP Draws Made Near Hold in Federal Funding Were Premature and Improper Payments | 2026-LA-0003

What We Audited and Why

We identified a significant increase in the amount of funds drawn by HOME Investment Partnerships Program (HOME) and HOME American Rescue Plan (ARP) grantees near the time of the January 2025, hold in Federal funds, which increased the risk that the funds may have been drawn prematurely, without support, or used improperly. Therefore, our audit objective was to identify if HOME and HOME ARP draws made near the time of the hold in federal funds were in accordance with program requirements.

What We Found

Out of eight grantees selected for review, two (New York City and the City of Anaheim) violated program requirements when they prematurely drew HOME and HOME ARP funds near the time of the hold in federal funds and made improper payments. New York City and its subrecipient, the New York City Housing Authority (NYCHA), could not adequately support how \$81.9 million in HOME ARP funds were used for a tenant arrears program, of which, over \$6 million was used for ineligible tenants that were over the allowable income limit. Both grantees drew a combined total of over \$87 million in HOME and HOME ARP funds in advance of their immediate needs, in violation of program requirements. Further, the City of Anaheim admitted to drawing an additional \$404,630 in HOME and HOME ARP funds prematurely. Both grantees earned interest income while holding the funds from their premature draws that they did not report to HUD and had not remitted to the U.S. Treasury. Each grantee had different reasons for why these issues occurred including over-reliance on NYCHA, delays transferring and applying the funds, and concerns the hold in funds would jeopardize ongoing housing development. The funds used for the ineligible tenants could have been used for other eligible and supported program activities to reduce homelessness and increase housing stability. In addition, the combined premature draws of over \$87 million misled HUD about the need for the funds and the resulting accumulated interest must be remitted to the U.S. Treasury.

What We Recommend

We recommend that the Directors of HUD's New York and Los Angeles Offices of Community Planning and Development, (1) require New York City to provide documentation to support its \$81,913,050 draw of HOME ARP funds or repay its HOME Investment Trust Fund Treasury Account, (2) require both grantees to support the amount of interest earned while holding the funds and remit the funds to the U.S. Treasury, (3) review additional premature draws to determine eligibility, and (4) assess the adequacy of both grantees procedures and controls to ensure draws are made in accordance with program requirements. We also recommend that HUD collaborate with its Office of Program Enforcement to consider potential administrative actions against both grantees for violating program requirements.

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Background and Objectives

HOME Formula and HOME ARP Programs

The HOME Investment Partnerships Program (HOME) provides formula grants to states and localities, known as participating jurisdictions, to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. Annual HOME awards have been over \$1 billion nationwide:

Annual Nationwide HOME Funding

Year	HOME Funding
2023	\$1.5 billion
2024	\$1.25 billion
2025	\$1.25 billion

The American Rescue Plan (ARP) was enacted into law in March of 2021, providing \$1.9 trillion in relief to address the continued impact of the COVID-19 pandemic on the economy, public health, State and local governments, individuals, and businesses. Congress appropriated \$5 billion in ARP funds to be administered through the HOME program to perform four activities that must primarily benefit qualifying individuals and families who are homeless, at risk of homelessness, or in other vulnerable populations. Those activities include: (1) development and support of affordable housing, (2) tenant-based rental assistance, (3) provision of supportive services; and (4) acquisition and development of non-congregate shelter units.

Hold in Federal Funding

Following an Executive Order, the Office of Management and Budget (OMB) issued a Memorandum on January 27, 2025, placing a 'freeze' on Federal funding, primarily targeting grants, loans, and other financial assistance programs, effective January 28, 2025. While OMB's Memorandum was rescinded January 29, 2025, the administration indicated the Executive Order remained in force. HUD did not pay any HUD Office of Community Planning and Development (CPD) grantee draw requests until February 5, 2025.

Grantee Draws Reviewed

During the temporary hold there was a significant surge in draw requests by HOME formula and HOME ARP grantees, which was later followed by another smaller increase around February 22, 2025. We reviewed 12 HOME and HOME ARP draws attributable to eight grantees that were submitted to HUD and paid around the time of the draw surges, focusing on the most significant amounts. (See Appendix C). Grantees selected for review had drawn a significant percentage of the amount authorized during the hold in federal funding, with six of the grantees having drawn 75 percent or more of the authorized grant amount.

Improper Payments

Under Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, defines an improper payment as a payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. All improper payments fall into one of two categories: (1) improper payments resulting in a monetary loss, or (2) improper payments that do not result in a monetary loss.

- Monetary loss improper payments can be either intentional or unintentional. Intentional monetary loss improper payments are referred to as financial fraud and overpayments that occur on purpose. Unintentional monetary loss improper payments are overpayments that are accidental in nature because at the time of the payment the program is unaware that the payment is an overpayment and the recipient has also not purposefully falsified information for gain.
- Non-monetary loss improper payments can be either underpayments or technically improper payments. Technically improper payments are instances where payments were made to the right recipient, and for the right amount, but the payment process did not follow all applicable statutes and regulations.

Draw Timing and the Return of Funds Requirements

According to HOME and HOME ARP requirements under 24 CFR 92.502 and CPD-21-10, HOME and HOME ARP funds can be drawn in advance, but must be returned to HUD to deposit in the participating jurisdictions Treasury account if not expensed for eligible costs within 15 days. This also applies to any interest income earned for retention of program funds that was not expensed within those 15 days.

The objective of our audit was to identify if HOME formula and HOME ARP draws made by grantees near the time of the hold in federal funds were in accordance with program requirements.

Results of Audit

New York City's Premature and Unsupported HOME ARP Draw Were Improper Payments

New York City did not properly support its \$81,913,050 HOME ARP draw in accordance with program requirements and made improper payments. Specifically, New York City and its subrecipient, NYCHA, could not provide adequate documentation to properly account for the \$81.9 million used for rental arrears payments made to NYCHA's tenant households. In addition, over \$6 million¹ of the draw was used for ineligible tenant households. Further, New York City prematurely drew the funds - meaning the draw was made in advance of its immediate needs, violating program requirements. The premature draw earned an estimated \$545,587² of interest income, which New York City did not report to HUD or return to the U.S. Treasury, as required. New York City over-relied on NYCHA to ensure HOME ARP costs were eligible and supported and did not review the supporting documentation before requesting the draw from HUD. Further, there were delays transferring the funds to NYCHA and NYCHA using the funds for their intended purpose. The funds used for the ineligible tenants could have been used for other eligible and supported program activities to reduce homelessness and increase housing stability. In addition, the premature draw misled HUD about the grantee's need for the funds and allowed New York City to earn and keep interest income on advanced Federal funds that should have been remitted back to the U.S. Treasury.

Tenant Rent in Arrears Payments Were Not Properly Supported

New York City and its subrecipient, NYCHA, did not properly support \$81,913,050 drawn³ from its HOME ARP entitlement grant for a tenant arrears program. Of this amount, NYCHA later determined during audit field work that it had made errors in calculating income eligibility and that a significant number of assisted households were ineligible, resulting in over \$6 million being paid for ineligible households.

Under NYCHA's HOME ARP funded tenant in arrears program, households may be eligible to receive financial assistance to pay for a portion of their rent owed to NYCHA. Tenant households were eligible if their household income was less than or equal to 50 percent of the Area Median Income and could receive payments for up to six months of accrued unpaid rent owed to NYCHA, back to March 2020. NYCHA provided a spreadsheet identifying the 23,983 tenant households and applicable individual arrears amounts making up the entire draw of \$81,913,050. We matched a substantial portion of the tenants identified in HUD's Public Indian Housing Information Center (PIC)⁴ and identified a material number of households with income levels that appeared to be in excess of program requirements, making them ineligible for the program. As a result, we tested a nonstatistical sample of five households from NYCHA's

¹ NYCHA determined over \$6 million of rental arrears went to ineligible tenants. New York City informed us that only \$4.8 million of the ineligible amount was applicable to the draw but did not provide support to confirm the accuracy of this amount.

² Our estimate is limited to the two-month period New York City held funds. Additional interest may have been earned by NYCHA after the funds were transferred in April 2025, until if fully used the funds.

³ See Appendix C for sample draw information.

⁴ HUD's PIC system is used for gathering and maintaining data on all Public and Indian Housing's inventories of housing agencies, developments, buildings, units, housing agency officials, and PIC users.

arrears spreadsheet to confirm the awards were made to eligible tenants. We identified discrepancies between the information on the spreadsheet compared to source documentation, including:

- Only two of five tenants actually received assistance, and both were ineligible due to exceeding the income limit. The two received their award letters and corresponding credits to their arrears balance in April and August 2025, several months after the February 2025 draw.
- For four of five tenants, the total household income on the sub-recipient’s spreadsheet did not match the amounts recorded on the tenant’s HUD Form – 50058 Family Report.⁵
- For three of five tenants, the documented household income exceeded 50 percent of the area median income, making them ineligible for assistance.

In response to our request for additional data to be added to the original tenant arrears spreadsheet, NYCHA provided a second spreadsheet. However, the second spreadsheet did not reconcile to the information provided in the original spreadsheet, as it: (1) included a higher number of tenant households assisted, (2) the total significantly exceeded the HOME ARP draw amount, and (3) a significant number of tenants from the original spreadsheet were missing from the new spreadsheet.

Differences Between the Two Tenant Arrears Spreadsheets

Spreadsheets provided by NYCHA	Data on spreadsheet
1 st Original spreadsheet	<ul style="list-style-type: none"> ➤ Amount - \$81,913,049.72 (matched draw amount) ➤ Tenant household count – 23,983
2 nd Revised spreadsheet	<ul style="list-style-type: none"> ➤ Amount - \$84,103,540.30 ➤ Tenant household count – 29,271 <ul style="list-style-type: none"> • 8,478 tenants recorded on original spreadsheet were not included on the revised spreadsheet. • 13,766 more tenants were added to the revised spreadsheet that were not recorded on the original spreadsheet.

The errors and discrepancies between the spreadsheets made it unclear which tenants were actually assisted by the program. NYCHA later admitted that the original spreadsheet that matched its \$81.9 million draw was based on its planned award amounts, not what was actually awarded. Therefore, NYCHA identified inaccurate tenants on the original spreadsheet. NYCHA’s second spreadsheet did not match the amount drawn, and NYCHA did not identify which of the 29,271 tenants were applicable to the \$81.9 million draw. NYCHA also confirmed that a significant portion of the draw was attributed to ineligible tenant households over the income limit, which it determined to be over \$6 million.⁶ NYCHA stated the ineligible awards were due to an error in pulling tenant household income data. According to New York City, it had only obtained the original inaccurate spreadsheet and a certification from NYCHA at the time of the draw. It relied on its partnership with NYCHA, and therefore, did not have adequate

⁵ The 50058 Family Report includes tenant data on household composition, income and rent calculations electronically submitted by Public Housing Agencies, providing HUD a description of individuals who participate in subsidized housing programs.

⁶ New York City informed us that only \$4.8 million of the ineligible amount was applicable to the draw but did not provide support to confirm the accuracy of this amount.

documentation to support the draw. New York City stated it was not aware of issues with NYCHA's ineligible tenants until just before NYCHA informed OIG during audit fieldwork. While NYCHA returned over \$6 million to New York City, funds had not been returned to the HOME Investment Trust Fund Treasury Account during audit field work.

New York City Prematurely Drew HOME ARP Funds

The February 22, 2025, draw of \$81.9 million was premature - meaning funds were drawn in advance of its immediate needs, which violated program requirements. CPD Notice 21-10, Requirements for the Use of Funds in Home-American Rescue Plan Program, requires that once funds are drawn they must be expended for eligible HOME ARP costs within 15 days; however, the grantee did not transfer the funds to NYCHA until April 23, 2025, about two months after the draw. The grantee attributed the delay to difficulties between its departments in determining how to transfer the funds. Specifically, New York City and NYCHA collaborated after the draw had been made to determine the appropriate payment mechanism to transfer the substantial amount of HOME ARP funds. In addition, NYCHA's February 20, 2025 request and certification to New York City to draw the funds for costs incurred, stated the \$81.9 million in arrears was for the 23,983 tenants who applied for HOME ARP assistance. New York City relied on NYCHA's certification and believed the costs had been incurred to make the draw; however, NYCHA did not determine tenant eligibility, and award/credit amounts to individual tenants until after the funds were received in April 2025. NYCHA also included arrears for months that occurred after the draw, up to April 2025, to be included in the tenant awards. Finally, as noted in our sample of five tenant households discussed above, two of five tenants received the awards in April and August 2025, several months after the February draw. Since New York City drew HOME ARP funds months before they were transferred and ultimately used by NYCHA, between April 2025; and at least through August 2025, the draw was premature and violated program requirements.

According to New York City and NYCHA, the HOME ARP funds were held in interest-bearing account(s); however, New York City had not provided OIG with the amount of interest earned, and it had not reported the amount to HUD, nor had it remitted it to the U.S. Treasury, as required. We estimate the interest at approximately \$545,587⁷ for the period New York City held the funds, with additional amounts that may be applicable to the period when NYCHA was awarding/crediting the funds to the tenants.

Conclusion

New York City did not draw \$81.9 million HOME ARP in accordance with HUD program requirements and made improper payments. Specifically, the draw was not adequately supported, missing sufficient documentation to support the eligibility of the expense. Additionally, the draw was made prematurely, several months in advance of needs and before decisions about tenant eligibility were determined. Further, the \$6 million of the \$81.9 million draw was eventually paid to a significant number of tenant households that were later determined to be ineligible to receive tenant arrears payments. New York City over relied on NYCHA to ensure HOME ARP costs were eligible and supported. As a result, \$81,913,050 in HOME ARP funds remain unsupported and over \$6 million of the funding went to ineligible tenants. This funding could have otherwise been used for other eligible program activities to

⁷ We estimated simple interest for 2 months based on short-term federal interest rates from 2025, less the amount the grantee was allowed to keep per the Notice during the 15-day grace period.

reduce homelessness and increase housing stability. Lastly, New York City earned interest income on the advanced funding (we estimate at approximately \$545,587); however, it did not report that amount to HUD or send those funds back to the U.S. Treasury, as required. At the time of our audit, New York City could not quantify the amount of interest earned on the \$81.9 million draw.

Recommendations

We recommend that the Director of HUD's New York Office of Community and Planning and Development:

- 1A. Require New York City to provide documentation to support the eligibility of its \$81,913,050 HOME ARP funds draw for tenant rent in arrears or repay its HOME Investment Trust Fund Treasury Account, including repaying amounts awarded to ineligible tenants, from non-Federal funds.
- 1B. Require New York City to provide documentation for any interest income that it or NYCHA earned on the \$81.9 million of HOME ARP funds that were prematurely drawn - we estimate at approximately \$545,587 and remit the funds to the U.S. Treasury.
- 1C. Assess New York City's procedures and controls currently in place related to HOME and HOME ARP grants and identify procedures and controls that should be strengthened to ensure draws are supported in accordance with program requirements.
- 1D. Collaborate with HUD's Office of Program Enforcement to consider potential administrative action against New York City, and/or NYCHA for making early draws significantly before the use of the funds, for NYCHA's questionable use of funds for ineligible households, and for its failure to remit the additional interest income earned while holding the funds.

Management Response

HUD agreed with our recommendations on New York City's premature and improper payments of HOME ARP funds and will work with New York City to address them during the audit resolution.

OIG Evaluation of Management Response

We acknowledge HUD's acceptance of the findings and comments provided to address the recommendations cited in the report. We appreciate HUD's commitment to working with New York City to address the report's recommendations during the audit resolution process.

The City of Anaheim’s Premature HOME and ARP Draws Were Improper Payments

The City of Anaheim prematurely drew \$5,734,971 of HOME and HOME ARP grant funds, violating program requirements and making improper payments. Although the City of Anaheim eventually used program funds for eligible affordable housing projects, it did not use the funds until several months after the draw, in violation of program requirements. Further, the premature draw of these funds earned interest income of \$49,703 that the City of Anaheim did not report to HUD and remit to the U.S. Treasury, as required. In addition, the City of Anaheim stated that it made several additional premature draws amounting to \$404,631 of HOME and HOME ARP funds around the time of the Federal hold in funding that were not part of OIG’s testing. The City of Anaheim stated that it was concerned that the hold in Federal funding would jeopardize ongoing project developments. The early draw misled HUD about the need for the funds, resulting in earned interest that was not reported to HUD or remitted to the U.S. Treasury.

HOME and ARP Funds Were Drawn Prematurely Violating Program Requirements

We initially reviewed 2 of the City of Anaheim’s HOME draws totaling \$2,503,785⁸ that had been submitted to HUD on the day of hold in Federal funds, January 28, 2025, and were paid on February 5, 2025. However, the grantee did not actually use these funds until May 2025 when it transferred them to an affordable housing project’s escrow. The documentation the City of Anaheim provided to support the May 2025 transfer included an additional HOME draw of \$361,799 that was not part of our sample but had been similarly drawn during the funding freeze. We therefore expanded our review to include an additional draw funded from HOME ARP totaling \$2,869,387 that had also been drawn on the same date. These funds were similarly not transferred to another affordable housing development project’s escrow until June 2025 - several months after the draw. We determined that funds drawn in each instance were used for eligible affordable housing project activities. The City of Anaheim stated it drew the funds earlier than anticipated due to the impending hold in Federal funding and concerns the uncertainty of the funding would jeopardize ongoing housing project development.

Premature Draws

Draw	Funding Source	Grant Number	Drawn Amt	Paid Date	Submit Date	Funds Used
1	HOME	M23MC060502	\$1,249,272	2/5/25	1/28/25	5/1/25
2	HOME	M22MC060502	\$1,254,513	2/5/25	1/28/25	5/1/25
3	HOME	M24MC060502	\$361,799	2/5/25	1/28/25	5/1/25
4	ARP	M21MP060502	\$2,869,387	2/5/25	1/28/25	6/20/25
Total			\$5,734,971			

The premature draws and retention of funds prior to the actual need resulted in the grantee accumulating earned interest income that was not reported to HUD or remitted to the U.S. Treasury,

⁸ HOME grant draws \$1,249,272 (M23MC060502) + \$1,254,513 (M22MC060502), respectively. See Appendix C for sample draw information.

violating HOME and HOME ARP program requirements under 24 CFR 92.502 and CPD Notice 21-10. Although the City of Anaheim disclosed that it had accumulated \$49,073 of interest for three⁹ of the four draws; it did not provide sufficient source documentation to confirm the amount.

Additionally, based on our inquiry, the City of Anaheim stated it made five other HOME and HOME ARP premature draws totaling \$404,630. We have not reviewed these additional draws to ascertain how and when they were used, or if the City of Anaheim earned additional interest income that must be remitted to the U.S. Treasury.

Additional Untested Premature Draws

Program	Grant Number	Drawn Amt	Paid Date	Submit Date
HOME	M21MP060502	\$49,880	2/5/25	1/28/25
HOME	M21MP060502	\$27,829	2/5/25	1/28/25
HOME	M21MP060502	\$19,690	2/5/25	1/28/25
ARP	M21MP060502	\$216,567	2/5/25	1/28/25
HOME	M24MC060502	\$90,664	2/5/25	1/28/25
Total		\$404,630		

Conclusion

The City of Anaheim prematurely drew \$5,734,971 of HOME and HOME ARP grants funds, violating program requirements and making improper payments. The City of Anaheim was concerned that the hold of Federal funds would jeopardize ongoing project developments. Although the City of Anaheim’s premature HOME and HOME ARP funds draws were eventually used for the intended purpose of developing affordably housing projects, the early submission of the draw requests misinformed HUD concerning the grantee’s immediate needs and use of the funds and resulted in earned interest income of \$49,073 that must be remitted back to the U.S. Treasury, in accordance with program regulations.

Recommendations

We recommend that the Director of HUD’s Los Angeles Office of Community and Planning and Development:

- 2A. Require the City of Anaheim to provide supporting documentation to verify the \$49,073 in interest income earned on three of the four premature draws totaling \$5,373,172, identify and support the interest earned for the additional \$361,799 draw, and remit the interest to the U.S. Treasury.

⁹ The interest did not appear to include the \$361,799 draw.

- 2B. Require the City of Anaheim to provide documentation to support eligible use of the five additional premature draws totaling \$404,630 that were outside the scope of OIG's audit and remit any earned interest to Treasury. If these funds have not been used for an eligible expense, repay the funds back to HUD.

- 2C. Assess the City of Anaheim's procedures and controls currently in place related to HOME and HOME ARP grants and identify procedures and controls that should be strengthened to ensure draws are supported in accordance with program requirements.

- 2D. Collaborate with HUD's Office of Program Enforcement to consider potential administrative action against the City of Anaheim for making draws significantly before their immediate needs and for its failure to remit the additional interest income earned while holding the funds.

Management Response

HUD agreed with our recommendations on the City of Anaheim's premature and improper payments of HOME and HOME ARP funds and will work with the City of Anaheim to address them during the audit resolution

OIG Evaluation of Management Response

We acknowledge HUD's acceptance of the findings and comments provided to address the recommendations cited in the report. We appreciate HUD's commitment to working with the City of Anaheim to address the report's recommendations during the audit resolution process.


Scope and Methodology

We conducted our audit review offsite from July 2025, through January 2026, in Los Angeles, CA. Our audit covered draws made by grantees near the time of the hold in Federal funds occurring during the period January 28, 2025, through February 22, 2025. Our audit was to identify if HOME formula and HOME ARP draws made by grantees near the time of the hold in federal funds were in accordance with program requirements.

To accomplish our objective, we performed the following:

- Obtained documentation from the eight grantees to support the 12 draws selected for review. We also held meetings with the grantees.
- Obtained and analyzed documentation from New York City to support draw amounts for expenditures, including supporting documentation for administrative expenses, payroll expenditures, and tenant household income.
- Reviewed and analyzed system generated spreadsheet data from New York City and its subrecipient, NYCHA, that documented the \$81,913,050 rent in arrears and the associated tenant household participants.
- Conducted a nonstatistical sample of five tenant households to determine the reliability of tenant in arrear data recorded by New York City's sub-recipient.
- Obtained and analyzed documentation from the City of Anaheim to support the affordable housing projects related to their draws – including:
 - Obtaining bank statements and confirming wire transfer of HOME and ARP funds that were prematurely drawn.
 - Obtaining systematic spreadsheet data, settlement statements, IDIS voucher information of draws made, and spreadsheet data recording interest income earned.
- Held meetings with officials from New York City, NYCHA, and the City of Anaheim.
- Conducted meetings with applicable HUD CPD officials.
- Analyzed reports from HUD based systems, such as HUD Exchange, IDIS, and the LOCCS data systems.
- Reviewed HOME and HOME ARP criteria, regulations, and guidelines.

We selected a nonstatistical sample of HOME and HOME ARP draws that were made near the time of the 2025 hold in Federal funds, focusing on significant draw amounts that we determined represented the highest risk. (See Appendix C). We originally selected 11 draws for review but expanded to include additional draws for the City of Anaheim due to issues noted with its other draws. For New York City, we conducted a small nonstatistical sample of five tenant households, administered by NYCHA to determine if tenants were eligible to receive financial assistance from the tenant rent in arrears program to pay for a portion of their rent under the HOME ARP program and that they were properly expended and fully



supported. These five tenants were selected based on our comparison of the grantees' arrears spreadsheet information to data from HUD's systems, to include examples that appeared to exceed income requirements and those that could not readily match HUD's data with the information provided. We also selected nonstatistical samples for New York City's \$10 million draw and portions of the City of Modesto's \$2.8 million draw, generally focusing on the most significant costs. The results of the nonstatistical samples cannot be projected to their respective populations.

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 objective(s).

Appendices

Appendix A – Schedule of Questioned Costs and Funds To Be Put To Better Use

Table 1. Schedule of Questioned Costs and Funds to Be Put to Better Use

Recommendation Number	Unsupported 1/	Funds to be put to better use 2/
1A	81,913,050	
1B		\$545,587
2A		\$49,073
Totals	81,913,050	\$594,660

1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures. In this instance, unsupported costs for recommendation 1A represent tenant housing arrears costs that were charged to HOME ARP funds, without adequate support, and a significant portion of which were determined to be ineligible by NYCHA.

2/ 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, the funds to be put to better use represent interest New York City and the City of Anaheim earned while inappropriately holding federal funds they had prematurely drawn in violation of program requirements, which must be returned to the U.S. Treasury. Since New York City did not provide an amount, we estimated the approximate interest.

Appendix B – Management Response



OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

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

MEMORANDUM FOR: Kilah White, Assistant Inspector General
for Audit & Evaluation, GA

FROM: Claudette Fernandez, General Deputy Assistant Secretary
for Community Planning and Development, D Claudette Fernandez
Deputy Assistant Secretary
for Community Planning and
Development
1475 20 0007

SUBJECT: HUD Comments for OIG Draft Report: Home and HOME ARP
Draws Made Near Hold in Federal Funding Were Premature and
Improper Payments

The Office of Community Planning and Development (CPD) has reviewed the HUD Office of Inspector General (OIG) draft audit report entitled, *HOME and HOME ARP Draws Made Near Hold in Federal Funding Were Premature and Improper Payments*. CPD offers the following comments on the draft audit report for consideration.

The OIG conducted an audit of HOME and HOME ARP draws made near the time of the January 2025 hold in federal funds to determine if the draws were made in accordance with program requirements. The OIG draft audit report indicates that out of the eight grantees selected for review, two (New York City and the City of Anaheim) were found to have violated program requirements and made improper payments.

Generally, CPD accepts the OIG's targeted recommendations concerning New York City and the City of Anaheim's (Anaheim) premature and improper payments of HOME and HOME ARP funds. CPD's comments on specific OIG recommendations are provided below.

OIG Finding 1A. Require New York City to provide documentation to support the eligibility of its \$81,913,050 HOME ARP funds draw for tenant rent in arrears or repay its HOME Investment Trust Fund Treasury Account, including repaying amounts awarded to ineligible tenants, from non-Federal funds.

HUD Comment: CPD agrees that New York City needs to provide sufficient documentation to support its \$81,913,050 HOME ARP draw, or repay its HOME Investment Trust Fund Treasury Account, including repaying amounts awarded to ineligible tenants, from non-Federal funds. CPD will work with the city to identify an acceptable process for documentation review and payment validation. If the determination is made that applicable requirements have not been met, CPD will take such actions as it deems needed to protect its rights and taxpayer funds, including, without limitation, availing itself of its remedies for non-compliance provided by 24 CFR § 92.551.

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OIG Finding 1B. Require New York City to provide documentation for any interest income that it or its subrecipient earned on the \$81.9 million of HOME ARP funds that were prematurely drawn – we estimate at approximately \$545,587 and remit the funds to the U.S. Treasury.

HUD Comment: CPD agrees that New York City needs to submit documentation of interest income earned on the \$81.9 million of HOME ARP funds that were prematurely drawn. CPD will obtain the documentation and verify the amount of interest earned and then work with New York City on repayment of the earned interest to the U.S. Treasury.

OIG Finding 1C. Assess New York City’s procedures and controls currently in place related to HOME and HOME ARP grants and identify procedures and controls that should be strengthened to ensure draws are supported in accordance with program requirements.

HUD Comment: CPD will assess procedures and controls currently in place related to New York City’s HOME ARP grant and identify the procedures and controls that will be strengthened to ensure draws are supported in accordance with program requirements.

OIG Finding 1D. Collaborate with HUD’s Office of Program Enforcement to consider potential administrative action against New York City, and/or its subrecipients for making early draws significantly before the use of the funds, for the subrecipient’s questionable use of funds for ineligible households, and for its failure to remit the additional interest income earned while holding the funds.

HUD Comment: CPD acknowledges OIG’s concerns regarding New York City’s early draws prior to the use of funds and interest earned on those funds. CPD will work with New York City to ensure funds are not utilized for ineligible households. CPD will use the procedures in § 92.550 in requiring corrective and remedial actions. If New York City fails to demonstrate to the Department’s satisfaction that it has met the HOME-ARP requirements, CPD will take such actions as it deems needed to protect its rights and taxpayer funds, including, without limitation, availing itself of its remedies provided by 24 CFR § 92.551 and § 92.552.

OIG Finding 2A. Require the City of Anaheim to provide supporting documentation to verify the \$49,073 in interest income earned on the three premature draws totaling \$5,737,172 and remit the interest to the U.S. Treasury.

HUD Comment: CPD will work with Anaheim to obtain and review the documentation and verify the interest earned on the premature draws. If CPD finds that interest was earned on the funding, the Department will work with Anaheim on repayment of the earned interest. If CPD finds that applicable requirements have not been met, CPD will take such actions as it deems needed to protect its rights and taxpayer funds, including, without limitation, availing itself of its remedies provided by 24 CFR § 92.551.

OIG Finding 2B. Require the City of Anaheim to provide documentation to support eligible use of the five additional premature draws totaling \$404,630 that were outside the scope of OIG’s audit and remit any earned interest to Treasury. If these funds have not been used for an eligible expense, repay the funds back to HUD.

HUD Comment: CPD will verify and review the interest earned on the five additional premature draws, then work with Anaheim on the repayment of any earned interest.

OIG Finding 2C. Assess the City of Anaheim’s procedures and controls currently in place related to HOME and HOME ARP grants and identify procedures and controls that should be strengthened to ensure draws are supported in accordance with program requirements.

HUD Comment: CPD appreciates OIG’s review of Anaheim’s program, particularly the insights into improvements for policies and procedures. CPD will work with Anaheim to strengthen internal controls to ensure proper supporting documentation is included for each draw. If CPD finds that applicable requirements have not been met, CPD will take such actions as it deems needed to protect its rights and taxpayer funds, including, without limitation, availing itself of its remedies provided by 24 CFR § 92.551.

OIG Finding 2D. Collaborate with HUD’s Office of Program Enforcement to consider potential administrative action against the City of Anaheim for making draws significantly before their immediate needs and for its failure to remit the additional interest income earned while holding the funds.

HUD Comment: CPD acknowledges OIG’s concerns regarding Anaheim’s early draws and for its failure to remit the additional interest income earned while holding the funds. CPD will use the procedures in § 92.550 in requiring corrective and remedial actions. If the City of Anaheim fails to demonstrate to the Department's satisfaction that it has met the HOME-requirements, CPD will take such actions as it deems needed to protect its rights and taxpayer funds, including, without limitation, availing itself of its remedies provided by 24 CFR § 92.551 and § 92.552.

Appendix C – Sample of Grantee Draws

HOME and HOME ARP Draws Selected for Review

Draw	Funding Source	Grantee	Grant Number	Drawn Amt	Paid Date	Submit Date	Authorized Draw
1	ARP	New York City, NY	M21MP360204	\$81,913,050	2/22/25	2/21/25	30.36%
2	HOME	New York City, NY	M20MC360204	\$10,374,629	2/5/25	1/28/25	13.90%
3	HOME*	City of Anaheim, CA	M23MC060502	\$1,249,271	2/5/25	1/28/25	75.00%
4	HOME*	City of Anaheim, CA	M22MC060502	\$1,254,513	2/5/25	1/28/25	75.00%
5	ARP	City of Anaheim, CA	M21MP060502	\$2,869,387	2/5/25	1/28/25	52.39%
6	ARP	City of Modesto, CA	M21MP060207	\$2,898,308	2/5/25	2/3/25	85.00%
7	ARP	City of Miami, FL	M21MP120211	\$7,950,000	2/5/25	1/28/25	62.50%
8	HOME	Sacramento County, CA	M20DC060211	\$2,790,024	2/5/25	1/28/25	85.00%
9	HOME	City of Provo, UT	M21DC490207	\$1,064,676	2/5/25	1/28/25	75.00%
10	HOME	Pierce County, WA	M20UC530201	\$1,077,230	2/5/25	1/28/25	75.00%
11	HOME	Orange County, CA	M18UC060525	\$945,446	2/14/25	2/13/25	90.00%
12	HOME	Orange County, CA	M17UC060525	\$619,265	2/14/25	2/13/25	83.21%
Total				\$115,005,799			

* In addition to the audit sample, we also questioned the City of Anaheim’s premature draw of \$361,799 for HOME grant M24MC060502, submitted on January 28, 2025.