

Audit Report Highlights

Housing and Community Development

September 2024

HCD Annual Budget¹ = \$665,388

County Annual Budget² = \$1.6 billion

Why DIA Did This Audit

This audit was included in the 2023 Audit Plan. The purpose of this audit was to:

1. Assess progress on any action plans developed in response to findings and recommendations by federal and state audits
2. Assess the effectiveness and adequacy of policy, procedures, and controls in mitigating the risk of fraud, waste, and abuse for the ERA Program.

Housing and Community Development (HCD) was identified as higher risk due to a previous audit finding in the 2022 County financial audit report concerning the ERA program, their transition from a division of the Department of Development (DoD) to its own independent department in 2023, and the urgent need to distribute federal funding for housing eviction prevention during the COVID-19 pandemic. The audit period under review initially included the period of January 1, 2023 through December 31, 2023; however, was expanded on a limited basis to include payments to select vendors throughout 2024 due to an issue identified regarding billable rates.

What DIA Found

While HCD does have controls in place to make progress on action plans and mitigate the risk of fraud, waste, and abuse for the ERA program, DIA noted issues in the following areas:

- Subrecipient Monitoring
- Billable Rate Inconsistencies
- Retroactive Payments
- Advanced Funds and Reconciliations
- Corrective Action Plan Implementation
- Submissions of ERA2 Reports to the U.S. Treasury

Recommendations have been rated by priority: High, Moderate, Low, or Business Process Improvement.

The report contains 17 recommendations:

13 **High** – 30 days to complete

2 **Moderate** – 90 days to complete

0 **Low** – 180 days to complete

2 **Process Improvements**- No action required

¹ DoD's 2024 Executive recommended budget taken from the 2024-2025 Executive's Recommended Biennial Budget. This amount is limited to departmental operations and does not include grant related programs.

² The County Annual Budget includes operating appropriations from all County funds.

Audit Report Highlights

Housing and Community Development

September 2024

Background

HCD's mission is to develop and implement new strategies with creative and innovative solutions to increase affordable housing, enhance middle market neighborhoods, and create a stronger, vibrant quality of life for residents in all Cuyahoga County communities.



DIA commends HCD for their mission and efforts to manage funding to maintain housing stability during the pandemic.

HCD was required to navigate evolving programs and rapidly distribute these funds to those in need.

What DIA Recommended

DIA provided HCD management with recommendations for improving internal controls. Additionally, DIA provided recommendations to the DoD, County Department of Purchasing (DoP), and County Fiscal Office. Based on management responses, we believe corrective action will be taken to mitigate the risks identified. Management responses follow each recommendation in the report. DIA recommended implementing the following to HCD:

- Implement a robust subrecipient monitoring program that will ensure ERA program compliance and effectively mitigate the risks of fraud, waste, and abuse.
- Establish a control that ensures the accuracy of invoices, adherence to contract terms and billable rates, and detects overpayments. HCD and DoD should obtain refunds or credits as appropriate for the overpayments totaling \$173,139 and \$10,400, respectively, caused by inconsistencies in billable rates.
- Ensure that material changes to contracts, such as rate changes and retroactive application, are supported for their reasonableness and adequately disclosed to the approving authority (Council/Board of Control).
- Implement controls to ensure that subaward reconciliations of advanced funds are performed timely using standardized forms, reviewed by a supervisor, and accompanied by supporting documentation to facilitate reviews and audits.
- Establish controls to ensure ERA reporting compliance:
 - Ensure the accuracy of reporting and eligible expenditures in ERA reports through a review process that identifies and corrects discrepancies.
 - Submit quarterly ERA reports to the U.S. Treasury by the mandated deadlines.
 - Submit quarterly ERA reports to the County's Fiscal Office for secondary review.

Internal Audit would like to express our appreciation for the cooperation and assistance received from HCD and other departments during this audit. The strides made help improve the County's efficiency and accountability.

Internal Audit Report

**Emergency Rental Assistance Audit
Housing and Community Development
Department of Development
January 1, 2023- December 31, 2023**

Director of Internal Auditing: Cory Swaisgood, CPA

Audit Manager: Joshua Ault, CIA

Sr. Internal Auditor: Tom Schneider, CPA

Staff Auditor: Dawn Meredith



Release Date 10/15/2024

INTERNAL AUDIT REPORT
Emergency Rental Assistance Audit
Cover Letter

September 16, 2024

To: Director of Housing and Community Development, Sara Jackson, Director of Department of Development, Paul Herdeg, and current management of Housing and Community Development.

The Department of Internal Auditing (DIA) has conducted an audit of the Housing and Community Development (HCD) and the Emergency Rental Assistance Program (ERA) for the period January 1, 2023 – December 31, 2023. Our main objectives were to assess progress on any action plans developed in response to findings and recommendations by federal and state audits and assess the effectiveness and adequacy of policy, procedures, and controls in mitigating the risk of fraud, waste, and abuse for the ERA Program.

To accomplish the first objective, we identified relevant audit reports by consulting with HCD and searching federal and state agency websites. Additionally, we conducted substantive testing by reviewing the action plans and requesting support documentation to verify that the audit findings were addressed adequately through timely corrective action. For the second objective, we researched ERA program requirements, federal Uniform Guidance, and grant management best practices. DIA also conducted interviews, requested documentation, and performed sufficient testing to assess the adequacy of HCD's policies, procedures, and controls relative to mitigating fraud, waste, and abuse. Additionally, DIA determined it necessary to expand the scope of the audit to include additional, but limited, testing of provider payments to ensure rates paid complied with terms of applicable contracts. This additional testing included payments made by departments such as Department of Development (DOD), Juvenile Court, and Department of Public Safety & Justice Services.

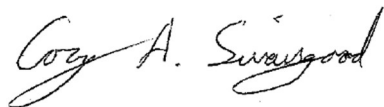
Our audit procedures disclosed internal control weaknesses related to corrective action on audit findings, departmental policies and procedures including subrecipient monitoring and reporting accuracy, advanced funds monitoring and reconciliations, and compliance with billing terms in contracts. This report provides the details of our findings. We are confident corrective action has been or will be taken to mitigate the risks identified in this audit report.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may weaken.

DIA would like to express our appreciation to HCD and DOD staff and management, and interrelated departments that assisted throughout the process for their courtesy and cooperation during this audit. A draft report was provided to HCD and DOD management for review. Management responses are included within the audit report.

Respectfully,

A handwritten signature in cursive script that reads "Cory A. Swaisgood".

Cory Swaisgood, CPA
Director of Internal Auditing

Cc: Cuyahoga County Council
Erik Janas, Chief of Staff
Katie Gallagher, Chief of Operations and Innovation
Debbie Berry, Deputy Chief of Staff – Integrated Development
Michael Chambers, Fiscal Officer
Paul Porter, Director of the Department of Purchasing
Richard D. Manoloff, Law Director
Michael C. O'Malley, Cuyahoga County Prosecutor

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Glossary

ERA	Emergency Rental Assistance (ERA) program. The ERA program was created to assist with delinquent rent and utility expenses of low-income households affected by the economic consequences of the COVID-19 pandemic.
ERA Reporting Guidance	Guidance provided by the U.S Department of the Treasury to all entities that received ERA awards with overall information on program administration, required reporting, expectations, procedures, and submission deadlines. It also establishes the required data that each ERA award Recipient must submit as part of their progress and financial reporting.
Financial Assistance	<p>There are five types of Financial Assistance that Recipients may provide under the ERA program:</p> <ol style="list-style-type: none">I. Rent;II. Rental Arrears;III. Utilities/Home Energy Costs;IV. Utilities/Home Energy Costs Arrears; andV. Other Expenses Related to Housing
Housing Stability Services	This assistance type under the ERA program includes a broad range of services that target households at risk of homelessness and instability, including housing stability counseling and diversion services.
Subrecipient	Subrecipients (also referred to as providers) are entities that received a subaward from an ERA Recipient (the County) for the purpose of carrying out a portion of the ERA Project on behalf of the Recipient.
Uniform Guidance	Uniform Guidance for Federal Awards provides an authoritative set of rules and requirements for federal awards. The County's ERA awards are subject to the requirements set forth in the Uniform Guidance

Report Details

Purpose

The purpose of this audit was to achieve the audit objectives included below.

The Audit Committee approved DIA's 2023 audit plan to include an audit of Housing and Community Development (HCD) and the ERA program. HCD and the ERA were identified as areas of high risk on the Annual Risk Assessment due to a previous audit finding in the 2022 County financial audit report, HCD's recent transition from a division of the Department of Development (DoD) to its own independent department, and the urgent need during the COVID-19 pandemic to distribute federal funding for housing eviction prevention. We conducted our review through testing of action plans, policies, procedures, and controls, and transactions.

Audit Objectives

The objectives of this audit were to:

- Assess progress on any action plans developed in response to findings and recommendations by federal and state audits.
- Assess the effectiveness and adequacy of policy, procedures, and controls in mitigating the risk of fraud, waste, and abuse for the Emergency Rental Assistance (ERA) Program.

Scope

To accomplish our objectives, we primarily focused the audit period from January 1, 2023 to December 31, 2023 when evaluating policies, procedures, controls, and transactions; however, during the audit DIA also determined it necessary to expand the scope of the audit to include additional, but limited, testing of provider payments throughout 2024 to ensure rates paid complied with terms of their contracts. Additional testing included payments made by departments such as DOD as well.

Interviews with management and staff were conducted to document the controls in place and determine if they were adequate and designed appropriately. Additionally, tests of controls and transactions were performed to determine if controls were operating effectively and in compliance with applicable legal statutes.

Methodology

We identified the federal and state audits with action plans in effect during our audit period:

- 2022 County financial audit report
- 2023 U.S. Housing and Urban Development (HUD) monitoring report.

We conducted substantive testing by reviewing the action plans and requesting documentation to verify the audit findings were addressed adequately through timely corrective action and implementation of controls that effectively ensured compliance with requirements.

We researched ERA program requirements and best practices, conducted interviews, and requested documentation to assess the adequacy of HCD's policies, procedures, and controls relative to mitigating fraud, waste, and abuse. Additionally, we conducted test of controls for effectiveness and tests of transactions for compliance with ERA requirements and accuracy.

Audit Procedures

Although every audit conducted by the DIA is unique, the audit process for most engagements consists of the following three phases:

- Planning
- Fieldwork
- Reporting

The planning phase of an engagement entails gathering sufficient understanding of the area being audited to identify and reduce key audit risks to an appropriate level. The DIA must document and develop a plan for each audit engagement, including the engagement's objectives, scope, timing, and resource allocation.

The fieldwork phase of an engagement entails executing the audit steps. This usually includes testing, reviewing, and analyzing data along with interviewing the appropriate personnel. Each audit has unique aspects and therefore the audit fieldwork and analysis performed on each audit segment should be customized for that assignment. See Methodology for a summary of fieldwork performed.

The DIA prepares written reports to communicate the results of each engagement. The format and nature of the report can vary depending on user needs and the type of engagement. Additionally, the DIA requires all engagements to receive an appropriate level of supervisory review and quality control as required by professional standards. At the time of report release, DIA resources required to complete the audit were as follows:

Stages	Actual Hours
Planning	368.29
Fieldwork	434.57
Reporting:	145.55
Totals	947.41

Background

Department of Housing and Community Development

In 2023, Housing and Community Development (HCD) was established as an independent department, having previously been a division within the Department of Development (DoD). HCD administers grant funded programs related to affordable housing, support for the unhoused, and assistance with housing ownership and maintenance. For added efficiency, HCD receives assistance from DoD's Business Services Division with budgeting, contracting, and procurement processes.

Fraud, Waste, and Abuse Mitigation for the Emergency Rental Assistance Program

The County contracts with nonprofit service providers to deliver rental and utility assistance and housing stability counseling through the Emergency Rental Assistance Program (ERA). The providers are responsible for processing applications, verifying applicant income and eligibility, and submitting monthly progress reports to HCD to facilitate the County's mandated reporting to the U.S. Treasury.

The U.S. Treasury issues detailed guidance and regulations on how ERA funds should be used. In the frequently asked questions (FAQ) section of its website, the U.S. Treasury requires the following as it relates to mitigating the risks of fraud, waste, and abuse:

Grantees should require recipients of funds under ERA programs, including tenants and landlords, to commit in writing to use ERA assistance only for the intended purpose before issuing a payment. Grantees are not required to obtain documentation evidencing the use of ERA program funds by tenants and landlords. Grantees are expected to apply reasonable fraud-prevention procedures and to investigate and address potential instances of fraud or the misuse of funds that they become aware of.

Federal Uniform Guidance requires the County, as the grantee, to monitor its subrecipients to ensure they comply with program requirements and effectively prevent fraud, waste, and abuse. Common controls to prevent fraud, waste, and/or abuse referenced within Uniform Guidance includes:

- *Training/Technical Assistance* - Providing subrecipients with training and technical assistance on program-related matters.
- *On-Site Monitoring* - Performing on-site reviews of the subrecipient's program operations and validation of allowability and eligibility on a sample of program recipients.

- *Agreed-Upon-Procedures (AUP)* - Arranging for AUP engagements conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) attestation standards, paid for and arranged by the pass-through entity, and limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.

History of Federal Funding for Housing Assistance

During the COVID-19 pandemic, funding evolved through several phases:

- Coronavirus Relief Funds (CRF) and Community Development Block Grant (CDBG) Program (March 2020)
 - The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided the first major round of federal funding in response to the pandemic. It included CRF to address immediate needs, including rental assistance.
 - The CARES Act also increased funding for the CDBG program. This additional funding was directed towards supporting low-income individuals including rental and utility assistance and other emergency housing needs.
- Emergency Rental Assistance (ERA1 & ERA2) Program (December 2020 onwards)
 - In December 2020, the Consolidated Appropriations Act, 2021, was signed into law, creating the ERA1 program. This program provided a substantial amount of federal funding specifically for direct support to households for rental and utility assistance and housing stability counseling.
 - In March 2021, American Rescue Plan Act (ARPA) was enacted, introducing the ERA2 program under the direction of the U.S. Treasury. With ERA2, the scope of assistance provisions was expanded to include not only direct support, but also funding for the rehabilitation and construction of affordable housing. According to the U.S. Treasury, ERA2 funding is set to expire in September 2025.

County's Funding of Housing Assistance

By the end of 2023, the County's federally sourced funding for housing assistance was distributed to its providers as follows:

Provider	CRF	CDBG	ERA1^	ERA2*	Totals
CHN Housing	5,000,000	4,800,000	40,968,838	20,000,000	70,768,838
Empowering and Strengthening Ohio's People				2,535,780	2,535,780
Emerald Development and Economic Network				2,500,000	2,500,000
Legal Aid Society of Ohio	-	-	500,000	1,040,194	1,540,194
Dominion Energy	-	-	1,527,704	-	1,527,704
City of Lakewood	-	-	895,027	-	895,027
Cuyahoga Metropolitan Housing Authority	-	-	502,181	135,117	637,298
Cleveland Public Power	-	-	490,780	-	490,780
Northeast Ohio Regional Sewer District	-	-	297,734	-	297,734
Cleveland Water	-	-	233,368	-	233,368
Front Steps				97,133	97,133
Frontline				86,046	86,046
Totals	5,000,000	4,800,000	45,415,632	26,394,270	81,609,902

^The County received \$76.7 million in ERA1 funding and was required to obligate the funds by December 28, 2022. By that deadline, it had obligated \$45.4 million and returned \$31.3 million in unobligated funds to the U.S. Treasury in September 2023.

** The County received \$51.9 million in ERA2 funding, made available through September 30, 2025. Because of the increased scope of ERA2, the County was able to underwrite rehabilitation/construction loans and obligate \$44.9 million by the end of 2023.*

In 2023, HCD initiated the underwriting of ERA2 rehabilitation/construction loans* to the following nonprofit affordable housing providers:

Provider	Loan Amount	Housing Units
Benjamin Rose Institute on Aging	1,000,000.00	Construction of (20) new units and rehabilitation of (60) units
Commonwealth Development Corporation of America	1,000,000.00	Construction of (48) new units
Emerald Development and Economic Network, Inc.	1,000,000.00	Construction of (62) new units
Flaherty & Collins	1,000,000.00	Construction of (61) new units
Levin Group Inc.	1,000,000.00	Construction of (60) new units
Community Builders, Inc.	1,000,000.00	Construction of (60) new units
Benjamin Rose Institute on Aging	500,000.00	Rehabilitation of (80) new units
CHN Housing Partners	500,000.00	Construction of (50) new units
The Finch Group	500,000.00	Construction of (53) new units
Commonwealth Development Corporation of America	450,000.00	Construction of (49) new units
Emerald Development and Economic Network, Inc.	450,000.00	Construction of (1) new unit and rehabilitation of (4) units
Famicos Foundation	450,000.00	Construction of (40) new units
Totals	8,850,000.00	(504) construction, (144) rehabilitation
<p><i>*Since none of the loans were disbursed by the end of 2023, DIA's testing was limited to assessing the design adequacy of HCD's policies, procedures, and controls in ensuring compliance and mitigating the risk of fraud, waste, and abuse.</i></p>		

Commendable Practices

DIA commends HCD in their efforts to appropriately manage funding intended to maintain housing stability during the pandemic. HCD was required to navigate evolving programs and rapidly distribute these funds to those in need. HCD's other noteworthy achievements include:

- HCD has made a significant impact with support from its providers in delivering emergency rental assistance and housing stability services to County households, serving approximately 18,000 households through the ERA1 and ERA2 programs by the end of 2023.
- HCD made significant progress on implementing action plans for both the 2022 County financial audit report and 2023 U.S. Housing and Urban Development (HUD) monitoring report. Of note, HCD drafted a comprehensive set of HUD policies and procedures to foster strong internal controls aimed at ensuring program compliance.

DIA also commends the Department of Purchasing (DoP), Fiscal Office, and DoD for their commitment to improving operations through increased transparency and dedication to ensuring a control conscientious environment. Additionally, DIA extends its gratitude to the DoP, Department of Law, and the DoD for their time and effort in addressing matters related to the contract review and billing process.

Priority Level Criteria for Recommendations

High (P1)	Highest-Ranking Officer's immediate attention is required. Corrective action is strongly recommended (<u>30 days</u>).
	<ul style="list-style-type: none"> Financially material loss or potential loss Lack of or failure of internal controls requiring considerable time and resources to correct Non-compliance with laws, regulations, and policies resulting in significant loss of funds, fines, or restrictions Significantly negative effect on the County's reputation or public perception
	Senior Management's attention is required. Corrective action is recommended (<u>90 days</u>).
	<ul style="list-style-type: none"> Financial loss or potential loss Internal controls exist but they are not effective, or they are not consistently applied Non-compliance with laws, regulations, and policies resulting in loss of funds, fines, or restrictions Negative effect on the County's reputation or public perception
Low (P3)	Management's attention is required. Corrective action is recommended (<u>180 days</u>).
	<ul style="list-style-type: none"> Financial loss or potential loss is minimal Internal controls exist, but could be improved Non-compliance with laws, regulations, and policies is a minimal risk No effect on the County's reputation or public perception
Business Process Improvement (P4)	Management or supervisory attention recommended but not required
	<ul style="list-style-type: none"> Process improvement recommendation Financial loss or potential loss is minimal or not applicable Non-compliance with laws, regulations, and policies is a minimal risk or not applicable No effect on County's reputation or public perception

To assist the auditee in making the best use of their resources, we have prioritized the recommendations according to the table above.

Findings and Recommendations

Governance Findings

FINDING Subrecipient Monitoring

HCD lacks sufficient subrecipient monitoring to ensure compliance with Federal Uniform Guidance or reduce the risks associated with fraud, waste, and abuse.

The County's ERA award funds are subject to the requirements set forth in the Uniform Guidance. Per Federal Uniform Guidance Part 200.332, all pass-through entities (in this case Cuyahoga County) must:

Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

1. Reviewing financial and performance reports required by the pass-through entity.
2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.

Depending upon the pass-through entity's assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

1. Providing subrecipients with training and technical assistance on program-related matters.
2. Performing on-site reviews of the subrecipient's program operations.
3. Arranging for agreed-upon-procedures engagements conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) attestation standards, paid for and arranged by the pass-through entity, and limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.

Based on its review of HCD's ERA program, DIA determined that HCD's subrecipient monitoring had the following inadequacies:

- HCD provided training and technical assistance on an ad-hoc basis; however, they lacked a formal training and technical assistance program to ensure all subrecipients receive regular training and technical assistance.
- HCD did not conduct on-site reviews over its ERA subrecipients.
- HCD did not consistently arrange for agreed-upon-procedures engagements over its ERA subrecipients*.

**In 2021 and 2022, HCD contracted with an independent audit firm to perform agreed-upon procedures over one of its multiple ERA subrecipients that provided emergency rental assistance. This resulted in two separate reports with review periods of 1/1/2021 to 9/30/2021 and 1/1/2022 through 5/31/2023. However, HCD did not pursue any further agreed-upon procedures for the remaining sub-recipients or for the remainder of program duration.*

During the audit period of 2023, HCD lacked a grants management policy and procedures manual with internal controls to ensure compliance with Federal Uniform Guidance resulted in these inadequacies with HCD's subrecipient monitoring over its ERA providers. The County Fiscal Office has since released (December 2023) a countywide policy and guidance over Uniform Guidance for federal programs.

Risk to the County if Not Corrected

Inadequate subrecipient monitoring hinders HCD's ability to ensure the effectiveness of program effectiveness, compliance with Federal Uniform Guidance, and reducing the risks associated with fraud, waste, and abuse. This could result in audit findings for noncompliance and unallowable costs, thus negatively impacting HCD's ability to maximize the impact of grant funding on serving the community's most vulnerable members.

Recommendations

1. **(P1)** HCD should adhere to the Fiscal Office countywide policy and guidance issued in 2023 including subrecipient monitoring and consider development of departmental procedures. HCD should determine the schedule and frequency for monitoring each of its subrecipients through training and technical assistance and on-site reviews or arranging for agreed-upon procedures engagements. Additionally, HCD should use the sub-recipient monitoring form(s) within the Fiscal Office guidance to document subrecipient monitoring activities, as well as any observations, issues, and recommendations that will be shared with HCD management for review. The completed forms should be retained in accordance with HCD's record retention schedule and the Record Retention and Access requirements under Federal Uniform Guidance (2 CFR § 200.333 - § 200.337).

Management's Response:

Housing and Community Development agree that monitoring of subrecipients is a necessary activity to ensure compliance. Housing and Community Development is in the process of finalizing its procedures manual which will include the required process of monitoring all subrecipients. This procedure manual is being developed with the technical assistance of U.S. Department of Housing and Urban Development staff or assigned TA organization.

Target Date for Completion:

December 31, 2024.

2. **(P1)** HCD should consider the following monitoring activities in its process:

- **Data Analytics:** Analyze subrecipient expenditure data for instances or patterns of potential billing errors or fraud. Examples include detection of service duplication, addresses not in existence or associated with the household recipients, out-of-County addresses, or unusual amounts for rental payments or counseling services.
- **Audit of Transactions:** Select a sample of transactions for examination, reviewing supporting documentation such as invoices, receipts, timesheets, or other records to verify that costs claimed by the subrecipient are allowable, reasonable, and allocable in accordance with the principles outlined in the Uniform Guidance.
- **Interviews and Observations of Activities:** Conduct interviews with key personnel and observe their activities to gain insight into the organization's operations, practices, and compliance efforts.
- **Monitoring Corrective Action:** Monitor the subrecipient's progress in implementing corrective actions from previous on-site visits and ensure that the subrecipient takes timely and appropriate action on any deficiencies pertaining to the Federal award to address Single Audit findings.
- **Reporting and Documentation:** Document the findings, observations, and recommendations from the on-site reviews in a formal report that will be shared with HCD management and any other relevant stakeholders.
- **Agreed-Upon Procedures:** Arrange for agreed-upon procedures engagements wherever limited on in-house resources to perform certain aspects of on-site reviews, such as auditing transactions for compliance or assessing for fraud, waste, or abuse.

- Reconciliations: Ensure support of monthly expenditures are received from subrecipients by the due date to facilitate timely reconciliations. Perform monthly reconciliations of subawards using a standardized form. Attach all support documentation to completed reconciliation forms to facilitate reviews and audits. Obtain management review and signature of approval on forms.

Management's Response:

Same as prior response.

Target Date for Completion:

Same as prior response.

Financial Findings

FINDING Retroactive Payments

During the audit of the ERA program, it was identified that HCD amended two contracts which increased the payment rate to the vendors without appropriate transparency to the approving bodies. This resulted in retroactive payments to the vendors totaling \$609,300, which was also not disclosed to the approving bodies. Additionally, DIA noted one case was paid at both the original and amended rates resulting in a duplicate payment of \$330.

Contracts should clearly define payment rates and billing terms with providers. Effective review and authorization controls are essential for, but not limited to:

- Preventing duplicate payments.
- Ensuring disclosure of material changes to contract terms or conditions to promote transparency and justify reasonableness for the approving authority to make an informed decision on contract amendments. For example, retroactive billing at new rates should be disclosed to the approving authority and supported within amendments as a best practice.

The Department of Development division of HCD, now an independent department, entered a contract with Legal Aid Society of Cleveland (Legal Aid) for \$1,500,000 “to provide legal services to income-eligible tenants facing housing stability... during or due, directly or indirectly, to the coronavirus pandemic”. The original contract was to be effective from June 1, 2022 until March 31, 2025 and allowed for a “maximum of \$1,700 per case”.

On July 31, 2023, the contract was amended by HCD and approved by the Board of Control (BoC). The procurement Briefing Memo used to justify the amendment to the governing body stated in part:

The amendment will allow The Legal Aid Society of Cleveland to continue 1) provide legal services (brief advise or extended representation) focused on matters where housing stability is needed – including, but not limited to, eviction matters 2) will also focus on specific vulnerable populations, including individuals with disabilities and seniors, to promote equitable access to stable housing.

The contract amendment itself states in part:

- 1) *This Amendment amends the Original Agreement and, except as specifically amended hereby, the Original Agreement shall remain in full force and effect...*
- 2) *... the Original Agreement is amended to change the contract term from June 1, 2022 – March 31, 2025 to June 1, 2022 – June 30, 2025.*

- 3) ... the Original Agreement is amended to increase the total not to exceed amount by \$500,000 for a total not to exceed amount of \$2,000,000.

HCD also entered the Empowering and Strengthening Ohio's People (ESOP) Contract for \$300,000 to provide "housing stability services to income-eligible tenants... during or due, directly or indirectly, to the coronavirus pandemic". The original contract was to be effective from June 1, 2022 until March 31, 2025 and allowed for a "maximum \$330 per household".

In October 2023, the ESOP Contract was amended by HCD and approved by Council which states in part:

- 1) *This Amendment amends the Original Agreement and, except as specifically amended hereby, the Original Agreement shall remain in full force and effect...*
- 2) *... the Original Agreement is amended to change the contract term from June 1, 2022 – March 31, 2025 to June 1, 2022 – June 30, 2025.*
- 3) *... the Original Agreement is amended to increase the total not to exceed amount by \$10,000,000 for a total not to exceed amount of \$10,300,000.*

Neither the Legal Aid or ESOP contract amendments reference a rate increase or retroactive payment within the support provided to the approving authority. Although the amended exhibit in each contract included the higher rate, the approving authority was not made aware of the rate change on documentation justifying the amendment nor during the meeting.

The contract amendment, approved by the BoC, with Legal Aid included a payment rate increase from \$1,700 to \$3,000 without disclosure to the approving body. This rate increase was applied retroactively, meaning payments made prior to the amendment were adjusted to reflect the new rate as Legal Aid invoiced the County for \$520,000 for the \$1,300 per case difference (\$1,700 to \$3,000) on 400 cases previously billed. The invoice was approved by HCD and paid by the County in early 2024.

Like Legal Aid, the contract amendment, approved by County Council, with ESOP also included an increase to the payment rate. The payment rate was amended from \$330 to \$800 and was also applied retroactively without disclosure to the approving body. DIA identified 190 households provided service prior to November 2023 which were charged at the \$800 rate per case. This totals \$89,300 for the retroactive portion of the charges.

DIA reviewed the documentation prepared by HCD provided to the approving bodies for consideration and viewed recordings of the applicable County Council and BoC meetings. Justification for the rate increases or retroactive payments were not disclosed in the documentation or during the meeting with the applicable approving body.

DIA also identified one duplicate charge in which ESOP was paid at both the \$330 and \$800 rates.

The contract amendment process lacked the appropriate transparency for sufficient governance and oversight. The revised rates, and support of their reasonableness, within the procurement documentation (e.g., briefing memos, justification forms) was not disclosed when presented to County Council/Board of Control for review and authorization.

The duplicate payment was not identified as HCD lacks sufficient subrecipient monitoring and reconciliation controls. See *Subrecipient Monitoring finding within this report*.

Risk to the County if Not Corrected

HCD did not disclose an increase to the rate per case, nor was there justification for the rate increase, to the BoC or County Council. In addition, the retroactive application of the rate increases per case were not disclosed to the approving authority. The approving authority were misinformed when making decisions on contract amendments without accurate disclosures and justification for material rate increases and retroactive payments. As funding was sourced from a federal grant, this could potentially jeopardize future funding.

Additionally, vulnerable populations including individuals with disabilities and senior citizens of Cuyahoga County will not have received additional services as intended by the Legal Aid contract amendment. For example, the amendment added \$500,000 to the Legal Aid contract and \$520,000 was subsequently expended as part of the retroactive payment for services previously rendered.

Recommendations

1. **(P1)** To ensure the approving authority has complete and accurate information prior to the approval of contract amendments, the Department of Purchasing (DoP) should work with the administration and County Council to implement a control to ensure that departments are appropriately disclosing material changes to contracts, which should include billable rates and support of their reasonableness or intent of retroactive payments, within the procurement documentation (e.g., briefing memo, justification form) presented to County Council/BoC for proper review and authorization.

Management's Response:

Department of Purchasing is updating Purchase-Related Briefing Memo instructions to include the following under Service/Item Description:

When submitting an amendment, address any changes to the time period of the agreement, reduction or addition of funds, changes to the existing scope of services, changes to service rates/costs, and retroactive applicability of the changes, if any.

These changes will be reviewed in the upcoming year-end refresher training for all procurement staff Countywide. They will also be noted in an upcoming Cabinet Meeting so all Department Directors are aware.

Target Date for Completion:

Briefing memo instructions will be updated by 9/30/24.

Refresher training will be completed by 11/30/24.

Cabinet notification will be completed by 10/31/24.

2. **(P1)** Increases to contracted rates and application of the increased rates to prior activity should be disclosed to the approving authority with supporting documentation.

Management's Response:

Department of Purchasing: Same as prior response.

Housing and Community Development: Housing and Community Development agrees with the finding that the change in the per household amount was not disclosed. HCD will in the future provide to Development's Business Services Division information on what the per household rate is and if an amendment whether the rate is changing as well as the effective date of the change. Development's Business Services Division will include this information in the Procurement briefing memo. HCD staff will provide this information during presentation to either the Board of Control or the Council committee assigned to hear the matter.

Target Date for Completion:

Department of Purchasing: Same as prior response.

Housing and Community Development: Administrative actions notating the per household rate or change in rate will commence immediately.

3. **(P1)** HCD should consult with the Law Department, if necessary, and recover the duplicate overpayment of \$330 for the case that was charged at both the \$330 and \$800 rates.

Management's Response:

HCD tentatively agrees with the finding for the duplicate payments to 1 households. Due to the time period between the payments we are investigating whether this is an actual duplicate or whether additional services were provided to the household at a later date.

Target Date for Completion:

November 30, 2024.

4. **(P1)** HCD should establish a formal process for reconciling and reviewing invoices for duplicate payments on cases. HCD could inquire with the DoP and/or the Fiscal Office for any guidance on developing its procedures.

Management's Response:

HCD staff will review cumulative files to ensure there no duplication of households or individuals exist.

Target Date for Completion:

Review and comparison of files will begin immediately to ensure no duplication.

FINDING Billable Rate Inconsistencies

Invoices were billed and paid at rates higher than specified within contract terms resulting in overpayments totaling \$183,209.

Contracts should clearly define billing terms and rates, with providers required to adhere strictly to these terms. Billing practices must match the agreed-upon rates, with any changes needing prior approval and documented justification. All billing submissions should be reviewed and approved by an individual who verifies that rates on invoices align with those specified in contracts prior to payment processing.

The ERA contract states in part:

WHEREAS, the County desires to avail itself of the services and COMPANY is willing to provide such service to the County, as described in its proposal, dated May 18, 2022 and attached as Exhibit 2, all upon the terms and conditions set forth herein.

Exhibit 2 of the ERA contract states in part:

Legal Aid proposes a per case reimbursement of \$1,067. This \$1,000,000 request is part of Legal Aid's \$4.8 million budget for Legal Aid's Housing Practice. Additional funding comes from the City of Cleveland, United Way, Cleveland Foundation and other foundations, Cleveland Browns, individual donors, and Legal Aid's general operating budget.

The immigration services contract states in part:

WHEREAS, based on a Request for Qualifications issued by the Department of Development, attached hereto as Exhibit 1, and Legal Aid's Proposal, attached hereto as Exhibit 2, the County desires to award Legal Aid \$1,000,000.00 of its U.S. Treasury Emergency Rental Assistance funds (the "Award") to provide legal services to income-eligible tenants in Cuyahoga County municipalities outside the City of Cleveland that are facing housing instability due to an eviction filing or constructive eviction due to the economic impact from COVID-19 (the "Project Activity").

Exhibit 2 states in part:

Reimbursement Rates/Schedule for Payments:

Up to \$25,000 for a "know your legal rights" culturally competent communications effort and a cost-per-case reimbursement for legal cases handled:

- \$1,700 for cases that receive full representation*
- \$75 for cases that receive advice and referral only*

During the audit, DIA determined it was necessary to expand the scope of the audit and review additional contracts with service providers. The following inconsistencies with one provider were identified:

- A contract through the HCD for ERA eviction prevention counseling services, effective April 2021, stated a per case reimbursement rate of \$1,067, but the provider billed at a rate of \$1,700 in its June 2021 through October 2022 invoices for a total of 273 cases totaling \$172,809 in overpayments.
- A contract through the Department of Development (DoD) for immigration services, effective October 2022, stated a per case reimbursement rate of \$1,700, but the provider billed a rate of \$3,000 in its April 2024 and July 2024 invoices of eight cases totaling \$10,400 in overpayments.

The County lacks a control to ensure that processed invoices conform to the billing terms and rates in contracts.

Risk to the County if Not Corrected

Inadequate controls to prevent inaccurate billing can lead to ongoing financial mismanagement and operational inefficiencies including fraud, waste, or abuse. Overpayments reduce a provider's capacity to assist additional individuals seeking support, which could undermine the overall effectiveness of the program.

Recommendations

1. **(P1)** HCD and DoD Business Services should establish a control to ensure invoices are reviewed for adherence to contract terms, including billable rates. For example, this could involve establishing a policy for reviewing and signing invoices for confirmation.

Management's Response:

Development, including its Business Services Unit that supports both departments, will work with the Housing and Community Development Department on appropriate corrective actions to reduce the risk of incorrect unit cost payments for services. This may include new or stronger policies to ensure all invoices are checked for correct service payment rates.

Target Date for Completion:

We will work with Housing and Community Development to put appropriate policies and practices in place by 10/31/24. This applies to Department of Development policies and practices (since we provide business services to H&CD).

2. **(P4)** The Fiscal Office should explore offering training and/or a resource packet to departments to enhance confidence that grant managers are verifying compliance with grant agreements and any additional terms outlined in County contracts with subrecipients when approving invoices for payment. The packet and level of training should be tailored to meet the needs of both newly hired grant managers and existing staff needing a refresher. For example, the packet could include the Fiscal Office's Grant Policy, Accounts Payable procedures, and any relevant Fiscal Office memos.

Management's Response:

The Fiscal Office agrees with noted condition #2 above.

The expectation is that all payments made to a vendor, not just grant payments, are verified to ensure that the invoice is in compliance with contract terms, purchase orders, receiving records, etc. Once the invoice has been verified for compliance for all terms and conditions then the invoice should be submitted for payment.

The Fiscal Office will reiterate in the annual year end Accounts Payable memo the requirement to verify the accuracy of all invoices prior to submitting the invoices for payment.

Target Date for Completion:

N/A.

3. **(P1)** HCD and DoD should seek recovery from the provider on the overpayments totaling \$183,209. The Law Department should be consulted if necessary.

Management's Response:

Housing and Community Development and Development agree with the findings and has already begun corrective action. HCD has already consulted with the County Law Department and the U.S. Department of Treasury to identify courses of corrective action. HCD will follow the recommended course of action identified by the County Law Department as Treasury provided no recommendations.

Target Date for Completion:

November 30, 2024.

4. **(P1)** HCD should consult with the U.S. Treasury to determine the appropriate course of action, which could involve reallocating the funds to other eligible ERA expenses or returning the funds.

Management's Response:

Same as prior response.

Target Date for Completion:

Same as prior response.

FINDING Fund Reconciliations

HCD lacks adequate controls to ensure timely and accurate subaward reconciliations of advanced funds on its federal awards.

Federal grant funds are subject to the requirements set forth in the Uniform Guidance. Federal Uniform Guidance Part 200 requires grantees to follow several key requirements related to reconciling grant federal funds and subawards:

- Financial Management System (200.302): Grantees are required to maintain financial management systems that provide accurate, current, and complete disclosure of financial results. Regular reconciliation is a critical part of maintaining such a system.
- Standards for Financial and Program Management (2 CFR § 200.305): This section covers payments and emphasizes that the timing and amount of federal cash advances must be minimized to meet actual, immediate cash requirements. Regular reconciliation helps ensure compliance with this requirement.
- Monitoring and Reporting Program Performance (2 CFR § 200.328): Grantees must submit performance reports that include financial information, necessitating that financial data be reconciled and accurate.

HCD's contracts with its subrecipients require providing the County with expenditure support monthly:

[Subrecipient] shall provide to the County, on a monthly basis, detailed documentation of each expenditure made to support the Project Activity and a request for reconciliation.

Reconciling monthly is a good business practice, because it allows for more timely identification and resolution of discrepancies, ensuring accurate financial tracking and compliance. Monthly reconciliations facilitate better cash flow management, enhance accountability, and provide more frequent opportunities to address any issues, thereby limiting the amount of backlog that could arise from quarterly reconciling.

In 2023, HCD did not sufficiently perform reconciliations of its subawards advancing ERA2 funds for rental assistance to three subrecipients:

- One subrecipient with a contract period of 4/1/2022 through 12/31/2025 discontinued providing rental assistance in April 2023. However, HCD did not perform a reconciliation until April 2024. Once reconciled, HCD determined the subrecipient was retaining a balance of \$3,256,411 in unused advanced funds. The subrecipient refunded the County the balance in May 2024, over a year later. HCD provided the following plans for reallocating the funds to the U.S. Treasury in its 2nd Quarter 2024 ERA report:

We retrieved approximately \$3.2M of funding back from CHN and are in the process of reallocating to additional Affordable Housing and Housing Stability services (10 Affordable Housing projects and one additional Housing Stability project. More details on the finalization of these plans and associated activities will be forthcoming in future reporting.

- The two other subrecipients with contract periods of 6/1/2022 through 6/30/2025 and 6/1/2023 through 6/30/2025 started providing rental assistance in October 2023. However, HCD did not perform its first reconciliation until May 2024. In these instances, refunds were not necessary, as the subrecipients had not exhausted their subaward amounts at the time of reconciliation.

During the audit, DIA discussed these inadequacies with HCD. Consequently, in May 2024, HCD started the process of setting up reconciliations for each of its subawards in a spreadsheet.

During the audit period of 2023, HCD lacked a grants management policy and procedure manual with internal controls to ensure compliance with Federal Uniform Guidance resulting in these inadequacies with HCD's subaward reconciliations. The County Fiscal Office has since released (December 2023) a countywide policy and guidance over Uniform Guidance for federal programs.

HCD's reconciliations of its advanced subawards for rental assistance lacked the following controls:

- Reconciliations using a standardized form with required entries and signature lines for both the preparer and reviewer to ensure consistency.
- Reviews of reconciliations by a supervisor to ensure timeliness and accuracy.
- The consistent collection and retention of support documentation and accompaniment with completed reconciliation forms to facilitate efficient reviews and audits. Although the support for most of HCD's reconciliations was retained, there were some where the support was not, thus requiring DIA to request support from a subrecipient.

HCD explained that they only expected subrecipients to provide expenditure support quarterly because, as of March 30, 2022, the U.S. Treasury changed the ERA2 reporting period from monthly to quarterly.

Risk to the County if Not Corrected

A lack of timely and accurate reconciliation increases the risk of errors, discrepancies, and misuse of funds going undetected. Additionally, the lack of supporting documentation makes it challenging to conduct thorough reviews and audits, potentially exposing the grantee to regulatory scrutiny and reduction of future grant amounts. Untimely reconciliations can lead to delayed issue identification, impacting cash flow management, compliance, and accountability. Less frequent oversight increases the risk of errors going unnoticed, potentially resulting in financial discrepancies and non-compliance. Moreover, it can reduce accountability and create a backlog of work for financial staff, hindering timely reporting.

Recommendations

1. **(P1)** HCD should implement the following controls as it relates to the reconciliations of subawards of federal awards:
 - Reconciliations using a standardized form with required entries and signature lines for both the preparer and reviewer to ensure consistency.
 - Reviews of reconciliations by a supervisor to ensure timeliness and accuracy.
 - The consistent collection and retention of support documentation and accompaniment with completed reconciliation forms to facilitate reviews and audits.

Management's Response:

Housing and Community Development agrees to require all sub-recipients of the U.S. Treasury issued ERA 2 funding to begin to submit reporting on a monthly basis beginning with the October report for activities occurring in the previous month(s). Housing and Community Development will continue to use the developed reporting form and add a signature for reviewed by and approved by, to ensure accuracy. Housing and Community Development already requires subrecipients of U.S. Department of Housing and Urban Development funding to report on a monthly basis as indicated in their contracts. These subrecipient reports further include sign off by the reviewer and approval by their immediate supervisor.

Target Date for Completion:

Housing and Community Development will implement the signature requirement and monthly reporting commencing with reporting due in October 2024 for all recipients of U.S. Treasury funds.

2. (P4) HCD should consider performing reconciliations of subawards of federal awards on a monthly basis for more timely identification and resolution of discrepancies. (As necessary, notify subrecipients that going forward they must provide expenditure support monthly as opposed to quarterly.)

Management's Response:

Same as prior response.

Target Date for Completion:

Same as prior response.

FINDING Errors in Reporting

HCD required quarterly reporting of Emergency Rental Assistance (ERA) performance submitted to the U.S. Treasury included errors.

Complete and accurate data should be submitted when reporting on grant performance. The U.S. Treasury established reporting requirements for the ERA program. Implementing a review control is a best practice to ensure accurate reporting.

DIA compared the Q3 2023 ERA report submitted to the U.S. Treasury with the ERA service provider reporting and County financial records. Errors within the HCD reporting to the U.S. Treasury were noted on expenditures, household demographics, and number of households served including the following:

Expenditures

- HCD staff payroll expenses were omitted from the report, including \$7,466 in Q3 2023 payroll expenses attributable to the percentage of time staff spent on ERA-related activities.
- Overstated by \$3,000 as the household was identified to be ineligible for services through Cuyahoga County.

Household Demographics

- Inaccurate demographics were reported for 349 households served.
- Errors due to inaccuracies of Households Served also affected accuracy of demographics reporting.

Households Served

- The total number of households served reported by service providers totaled 617; however, the County's report to the U.S. Treasury only totaled 518 households. This understates the households served by a net of 99 households. DIA noted discrepancies such as:
 - Overstatement of households as they were not supported within the service provider reporting, omitted prior adjustments reflected within service provider reporting, or were identified as ineligible for services through Cuyahoga County.
 - Understatement of households as they were not within the Q3 2023 U.S. Treasury report, however, were included within service provider reporting.

HCD did not accurately adjust households or demographics served on U.S. Treasury reporting when service providers identified and adjusted billings. Instead, HCD adjusted households on U.S. Treasury reporting at random provided the cumulative expenditure total matched. Additionally, HCD lacks sufficient internal controls over the reporting process to ensure accuracy.

Risk to the County if Not Corrected

The lack of sufficient internal controls could result in discrepancies and omissions undetected, noncompliance, questioned costs, and/or audit findings within the County's single audit.

Recommendations

1. **(P1)** HCD should discontinue the practice of making random adjustments to household served for reporting purposes. If service providers adjust their reporting, the same adjustments should be made within HCD reporting.

Management's Response:

Housing and Community Development agrees with the past performance and noted conditions/recommendations and is taking corrective action to ensure accurate reporting of performance and activity associated with the ERA 2 program.

Target Date for Completion:

The corrective action will be implemented and will be evidenced during the Q3-24 report due October 15, 2024.

2. **(P1)** HCD should establish internal controls (i.e. review process) that ensures reporting accuracy and eligible expenditures. These internal controls should be included within policy and procedures as appropriate.

Management's Response:

Housing and Community Development will work with the Department of Development's Business Services Division to ensure internal controls are developed and included in the policy and procedure manual.

Target Date for Completion:

December 31, 2024

3. **(P1)** HCD should correct the issues identified in the Q3 ERA2 report through prior period adjustments in a subsequent quarterly ERA2 report. ERA2 reporting should reconcile with service provider reporting/invoicing.

Management's Response:

Housing and Community Development agrees with the past performance and noted conditions/recommendations and is taking corrective action to ensure accurate reporting of performance and activity associated with the ERA 2 program.

Target Date for Completion:

The corrective action will be implemented and will be evidenced during the Q3-24 report due October 15, 2024.

FINDING Corrective Action Not Fully Achieved

In response to the federal award and questioned costs finding (#2022-001) from the County's 2022 single audit, HCD stated in its planned corrective action that it "will provide their quarterly reports for the ERA program to Fiscal each quarter to ensure that the information reported to the U.S. Department of Treasury is in compliance with the system reports".

The finding noted that in 2022 the County incorrectly reported the number of households that received ERA assistance, amounts paid on the monthly expenditure reports, and subrecipient expenditures on the quarterly ERA reports. The auditors recommended that the County enhance its internal controls by reviewing the U.S. Treasury's federal guidance for reporting. HCD's response in its planned corrective action suggests a control enhancement by means of a secondary review by the Fiscal Office to ensure quarterly report accuracy through comparison to reports from the County's financial system (Lawson).

Implementing a review control is a best practice to ensure accurate reporting. Secondary reviews performed timely help detect and rectify discrepancies, thus ensuring compliance and mitigating the risk of repeat audit findings.

HCD's planned corrective action for the finding from the County's 2022 single audit relative to the ERA federal reporting was not implemented timely.

More specifically, HCD was untimely in forwarding the ERA reports for Q3-Q4 2023 to the County's Fiscal Department each quarter. HCD forwarded all four quarters to the County's Fiscal Department on March 8, 2024, after it was brought to their attention by DIA.

Subsequently, DIA confirmed that HCD submitted the ERA reports for Q1 and Q2 of 2024 in a timely manner, thus effectively implementing its planned corrective action. Additionally, this finding did not reappear in the County's 2023 single audit, further suggesting that the issue has been resolved.

The County's Fiscal Department requested HCD provide ERA reports for review throughout 2023; however, due to an oversight HCD failed to respond and provide the reports in a timely manner.

Risk to the County if Not Corrected

The lack of a timely review control could leave discrepancies undetected. This could result in audit findings of noncompliance, as well as questioned costs that may require the return of funds to the grantor.

Recommendations

1. **(P2)** HCD should continue to submit ERA reports to the County's Fiscal Office in a timely manner for Fiscal secondary review.

Management's Response:

Housing and Community Development agrees with the action plan and will take corrective action with the next submission of the 3rd quarter report due in 2024.

Target Date for Completion:

3rd quarter report due in 2024

FINDING **Untimely Submission**

Within its ERA2 award from the U.S. Treasury, the County agreed to comply with the requirements of Section 3201 and the Guidance. Per U.S. Treasury's Guidance located in the Self-Service Resources section of its website:

ERA grantees are required to submit complete and accurate ERA quarterly reports by the official due dates as published in the current version of the ERA Reporting Guidance document located under the Quarterly Reporting Guidance section on the Reporting page. If approved, a one-time 30-day extension from the original submission deadline will be granted.

HCD did not submit U.S. Treasury required reporting timely for the 2023 ERA program.

HCD submitted all four reports after the extension deadlines provided by the U.S. Treasury:

Period	Submission Due Date per Guidance	Extension Due Date per the portal*	Submission Date	Days Submitted After Extension
Q1 2023	4/17/2023	5/17/2023	6/15/2023	29
Q2 2023	7/17/2023	8/16/2023	8/17/2023	1
Q3 2023	10/16/2023	11/15/2023	12/5/2023	20
Q4 2023	1/15/2024	2/15/2024	3/6/2024	20

**These were the extension deadlines granted to the County by the U.S. Treasury.*

The untimely submissions occurred because HCD lacks sufficient internal controls to ensure timely submittal of the ERA reporting.

Risk to the County if Not Corrected

Late submissions may result in the U.S. Treasury taking adverse actions against the County. Per the U.S. Treasury's ERA Frequently Asked Questions (Revised March 5, 2024) and Guidance located in the Self-Service Resources:

- A grantee's failure to submit required reports to Treasury on a timely basis may constitute a violation of the ERA award terms.
- Continued failure to submit required ERA quarterly reports in timely fashion may result in the imposition of special award provisions.

Recommendations

1. **(P2)** HCD should establish an internal control that ensures timely submission.

Management's Response:

Housing and Community Development agrees with the past performance and noted conditions/recommendations and have taken corrective action to ensure timely submission of the ERA 2 Quarterly reports in the future.

Target Date for Completion:

The corrective action has been implemented and will be evidenced during the Q3-24 report due October 15, 2024, which would be the Target Date of Completion for this recommended action.