United States Government Accountability Office

Report to Congressional Committees

December 2022

EMERGENCY RENTAL ASSISTANCE

Treasury's Oversight Is Limited by Incomplete Data and Risk Assessment

Accessible Version

GAO-23-105410

GAO Highlights

Highlights of GAO-23-105410, a report to congressional committees

Why GAO Did This Study

Congress twice authorized funding for the ERA program in response to financial and housing instability resulting from the COVID-19 pandemic. Because of the emergency nature and expedited implementation of the program, Treasury had to develop program guidance and oversight procedures as grantees were beginning to make payments. GAO previously reported on the program's early implementation challenges and the need for effective oversight of grantees and payments.

The CARES Act includes a provision for GAO to monitor federal efforts to respond to the COVID-19 pandemic. This report examines (1) factors that affected the timeliness of ERA payments, (2) reallocation of excess ERA funds, (3) ERA recipient and grantee spending characteristics, and (4) Treasury's ERA data collection and oversight efforts.

GAO analyzed ERA payment and demographic data, as well as reallocation documentation; reviewed relevant federal laws and agency documentation; and interviewed officials from Treasury and 21 grantees selected based on expenditures, government type, and geography.

What GAO Recommends

GAO is making three recommendations to Treasury to complete a detailed assessment of improper payment risks and improve ERA data collection and reporting. Treasury agreed with GAO's recommendations.

View GAO-23-105410. For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov.

December 2022

EMERGENCY RENTAL ASSISTANCE

Treasury's Oversight Is Limited by Incomplete Data and Risk Assessment

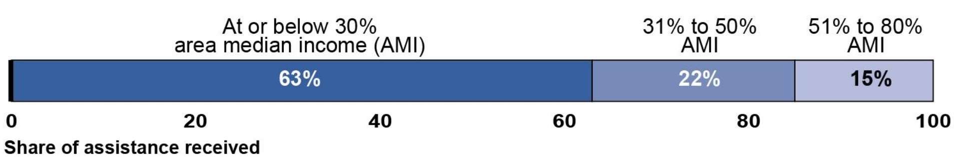
What GAO Found

The Department of the Treasury administers the Emergency Rental Assistance (ERA) program, which provides nearly $46.55 billion to tribal, state, territorial, and local governments (grantees) to help low-income households affected by the COVID-19 pandemic pay rent and utilities. By June 2021—5 months into the program—about one-quarter of grantees had not made any payments. Multiple factors contributed to payment delays, based on GAO's interviews with grantees and review of their documentation. These factors included limited grantee staff and technology resources, gathering information for tenant eligibility determinations, and unclear program guidance. Grantees had spent less than half of the available funding by Treasury's deadline to begin reallocating excess funds (September 30, 2021).

Treasury's reallocation of excess funds did not consistently align with renters' needs. Rebalancing the distribution of funds was critical to maximizing their use because renters' needs and grantees' capacity to deliver assistance varied across states. Treasury reallocated about $3.1 billion in ERA1 funds by the end of October 2022, but its prioritization of transfers between grantees in the same state limited its ability to address large funding differences across states and better align payments to the needs of renters and grantee capacity.

Available data suggest that ERA payments served low-income renters and varied to meet local needs. According to limited Treasury data, 85 percent of households served by the first ERA appropriation had incomes below 50 percent of the area median, consistent with a legal requirement to prioritize such renters. Data also suggest grantees used funds to address local needs. Households received larger average payments in urban areas ($7,200) than in rural areas ($5,200) and in counties with higher rents and more rent-burdened households.

Emergency Rental Assistance (ERA1) Distribution by Income Level, Quarter 4, 2021



Source: GAO analysis of Department of the Treasury data. | GAO-23-105410

Accessible Data for Emergency Rental Assistance (ERA1) Distribution by Income Level, Quarter 4, 2021

Income level	Percentage served
At or below 30% of area median income	63
31 to 50% of area median income	22
51 to 80% of area median income	15

Oversight of the ERA program would benefit from improved data collection and assessment of improper payment risks. Although Treasury has taken recent steps to improve data collection and reporting, including issuing detailed final reporting requirements, to date the agency has not collected or reported complete data as required by the authorizing statute. Without better data collection and reporting, Congress and Treasury will lack information on the program’s outcomes. And although Treasury completed a required assessment of improper payment risks for the program, the assessment focused on allocations to grantees and did not address missing payment data and potentially duplicative payments to households. Without a more detailed assessment of improper payment risks, Treasury’s awareness of such risks and oversight of the ERA program will be limited.

Contents

Figures

Abbreviations

ERA	Emergency Rental Assistance
HUD	Department of Housing and Urban Development
OMB	Office of Management and Budget

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

December 20, 2022

Congressional Committees

Congress appropriated $46.55 billion for the Emergency Rental Assistance (ERA) program to assist low-income renters and their landlords during a period of increased financial and housing instability caused by the COVID-19 pandemic.[1] The Department of the Treasury was required to disburse the funds quickly to over 700 tribal, state, territorial, and local governments (grantees) to provide assistance payments for renters. Because of the emergency nature and expedited implementation of the program, Treasury had to develop program guidance and oversight procedures as grantees were beginning to make payments.

We previously reported on issues with administration and oversight in the ERA program. As grantees were beginning to make assistance payments in March 2021, we reported on the need for Treasury to provide clear and timely guidance and appropriate oversight of grantees to manage the risk of improper payments.[2] We subsequently reported on administrative flexibilities that increased improper payment risks in the ERA program and related oversight challenges.[3]

The CARES Act includes a provision for us to monitor and oversee federal efforts to prepare for, respond to, and recover from the COVID-19

[1]In December 2020, the Consolidated Appropriations Act, 2021 authorized Treasury to disburse about $25 billion to ERA grantees, and in March 2021 the American Rescue Plan Act of 2021 authorized Treasury to disburse about $21.55 billion. We refer to the two appropriations (ERA1 and ERA2) as the ERA program for convenience. Treasury uses the same approach but considers each appropriation to be a separate program managed by the same office.

[2]See GAO, *COVID-19 Housing Protections: Moratoriums Have Helped Limit Evictions, but Further Outreach Is Needed*, GAO-21-370 (Washington, D.C.: Mar. 15, 2021); and *COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response*, GAO-22-105051 (Washington, D.C.: Oct. 27, 2021).

[3]GAO, *Emergency Rental Assistance: Additional Grantee Monitoring Needed to Manage Known Risks*, GAO-22-105490 (Washington, D.C.: Feb. 10, 2022); and *COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies*, GAO-22-105291 (Washington, D.C.: Jan. 27, 2022).

pandemic.[4] We were also asked to review how Treasury has administered and overseen the ERA program. This report continues our reporting on ERA and examines (1) factors that affected the timeliness of ERA payments and grantee spending, (2) Treasury's reallocation of excess funds and its effect on grantees, (3) characteristics of recipient households and grantee spending, and (4) Treasury's oversight of grantee data reporting and improper payment risks.

To address our first objective, we reviewed grantee spending trends and identified spending delays using Treasury's monthly compliance report data.[5] We interviewed a nongeneralizable sample of 21 state, local, and territorial grantees, which we selected to represent a mix of grantees based on government type, spending rate, and location. We also conducted on-site visits with five of the selected grantees. We collected and reviewed 127 program improvement plans (of about 140 in total) from Treasury, and we categorized the spending obstacles grantees identified in those plans.

To address our second objective, we used Treasury's reallocation reports through October 2022 and data from the Department of Housing and Urban Development (HUD) to determine how allocations varied before and after reallocation relative to low-income renter populations in each state.[6] We also interviewed Treasury officials and reviewed agency data and documentation to determine how Treasury reallocated excess funds. We used this information in conjunction with grantees' requests for reallocated funds and Treasury documentation (decision memorandums) to review how reallocation payments aligned with renter needs and grantee capacity.

[4]Pub. L. No. 116-136, div. B, § 19010(b), 134 Stat. 281, 579-81 (2020). All of GAO's reports related to the COVID-19 pandemic are available on GAO's website at https://www.gao.gov/coronavirus.

[5]We assessed the reliability of Treasury's monthly data by reviewing technical documentation, interviewing knowledgeable agency officials, and conducting electronic testing for outliers and errors. We found the data to be sufficiently reliable for reporting general spending trends and grantee expenditures.

[6]To assess the reliability of HUD's data, we reviewed technical documentation and determined the data were sufficiently reliable for reporting community characteristics and population sizes at the county level.

To address our third objective, we analyzed Treasury's ERA payment and demographic data for calendar year 2021.[7] We analyzed the proportion of payments by payment type and recipient type, as well as geographic spending trends. To describe differences in ERA spending by county, we identified recipients' counties and matched them to county-level characteristics from the Census Bureau's American Community Survey 5-year estimates for 2016–2020.[8] We also reviewed payments relative to low-income population using HUD data, as well as payments by urban and rural area using data from the Department of Agriculture's Economic Research Service.[9] We reviewed the relationship between county-level characteristics and total ERA payments by county to determine whether payments were associated with certain characteristics. Furthermore, we analyzed demographic data to describe the characteristics of households served by the program.

To address our fourth objective, we reviewed payment and demographic data grantees reported for calendar year 2021, as well as Treasury's public reporting of data through 2022. We assessed the completeness and reliability of the data by reviewing summary statistics for key variables, reviewing technical documentation, and interviewing Treasury officials responsible for the data.[10] We identified potentially duplicative payments, which we first cleaned using the U.S. Postal Service's Address Management System. We compared the completeness and reliability of Treasury's data and its reporting of the data against statutory requirements for data collection and reporting published in the Consolidated Appropriations Act, 2021. We also interviewed Treasury

[7]As discussed for our fourth objective, we assessed the reliability of Treasury's payment and demographic data by reviewing summary statistics for key variables, reviewing technical documentation, and interviewing Treasury officials responsible for the data. While we include analysis in this report based on these data, significant portions are missing or erroneous. We accounted for and note these limitations in our analysis.

[8]To assess the reliability of the Census data, we reviewed technical information and determined the data were sufficiently reliable for reporting community characteristics and population sizes at the county level. Findings from each survey are subject to sampling errors.

[9]To assess the reliability of the Department of Agriculture data, we reviewed technical documentation and determined the data were sufficiently reliable for categorizing population density by county.

[10]After we provided Treasury with a draft of this report for comment on November 1, 2022, the agency released updated data on required performance measures and demographics. We updated our analysis for this objective based on these data; however, given the timing of the data release, we did not update our analysis of grantee spending and recipient characteristics in other sections of this report.

officials and reviewed agency documentation on activities related to managing improper payment risk, and we compared these efforts to payment integrity requirements for federal agencies and federal internal control standards for risk assessment. See appendix I for more information on our scope and methodology.

We conducted this performance audit from September 2021 to December 2022 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Appropriations, Allocations, Disbursements, and Grantee Expenditures

Congress twice appropriated funding for the ERA program. In December 2020, the Consolidated Appropriations Act, 2021 authorized Treasury to disburse about $25 billion to remain available to grantees until September 30, 2022 (referred to as ERA1 by Treasury).[11] In March 2021, the American Rescue Plan Act of 2021 authorized Treasury to disburse about an additional $21.55 billion to remain available to grantees until September 30, 2025 (referred to as ERA2 by Treasury).[12] Treasury's Office of Recovery Programs administers the ERA program and shares

[11]Pub. L. No. 116-260, div. N, tit. V, § 501, 134 Stat. 1182, 2069-78 (2020) (to be codified at 15 U.S.C. § 9058a). The statute reserved $15 million of the ERA1 appropriation for administrative expenses of the Secretary of the Treasury. The American Rescue Plan Act of 2021 extended the availability of ERA1 funds from December 30, 2021, to September 30, 2022. Pub. L. No. 117-2, tit. III, § 3201(h), 135 Stat. 4, 58. Grantees may request an extension to continue obligating ERA1 funds received through reallocation until December 29, 2022.

[12]American Rescue Plan Act of 2021 §§ 3201(a),(g) (to be codified at 15 U.S.C. §§ 9058c(a),(g)). The law reserved $30 million of the ERA2 appropriation for administrative expenses and technical assistance made by the Secretary of the Treasury.

some monitoring and oversight authority with Treasury's Office of Inspector General.[13]

The ERA1 authorizing statute required Treasury to allocate funds to each state proportionate to its share of the U.S. population.[14] The law also required that no state receive less than $200 million. In addition, city and county governments with more than 200,000 residents were eligible to receive a portion of their state's allocation based on their share of the population.[15]

The ERA2 authorizing statute required Treasury to use an allocation formula similar to that for ERA1, but it did not include funding for tribes or tribally designated housing entities.[16] Unlike ERA1, the ERA2 statute required Treasury to initially disburse not less than 40 percent of each grantee's allocation for ERA2.[17] Grantees could request the remainder of their ERA2 allocation in two payments after obligating at least 75 percent of the amount already disbursed.[18] Additionally, $2.5 billion of the ERA2 funding was set aside for payments to high-need grantees based on rental market costs, change in employment, and the number of very-low-

[13]Consolidated Appropriations Act, 2021 § 501(i) (to be codified at 15 U.S.C. § 9058a(i)). The Consolidated Appropriations Act, 2021 provided the Office of Inspector General with $6.5 million to monitor and oversee the disbursement, receipt, and use of ERA1 funds and to recoup certain funds spent in violation of eligible uses. For ERA2 funds, the American Rescue Plan Act of 2021 provided the Office of Inspector General with $3 million for oversight but did not provide monitoring or recoupment authority. American Rescue Plan Act of 2021 § 3201(a)(2)(C) (to be codified at 15 U.S.C. § 9058c(a)(2)(C)).

[14]Consolidated Appropriations Act, 2021 § 501(b) (to be codified at 15 U.S.C. § 9058a(b)).

[15]Allocations to territories were based on their share of the total territorial population, although the sum of the amounts allocated for territories other than Puerto Rico could not be less than $75 million. Allocations for tribes and tribally designated housing entities were based on the amounts they were eligible to receive for fiscal year 2020 from the Indian Housing Block Grant program. The Department of Hawaiian Home Lands was directly allocated $2.4 million in the statute. Consolidated Appropriations Act, 2021 § 501(b)(2)-(3) (to be codified at 15 U.S.C. § 9058a(b)(2)-(3)).

[16]American Rescue Plan Act of 2021 § 3201(b) (to be codified at 15 U.S.C. § 9058c(b)).

[17]American Rescue Plan Act of 2021 § 3201(c)(1) (to be codified at 15 U.S.C. § 9058c(c)(1)).

[18]Treasury provided information on the drawdowns on its web site. See "Instructions on Drawing Down Additional Tranche Payments for ERA2 Awards," accessed at https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/allocations-and-payments.

income renter households paying more than 50 percent of their income on rent or living in substandard or overcrowded conditions.[19]

Treasury began disbursing ERA1 and ERA2 allocations to grantees in January and May 2021, respectively, based on Treasury payment data. As of August 2022, Treasury had disbursed about $42 billion of the nearly $46.55 billion in total ERA funding available for grantees, including all of the ERA1 appropriation and about $17.1 billion of ERA2 (about 79 percent). Grantees had expended (spent) about 69 percent ($32 billion) of the ERA1 and ERA2 appropriations, based on Treasury data through June 2022.

Grantee Responsibilities and Program Requirements

Grantees are responsible for establishing policies and procedures to accept applications and screen households for eligibility; making payments to landlords and utility providers on behalf of eligible renter households; and designing controls to deter the misuse of funds. Grantees are to administer their ERA programs in accordance with requirements of the two authorizing statutes and Treasury's guidance. In addition, grantees must report certain data to Treasury on a monthly and quarterly basis, including detailed information on their ERA program activities, expenditures, recipient demographics, and compliance issues.[20]

Grantees were to primarily use their allocations to provide financial assistance payments to landlords and utility providers on behalf of eligible renter households for past due (arrears) or current and future (prospective) rent and utilities, as allowed by law.[21] The ERA1 and ERA2 statutes required grantees to establish a preference system that prioritized assistance to households with incomes not exceeding 50

[19]American Rescue Plan Act of 2021 § 3201(b)(3) (to be codified at 15 U.S.C. § 9058c(b)(3)).

[20]Department of the Treasury, *Reporting Guidance: Emergency Rental Assistance Program* (Washington, D.C.: Mar. 29, 2022). Consolidated Appropriations Act, 2021 § 501(g) (to be codified at 15 U.S.C. § 9058a(g)).

[21]Households that were eligible to receive ERA assistance were generally those that (1) experienced a financial hardship directly or indirectly due to or during the COVID-19 pandemic or qualified for unemployment benefits, (2) demonstrated a risk of housing instability or homelessness, and (3) were low income, defined as having household income not exceeding 80 percent of their area median or as established by the Department of Housing and Urban Development.

percent of their area median or with one or more members who were unemployed for at least 90 days.[22]

Under ERA1, eligible households could receive up to 12 months of assistance plus an additional 3 months to ensure housing stability, if necessary. When combined with financial assistance under ERA2, eligible households cannot receive more than a total of 18 months of assistance. In addition, grantees can use 10 percent of their ERA funds to provide housing stability services, such as eviction diversion programs and housing counseling. For ERA1, grantees also were allowed to use up to 10 percent of their funds (up to 15 percent for ERA2) for administrative expenses.

Treasury Guidance and Reallocation

Treasury provides program guidance and requirements to grantees through a series of frequently asked questions.[23] Treasury published the guidance in January 2021 and has periodically revised and supplemented it since, as recently as July 2022. The guidance communicated requirements in the ERA statutes, as well as additional requirements and flexibilities created and implemented by Treasury. For example, the guidance specified outreach requirements before grantees could make payments directly to renters, and it allowed grantees to accept written attestations from renters that their households met eligibility requirements. Treasury also separately published guidance on reporting requirements in June 2021, which the agency also updated periodically. Furthermore, the agency provided grantees with additional resources, including promising practices, sample forms, and guidelines for program and service design.

In addition, Treasury published guidance on reallocating excess ERA1 and ERA2 funds.[24] For ERA1, Treasury was required to recapture excess

[22]Consolidated Appropriations Act, 2021 § 501(c)(4) (to be codified at 15 U.S.C. § 9058a(c)(4)). American Rescue Plan Act of 2021 § 3201(d)(2) (to be codified at 15 U.S.C. § 9058c(d)(2)).

[23]Department of the Treasury, *Emergency Rental Assistance Frequently Asked Questions* (Washington, D.C.: July 27, 2022).

[24]Department of the Treasury, *Emergency Rental Assistance under the Consolidated Appropriations Act, 2021: Reallocation Guidance* (Washington, D.C.: Sept. 6, 2022); and *Emergency Rental Assistance under the American Rescue Plan Act of 2021 (ERA2): Reallocation Guidance* (Washington, D.C.: June 28, 2022).

unobligated funds beginning on September 30, 2021, and reallocate them to grantees that obligated at least 65 percent of their allocations.[25] The ERA1 statute provided Treasury with discretion on how to determine excess funds and reallocate them to grantees that met the obligations benchmark.

For ERA2, Treasury was required to begin reallocating excess funds beginning on March 31, 2022, to grantees that had obligated at least 50 percent of their allocations. For ERA2, Treasury can only reallocate funds that were allocated to grantees but not yet disbursed to them.[26] In general, Treasury defined excess funds as the difference between a grantee's expenditures and the amount needed to reach a certain spending target. For example, grantees were required to have spent 30 percent of their initial ERA1 allocation (not including the portion allocated for administrative expenses) by September 30, 2021, to avoid having excess funds subject to recapture.[27]

Our Prior Work and Recommendations

We published four reports on and made three recommendations related to administration and oversight challenges in the ERA program. In March 2021, we reported on Treasury's early efforts to implement the ERA program and update its guidance to address concerns with its comprehensiveness and clarity.[28] We also highlighted the need to balance efforts to expedite payments with appropriate controls and monitoring to help limit improper payment risks.

In October 2021, we reported on grantee spending challenges and Treasury's efforts to help improve payment rates, including updating guidance to allow grantees to adopt administrative flexibilities that introduce improper payment risks, such as self-attestation of eligibility and

[25]We refer to these as excess funds throughout this report. Consolidated Appropriations Act, 2021 § 501(d) (to be codified at 15 U.S.C. § 9058a(d)). For ERA1 and ERA2, Treasury's reallocation guidance clarifies that the agency will consider ERA funds to be obligated if the grantee spent the funds on financial assistance and housing stability services or committed the funds under certain circumstances.

[26]American Rescue Plan Act of 2021 § 3201(e) (to be codified at 15 U.S.C. § 9058c(e)).

[27]Department of the Treasury, *Emergency Rental Assistance under the Consolidated Appropriations Act, 2021: Reallocation Guidance* (Washington, D.C.: Sept. 6, 2022).

[28]GAO-21-370.

shortening the required landlord outreach period before grantees can directly pay households.[29] We continued to emphasize the need for grantees and Treasury to implement appropriate payment controls and oversight.

In January 2022, we reported that Treasury had not developed processes to identify and recover overpayments made by grantees and recommended that Treasury implement such processes.[30] Treasury agreed with this recommendation and stated that it was working to establish post-payment reviews and recovery audit activities within the schedule prescribed in Treasury's Implementation Guide for Office of Management and Budget (OMB) Circular A-123, Appendix C: Requirements for Payment Integrity. We reiterated the importance of this recommendation when we issued our list of priority open recommendations to Treasury in May 2022.[31] As of September 2022, Treasury had not implemented this recommendation.[32]

In our January 2022 report, we also recommended that OMB, in consultation with Treasury, issue single audit guidance to help auditors identify deficiencies in grantees' programs. OMB and Treasury implemented this recommendation by issuing an update to the 2022 Compliance Supplement in May 2022.[33]

In February 2022, we reported that Treasury had not developed procedures to monitor and evaluate the controls grantees are required to implement when relying on self-attestations.[34] Treasury required grantees to implement reasonable validation and fraud-prevention procedures when relying on self-attestations, but it had not taken steps to monitor

[29]GAO-22-105051.

[30]GAO-22-105291.

[31]GAO, *Priority Open Recommendations: Department of the Treasury*, GAO-22-105633 (Washington, D.C.: May 10, 2022).

[32]In October 2022, Treasury provided GAO with a completed risk assessment and cost-effectiveness analysis pursuant to OMB Circular A-123, Appendix C as well as examples of the agency's implementation of its compliance testing procedures. We will continue to monitor and evaluate Treasury's efforts to address this recommendation.

[33]Office of Management and Budget, *2 CFR Part 200, Appendix XI, Compliance Supplement* (Washington, D.C.: April 2022).

[34]GAO-22-105490.

how grantees had implemented the procedures and whether they were effectively managing improper payment risks. We recommended that Treasury develop and implement procedures to monitor and evaluate grantees' controls and include information on the minimum internal control systems expected for ERA grantees that employ self-attestation. Treasury said it planned to update its monitoring procedures, but as of September 2022 had not implemented this recommendation.[35]

Limited Grantee Capacity and Other Implementation Challenges Slowed Payments to Renters

Several challenges slowed spending during the early stages of ERA's implementation, based on our analysis of data and documentation from Treasury, and interviews with grantees.[36] ERA was a new program, and grantees had to design programs, assess and build capacity, and conduct outreach before they were able to screen applicants and make payments.[37] Grantees also experienced other challenges after programs began operating, which stemmed from untimely and unclear guidance, difficulty documenting tenant eligibility and securing landlord participation, and ineffective coordination with other grantees to avoid duplication.

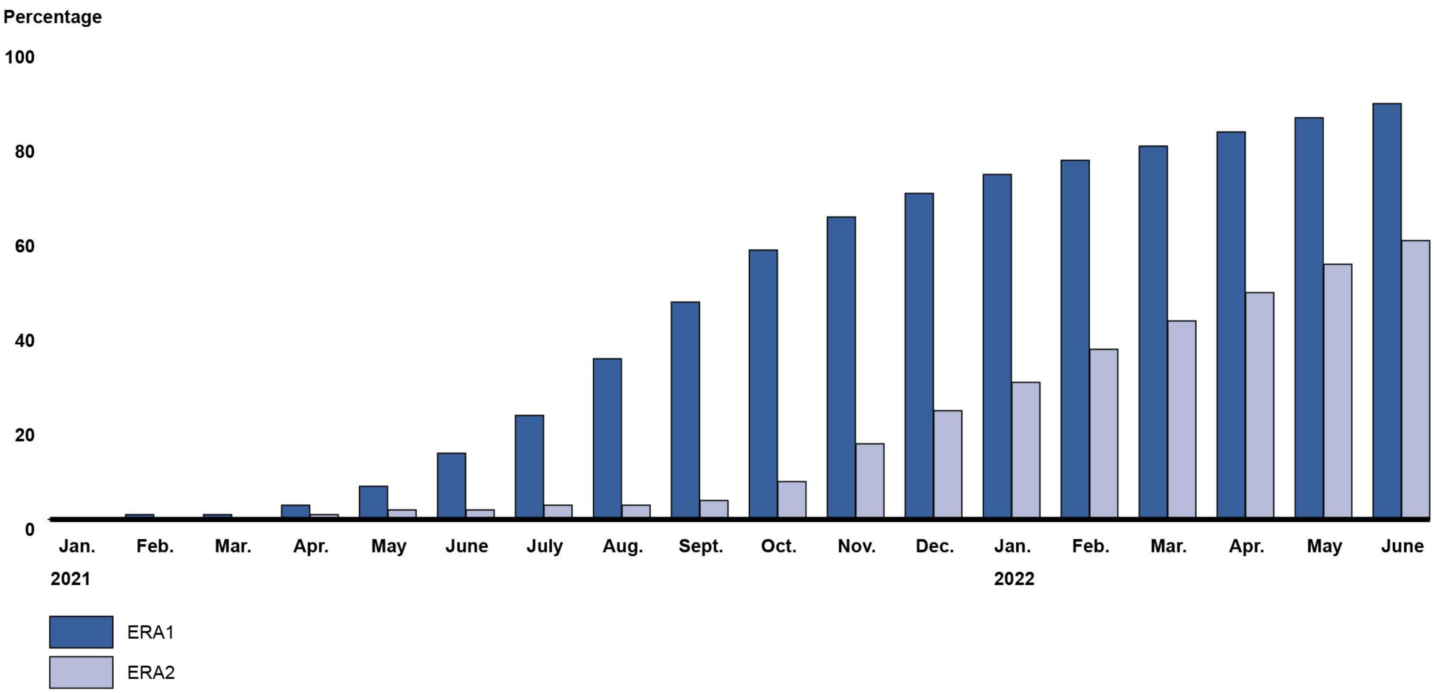
[35]In response to this recommendation, Treasury has developed some grantee monitoring procedures, including a Single Audit Act Compliance Supplement for ERA. We will continue to monitor and evaluate Treasury efforts to address this recommendation.

[36]We selected a nongeneralizable sample of 21 grantees to interview to represent a mix of grantees based on whether they met Treasury's 30-percent spending target, type (state, territorial, or local grantees), and Census division and region. We also reviewed program improvement plans, which grantees were required to submit if they did not meet Treasury's spending target by September 30, 2021. We categorized the key spending obstacles that grantees had to identify in the plans. See app. I for more information on our methodology.

[37]In October 2021, we reported that most grantees could not deploy funds immediately because they needed additional time to enhance existing rental assistance programs or develop new programs to accommodate significant increases in scales of operations that ERA1 funding made possible. Grantees had to develop new policies and procedures, hire additional staff, and develop electronic application and data collection systems. Some grantees also experienced overwhelming demand for ERA1 funds and lacked sufficient staff capacity to address applications in a timely manner. Payments were also delayed in some areas while state and local legislatures deliberated how to administer the new funds. See GAO-22-105051.

Although there was significant renter and landlord need, nearly one-quarter of ERA1 grantees (22 percent) had not made any payments at the end of May 2021 (5 months into the program), and the overall expenditure ratio among all grantees was 7 percent (see fig. 1).[38] The overall expenditure ratio subsequently increased but was less than 50 percent at the end of September 2021 when Treasury was required to begin reallocating excess funds. For ERA2 funds, the overall expenditure ratio at that time was 4 percent.[39]

Figure 1: Emergency Rental Assistance Program Expenditure Ratio, by Month and Appropriation, January 2021–June 2022



Source: GAO analysis of Department of the Treasury data. | GAO-23-105410

[38]Treasury's ERA1 reallocation guidance defines a grantee's expenditure ratio as its ratio of expenses for financial assistance to its total allocation (less the portion available for administrative costs). Treasury also subtracts any amounts previously recaptured or transferred from the initial allocation when calculating the expenditure ratio. The ERA2 reallocation guidance uses a similar calculation to determine the expenditure ratio but accounts for differences in how ERA2 grantees may use funds for administrative expenses and housing stability services.

[39]According to Treasury, grantees generally prioritized spending ERA1 funds before ERA2 funds because of the program's shorter period of availability.

Date	ERA1	ERA2
Jan-21	0%	
Feb-21	1%	
Mar-21	1%	
Apr-21	3%	1%
May-21	7%	2%
Jun-21	14%	2%
Jul-21	22%	3%
Aug-21	34%	3%
Sep-21	46%	4%
Oct-21	57%	8%
Nov-21	64%	16%
Dec-21	69%	23%
Jan-22	73%	29%
Feb-22	76%	36%
Mar-22	79%	42%
Apr-22	82%	48%
May-22	85%	54%
Jun-22	88%	59%

Accessible Data for Figure 1: Emergency Rental Assistance Program Expenditure Ratio, by Month and Appropriation, January 2021–June 2022

Note: Expenditure ratios generally include grantees' expenses for financial assistance payments as a percentage of their initial allocation (less the portion of the allocation available for administrative costs or recaptured). Treasury collected and reported grantee expenditures for financial assistance payments on a quarterly basis from January to March 2021 and from April to June 2021 for the first round (ERA1) and second round (ERA2) of funding, respectively. We divided these values by three to calculate monthly expenditure ratios. We excluded tribes and tribally designated housing entities because of data limitations.

Based on interviews we conducted with 21 grantees and our review of 127 grantee program improvement plans, we identified seven factors that affected the timeliness of grantees' early payments: (1) limited staff and technology resources, (2) difficulty collecting documentation to determine eligibility, (3) unclear program guidance and limited technical assistance, (4) local legislative involvement, (5) limited landlord participation, (6) overlapping grantee jurisdictions, and (7) funding allocations that exceeded local need.

Staff and technology resources. More than half of the state and local grantees we interviewed cited a lack of sufficient staff and technology resources to administer an ERA program as a challenge to making timely payments. Among the 21 grantees we interviewed, 13 identified staffing and capacity and eight identified technology issues as key factors that limited their ability to make timely payments. The initial volume of applications overwhelmed some grantees, requiring them to hire additional staff. Most grantees (17 of 21) also contracted with third-party vendors to administer or design aspects of their program, such as policies and procedures, application portals, application screening and approval, and payment processing. These contracting processes added to their implementation timelines.

Eligibility determinations. Grantees most commonly cited the collection of required information for eligibility determinations, including efforts to obtain complete documentation from applicants, as an obstacle to making timely payments in the program improvement plans we reviewed. Specifically, 46 percent of the plans cited documentation requirements as an obstacle, and 24 percent citied duplication of benefits reviews. In addition, 13 percent of plans cited applicant responsiveness to requests for required information as an obstacle. Some grantees similarly noted that determining eligibility was time consuming, in part because it required frequent contact with renters, landlords, and other grantees to collect documentation and confirm that payments would not be duplicative.

Treasury guidance and technical assistance. Eight of the 21 grantees we interviewed cited issues with the timeliness, clarity, and frequent updating of Treasury's guidance and reporting requirements. In addition, 20 percent of the program improvement plans we reviewed cited Treasury's guidance as an obstacle to making timely payments. Treasury released ERA program guidance in January 2021, significantly revised it after the presidential transition that month, and updated it another five times (through August 2021). Notable revisions included ongoing clarification of administrative flexibilities around self-attestation of eligibility and modifications to reporting requirements.

Some grantees told us program implementation was delayed because Treasury was slow to develop guidance. For example, one grantee told us that the early frequently asked questions lacked enough parameters for it to feel comfortable designing a program, and Treasury's changing reporting requirements required it to reassign staff from processing applications to retroactively compiling data to meet updated reporting requirements.

In addition, grantees generally told us the technical assistance they received from Treasury was limited. Among the 20 grantees we interviewed that requested technical assistance, 11 said that Treasury's responses were not timely or did not meet their needs, or both. For example, several grantees that requested technical assistance on interpretations of the guidance told us that Treasury responded by directing them to its frequently asked questions.

Local legislative involvement. Some grantees experienced delays stemming from required involvement of local legislatures, such as state legislatures or city councils, in approving the use of ERA funds, contracting decisions, and other requirements. Specifically, 8 of the 21 grantees told us they experienced implementation delays while waiting for legislative approval. For example, one grantee's program was delayed for about 6 months waiting for its local legislature to resolve a disagreement on approval of a third-party vendor.

Landlord participation. About half of the grantees we interviewed (10 of 21) said they initially experienced issues with landlords' participation, which made it challenging to establish tenant eligibility and make timely payments. In addition, 22 percent of the program improvement plans we reviewed cited limited landlord participation as an obstacle. Eighteen percent cited a lack of awareness of ERA programs among landlords and renters. Landlord participation may have been limited for several reasons, such as hesitancy to accept government assistance or preferring to replace the tenant through eviction or expiration of lease.

Grantees varied in the use of flexibilities and promising practices Treasury introduced to help grantees assist tenants when landlord participation was limited. Treasury updated its guidance to shorten the required outreach period before grantees could make payments directly to tenants when landlords would not accept payment.[40] However, fewer than half of the grantees we interviewed (10 of 21) allowed such payments, and rarely cited them as significantly increasing payment rates. According to payment data grantees submitted to Treasury for

[40]ERA1 grantees were required to make reasonable efforts to obtain the cooperation of landlords and utility providers to accept payments before making payments to renters. Treasury shortened the required waiting period from 21 days to 7 days if conducted in writing, or 5 days if conducted electronically. ERA2 grantees are not required to seek the cooperation of the landlord or utility provider before providing assistance directly to the tenant, but Treasury strongly encourages them to apply the same ERA1 outreach requirements if they do.

calendar year 2021, grantees made the vast majority of rent payments to landlords (86 percent), rather than renter households directly (13 percent).[41]

Treasury—in an effort to help grantees increase payment rates—updated its guidance to allow renter self-attestations in lieu of landlord-provided information to establish eligibility, payment amount, and nonduplication of benefits. All but one grantee we interviewed adopted self-attestation. In addition, Treasury encouraged grantees through its promising practices to engage landlords to increase their awareness of and willingness to participate in the program. Almost all the grantees we interviewed (19 of 21) pursued such intentional engagement with landlords.

Overlapping grantee jurisdictions. About one-quarter of the program improvement plans we reviewed and six of the 21 grantees we interviewed cited overlapping jurisdictions among grantees as an obstacle to making timely payments. Treasury allocated ERA funds to state grantees, as well as to city and county grantees with populations over 200,000, and some grantees chose to serve the same geographic area. Local grantees that cited overlapping jurisdictions as an obstacle commonly discussed a sense of competition with state grantees that limited the use of their program and required additional time to review applications to prevent duplicative payments.[42] For example, several local grantees in the same state discussed how awareness of and participation in their program was limited because their state's grantee chose to serve applicants who resided in their service area.

Funding allocations that exceeded local need. The Consolidated Appropriations Act, 2021, required that Treasury allocate ERA1 funds to grantees based on their populations but required that no state receive less than $200 million (minimum allocation). This effectively provided more funding per household to states with lower populations. One-third of

[41]Payee type was missing for 1 percent of rent payments. In addition, while 43 percent of grantees reported providing at least one payment to a renter household, the majority of such payments were made by two grantees—the State of Texas and State of Florida—which issued more than 60 percent of all direct-to-tenant payments in 2021. We discuss these payment data in more detail later in this report.

[42]The ERA1 statute requires that, to the extent feasible, grantees ensure that rental assistance provided not be duplicative of other federally-funded rental assistance, and Treasury encourages grantees to minimize duplicative assistance using ERA2 funds. Treasury also encourages grantees with overlapping or contiguous jurisdictions to collaborate on joint administrative and oversight efforts to avoid making duplicative payments.

states and the District of Columbia received the minimum allocation of $200 million, but most would have received significantly less based on their populations. For example, Wyoming received $200 million but would have received $42 million based on its share of the U.S. population.

Because some grantees received allocations considerably greater than their need, they struggled to meet spending targets. Four of the 21 grantees we interviewed told us their supply of funds exceeded the needs of eligible renters and identified the oversupply as a spending obstacle. In addition, 14 of the 18 state grantees in states that received the minimum allocation did not have a sufficient expenditure ratio (30 percent) by the end of September 2021 to meet Treasury's spending target and avoid recapture of excess funds.

According to some grantees, allocations exceed the needs of renters for various reasons. For example, one state grantee that received the minimum allocation told us that its allocation was too large relative to its population of eligible renters because, compared to other states, it had fewer renters and businesses did not shut down to the same extent during the pandemic. Another state grantee that also received the minimum allocation told us that it analyzed potential demand for ERA based on cost burden, renter population, occupancy, and eviction risks and found that it would have had excess funds even with a relatively high degree of utilization among potential recipients. We discuss the alignment of the ERA1 allocation formula with renter needs in more detail in the next section.

Treasury's Reallocation Process Did Not Consistently Benefit States with Greater Renter Needs

ERA1 allocations did not always align with the needs of states' low-income renters. Additionally, Treasury prioritized reallocating excess funds within states. As a result, Treasury's ability to target excess funds to states and grantees based on renter needs and grantee capacity was limited.

Population-Based ERA1 Funding Formula Was Not Consistent with Renter Needs

ERA1 funding did not always align with each state's need for emergency rental assistance. [43] As discussed previously, the ERA1 statute required that Treasury disburse ERA1 allocations to grantees largely based on their populations, but no state could receive less than $200 million. In addition, the ERA1 allocation formula did not take into account the following factors related to the needs of low-income renters:

- **Low-income renter population.** The allocations did not directly account for each state's share of potential recipients (low-income renters). The share of low-income renters in several states varied from their share of the total population. For example, about 6 percent of the total U.S. population resides in New York, while about 8 percent of the low-income renter population does, according to data from Census and HUD.[44]
- **Housing costs and burden.** The allocations also did not account for housing costs and rent burden. For example, the average monthly rent for a two-bedroom apartment across counties in California in 2022 ($1,659) was more than twice that for Alabama ($814).[45] Differences in the number of cost-burdened households (those paying more than 30 percent of their income on housing) also existed across states.

Because the ERA1 allocation formula did not account for these factors, the total amount of funding available to low-income renters varied significantly across states. Specifically, the allocation per low-income

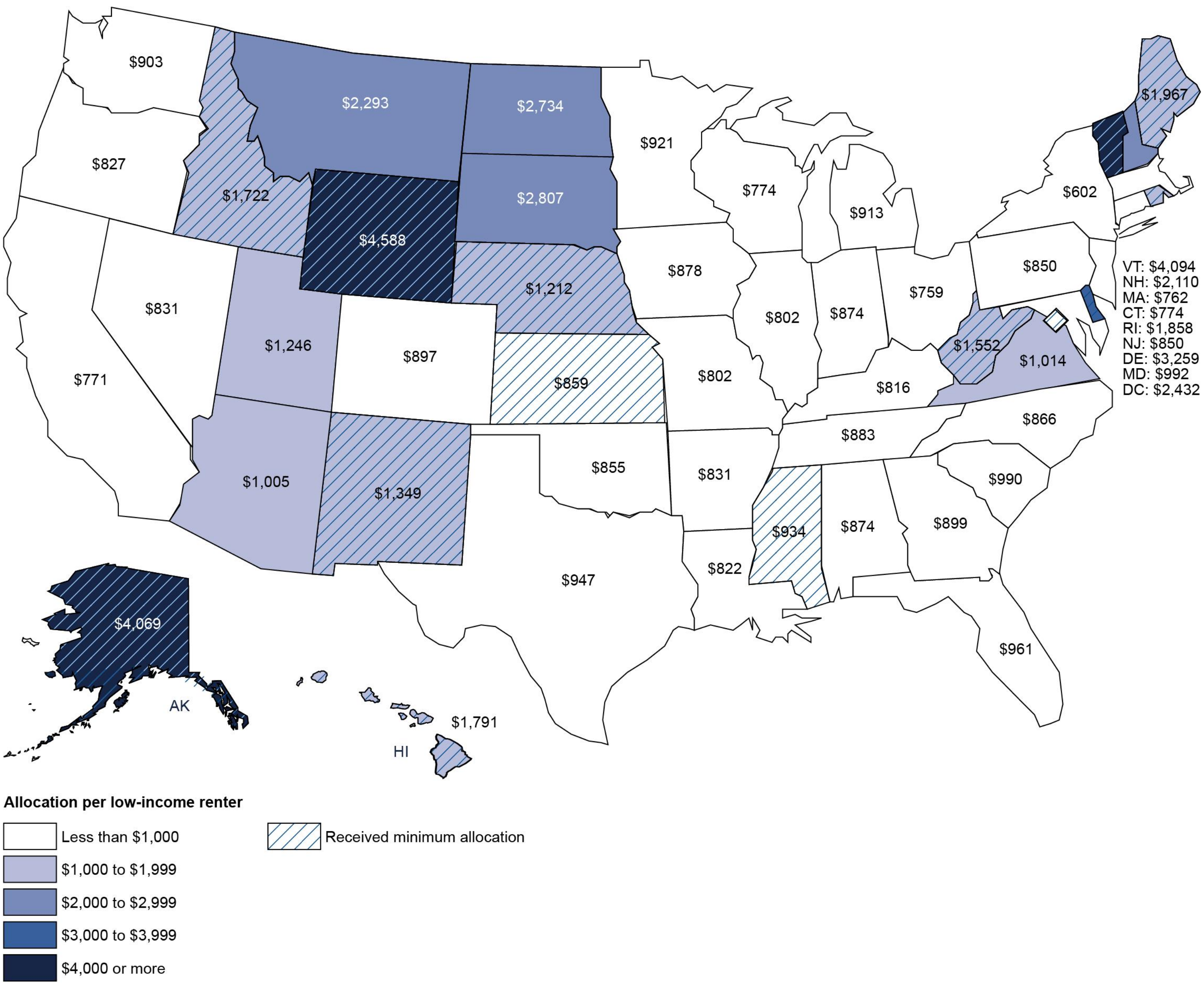
[43] The ERA2 allocation formula accounted for differences in need across states and localities. The American Rescue Plan Act of 2021 sets aside $2.5 billion for eligible grantees with a high need for ERA2 assistance. The act requires Treasury to allocate the funds based on the number of very-low-income renter households paying more than 50 percent of income on rent or living in substandard or overcrowded conditions, rental market costs, and change in employment since February 2020. For example, California received an additional $521 million on top of its population-based allocation ($1.5 billion) to bolster the allocations of 37 of its 49 eligible local grantees. *See* American Rescue Plan Act of 2021 §§ 3201(a)(2)(D),(b)(3) (to be codified at 15 U.S.C. §§ 9058c(a)(2)(D),(b)(3)).

[44] Total population is based on Census's 2020 Vintage Population data, and low-income renter population includes renter households with income at or below 80 percent of their area median income and is based on HUD's 2014–2018 Comprehensive Housing Affordability Strategy data.

[45] To determine average rents, we averaged the 50th Percentile Rent Estimates for 2022 (developed by HUD) across all counties in each state.

renter ranged from $602 in New York to $4,588 in Wyoming. The minimum allocation also greatly contributed to these differences. All 15 states that received $1,300 or more per low-income renter received the minimum allocation (see fig. 2).

Figure 2: Emergency Rental Assistance (ERA1) Allocations per Low-Income Renter by State



Sources: GAO analysis of Department of the Treasury and Department of Housing and Urban Development data. | GAO-23-105410

Accessible Data for Figure 2: Emergency Rental Assistance (ERA1) Allocations per Low-Income Renter by State

State	ERA1 allocation (minimum = $200M)	Allocation per low-income renter (before reallocation)
WY	$200,000,000	$4,588
ND	$200,000,000	$2,734
SD	$200,000,000	$2,807
MT	$200,000,000	$2,293
WV	$200,000,000	$1,552
ID	$200,000,000	$1,722
DE	$200,000,000	$3,259
TN	$456,682,775	$883
VT	$200,000,000	$4,094
NH	$200,000,000	$2,110
AL	$326,358,801	$874
UT	$215,507,410	$1,246
AR	$200,961,312	$831
OH	$775,405,764	$759
IA	$209,783,453	$878
IN	$447,937,423	$874
RI	$200,000,000	$1,858
ME	$200,000,000	$1,967
MI	$660,906,592	$913
CO	$385,124,025	$897
SC	$346,020,971	$990
WI	$386,777,592	$774
MS	$200,000,000	$934
GA	$710,207,372	$899
NM	$200,000,000	$1,349
AZ	$492,131,217	$1,005
MO	$407,924,165	$802
AK	$200,000,000	$4,069
KS	$200,000,000	$859
MD	$401,575,014	$992
MA	$457,129,720	$762
KY	$296,897,444	$816
FL	$1,441,188,973	$961
OK	$263,975,439	$855
NE	$200,000,000	$1,212

State	ERA1 allocation (minimum = $200M)	Allocation per low-income renter (before reallocation)
NC	$702,966,452	$866
HI	$200,000,000	$1,791
LA	$308,042,377	$822
VA	$569,661,204	$1,014
NV	$208,105,615	$831
PA	$847,688,779	$850
WA	$510,182,193	$903
IL	$834,709,843	$802
CT	$235,873,751	$774
TX	$1,946,983,604	$947
OR	$281,264,683	$827
MN	$375,152,159	$921
CA	$2,610,593,356	$771
DC	$200,000,000	$2,432
NY	$1,282,268,821	$602
NJ	$589,011,704	$850

Note: Low-income renters include renter households with income at or below 80 percent of their area median income, based on the Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy data for 2014–2018.

Treasury Reallocated Most Funds within States

Congress provided Treasury with an opportunity to rebalance the distribution of ERA funds, which was critical to maximizing their use because renters' needs and grantees' capacity to deliver assistance varied significantly across states. But Treasury primarily reallocated ERA1 funds within the same states from which they were recaptured. Treasury completed the final round of ERA1 reallocation in October 2022 and, in total, facilitated the reallocation of about $3.1 billion through voluntary transfers between grantees in the same state and reallocations (generally across states), based on our analysis of Treasury data.[46]

Treasury's reallocation procedures prioritized reallocating excess funds to grantees in the same state where they were recaptured and to grantees that were likely to expend their ERA allocations promptly. To implement these priorities, Treasury reallocated excess funds within states before transferring them to grantees in other states and applied benchmarks to prioritize payments to higher-performing grantees. Specifically,

- **Voluntary transfers.** Treasury first fulfilled approved transfers between grantees in the same state. Grantees could transfer some or all of their allocation to another eligible grantee in their state that had obligated at least 65 percent of their initial allocation at the time of the transfer.
- **State pools.** After facilitating voluntary transfers within states, Treasury allocated the remaining excess funds in each state into their own state-level pools. The agency used state pools to fulfill as much of the amounts requested by eligible grantees in the same state as possible, adjusted to reflect prior spending trends if needed.[47]
- **National pool**. Treasury moved any remaining funds from each state pool into a national pool that it used to fulfill requests from grantees in any state. In the first round of reallocation, Treasury also prioritized payment to grantees from the national pool that spent 95 percent or more of their initial ERA1 allocation by October 31, 2021, and all requests from tribal grantees.[48]

---

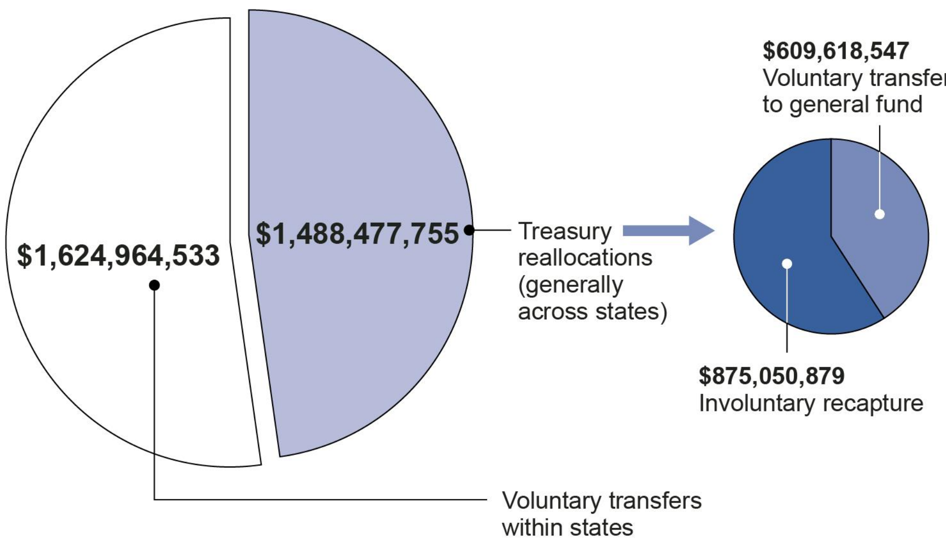
[46]Treasury's ERA1 reallocation procedures included four potential rounds of reallocation based on spending through September 2021, November 2021, January 2022, and March 2022, as well as a separate round for tribal grantees. According to an internal decision document, Treasury skipped the third round because it would have been operationally challenging and confusing to grantees (implementation delays would have caused the third round to overlap with the final round). We excluded the round of ERA1 reallocation among tribal grantees from our analysis.

[47]Treasury reviewed and limited each request, if necessary, to 110 percent of the largest single month of expenditures through October 2021 reflected in the most recent reporting data, multiplied by four. (For the final round of ERA1 reallocation, this amount was multiplied by two to account for the limited time available for grantees to expend their funds.) Agency officials said they used this benchmark to acknowledge that expenditures among all grantees had increased quickly, and some grantees might need to spend more than in previous months.

[48]In the second round of ERA1 reallocation, Treasury prioritized grantees with combined ERA1 and ERA2 expenditures equal to or exceeding their ERA1 expenditure ratio denominator (generally 90 percent of their award).

Because of these procedures, Treasury reallocated the majority of excess ERA1 funds through voluntary transfers among grantees in the same state to local grantees. According to Treasury's reports, about $1.6 billion of the total amount reallocated (52 percent) was voluntarily transferred among grantees within the same state. In comparison, Treasury reallocated about $1.5 billion, generally across states, using funds that it involuntary recaptured (about $875 million) or that grantees voluntarily transferred to Treasury (about $610 million) (see fig. 3).

Figure 3: Emergency Rental Assistance Funds Reallocated by Payment Type, as of October 2022



Source: GAO analysis of Department of the Treasury data. | GAO-23-105410

Accessible Data for Figure 3: Emergency Rental Assistance Funds Reallocated by Payment Type, as of October 2022

Category	Dollar amount
Voluntary transfers within states	$1,624,964,533
Treasury reallocations	$1,488,477,755
Involuntary recapture	$875,050,879
Voluntary transfer to general fund	$609,618,547

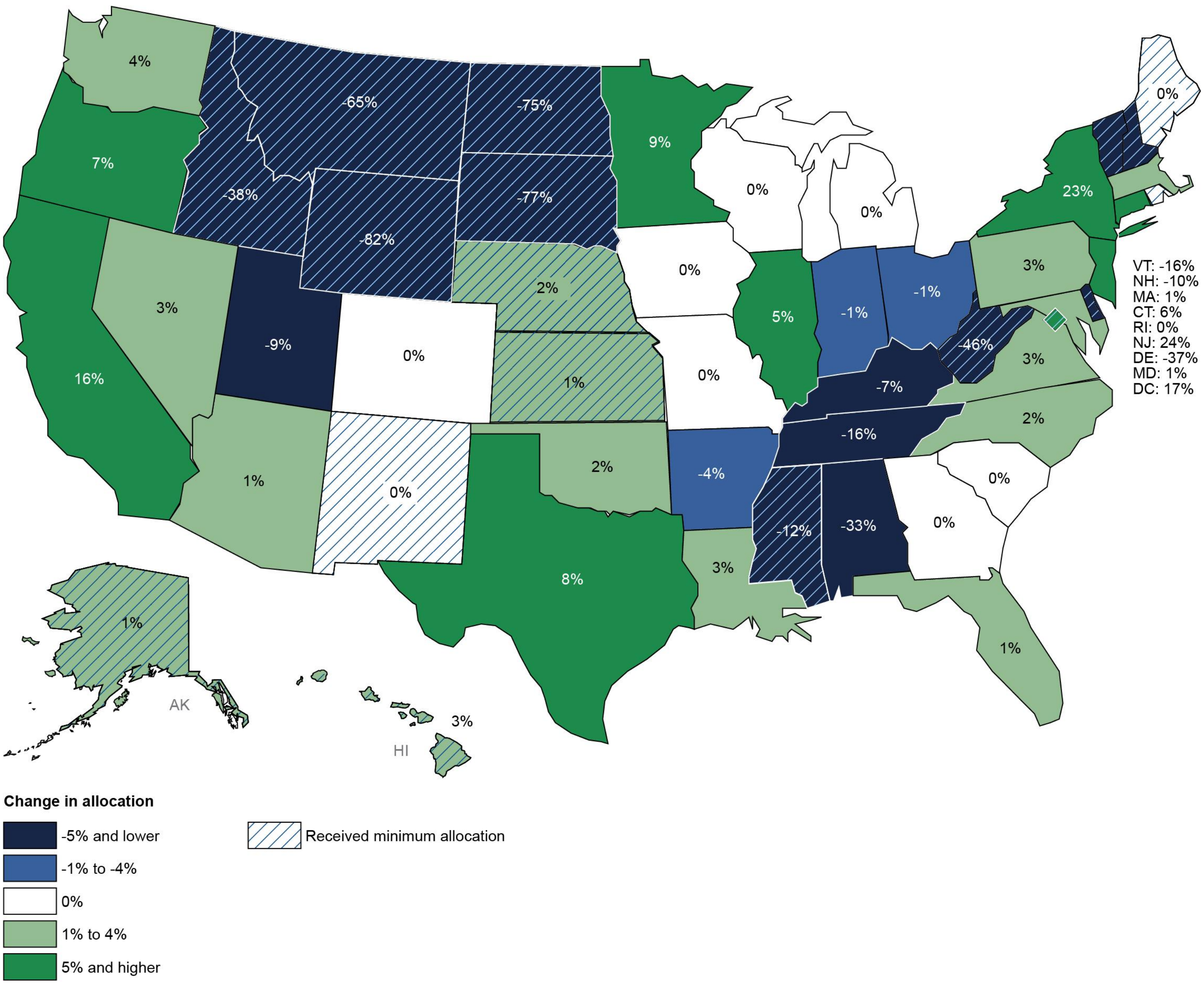
Note: Treasury reallocations do not equal voluntary transfers to the general fund and involuntary recapture because Treasury held over some funds from the round of tribal reallocation, and some grantees declined or did not claim awards.

Local grantees received the majority (about 61 percent or $1.9 billion) of the total amount reallocated—comparable to about 31 percent of their initial allocations. States received about $1.2 billion, and tribal grantees received about $54 million—comparable to 7 percent of their initial allocations. About 94 percent of the excess funds voluntarily transferred were to local grantees.

Reallocation Payments Did Not Consistently Align with Renters' Needs and Grantees' Capacity to Deliver Assistance in Some States

Treasury's priority—keeping funds within states—limited its ability to address the initial misalignment between their ERA1 allocations and low-income renters' needs. The total allocation of ERA1 funds generally did not change substantially (5 percent or more) in most states because of the design of the reallocation procedures (see fig. 4). Specifically, the total ERA1 allocation did not change substantially after reallocation in 28 of the 50 states and the District of Columbia, including several smaller states that received the minimum allocation ($200 million). In other states, the total allocation decreased by as much as 82 percent (Wyoming) and increased by as much as 24 percent (New Jersey). Among the 14 states that had a substantial decrease in total allocation, 10 had received the minimum allocation.

Figure 4: Percentage Change in Emergency Rental Assistance (ERA1) Allocations by State, as of October 2022



Source: GAO analysis of Department of the Treasury data. | GAO-23-105410

Accessible Data for Figure 4: Percentage Change in Emergency Rental Assistance (ERA1) Allocations by State, as of October 2022

State	ERA1 allocation (minimum = $200M)	Percent change in allocation
AK	$200,000,000	1%
AL	$326,358,801	-33%
AR	$200,961,312	-4%
AZ	$492,131,217	1%
CA	$2,610,593,356	16%
CO	$385,124,025	0%
CT	$235,873,751	6%
DC	$200,000,000	17%
DE	$200,000,000	-37%
FL	$1,441,188,973	1%
GA	$710,207,372	0%
HI	$200,000,000	3%
IA	$209,783,453	0%
ID	$200,000,000	-38%
IL	$834,709,843	5%
IN	$447,937,423	-1%
KS	$200,000,000	1%
KY	$296,897,444	-7%
LA	$308,042,377	3%
MA	$457,129,720	1%
MD	$401,575,014	1%
ME	$200,000,000	0%
MI	$660,906,592	0%
MN	$375,152,159	9%
MO	$407,924,165	0%
MS	$200,000,000	-12%
MT	$200,000,000	-65%
NC	$702,966,452	2%
ND	$200,000,000	-75%
NE	$200,000,000	2%
NH	$200,000,000	-10%
NJ	$589,011,704	24%
NM	$200,000,000	0%

State	ERA1 allocation (minimum = $200M)	Percent change in allocation
NV	$208,105,615	3%
NY	$1,282,268,821	23%
OH	$775,405,764	-1%
OK	$263,975,439	2%
OR	$281,264,683	7%
PA	$847,688,779	3%
RI	$200,000,000	0%
SC	$346,020,971	0%
SD	$200,000,000	-77%
TN	$456,682,775	-16%
TX	$1,946,983,604	8%
UT	$215,507,410	-9%
VA	$569,661,204	3%
VT	$200,000,000	-16%
WA	$510,182,193	4%
WI	$386,777,592	0%
WV	$200,000,000	-46%
WY	$200,000,000	-82%

As a result, large differences in the amount of funding per low-income renter in each state remained after reallocation, especially in states that received relatively low allocations. For example, the total allocation per low-income renter in Alaska was about $4,100 after reallocation, as compared to about $770 in Massachusetts. However, some states experienced a significant reduction, such as Wyoming, where the allocation per low-income renter decreased from about $4,600 to $810 (see table 1).

Table 1: Emergency Rental Assistance (ERA1) Allocations per Low-Income Renter in Highest and Lowest States, Before and After Reallocation

Category	State	Allocation per low-income renter before reallocation	Allocation per low-income renter after reallocation	Percent change
highest	WY	$4,588	$809	-82%
highest	VT	$4,094	$3,456	-16%
highest	AK	$4,069	$4,094	1%
highest	DE	$3,259	$2,054	-37%
highest	SD	$2,807	$654	-77%

Category	State	Allocation per low-income renter before reallocation	Allocation per low-income renter after reallocation	Percent change
highest	ND	$2,734	$691	-75%
highest	DC	$2,432	$2,834	17%
highest	MT	$2,293	$807	-65%
highest	NH	$2,110	$1,898	-10%
highest	ME	$1,967	$1,967	0%
lowest	LA	$822	$843	3%
lowest	KY	$816	$762	-7%
lowest	IL	$802	$839	5%
lowest	MO	$802	$806	0%
lowest	WI	$774	$775	0%
lowest	CT	$774	$819	6%
lowest	CA	$771	$891	16%
lowest	MA	$762	$771	1%
lowest	OH	$759	$748	-1%
lowest	NY	$602	$741	23%

Source: GAO analysis of Department of the Treasury and Department of Housing and Urban Development data. | GAO-23-105410

Note: Low-income renters include renter households with income at or below 80 percent of their area median income, based on the Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy data for 2014–2018.

Prioritizing payments within states resulted in some inconsistences in the extent to which payments aligned with renters' needs and capacity to deliver assistance. Treasury relied primarily on grantees' requests to determine the amount of excess funds it reallocated to each eligible grantee. When sufficient funds were available, Treasury generally funded the full amount requested by each grantee, adjusted to reflect prior spending trends if needed. When the amount of funds requested exceeded the amount of excess funds available, Treasury reduced grantees' requests and funded each proportionately to its share of the total amount requested by all grantees.[49] Because of these procedures, grantees that requested reallocated funds in states with large state pools had an opportunity to have their requests fulfilled preferentially and potentially receive larger payments than those that did not have large state pools available, including some grantees that did not meet Treasury's spending targets. Examples include the following:

[49]For the purposes of calculating the proportional share in the first round of ERA1 reallocation, Treasury also multiplied by three requests from grantees that had spent any ERA2 funds, as well as requests from tribal grantees.

- **Approval not aligned with grantee capacity or renter need.** In the first two rounds of reallocation, a county grantee with an expenditure ratio of 47 percent (as of October 2021) received about $8.8 million, and a city grantee with an expenditure ratio of 90 percent did not receive any reallocated funds.[50] According to HUD's Comprehensive Housing Affordability Strategy data for 2014–2018, the city had about twice as many low-income renters as the county. However, after reallocation, the county's new allocation was about $13 million greater than the city's. Consistent with Treasury's procedures, the county received a large award because its state pool included about $64 million recaptured from the state grantee. In comparison, the city was eligible to receive funds only from the national pool because its state pool did not include any excess funds; however, Treasury did not prioritize it for a payment because it had not meet the 95-percent benchmark.
- **Award reduced because few funds from state pool.** A city grantee received 100 percent of the amount it requested ($6.6 million) in the second round of reallocation because its state pool included $42 million recaptured from the state grantee. In comparison, a state grantee in another state received about 7 percent of the amount it requested ($7.4 million), because its state pool only included about $21,000 recaptured from a county grantee. The remainder of its award was provided from the national pool, but because grantees requested more funds than were available, Treasury's procedures required it to significantly reduce each grantee's award and recalculate it as a proportion of all other grantees' requests.
- **Funds awarded to grantee that did not meet spending target.** A state voluntarily transferred about $229 million in excess funds to local grantees within its state, including a $9 million transfer to a county that exceeded its initial allocation. But the county had spent 23 percent of its initial allocation through September 2021 and had been required to submit a program improvement plan because it did not meet Treasury's spending target. As of June 2022, the county had spent 45 percent of its allocation.

Treasury officials acknowledged that some stakeholders had raised concerns about prioritizing reallocation payments within states when the initial allocations did not match the needs of renters in all states. However, officials told us their goals in prioritizing payments within states were to encourage voluntary reallocation, limit the amount of funds subject to involuntary recapture, and avoid taking money away from low-

[50]The city received about $1.4 million in the last two rounds of ERA1 reallocation.

income renters in one state to benefit those in another state—especially in light of spending delays in some jurisdictions. In their written response to a draft of this report, Treasury also asserted that they believed reallocating funds within states was in alignment with Congress's initial state-by-state allocation formula. As noted earlier, Congress provided Treasury with discretion on how to determine excess funds and reallocate them to grantees that met statutory obligation benchmarks.

Treasury was still reallocating excess ERA2 funds at the time of our review. In October 2022, Treasury completed its first quarterly assessment of excess ERA2 funds by reallocating about $519 million (including $231 million voluntarily transferred between grantees and $288 million involuntarily recaptured and reallocated by Treasury).[51]

Available Data Suggest the ERA Program Served Low-Income Renters, Including Some Facing Eviction

Available Data Indicate ERA Reached Very-Low-Income and Rent-Burdened Households

ERA payment and demographic data are limited and have missing and erroneous values, which we discuss later in this report. Although limited, the available data indicate that ERA funds served low-income and rent-burdened households and that receipt of funds across demographic

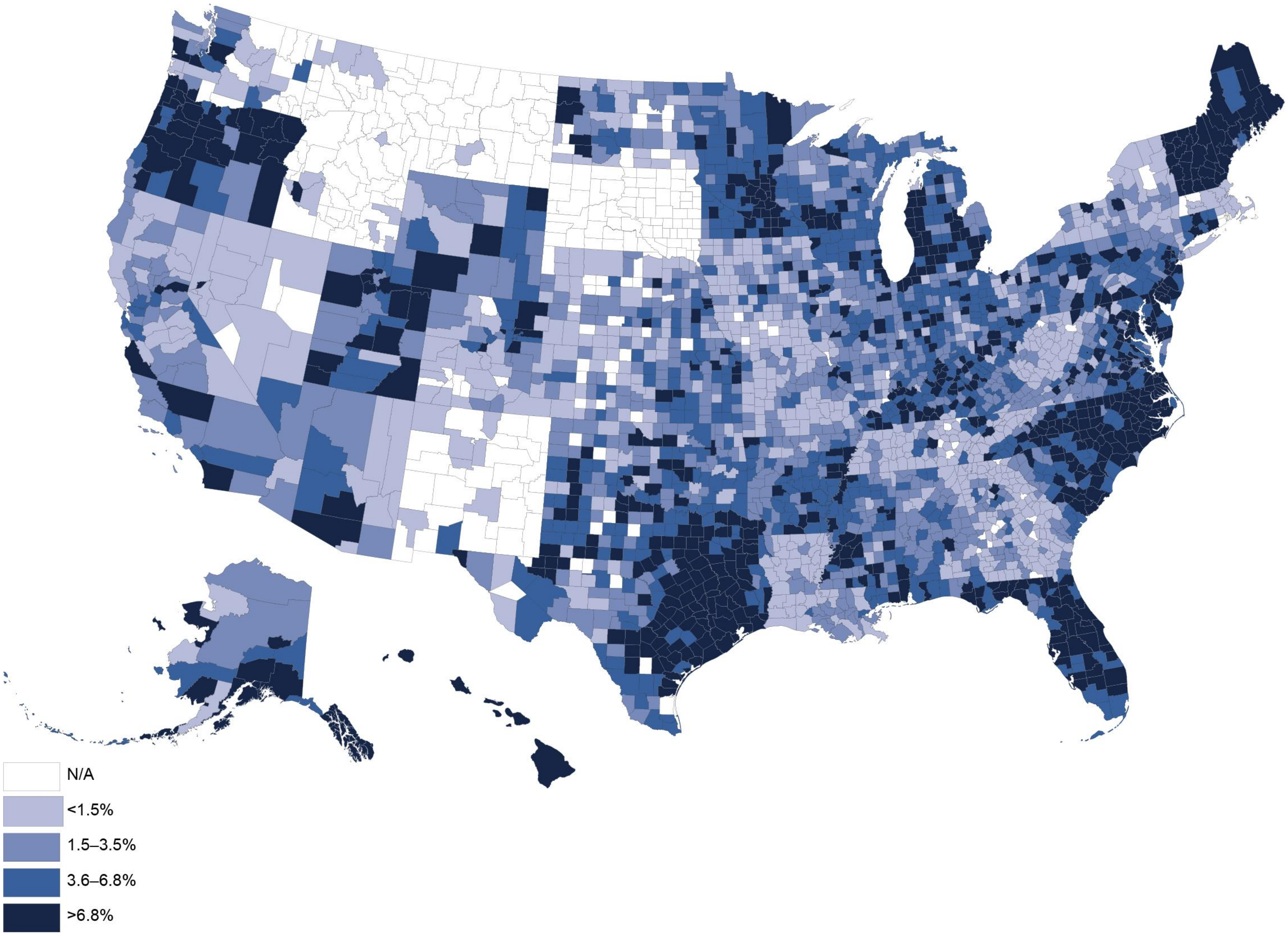
[51]The ERA2 statute requires Treasury to reallocate excess ERA2 funds to grantees beginning on March 31, 2022, and its procedures include four quarterly assessment periods that conclude with the reallocation of funds that grantees had not drawn from their allocations by December 31, 2022. Treasury issued guidance in September 2022 that clarified that grantees could re-characterize ERA2 expenditures as ERA1 expenditures to minimize the amount of unobligated funds subject to expiration, to the extent allowed by applicable requirements set out by law and program guidance. Department of the Treasury, Emergency Rental Assistance Under the Consolidated Appropriations Act, 2021: Notice Regarding Unobligated ERA1 Funds (Washington, D.C.: Sept. 13, 2022).

groups varied.[52] Based on our comparison of available household payment data to the estimated number of low-income renters, about 7 percent of low-income renter households (those with incomes at or below 80 percent of the area median) in the United States received an ERA payment in 2021 (assuming that all payments were made to low-income renter households, as required).[53] In counties we reviewed with available data, ERA funds served from 0.4 percent to 15.6 percent (5th and 95th percentiles) of the estimated low-income renter households. Figure 5 shows the percentage of low-income renters in each county that received ERA1 assistance in 2021.

[52]We used data on the demographics of households served using ERA1 in the fourth quarter of 2021. Data were missing from 34 percent of grantees (or 19 percent of households served) in the quarter. We excluded data from the first three quarters of 2021 because the share of missing data for these quarters ranged from 44 to 55 percent. Treasury's public reporting on household demographics for calendar year 2021 was generally consistent with that from the fourth quarter.

[53]We used data from HUD's Comprehensive Housing Affordability Strategy to measure low-income renter population, which are a custom tabulation of 2014–2018 Census data on low-income renter populations by county and state. We defined low-income as not exceeding 80 percent of the area median income, which matched the statutory limit for ERA1 (the ERA2 statute sets a similar limit) and assumes all payments were made to eligible low-income renters. For more information on our methodology, see app. I.

Figure 5: Quartiles of Low-Income Renter Households That Received Emergency Rental Assistance (ERA1 and ERA2), by County, 2021



Source: GAO analysis of Department of the Treasury and Department of Housing and Urban Development data. | GAO-23-105410

Among those served in the fourth quarter of 2021, 85 percent had very-low incomes (below 50 percent of the area median), which is consistent with the ERA requirement that grantees prioritize payments to such households.[54] Specifically, 63 percent of households had incomes at or below 30 percent of the area median and 22 percent had incomes ranging from 31 to 50 percent of the area median. The remaining 15 percent for which data were reported had incomes ranging from 51 to 80 percent of the area median.

Counties with less-affordable rent received larger ERA payments, based on our analysis of Treasury and Census Bureau data. Specifically, counties that have greater median gross rents and greater shares of rent-burdened households (those paying at least 30 percent of their income on rent) were associated with a greater number of ERA payments, greater total ERA funding, and higher average ERA payments received per household.[55]

Black households received the largest share of ERA1 assistance of any racial group, according to Treasury's household demographic data. Among households for which grantees reported data, Black households received 44 percent of ERA1 payments in the fourth quarter of 2021 (see fig. 6).[56] White households received 37 percent of the assistance, households that identified as multiracial received 6 percent, American Indian or Alaska Native households received 2 percent, and Asian households received 2 percent. Among ethnic groups represented in

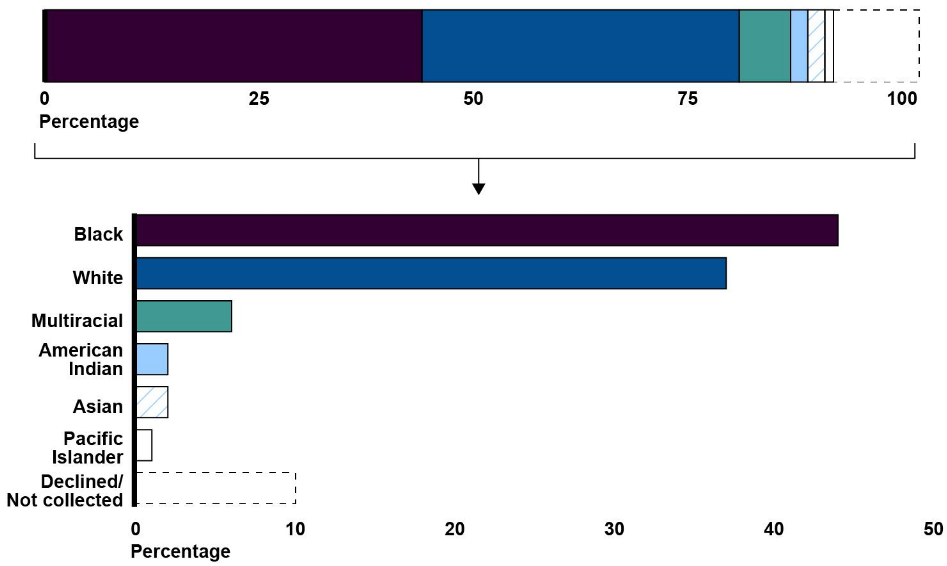
[54]The ERA1 and ERA2 statutes require grantees to prioritize assistance for households with incomes less than 50 percent of their area median or households with one or more individuals who are unemployed as of the date of the application for assistance and have not been employed for the 90-day period preceding the date of application. Consolidated Appropriations Act, 2021 § 501(c)(4) (to be codified at 15 U.S.C. § 9058a(c)(4)) ; American Rescue Plan Act of 2021, § 3201(d)(2) (to be codified at 15 U.S.C. § 9058c(d)(2)).

[55]There was a positive correlation between the median gross rents and the total number of ERA payments to a county, total amount of ERA funding in a county, and average payment received per household served. There was also a positive correlation between the share of rent-burdened households and these three measures. We calculated median gross rent and share of rent-burdened households by county using Census Bureau's 2016–2020 American Community Survey data.

[56]Race data were reported in the following categories based on the primary applicant: American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian or Pacific Islander, White, Mixed, declined to answer, or data not collected. We use "Black" to refer to the Black or African American racial category and "multiracial" to refer to the Mixed racial category. Because tribal grantees were not required to report demographic data during the reporting period, the percentage of assistance to American Indian or Alaskan Native and Native Hawaiian or Pacific Islander underrepresents the total amount of assistance to such households. Data were missing for 19 percent of households that received ERA1 payments in the fourth quarter of 2021.

Treasury's data, Hispanic households received 18 percent of ERA assistance (compared to 72 percent among non-Hispanic households).[57]

Figure 6: Percentage of Households That Received Emergency Rental Assistance (ERA1), by Race, Fourth Quarter 2021



Source: GAO analysis of Department of the Treasury data. | GAO-23-105410

Accessible Data for Figure 6: Percentage of Households That Received Emergency Rental Assistance (ERA1), by Race, Fourth Quarter 2021

Race	Percent
Black	44%
White	37%
Multiracial	6%
American Indian	2%
Asian	2%
Pacific Islander	1%
Declined/Not Collected	10%

[57]Ethnicity data were reported in the following categories: Hispanic or Latino, Not Hispanic or Latino, declined to answer, or data not collected. We use "Hispanic" to refer to the Hispanic or Latino ethnic category. Nine percent of households for whom data were provided did not report their ethnicity. The rate of Hispanic households served was calculated separately; households that identified as Hispanic could separately identify with any race.

Note: Data were missing for 19 percent of households that received ERA1 payments in the fourth quarter of 2021.

Black households tended to receive more ERA1 assistance than their proportion of the low-income renter population. According to HUD's Comprehensive Housing Affordability Strategy data, Black households make up 23 percent of the national low-income renter population. Among the 51 states and territories for which demographic and low-income renter population data are available, the proportion of Black recipients served by ERA met or exceeded the share of Black households among the low-income renter population in 47 states.[58] The high proportion of Black households served by the program could be an indication of greater need during the pandemic. For example, according to the Harvard Joint Center for Housing Studies, Black and Hispanic households faced a greater risk of eviction during the pandemic.[59]

Based on available demographic and low-income renter population data for 51 states and territories, Hispanic households received a lower share of the assistance provided in about two-thirds of states and territories (35) than their share of the low-income renter population.[60] According to HUD's data, Hispanic households also make up 23 percent of the national low-income renter population. Potential reasons that grantees made proportionately fewer payments to Hispanic households could include language and technology barriers, as well as eligibility limitations based on immigration status. The availability of ERA applications in non-English

[58]We calculated the share of the low-income rental population by race for each state using HUD's Comprehensive Housing Affordability Strategy for 2014–2018. For more information, see app. I.

[59]Sophia Wedeen, *Black and Hispanic Renters Face Greatest Threat of Eviction in Pandemic* (Joint Center for Housing Studies: Jan. 11, 2021), accessed at https://www.jchs.harvard.edu/blog/black-and-hispanic-renters-face-greatest-threat-eviction-pandemic. The author used Census Bureau' Household Pulse Survey data to analyze the share of households behind on rent by race or ethnicity.

[60]Measures of Hispanic identity differ between the ERA data and HUD's Comprehensive Housing Affordability Strategy. While ERA data measures Hispanic identity as an ethnicity separate from race, HUD's data collapses ethnicity and race into a single measure, and indication of Hispanic ethnicity supersedes an individual's indication of race in the data. We do not believe this difference limits our analysis. The General Services Administration's Office of Evaluation Sciences (using a different methodology) also found that Hispanic households were underrepresented among those with incomes between 30 and 80 percent of their area median but were overrepresented among those with income below 30 percent of the area median. See General Services Administration, Office of Evaluation Sciences, *Equity in the Distribution of the Emergency Rental Assistance Program*, accessed October 26, 2022, https://oes.gsa.gov/projects/era-equity/.

languages varied by grantee, based on interviews we conducted with a selection of grantees.[61] In addition, research by the Department of Commerce found that Hispanic households historically have had the lowest levels of internet use among racial or ethnic groups.[62]

Counties with a greater share of households without internet access were less likely to receive ERA payments (most ERA grantees we interviewed had internet-based applications).[63] Also, although the ERA law does not impose restrictions based on immigration status, some grantees limited payments to U.S. citizens or legal residents. However, we found a positive relationship between immigrant populations and ERA payments. Counties with larger shares of immigrants were associated with larger average ERA payments received per household.[64]

Based on available demographic data, female-led households also received a significant share of ERA payments. Specifically, 69 percent of ERA1 recipients were female, according to Treasury's demographic data from the fourth quarter of 2021, which exceeded the national share of very-low-income households led by women.[65] While a narrower measure than the eligible ERA population, about 61 percent of rental households with income not exceeding the poverty line were led by women with no spouse present, according to Census' American Community Survey

[61]Eighteen of the 21 grantees we interviewed provided applications in Spanish and three did not.

[62]Department of Commerce, National Telecommunications and Information Administration, *Language and Citizenship May Contribute to Lower Internet Use Among Hispanics* (Nov. 17, 2015), https://www.ntia.gov/blog/2015/language-and-citizenship-may-contribute-low-internet-use-among-hispanics.

[63]There was a negative correlation between the share of households without internet access in a county and (1) the total number of ERA payments in the county and (2) the total amount of ERA funding in a county. There was also a slight negative correlation between the share of households without internet access in a county and the percentage of households served by the ERA program in a county.

[64]There was a positive correlation between the share of immigrants in a county and both the total number of ERA payments in the county and the total amount of ERA funding in a county. This could be partially attributed to the distribution of immigrants between urban and rural areas. Urban counties received larger average ERA payments per household, and urban counties also have larger shares of immigrants.

[65]Gender data were reported in the following categories: male, female, nonbinary, declined to answer, and did not collect.

estimates.[66] The somewhat greater prevalence of female-led households that received ERA assistance also could be explained by disproportionate financial impacts during the pandemic. For example, female workers were disproportionately affected by job losses in the pandemic, and fewer women than men have returned to work, according to National Women Law Center’s analysis of Bureau of Labor Statistics data.[67]

Grantees Used ERA to Address Local Needs and Priorities

Differences in ERA payments suggest that grantees used ERA to address local needs and priorities. We observed differences in the eligible uses and amount of payments across grantees and geography. These differences may reflect policy decisions, such as how grantees prioritized applications. For example, differences in eligible uses (arrears versus prospective payments) could partially reflect whether grantees adopted policies to prioritize payments based on applicants’ arrearages or risk of eviction. Differences we observed also could reflect socioeconomic conditions within a state, such as the extent of housing cost burden or unemployment.

Across all grantees, payments for arrears and prospective rent and utilities generally were evenly distributed (see fig. 7).[68] Based on available payment data from Treasury, about 48 percent of payments to households were for prospective rent and utilities (39 and 9 percent, respectively) and about 50 percent of payments were for rental and utility arrears (34 and 16 percent, respectively).[69] One percent of payments

[66]The breakdown of renter households at or below 80 percent of the area median income by gender was not available using HUD’s data.

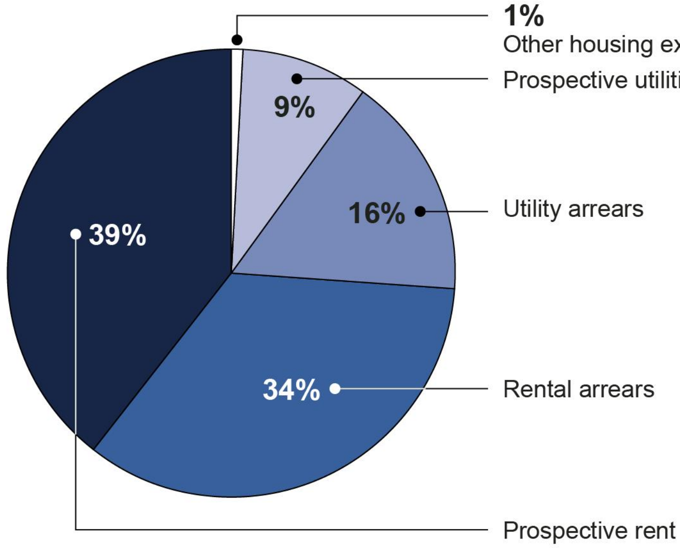
[67]National Women’s Law Center, *Men Have Now Recouped Their Pandemic-Related Labor Force Losses While Women Lag Behind* (February 2022), accessed September 9, 2022, https://nwlc.org/resource/men-recouped-losses-women-lag-behind/.

[68]Eligible payment types included rental arrears, utility arrears, prospective rent (which includes payments for current rental obligations), prospective utilities, and other housing expenses. Data are missing for 26 percent of the total payment amount in 2021. Because of data reliability concerns, we excluded negative payment values and payments made by two grantees from our analysis. For more information, see app. I.

[69]Data reported by grantees for 2021 cover $12.6 billion of the $17.1 billion (74 percent) in payments provided to households for ERA1 and ERA2 through December 31, 2021. Payment use was missing in 0.4 percent of the data.

were for other housing expenses, such as security deposits or internet service.

Figure 7: Emergency Rental Assistance (ERA1 and ERA2) Payments to Households by Eligible Use, 2021



Source: GAO analysis of Department of the Treasury data. | GAO-23-105410

Accessible Data for Figure 7: Emergency Rental Assistance (ERA1 and ERA2) Payments to Households by Eligible Use, 2021

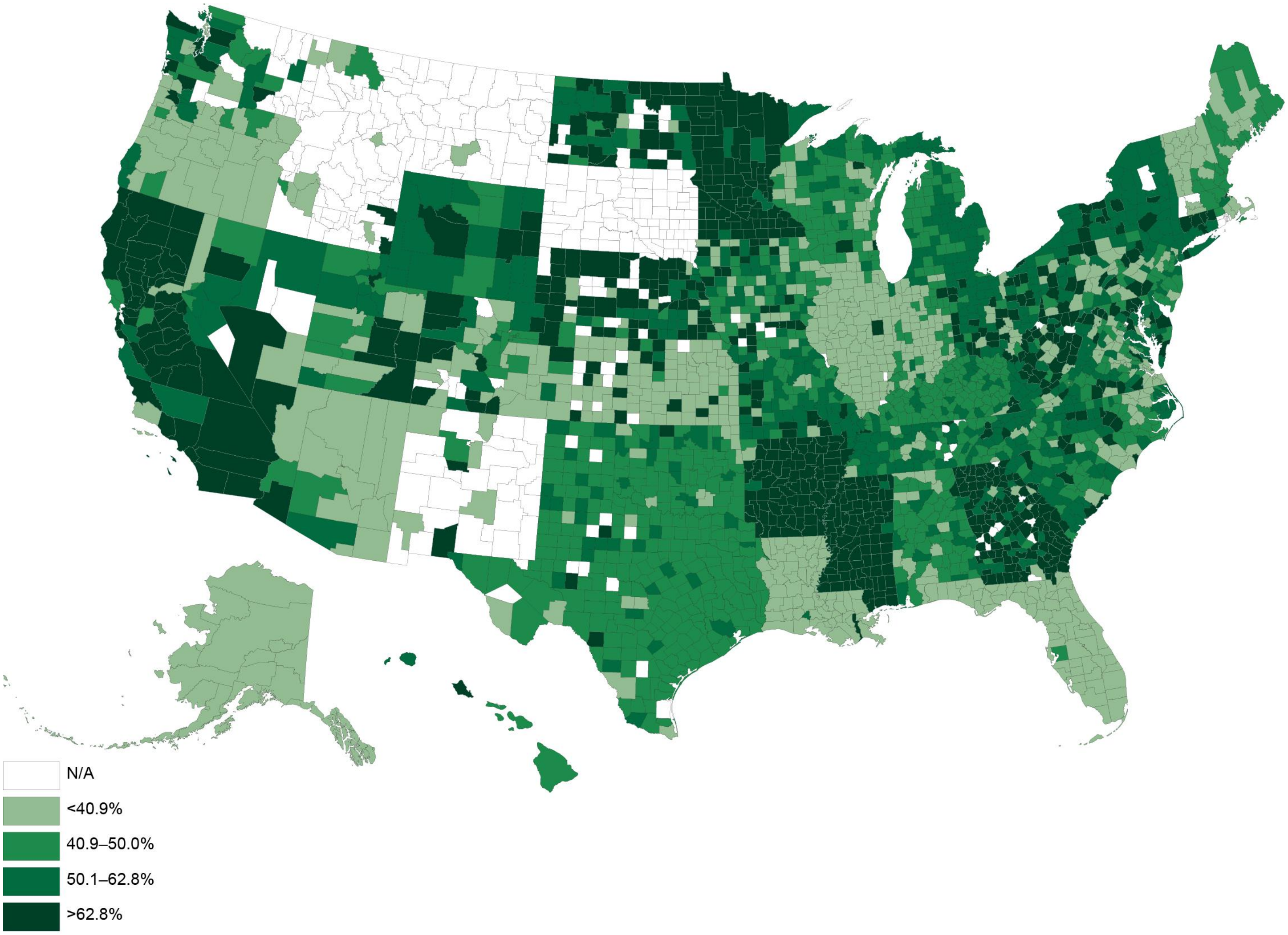
Payment Type	Percent
Prospective rent	39
Rental arrears	34
Utility arrears	16
Prospective utilities	9
Other housing expenses	1

Note: Data are missing for 26 percent of the total payments in 2021, and payment use is missing for 0.4 percent of reported payments. We excluded negative payment values and payments made by two grantees from our analysis because of data reliability concerns. Available data do not include the number of payments made to households for housing stability services. The percentages in the figure do not add to 100 because of rounding.

In addition to payments to households, grantees also spent 4.8 percent of their ERA1 allocations on administrative costs and 0.9 percent on household stability services (such as eviction diversion programs).

The extent to which grantees made prospective versus arrears payments was clustered and varied by state (see fig. 8). For example, over 62 percent of payments made in most counties in Minnesota, Arkansas, and Mississippi were for arrears payments. In comparison, over 59 percent of payments made in most counties in Louisiana and Florida were for prospective payments.

Figure 8: Quartiles of Emergency Rental Assistance (ERA1 and ERA2) Payments to Households for Rent or Utility Arrears, by County, 2021



Source: GAO analysis of Department of the Treasury data. | GAO-23-105410

Grantees made larger average payments to households in urban counties, which are generally associated with higher costs of living.[70] The median ERA payment to households served by the program in 2021 was $6,450, but households in urban counties received about $7,200, as compared to about $5,200 in rural areas. Average payment size was generally greater in counties near larger cities and across higher-cost states, such as California.

ERA Payments, Combined with Other Factors, Contributed to Lower Eviction Rates

Eviction data and third-party studies suggest that ERA payments in conjunction with other factors helped limit evictions. However, data are not available to assess the full impact of the program on eviction rates, and ERA alone cannot explain lower eviction rates and improved perceptions of housing stability. Changes in outcomes during the pandemic are explained by a variety of factors in addition to emergency rental assistance. Such factors may include eviction moratoriums, lower unemployment, declining business closures and disruptions, court closures that limited eviction hearings, and a greater focus on eviction diversion.

- **Eviction data**. National data to assess eviction rates across all grantees do not exist. Our analysis of data collected by the Federal Reserve Bank of Cleveland from 49 jurisdictions (representing 10 percent of U.S. renter households) highlight that eviction rates remained below pre-pandemic levels even after the national

[70]For the purposes of this report, rural counties are nonmetropolitan counties and urban counties are metropolitan counties, as designated by the Department of Agriculture in 2017. More specifically, the department’s Economic Research Service designated metropolitan areas to include all counties with urban areas containing 50,000 people or more. Metropolitan areas also include outlying counties that are economically tied to the central counties, as measured by the share of workers commuting on a daily basis to the central counties. Nonmetropolitan counties are outside the boundaries of metropolitan areas and have no cities with 50,000 residents or more.

moratorium ended.[71] Specifically, evictions in the jurisdictions without any eviction prohibitions, including local bans on eviction filings, declined as grantees began spending ERA funds in early 2021 and remained below 2019 levels until February 2022.

- **Third-party studies.** Analysis conducted by Harvard's Joint Center for Housing Studies using Census Household Pulse Survey data identified increased perceived housing stability among ERA recipients.[72] Specifically, the odds that ERA recipients who had been behind on rent thought eviction was at least somewhat likely in the next 2 months was an estimated 59 percent lower than for those who had applied for but not received ERA assistance. An estimated 25 percent of ERA recipients were behind on rent at the time they were surveyed, compared to an estimated 65 percent of those who had applied for but not received ERA assistance.

  Consistent with our findings, one academic study also concluded that ERA contributed to reducing evictions but that the program's impact was limited by a slow rollout.[73] Dynamic modeling conducted by the researchers suggested that the federal eviction moratorium combined with ERA assistance resulted in lower eviction rates than the expected eviction rates in the absence of both programs. According to the study, faster initial distribution of ERA funds could have minimized evictions further.

[71] Federal Reserve Bank of Cleveland, *Data Updates: Measuring Evictions during the COVID-19 Crisis* (accessed Oct. 27, 2022). See https://www.clevelandfed.org/publications/cd-reports/2020/db-20200902-data-updates-measuring-evictions-during-the-covid-19-crisis. Because of weekly fluctuations in data reporting, we analyzed the 4-week moving average. The Centers for Disease Control and Prevention's eviction order prohibited evictions of covered renter households for the nonpayment of rent from September 4, 2020, through July 31, 2021.

[72] Whitney Airgood-Obrycki, *The Short-Term Benefits of Emergency Rental Assistance* (Joint Center for Housing Studies: June 2022), accessed September 8, 2022, https://www.jchs.harvard.edu/research-areas/working-papers/short-term-benefits-emergency-rental-assistance. The study cited some limitations, including that survey responses may reflect a household's receipt of ERA funds explicitly or other state and local rental assistance funds.

[73] Katherine Marcal, Patrick J. Fowler, and Peter S. Hovmand, *Feedback Dynamics of the Low-Income Rental Housing Market: Exploring Policy Responses to COVID-19* (June 28, 2022), https://doi.org/10.48550/arXiv.2206.12647.

Data Are Incomplete and Treasury Has Not Fully Assessed Improper Payment Risks

Treasury Has Not Collected or Reported Complete Data on ERA Payments and Recipients

Treasury has not collected and reported complete data on ERA payments and recipients as required under the ERA1 authorizing statute. The Consolidated Appropriations Act, 2021, requires Treasury to collect and report six performance measures disaggregated by demographics (race, ethnicity, and gender) from all grantees on at least a quarterly basis.[74] Additionally, Treasury's ERA award terms require each grantee to agree to comply with program reporting obligations and its reporting guidance emphasizes the importance of collecting complete and accurate data.

As of November 1, 2022, when we provided a draft of this report to Treasury for comment, the agency had collected and reported significantly incomplete grantee data.[75] Specifically, the data Treasury reported publicly for the first three quarters of 2021 that were disaggregated by demographics were missing for 44–55 percent of households served. The high proportion of missing data was largely driven by grantee nonreporting in those quarters (47–65 percent of grantees did not report any demographic information for households they served). Reporting levels improved for the fourth quarter of 2021—data were missing for 19 percent of households served for that period. In addition, data were missing for 26 percent of payments in 2021 (see table 2).

[74]Consolidated Appropriations Act, 2021 § 501(g) (to be codified at 15 U.S.C. § 9058a(g)). The performance measures are the number of households served, type of assistance provided, average household payment amount, household income level, application-funding rate, and the average payment length. The statute requires each of these performance measures to be disaggregated by race, ethnicity, and gender of the primary applicant for each household.

[75]Treasury collected the data used to calculate performance measures from grantees across separate data files. Grantees are required to report payment information (including recipient address, amount of payment, and type of payment) and household demographic information (including the number of households served by race, ethnicity, and gender) separately for each quarter.

Table 2: Percentage of Missing Data and Nonreporting Grantees for Emergency Rental Assistance Data, by Reporting Period

Type of data	Reporting period	Proportion of missing data	Proportion of nonreporting grantees
Payment (ERA1 and ERA2)	2021	26%	20%
Household demographics (ERA1)	Quarter 1, 2021	55%	65%
Household demographics (ERA1)	Quarter 2, 2021	44%	51%
Household demographics (ERA1)	Quarter 3, 2021	52%	47%
Household demographics (ERA1)	Quarter 4, 2021	19%	34%

Source: GAO analysis of Department of the Treasury data. | GAO-23-105410

Also as of November 1, 2022, Treasury had not publicly reported demographic data for any quarters in 2022 or for the remaining two required performance measures (average payment length or average application-funding rate) for any quarters. These two performance measures are limited by missing and irregular data values. Treasury's payment data contain fields for the start and end date for each payment, which Treasury could use to calculate average payment length. However, data were missing for 26 percent of the total payment amount issued in calendar year 2021, and the payment end date is missing for about 60 percent of reported payments.[76]

Additionally, data available as of November 1, 2022, indicate that the application-funding rate may be unreliable. Among the 79 percent of grantees that reported both the number of complete applications submitted and number of households served with ERA1 funds by quarter in 2021, 5 percent reported a greater number of households served than the total number of applications submitted. While the median application-funding rate by grantee was 38 percent, the rates ranged from 0 percent to 441 percent.[77]

[76]ERA program guidance instructed grantees to leave the payment end date blank in certain cases. Specifically, in situations when the start and end date of payments was not known, Treasury's guidance advised grantees to provide a start date, but leave the end date blank. Six percent of payments are missing a start date.

[77]Some outlier funding rates could be due to jointly administered programs in which applications were ultimately funded by a different grantee than the grantee to which the household applied.

Grantees we interviewed also cited Treasury's delayed implementation of reporting guidance and technical limitations as contributing to incomplete and inaccurate data reporting. Although Treasury released reporting guidance in June 2021, it revised certain reporting requirements in September 2021—1 month before grantees were required to submit quarterly reports for the first three quarters of 2021. Some grantees told us they had not collected certain data elements that became required by Treasury after it revised the reporting guidance. As a result, the grantees had to collect new or update existing data retroactively, which challenged their ability to report complete and accurate data to Treasury in a timely manner. In addition, some grantees told us they experienced technical challenges uploading and submitting required information to Treasury's data portal, including making corrections to their data once submitted.

In September 2022, Treasury officials stated that grantee capacity limitations were the primary cause of missing data. Treasury officials stated previously that missing data also stemmed from a lack of awareness among some grantees that their monthly and quarterly reporting requirements continued after their programs ended or if they otherwise did not serve any households in the reporting period.

Treasury has taken some steps to improve data completeness and accuracy. In September 2022, Treasury officials told us they were testing and monitoring grantees' data submissions and following up with grantees for clarification and potential updates when the agency identified incomplete and erroneous reporting. Officials also told us the agency was implementing technical updates to its reporting portal to address prior reporting challenges, such as allowing grantees to correct certain fields in prior data submissions.

Furthermore, in October 2022, Treasury officials told us they were working with OMB to finalize closeout reporting requirements that could address some data quality concerns.[78] According to a framework published by the agency in September 2022, Treasury planned to require grantees to submit a closeout report with cumulative (aggregate) financial and performance information, including payment and recipient

[78]OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require recipients of federal grants to report closeout data. Grantees must report these data within 120 days after their period of performance ends. For grantees that did not receive reallocated funds, the period of performance ended on September 30, 2022. For grantees that received reallocated funds, the period of performance for these funds ends on December 29, 2022.

demographic data. On November 4, 2022, after we provided a draft of this report to Treasury for comment, OMB approved the agency's ERA1 closeout reporting requirements. As part of the closeout reporting process, grantees are required to input missing data for and correct inaccurate data reported in prior quarters, as applicable. The closeout reporting period provides Treasury with the opportunity to address the data collection and quality issues we identified in this report. However, given the previous challenges with collecting and submitting data through Treasury's portal, Treasury will need to continue to be proactive in working with grantees to collect complete and reliable data.

Public reporting of these data is also needed to meet the requirements of the Consolidated Appropriations Act, 2021. As previously discussed, Treasury published significantly incomplete data for its reported performance measures and had not reported any data for two required performance measures as of November 1, 2022. After we provided a draft of this report to Treasury for comment on November 1, 2022, the agency published an additional data report on the required performance measures through the second quarter of 2022 that included the two previously missing performance measures (average payment length and average application-funding rate). However, these performance metrics do not fully meet the reporting requirements of the statute, which may be a result of data collection challenges. For example, these two performance measures were not disaggregated by demographics, as required by statute. According to the data report, fewer than two-thirds of non-tribal grantees (62 percent) reported disaggregated demographic data. In addition, Treasury noted in the report that it was working with grantees to update certain data elements due to data validation issues. It will be important for Treasury to fully report on the required performance measures disaggregated by demographics through the end of grantees' performance period and include information needed to determine their quality.

Without complete and accurate performance data, Congress will continue to lack key information it mandated in the authorizing statute. In addition, in the absence of quality data, Treasury cannot reliably analyze or publicly report recipient demographics and grantees' use of funds. For instance, incomplete data could bias analysis or underrepresent certain populations served by the program.[79] A lack of complete and accurate data also hinders Treasury and its Office of Inspector General from effectively evaluating the program for compliance with relevant laws and guidance. For example, the office would not be able to comprehensively evaluate whether grantees exceeded ERA1 payment limitations and, if necessary, recoup overpayments, as required by law.[80]

Potential Duplicate Payments and Other Data Anomalies Highlight the Importance of Completing a More Detailed Risk Assessment

Our review of Treasury data highlights improper payment risks in the ERA program, but Treasury has not conducted a detailed risk assessment or implemented our prior recommendation on payment recovery audits. We reviewed ERA1 payments made to households in 2021 and found that about 2 percent of the households assisted (or about 43,000 households) received payments from more than one grantee.[81] These payments accounted for about 6 percent of all payments reported by grantees in 2021. In some states, a significant proportion of payments may have been duplicative. For example, one city grantee and its county grantee each may have made duplicative payments in about 20 percent of their total payments in 2021. These findings indicate that grantees may be making duplicative payments despite a statutory requirement that

[79]Across ERA datasets, nearly all nonreporting grantees were local governments and dispersed among states. For demographic data, 94 percent of nonreporting grantees were local. Data were entirely missing for three of the 56 states and territories and partially missing for 33 states. For payment data, 83 percent of nonreporting grantees were local and data was entirely missing for four states and five territories and partially missing for 26 states.

[80]Consolidated Appropriations Act, 2021 § 501(i) (to be codified at 15 U.S.C. § 9058a(i)).

[81]We reviewed the addresses of eligible households that received ERA1 assistance as reported to Treasury by grantees in their household payment data file. Because we reviewed households' addresses, our analysis does not count the addresses of landlords, who could have received multiple payments from more than one grantee to cover different households. In addition, we included unit numbers in our analysis to the extent available data allowed, which accounts for payments made to different households that reside at the same address (for example, within a multifamily apartment building).

grantees avoid making such payments to the extent feasible.[82] Treasury guidance further encourages grantees to avoid making such payments.[83]

Other data anomalies we observed further highlight improper payment risks. About 2 percent of ERA1 payments reported by grantees in 2021 with complete data on payment dates exceeded the statutory limit of 15 months of assistance. Similarly, about 2 percent of households that received payments from more than one grantee received more than 15 months of ERA1 assistance. However, this rate is likely higher given that data needed to calculate the length of assistance for each payment were missing for about 60 percent of payments reported by grantees in 2021.[84] Furthermore, a significant number of grantees may have exceeded statutory limitations on the use of ERA1 funds for administrative expenses. Based on Treasury data through April 2022, 42 of the 406

[82]Consolidated Appropriations Act, 2021 § 501(k)(3)(B) (to be codified at 15 U.S.C. § 9058a(k)(3)(B)).

[83]Department of the Treasury, Emergency Rental Assistance Frequently Asked Questions. Treasury officials told us in May 2022 that they were aware that grantees in some overlapping jurisdictions had made, and in some cases recovered, duplicative payments. However, households may have legitimate reasons for receiving payments from multiple grantees. According to Treasury officials, grantees in overlapping jurisdictions may divide payment responsibilities for rent and utilities, households may apply to a second program after the first program exhausts its allocation, tenants in multifamily properties may omit unit numbers from their applications, or both a prior and current tenant of the same unit may have received payments. Treasury officials also noted that eligible applicants may rent rooms or spaces in single-family homes and as a result may share an address with other renters. Treasury updated its guidance in July 2022 to address instances in which grantees retroactively identify that an ERA payment duplicated a payment made by another grantee. The guidance allows grantees that identify such payments to decline to recover the overpayment and modify the intended period covered by the payment, if the grantee documents the expenses covered by the payment and the additional months of assistance do not exceed the 15-month limit. Treasury officials told us they developed the guidance following requests for technical assistance from grantees about options for addressing duplicative payments. Officials from the Office of Inspector General told us that Treasury officials responsible for the program's administration did not consult with them in developing and publishing the updated guidance. The office is required to monitor and oversee the use of ERA1 funds and recover funds spent in violation of the eligible uses. Consolidated Appropriations Act, 2021 § 501(i) (to be codified at 15 U.S.C. § 9058a(i)).

[84]We also found that 5 percent of grantees reported a greater number of households served than the total number of applications submitted.

ERA1 grantees reported administrative expenses that exceeded the statutory limit of 10 percent of their allocation.[85]

Treasury has not determined the estimated amount or rate of improper payments to households in the ERA program. According to federal internal control standards, to respond to risks, agencies should first analyze identified risks to estimate their significance.[86] Treasury officials told us they provided data on potentially duplicative payments to their Office of Inspector General in March 2022 but were in the early phases of analyzing payment data to determine the extent of improper payments as of September 2022. In addition, Treasury completed an improper payment risk assessment for the ERA program in September 2022 that focused on the risk of improper payments in Treasury's disbursement of ERA allocations to grantees. This assessment concluded that the program was not susceptible to significant improper payments.[87] However, the risk assessment consisted of a qualitative questionnaire that did not account for missing data or duplicative payments at the household level.

Given the data concerns and other challenges we have highlighted, a more detailed assessment of improper payment risks is warranted.[88] OMB requires that agencies develop risk assessment methodologies that are appropriate to ensure that the result of the risk assessment reasonably supports whether the program is or is not susceptible to significant

[85]Consolidated Appropriations Act, 2021 § 501(c)(5) (to be codified at 15 U.S.C. § 9058a(c)(5)). The number of grantees that have potentially exceeded the ERA1 administrative expense limit is based on Treasury data as of April 30, 2021, which reflects the first two rounds of ERA1 reallocation. The administrative expenses of some grantees relative to the limit may have changed after the third round of reallocation.

[86]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C: Sep. 10, 2014).

[87]Treasury is directed by OMB guidance to assess the ERA program's susceptibility to significant improper payments and, if determined to be susceptible, develop and report a reliable estimate of improper payments, identify root causes, and develop a corrective action plan to reduce them. For newly established programs, an improper payments risk assessment should be completed after the first 12 months of the program. Office of Management and Budget, *Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement,* M-21-19 (Washington, D.C.: Mar. 5, 2021). The circular implements requirements in the Payment Integrity Information Act of 2019.

[88]For example, we have noted the hurried implementation of the ERA program that resulted in payments being made as guidance was being developed. We also have noted overlapping service areas and challenges grantees cited in limiting duplicative payments.

improper payments. As we noted, data were missing for about 26 percent of the $17.1 billion in payments grantees reported in 2021, which potentially places the ERA program well above the statutory definition for significant improper payments (1.5 percent of program outlays).[89] Without a more detailed assessment of improper payment risks in the ERA program, such as a quantitative analysis that incorporates grantee payment data, Treasury will continue to lack a complete understanding of the program's susceptibility to improper payments and the need for further efforts to reduce them.

We also reiterate the importance of our prior recommendations to manage improper payments in the ERA program in light of the risks we highlighted about Treasury's payment data. In January 2022, we reported that Treasury lacked processes to identify and recover overpayments made by grantees and recommended that Treasury implement such processes, for example, through post-payment reviews and recovery audits.[90] Treasury agreed with this recommendation and stated that it was working to establish post-payment reviews and recovery audit activities. However, Treasury had not implemented this recommendation as of October 2022.

Treasury's Office of Inspector General has taken some steps to review grantee data and help identify and recover improper payments. In April 2022, the office implemented desk review procedures that include steps to evaluate payments made by grantees that demonstrated data reporting and compliance challenges.[91] Officials from the Office of Inspector General told us they have been developing an ERA risk model to identify

[89]A program is considered to be susceptible to significant improper payments if, in the preceding fiscal year, the sum of the program's improper payments and payments whose propriety cannot be determined due to lacking or insufficient documentation (unknown payments) may have exceeded either (1) 1.5 percent of program outlays and $10 million or (2) $100 million (regardless of the improper payment rate). See 31 U.S.C. § 3352. OMB's guidance clarifies that payments include transfers of federal funds by a federal grantee to any nonfederal person or entity, such as a landlord or tenant. Unknown payments may not necessarily be improper payments but are to be included in the risk assessment for the purpose of determining the program's susceptibility to improper payments.

[90]GAO-22-105291. We also previously recommended that Treasury implement monitoring procedures to evaluate the effectiveness of the controls it requires grantees to implement to prevent improper payments when using self-attestation to determine eligibility. Treasury also had not implemented this recommendation as of October 2022. GAO-22-105490.

[91]Department of the Treasury, Office of Inspector General, *Emergency Rental Assistance Government Grantee Quarterly Reporting Desk Review Procedures*, OIG-CA-22-013 (Washington, D.C.: Apr. 22, 2022).

potentially problematic payments through these audits and their ongoing oversight work. As of August 2022, the office had initiated two audits of ERA grantees based on its desk review procedures.

But Treasury's Office of Recovery Programs, which maintains responsibility for the ongoing administration and oversight of the ERA program, plans to reduce its monitoring capacity because it lacks sufficient administrative funds for the ERA program. According to a letter sent by the Deputy Secretary of the Treasury to grantees in September 2022, Treasury was appropriated funding to administer multiple pandemic relief programs, but for some programs like ERA, the available funding is insufficient to allow Treasury to maintain current levels of administrative support. Without the authority to repurpose administrative funds from other programs, the letter states that Treasury is preparing to reduce its recipient reporting and monitoring, institute a hiring freeze, and suspend some grantee technical support functions. Given potential improper payments and the nascent nature of Treasury's oversight efforts, reducing its monitoring capabilities would leave the ERA program in a precarious position that requires immediate resolution to avoid significant risks to its ongoing integrity.[92]

Conclusions

Treasury's efforts during the pandemic to administer the ERA program, assist grantees in developing local programs, and introduce administrative flexibilities to expedite payments have helped provide temporary financial and housing stability to millions of renters and landlords. As Treasury transitions into the next phase of the ERA program, it is vital that the agency consider the challenges and risks we have highlighted in the past 2 years to improve its administration and oversight of the program.

Effective oversight of ERA payments and grantees is critical because of the size and hurried implementation of the program. However, Treasury has yet to collect complete and accurate information on ERA payments and recipients or publicly report fully disaggregated quarterly performance

[92]Treasury officials told us they have sought a legislative solution to provide the agency with additional flexibility in the use of administrative funds for pandemic relief programs. Legislation was introduced in 2021 that would provide for such flexibility. State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act, S. 3011, 117th Cong. (2021).

measures required under statute. Treasury has taken some steps to improve data collection, including developing final reporting requirements. However, given the difficulties many grantees have faced in collecting and reporting data, Treasury will need to continue to work with grantees to ensure they submit complete and reliable data. Collecting these data will better situate Treasury and its Office of Inspector General to oversee the ERA program. In addition, reporting these data will provide Congress and taxpayers with a better understanding of the program's outcomes, including how grantees used ERA funds and which populations they served.

Treasury also has yet to complete a detailed assessment of the ERA program's susceptibility to improper grantee payments to households. While Treasury has expressed concerns about its ability to appropriately support and monitor grantees with existing administrative resources, these functions are critical in light of the improper payment risks we identified. Completing a detailed analysis that utilizes grantee payment data is a necessary first step to better understanding and addressing improper payment risks. Implementing our prior recommendation on payment recovery audits would bolster this effort.

Recommendations for Executive Action

We are making the following three recommendations to Treasury:

The Chief of the Office of Recovery Programs should expediently collect complete and accurate data, including quarterly payment data and performance measures required by the Consolidated Appropriations Act, 2021. (Recommendation 1)

The Chief of the Office of Recovery Programs should expediently publish complete ERA program data, including all required disaggregated performance measures required by the Consolidated Appropriations Act, 2021, for all applicable quarters from program inception through the end of the award performance period. Such reporting should include information necessary for determining data quality, such as the rate of missing or erroneous data for key data elements. (Recommendation 2)

The Chief of the Office of Recovery Programs should complete a detailed assessment of the ERA program's susceptibility to improper payments, such as a quantitative analysis that incorporates grantee payment data and other relevant data sources. (Recommendation 3)

Agency Comments

We provided a draft of this report to Treasury for review and comment. In its written comments, reproduced in appendix II, Treasury agreed with our recommendations. Treasury also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of the Treasury, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or GarciaDiazD@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

Daniel Garcia-Diaz
Managing Director, Financial Markets and Community Investment

List of Committees

The Honorable Patrick Leahy
Chairman
The Honorable Richard Shelby
Vice Chairman
Committee on Appropriations
United States Senate

The Honorable Sherrod Brown
Chairman
The Honorable Pat Toomey
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Ron Wyden
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Patty Murray
Chair
The Honorable Richard Burr
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Gary C. Peters
Chairman
The Honorable Rob Portman
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Rosa L. DeLauro
Chair
The Honorable Kay Granger
Ranking Member
Committee on Appropriations
House of Representatives

The Honorable Frank Pallone, Jr.
Chairman
The Honorable Cathy McMorris Rodgers
Republican Leader
Committee on Energy and Commerce
House of Representatives

The Honorable Maxine Waters
Chairwoman
The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
House of Representatives

The Honorable Bennie G. Thompson
Chairman
The Honorable John Katko
Ranking Member
Committee on Homeland Security
House of Representatives

The Honorable Carolyn B. Maloney
Chairwoman
The Honorable James Comer
Ranking Member
Committee on Oversight and Reform
House of Representatives

The Honorable Richard Neal
Chair
The Honorable Kevin Brady
Republican Leader
Committee on Ways and Means
House of Representatives

Appendix I: Objectives, Scope, and Methodology

This report examines (1) factors that affected the timeliness of Emergency Rental Assistance (ERA) program payments and grantee spending, (2) the Department of the Treasury's reallocation of excess funds and its effect on grantees, (3) characteristics of recipient households and grantee spending, and (4) Treasury's oversight of grantee data reporting and improper payment risks.

Factors That Affected Timeliness of Payments and Spending

To address our first objective, we calculated and reviewed expenditures ratios from Treasury's ERA monthly compliance report for January 2021–June 2022 to identify initial spending delays and expenditure ratios by month.[1] We then interviewed ERA grantees and reviewed program improvement plans to identify factors that enhanced and hindered ERA program implementation. We interviewed a nongeneralizable sample of 21 ERA1 grantees, which we selected to represent a mix of grantees based on expenditure ratio, type (state, territorial, or local grantees), and Census Bureau division and region.[2] We selected four state grantees, 16 city and county (local) grantees, and one territorial grantee to ensure the sample was generally representative of the types of grantees in the

[1]We assessed the reliability of Treasury's monthly data by reviewing technical documentation, interviewing knowledgeable agency officials, and conducting electric testing for outliers and errors. We found the data to be sufficiently reliable for reporting general spending trends and grantee expenditures.

[2]Congress twice appropriated funding for the ERA program (in December 2020 and in March 2021). We refer to the two appropriations as ERA1 and ERA2. We selected and interviewed the following 21 grantees: Brown County (Wisconsin), City of Philadelphia (Pennsylvania), City of Santa Clarita (California), City of Oklahoma City (Oklahoma), Clermont County (Ohio), Gaston County (North Carolina), Gloucester County (New Jersey), Henry County (Georgia), Marion County (Oregon), Onondaga County (New York), Pima County (Arizona), Polk County (Iowa), Puerto Rico, Ramsey County (Minnesota), Rockingham County (New Hampshire), State of New York, State of North Carolina, State of Nevada, State of North Dakota, Tuscaloosa County (Alabama), and Yuma County (Arizona).

overall population. We did not select tribal grantees because of programmatic differences and data limitations.

For state and local grantees, we randomly selected an equal number of lower- and higher-performing grantees from each type. Specifically, we selected grantees that had expenditure ratios below 30 percent (lower performers) or above 65 percent (higher performers) through September 2021, based on Treasury's November 2021 data.[3] We also selected these grantees equally from each Census division and region to ensure geographic representation. For territorial grantees, we selected the territorial grantee that received the largest ERA1 allocation.

We conducted interviews with the 21 grantees and on-site visits with five of the grantees to collect information on their administrative operations, policies and procedures, and factors they identified that enhanced or hindered implementation. We developed interview questions based on a background review of existing studies on ERA grantee performance, as well as interviews we conducted with the National Council of State Housing Agencies and National Low-Income Housing Coalition. We pre-tested the questions with two state grantees we selected based on convenience. We then interviewed the 21 grantees and collected responses using structured interview questions and responses, which we summarized to identify common themes.

We also reviewed and summarized the spending obstacles grantees cited in the program improvement plans they submitted to Treasury. We collected and reviewed 127 program improvement plans (of 140 in total) that Treasury received from grantees by December 15, 2021. The plan document includes three narrative fields in which grantees were asked to identify the three key obstacles to increasing their ERA1 expenditures and increasing the number of households served. We reviewed those fields and categorized the contents of each into common themes. We then compared the common themes we identified across the interviews and program improvement plans and synthesized a series of implementation challenges.

[3]We used these expenditure ratios to capture grantees that did not meet Treasury's first spending target to avoid reallocation, as well as those that met the ERA1 statute's spending requirement to receive reallocated funds. Although the ERA1 statute requires Treasury to reallocate funds based on a 65-percent obligations rate, we used the expenditure ratio because obligations data were not available.

Reallocation of Excess Funds

To address our second objective, we first reviewed how ERA1 allocations in each state varied before and after reallocation relative to their low-income renter populations.

- We determined the low-income renter population in each state by state using the Department of Housing and Urban Development's (HUD) Comprehensive Housing Affordability Strategy to measure low-income renter population. The data are a custom tabulation of 2014–2018 Census data on low-income renter populations by county and state, which apply the same definition for low-income renters as the ERA law (not exceeding 80 percent of the area median income).
- We used Treasury's reallocation reports to identify amounts recaptured from and reallocated to each state and we calculated the allocation in each state after reallocation.
- We calculated the allocation per low-income renter household in each state before and after reallocation to identify how much the supply of funds varied and changed, especially in states that received the minimum allocation ($200 million).
- We then calculated the percentage change in allocation in each state to identify those that had a substantial change (5 percent or more), which could indicate a potential misalignment between allocations in each state and their renter needs and grantee capacity.

We also interviewed Treasury officials and reviewed agency reallocation guidance, procedures, and data to determine how Treasury reallocated excess ERA1 funds. We reviewed and summarized ERA1 reallocation payments using Treasury's reallocation reports through October 2022, including how funds were recaptured and reallocated based on payment and grantee type and geography.

In addition, we reviewed how reallocation payments aligned with renter needs and grantee capacity. We collected and reviewed requests for reallocated funds and Treasury's internal decision documentation to identify which grantees requested reallocated funds and which grantees had their requests prioritized and approved. We then reviewed the amounts grantees received, if any, and the extent to which payments aligned with grantees' requests and prior obligations and expenditures—an indication of renter need and grantee capacity.

Grantee Use of Funds and Characteristics of Recipient Households

To address our third objective, we analyzed Treasury's ERA payment and demographic data for calendar year 2021 to examine how grantees used ERA funds and the characteristics of recipients. We determined the spending trends of grantees by analyzing the proportion of payments by payment type and recipient type, as well as differences in spending trends based on geography. To describe differences in ERA spending by county, we geocoded each reported address to its county and matched each county to county-level characteristics from the Census' American Community Survey 5-year estimates for 2016–2020.[4] These characteristics included median gross rent, percentage of rent-burdened households (those paying at least 30 percent of their income on rent), and percentage of households with internet access. We calculated the percentage of immigrants in a county. We calculated the number of low-income rental units and the percentage of low-income rental units within a county using HUD's Comprehensive Housing Affordability Strategy for 2014–2018.

We also determined the urban or rural status of counties by using data from the Department of Agriculture's Economic Research Service to classify counties.[5] Counties were coded as urban if they had one or more high-density urban area with 50,000 or more residents or were outlying counties that were economically tied to such central counties, as measured by the share of workers commuting to them on a daily basis. Counties were coded as rural if they were outside the boundaries of urban areas and had no cities with 50,000 or more residents. In addition, we reviewed the linear relationship (Pearson's correlation coefficient) between county-level characteristics and total ERA payments by county to determine whether higher or lower ERA payments were associated

[4]To assess the reliability of the Census data, we reviewed technical information and determined the data were sufficiently reliable for reporting community characteristics and population sizes on the county level. Findings from each survey are subject to sampling errors. The American Community Survey uses a series of monthly samples to produce annually updated estimates for different geographic units, including counties, across the United States. The survey collects data on the economic, social, housing, and demographic characteristics of communities at various geographic levels, including metropolitan areas, states, and counties.

[5]To assess the reliability of the Department of Agriculture data, we reviewed technical documentation and determined the data were sufficiently reliable for categorizing population density by county.

with certain characteristics. The correlations we report are statistically significant at the 95 percent confidence interval.

We analyzed demographic data by income level, race, ethnicity, and gender to describe the characteristics of households served by the program. Because a high proportion of the demographic data had missing observations, we omitted the first three quarters of 2021 reporting from our analysis. We also omitted duplicate observations. To calculate the percentage of low-income renters served in 2021, we compared payment data by household to data from HUD's Comprehensive Housing Affordability Strategy. We compared the race and ethnicity reported by applicants to HUD's data to identify variation in the percentage of households served by race or ethnicity to the percentage of low-income renters by race or ethnicity in each state. We also compared the percentage of households served by gender to data on low-income renters by gender from Census.

Treasury Oversight of Data Reporting and Improper Payments

To address our fourth objective, we first reviewed payment and demographic data grantees reported for calendar year 2021. We assessed the completeness and reliability of the data by reviewing summary statistics for key variables, reviewing technical documentation, and interviewing Treasury officials responsible for maintaining the data.[6] For each reporting period, we determined the percentage of grantees that reported data for each dataset and calculated the percentage of required payment and household data reported by grantees. We assessed the reliability of the data by comparing reported payment lengths and grantee administrative expense ratios to statutory limits. We also assessed the application-funding rate by comparing each grantee's reported number of households served to the number of complete applications submitted in 2021. We compared the completeness and reliability of Treasury's data and its reporting of performance measures to the ERA1 statute's requirements for data collection and reporting.

[6]After we provided Treasury with a draft of this report for comment on November 1, 2022, the agency released updated data on required performance measures and demographics. We updated our analysis for this objective based on these data; however, given the timing of the data release, we did not update our analysis of grantee spending and recipient characteristics in other sections of this report.

We also analyzed Treasury data to identify potentially duplicative payments. We reviewed the number and proportion of payments for calendar year 2021 that were made by more than one grantee to the same household. We took steps to clean payment and demographic data by standardizing formatting and removing duplicative and anomalous observations, among other steps. To facilitate household-level analysis, we standardized reported household recipient addresses using the U.S. Postal Service's Address Management System and generated an identifier for each unique address. Among reported household addresses, we dropped observations for which the address was not disclosed, those for which reported payment amounts were negative, and those reported by Cabarrus County (North Carolina) because of known issues with erroneous payment reporting. We also reviewed the data to identify other potential compliance challenges, including payments that exceeded the allowable length of assistance and cap on administrative expenses.

Lastly, we interviewed Treasury officials and reviewed agency guidance to determine how Treasury was collecting and reporting required data, including efforts to improve data quality. We also interviewed Treasury officials and requested documentation on the status of efforts to manage improper payment risk, including implementing our prior recommendations. We compared the status of Treasury's efforts against requirements in Appendix C of the Office of Management and Budget's Circular A-123.

We conducted this performance audit from September 2021 to December 2022 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of the Treasury

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

December 2, 2022

Daniel Garcia-Diaz
Managing Director, Financial Markets and Community Investment
Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Garcia-Diaz:

I write regarding the Government Accountability Office's (GAO) draft report entitled *Emergency Rental Assistance: Treasury's Oversight Is Limited by Incomplete Data and Risk Assessment* (Draft Report). The Draft Report reviews the Emergency Rental Assistance (ERA) programs created by the Consolidated Appropriations Act, 2021 (ERA1), and the American Rescue Plan Act of 2021 (ERA2).

The ERA programs have provided historic funding for state, local, territorial, and Tribal government grantees to support housing stability throughout the COVID-19 pandemic. Treasury has facilitated over 7 million unique household payments to renters experiencing financial hardship, assistance that has helped prevent COVID-19 from igniting a devastating eviction crisis. As research from Princeton University's Eviction Lab has found, rental assistance and other interventions—many financed with funds from the American Rescue Plan Act—have prevented millions of evictions. Research has also shown that marginalized communities have benefited in particular from ERA. The General Services Administration's Office of Evaluation Sciences found that, through March 2022, extremely low-income renters received close to two-thirds of ERA assistance, while Black families received 46 percent, and female renters received nearly 70 percent. Looking forward, ERA has sparked a broad expansion of eviction-prevention infrastructure in communities across the country, a legacy that will continue to benefit renters long after the height of the pandemic.

As the Draft Report describes, Congress tasked Treasury with implementing ERA rapidly and under extraordinary emergency conditions. Despite these challenges, Treasury quickly scaled up the program and oversaw unprecedented support to renters. Treasury developed program guidance that empowered jurisdictions to deliver timely assistance to renters at risk while also offering wide-ranging support to grantees establishing their programs. As participating governments administered ERA in their communities, Treasury continued to strengthen its guidance and outreach to build on their experiences and expedite assistance. Because of these efforts, ERA assistance increased dramatically throughout 2021. By the time the federal eviction moratorium was lifted in August 2021, ERA had supported more than one million renters and, in the following months, supported millions more.

Reallocation of ERA funds among grantees has been a key policy tool for Treasury, as the Draft Report highlights. We have leveraged reallocation to direct funds to jurisdictions with

1

demonstrated need and capacity to deliver assistance, thus incentivizing best practices, encouraging resource deployment, and maximizing support to renters. Altogether, reallocation has unlocked $3.5 billion that may have otherwise gone unspent—a number that continues to grow as we complete ERA2 reallocation. And due in part to Treasury's reallocation approach, we expect that the vast majority of the funds appropriated for ERA will be expended by the two programs' statutory deadlines, ensuring that renters derive as much benefit from ERA as possible. Submitted and certified third-quarter reports show that the reporting grantees had spent 91.4 percent of their total ERA1 allocations, including reallocated funds, by the end of September 2022. In addition, as of November 2022, Treasury has deployed more than 90 percent of ERA2's $21.55 billion to grantees requesting additional resources, even though grantees may obligate ERA2 funds through September 2025.

Treasury has also prioritized reallocation within states, in alignment with Congress's initial state-by-state allocations under the ERA statutes. In-state reallocation has promoted equitable access to ERA funds across communities: when a government has struggled to distribute assistance, Treasury has worked to shift resources to an overlapping or adjacent grantee where possible, limiting the degree to which grantees' performance affected families in need. Further, as grantee expenditure data shows, all jurisdictions receiving reallocated funds had need for this assistance in their communities. Funds reallocated within states have served renters at risk, and indeed, grantees have consistently presented more need than there are ERA funds available.

Alongside our work to deploy ERA, Treasury has developed robust grantee monitoring, data collection, and financial controls. We appreciate the Draft Report's acknowledgement of these efforts, as they have been central to Treasury's approach to ERA.

Our grantee monitoring strategy leverages a risk-based, data-centric process that uses analytics to identify high-risk grantees and remediate non-compliance. In line with an earlier GAO recommendation, Treasury has published a Single Audit Act Compliance Supplement for ERA, which supports the work of external auditors in reviewing grantees' ERA programs. These controls will effectively monitor grantee compliance and mitigate risks on an ongoing basis.

Treasury has also prioritized collecting and publishing high-quality, comprehensive data. Treasury's Reporting Guidance requires grantees to provide a wide range of data regarding their programs, including all data required by statute. We agree with GAO's recommendation to complete Treasury's collection of ERA program data (Recommendation 1), and indeed Treasury's ERA1 close-out report, which all program participants must complete, requires grantees to provide data missing or inaccurately reported in prior quarters. We also agree with GAO's recommendation to publish all statutorily required ERA data and performance measures (Recommendation 2), and we note that Treasury has published all available datapoints required by law and will continue to do so as data is collected. Moreover, Treasury complements quarterly data collection with additional tools that provide visibility into grantees' programs and safeguard program integrity, including the close-out report, the grantee monitoring process, and the Single Audit.

In addition, Treasury has implemented rigorous financial controls and will continue to vigilantly monitor and minimize improper payment risks. In the first instance, we have implemented

2

Office of Management and Budget (OMB) guidance and conducted a thorough analysis of the risk of improper payments by Treasury to grantees. Based on this analysis, we have concluded that the risk of such payments is low.

Separately and in addition to applying OMB's guidance, Treasury has worked to limit the risk of improper or duplicative payments to ERA's beneficiaries in order to safeguard program integrity. Treasury's guidance directs grantees to avoid and resolve potentially duplicative payments, including through coordination with grantees in contiguous or overlapping jurisdictions. We are aware of a number of grantees that have worked together to implement these provisions. To be clear, and as the Draft Report acknowledges, households have a variety of legitimate reasons to seek assistance from more than one grantee. For example, a household might receive one month of rental assistance (covering, say, January) from a city government and later seek an additional two months of assistance (February and March) from the state because the city has exhausted its ERA funds—such payments would not be duplicative. Treasury's Compliance Supplement also provides auditors with guidance on program eligibility requirements. We will carefully review audit findings from Single Audits as well as Treasury's Office of Inspector General, including any findings implicating eligibility or recipient internal controls over payments, and work to identify and recover improper payments as appropriate.

We believe that Treasury's work, coupled with the efforts of grantees around the country, have significantly limited the risk of improper ERA payments. We appreciate GAO's attention to this issue and agree with the intent of its recommendation for Treasury to supplement its existing analysis of improper payment risks (Recommendation 3). Building on our actions to date, we will continue to assess and address the risk of improper payments and consider performing the additional analysis GAO recommends to the extent resources permit.

*   *   *

Finally, Treasury appreciates that the Draft Report highlights the urgency of Treasury's administrative funding needs. As the Draft Report describes, administrative funding shortfalls create grave potential risks for ERA, and Treasury has worked to operate as effectively as possible under these constraints. Treasury will continue to engage with Congress to resolve these gaps in recovery program administrative funds in order to safeguard program integrity.

Thank you for the opportunity to review the Draft Report, and for your consideration of our comments.

Sincerely,

Jacob Leibenluft
Chief Recovery Officer
U.S. Department of the Treasury

3

Accessible Text for Appendix II: Comments from the Department of the Treasury

December 2, 2022

Daniel Garcia-Diaz
Managing Director, Financial Markets and Community Investment
Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Garcia-Diaz:

I write regarding the Government Accountability Office's (GAO) draft report entitled Emergency Rental Assistance: Treasury's Oversight Is Limited by Incomplete Data and Risk Assessment (Draft Report). The Draft Report reviews the Emergency Rental Assistance (ERA) programs created by the Consolidated Appropriations Act, 2021 (ERA1), and the American Rescue Plan Act of 2021 (ERA2).

The ERA programs have provided historic funding for state, local, territorial, and Tribal government grantees to support housing stability throughout the COVID-19 pandemic. Treasury has facilitated over 7 million unique household payments to renters experiencing financial hardship, assistance that has helped prevent COVID-19 from igniting a devastating eviction crisis. As research from Princeton University's Eviction Lab has found, rental assistance and other interventions—many financed with funds from the American Rescue Plan Act—have prevented millions of evictions. Research has also shown that marginalized communities have benefited in particular from ERA. The General Services Administration's Office of Evaluation Sciences found that, through March 2022, extremely low-income renters received close to two- thirds of ERA assistance, while Black families received 46 percent, and female renters received nearly 70 percent. Looking forward, ERA has sparked a broad expansion of eviction-prevention infrastructure in communities across the country, a legacy that will continue to benefit renters long after the height of the pandemic.

As the Draft Report describes, Congress tasked Treasury with implementing ERA rapidly and under extraordinary emergency conditions. Despite these challenges, Treasury quickly scaled up the program and oversaw unprecedented support to renters. Treasury developed program guidance that empowered jurisdictions to deliver timely assistance to renters at risk while also offering wide-ranging support to grantees establishing their programs. As participating governments administered ERA in their communities, Treasury continued to strengthen its guidance and outreach to build on their experiences and expedite assistance. Because of these efforts, ERA assistance increased dramatically throughout 2021. By the time the federal eviction moratorium was lifted in August 2021, ERA had supported more than one million renters and, in the following months, supported millions more.

Reallocation of ERA funds among grantees has been a key policy tool for Treasury, as the Draft Report highlights. We have leveraged reallocation to direct funds to jurisdictions with demonstrated need and capacity to deliver assistance, thus incentivizing best practices, encouraging resource deployment, and maximizing support to renters. Altogether, reallocation has unlocked $3.5 billion that may have otherwise gone unspent—a number that continues to grow as we complete ERA2 reallocation. And due in part to Treasury's reallocation approach, we expect that the vast majority of the funds appropriated for ERA will be expended by the two programs' statutory deadlines, ensuring that renters derive as much benefit from ERA as possible. Submitted and certified third-quarter reports show that the reporting grantees had spent 91.4 percent of their total ERA1 allocations, including reallocated funds, by the end of September 2022. In addition, as of November 2022, Treasury has deployed more than 90 percent of ERA2's $21.55 billion to grantees requesting additional resources, even though grantees may obligate ERA2 funds through September 2025.

Treasury has also prioritized reallocation within states, in alignment with Congress's initial state- by-state allocations under the ERA statutes. In-state reallocation has promoted equitable access to ERA funds across communities: when a government has struggled to distribute assistance, Treasury has worked to shift resources to an overlapping or adjacent grantee where possible, limiting the degree to which grantees' performance affected families in need. Further, as grantee expenditure data shows, all jurisdictions receiving reallocated funds had need for this assistance in their communities. Funds reallocated within states have served renters at risk, and indeed, grantees have consistently presented more need than there are ERA funds available.

Alongside our work to deploy ERA, Treasury has developed robust grantee monitoring, data collection, and financial controls. We appreciate the Draft Report's acknowledgement of these efforts, as they have been central to Treasury's approach to ERA.

Our grantee monitoring strategy leverages a risk-based, data-centric process that uses analytics to identify high-risk grantees and remediate non-compliance. In line with an earlier GAO recommendation, Treasury has published a Single Audit Act Compliance Supplement for ERA, which supports the work of external auditors in reviewing grantees' ERA programs. These controls will effectively monitor grantee compliance and mitigate risks on an ongoing basis.

Treasury has also prioritized collecting and publishing high-quality, comprehensive data. Treasury's Reporting Guidance requires grantees to provide a wide range of data regarding their programs, including all data required by statute. We agree with GAO's recommendation to complete Treasury's collection of ERA program data (Recommendation 1), and indeed Treasury's ERA1 close-out report, which all program participants must complete, requires grantees to provide data missing or inaccurately reported in prior quarters. We also agree with GAO's recommendation to publish all statutorily required ERA data and performance measures (Recommendation 2), and we note that Treasury has published all available datapoints required by law and will continue to do so as data is collected. Moreover, Treasury complements quarterly data collection with additional tools that provide visibility into grantees' programs and safeguard program integrity, including the close-out report, the grantee monitoring process, and the Single Audit.

In addition, Treasury has implemented rigorous financial controls and will continue to vigilantly monitor and minimize improper payment risks. In the first instance, we have implemented Office of Management and Budget (OMB) guidance and conducted a thorough analysis of the risk of improper payments by Treasury to grantees. Based on this analysis, we have concluded that the risk of such payments is low.

Separately and in addition to applying OMB's guidance, Treasury has worked to limit the risk of improper or duplicative payments to ERA's beneficiaries in order to safeguard program integrity. Treasury's guidance directs grantees to avoid and resolve potentially duplicative payments, including through coordination with grantees in contiguous or overlapping jurisdictions. We are aware of a number of grantees that have worked together to implement these provisions. To be clear, and as the Draft Report acknowledges, households have a variety of legitimate reasons to seek assistance from more than one grantee. For example, a household might receive one month of rental assistance (covering, say, January) from a city government and later seek an additional two months of assistance (February and March) from the state because the city has exhausted its ERA funds—such payments would not be duplicative. Treasury's Compliance Supplement also provides auditors with guidance on program eligibility requirements. We will carefully review audit findings from Single Audits as well as Treasury's Office of Inspector General, including any findings implicating eligibility or recipient internal controls over payments, and work to identify and recover improper payments as appropriate.

We believe that Treasury’s work, coupled with the efforts of grantees around the country, have significantly limited the risk of improper ERA payments. We appreciate GAO’s attention to this issue and agree with the intent of its recommendation for Treasury to supplement its existing analysis of improper payment risks (Recommendation 3). Building on our actions to date, we will continue to assess and address the risk of improper payments and consider performing the additional analysis GAO recommends to the extent resources permit.

Finally, Treasury appreciates that the Draft Report highlights the urgency of Treasury’s administrative funding needs. As the Draft Report describes, administrative funding shortfalls create grave potential risks for ERA, and Treasury has worked to operate as effectively as possible under these constraints. Treasury will continue to engage with Congress to resolve these gaps in recovery program administrative funds in order to safeguard program integrity.

Thank you for the opportunity to review the Draft Report, and for your consideration of our comments.

Sincerely,

Jacob Leibenluft
Chief Recovery Officer
U.S. Department of the Treasury

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Dan Garcia-Diaz, (202) 512-8678 or GarciaDiazD@gao.gov

Staff Acknowledgments

In addition to the contact named above, Cory Marzullo (Assistant Director), Brandon Kruse (Analyst in Charge), Chelsea Carter, Efrain Magallan, Alicia Martinez Melton, John Mingus, Marc Molino, Loren Lipsey, Ying Long, Julia Robertson, Barbara Roesmann, Farrah Stone, Juliann Vadera, and Sean Worobec made key contributions to this report.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through our website. Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. You can also subscribe to GAO's email updates to receive notification of newly posted products.

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, https://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or
TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on Facebook, Flickr, Twitter, and YouTube.
Subscribe to our RSS Feeds or Email Updates. Listen to our Podcasts.
Visit GAO on the web at https://www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: https://www.gao.gov/about/what-gao-does/fraudnet

Automated answering system: (800) 424-5454 or (202) 512-7700

Congressional Relations

A. Nicole Clowers, Managing Director, ClowersA@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

Stephen J. Sanford, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548