



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

August 5, 2024

OIG-CA-24-022

**MEMORANDUM FOR JESSICA MILANO**  
**CHIEF PROGRAM OFFICER, OFFICE OF CAPITAL ACCESS**

**FROM:** Marla A. Freedman /s/  
Executive Advisor, Office of Audit  
and  
Robert A. Taylor, Jr. /s/  
Executive Advisor, Office of Audit

**SUBJECT:** Emergency Rental Assistance Program (ERA2) - Questioned  
Cost Finding, State of Michigan

On August 18, 2021, the Department of the Treasury's (Treasury) Office of Inspector General (OIG) received a complaint that alleged an individual submitted fraudulent documentation to receive rental assistance funds.<sup>1</sup> On May 12, 2023, OIG referred this complaint to the State of Michigan for its review. Based on the results of its review, we determined that the State of Michigan paid out \$11,400 of ERA2 funds in violation of the Use of Funds statute because the funds were paid to an ineligible household. In response to a draft of this questioned cost finding, the State of Michigan reimbursed its ERA2 program account for \$11,400<sup>2</sup> with non-Federal funds. Accordingly, we make no recommendation to Treasury management in this memorandum.

**Background/Legal Authority**

Under ERA2 section 3201(d), Use of Funds, an eligible grantee shall only use ERA2 funds to provide financial assistance and housing stability services to eligible

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<sup>1</sup> During the COVID-19 pandemic, Congress authorized and funded two ERA programs administered by Treasury to provide rental assistance to eligible households: (1) ERA1 - Division N, Title V, Subtitle A, § 501 of the Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260), Dec. 27, 2020, and codified at 15 USC § 9058a; and (2) ERA2 - Title III, Subtitle B, § 3201 of the American Rescue Plan Act (Pub. L. No. 117-2), Mar. 11, 2021, and codified as 15 USC § 9058c.

<sup>2</sup> The Draft Questioned Cost Finding, dated February 7, 2024, had a questioned cost amount of \$14,150. On March 19, 2024, the Michigan State Housing Development Authority informed us that the amount the subrecipient paid on the application in question was adjusted to \$11,400 in October 2023.

households. The financial assistance includes: the payment of rent; rent arrears; utilities and home energy costs; utilities and home energy costs arrears; and other expenses related to housing, as defined by Treasury. Such assistance shall be provided for a period not to exceed 18 months.

ERA2 section 3201(f)(2) defines eligible household as a household of one or more individuals who are obligated to pay rent on a residential dwelling and that (1) one or more individuals within the household has qualified for unemployment benefits or experienced a reduction in household income, incurred significant costs, or experienced other financial hardship due, directly or indirectly, to the COVID-19 outbreak; (2) one or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability; and (3) the household has a household income that is not more than 80 percent of the area median income for the household.

### **Facts and Analysis**

On May 12, 2023, we made an inquiry to the State of Michigan regarding a complaint (allegation of fraud) that an individual submitted fraudulent documents to receive rental assistance funds. On May 26, 2023, the State of Michigan provided an investigative report completed by the Michigan State Housing Development Authority's (MSHDA) Office of Audit, Compliance, and Fraud Investigation (ACFI), in response to our inquiry. Specifically, on May 23, 2023, ACFI initiated an investigative review based on the information the OIG provided in the referred complaint. ACFI identified that an individual had submitted two applications to two subrecipients of the State of Michigan, Application # [REDACTED] to Macomb Community Action Agency and Application # [REDACTED] to Wayne Metropolitan Community Action Agency. For Application # [REDACTED] the subrecipient denied the application because requested supporting documentation for proof of tenant occupancy and landlord property ownership was not provided. For Application # [REDACTED] ACFI determined that the applicant had submitted a fabricated lease agreement and false landlord information, including a false social security number, and a fabricated record of property ownership. Nevertheless, the subrecipient approved this application, resulting in the individual improperly receiving \$11,400 in ERA2 financial assistance.

Based on the information obtained in response to our inquiry, we determined that the State of Michigan, through its subrecipient Wayne Metropolitan Community Action Agency, paid out ERA2 funds in violation of the Use of Funds statute because funds were disbursed to an ineligible household. Accordingly, OIG

questioned the cost of \$11,400 for the ERA2 financial assistance paid to this individual.<sup>3</sup>

### **State of Michigan Response**

We provided the State of Michigan with an opportunity to respond to a draft of this questioned cost finding. In its written response dated February 20, 2024, which is included in the Appendix to this memorandum, MSHDA agreed that the ERA2 financial assistance was most likely provided to an ineligible household due to false information provided by both the tenant and landlord in the application process. MSHDA also informed us that they removed this cost from the ERA2 program.<sup>4</sup>

### **OIG Evaluation**

MSHDA's response and action addressed our questioned cost finding. We reviewed the supporting documentation provided which showed that MSHDA did reimburse the ERA2 program for the ineligible financial assistance amount with non-Federal funds. Accordingly, we make no recommendation to Treasury management in this memorandum.

We provided Treasury with an opportunity to review a draft of this memorandum, but Treasury declined to submit a formal response because there were no recommendations.

### **Methodology**

We conducted our review of this ERA complaint from October 2022 to August 2024. We inquired of the grantee and other relevant parties, reviewed related documentation, and performed other appropriate procedures. We believe the evidence obtained is sufficient and appropriate to provide a reasonable basis for our findings and conclusions in this report.

In conducting our review, we followed the OIG's quality control procedures for ensuring that the information in this report is accurate and supported. Additionally,

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<sup>3</sup> The term "questioned cost" means a cost that is questioned by OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, the cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. (See 5 USC 405(a)(4))

<sup>4</sup> Based on its response to our draft questioned cost finding, we requested additional documentation showing that MSHDA did reimburse the ERA2 program with non-Federal funds. MSHDA provided that documentation on April 16, 2024.

CIGIE's *Quality Standards for Federal Offices of Inspector General* require that our work adheres to its general standard for integrity and related elements of integrity, objectivity, confidentiality, independence, and professional judgment, and to its general standard for receiving and reviewing allegations. We adhered to these standards in performing our work.

Grantee Response



STATE OF MICHIGAN

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

LANSING

GRETCHEN WHITMER  
GOVERNOR

AMY HOVEY  
EXECUTIVE DIRECTOR

February 20, 2024

Marla A. Freedman  
Executive Advisor, Office of Audit  
Treasury Office of Inspector General  
Department of the Treasury  
Washington D.C. 20220

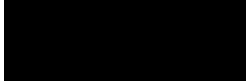
RE: Notice of ERA 2 Questioned Cost Finding

Dear Ms. Freedman:

This letter serves as the response to the draft Notice of Questioned Cost Finding dated February 7, 2024 (the "Draft Notice") for the State of Michigan's Emergency Rental Assistance 2 (ERA 2) program.

The Michigan State Housing Development Authority agrees that ERA 2 financial assistance described in the Draft Notice was most likely provided to an ineligible household due to false information being provided to a subrecipient by both the tenant and the landlord in the application process. Accordingly, these ERA 2 financial assistance costs have been removed from the program.

Sincerely,



Kelly A. Rose  
Chief Operation Officer  
Michigan State Housing Development Authority

Cc: Amy Hovey, MSHDA Executive Director  
Jennifer Edmonds, DTMB Chief COVID-19 Accountability Officer

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State of Michigan

Michigan State Housing Development Authority