



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

February 10, 2025

OIG-CA-25-036

MEMORANDUM FOR GREGORY TILL
ACTING 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 (ERA1) – Notice of
Recoupment, Harris County, Texas

On April 14, 2022, the Department of the Treasury's (Treasury) Office of Inspector General (OIG) received a complaint alleging that a landlord received rental assistance funds but proceeded to evict the tenant from the premises. On March 23, 2023, OIG referred this complaint to Harris County, TX for its review. Based on the results of its review, we determined that Harris County failed to comply with the Emergency Rental Assistance (ERA1)¹ Use of Funds statute² when it paid out \$2,805 of ERA1 funds to an ineligible party. Additionally, Harris County informed us that it had recharacterized the \$2,805 payment from its ERA1 program to its ERA2³ program. In this regard, the recharacterization from ERA1 to ERA2 was not permissible under Treasury guidance, because the ERA1 payment was made to an ineligible household. In response to a draft of this notice of recoupment, Harris County reimbursed the Federal Government for \$2,805 with non-Federal funds. Accordingly, we make no recommendation to Treasury management in this memorandum.

Background/Legal Authority

Under the ERA1 statute at 15 U.S.C. § 9058a(c), Use of Funds, an eligible grantee shall only use ERA1 award funds to provide financial assistance and housing stability services to eligible households. The financial assistance includes: the

¹ The statute authorizing ERA1 is codified at 15 U.S.C. § 9058a.

² 15 U.S.C. § 9058a(c).

³ The statute authorizing ERA2 is codified at 15 U.S.C. § 9058c.

payment of rent; rent arrears; utilities and home energy costs; utilities and home energy costs arrears; and other expenses related to housing incurred due, directly or indirectly, to the COVID-19 outbreak, as defined by the Secretary of the Treasury. Such assistance shall be provided for a period not to exceed 12 months except that grantees may provide assistance for an additional 3 months to ensure housing stability (subject to availability of funds). The ERA1 statute at 15 U.S.C. § 9058a(c)(2)(B)(i) allows for up to 3 months (with exceptions) for prospective rent payments within the 12 or 15 months total assistance limitation.

The ERA1 statute at 15 U.S.C. § 9058a(k)(3) 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, which the applicant shall attest in writing; (2) one or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability, which may include a past due utility or rent notice or eviction notice; unsafe or unhealthy living conditions; or any other evidence of such risk, as determined by the eligible grantee involved; and (3) the household has a household income that is not more than 80 percent of the area median income for the household. The grantee must also ensure that, to the extent feasible, any rental assistance provided to an eligible household is not duplicative of any other federally funded rental assistance provided to such household.

Pursuant to the ERA1 statute at 15 U.S.C. § 9058a(e)(2), the last day of the period of performance for grantees that received ERA1 reallocated funds is December 29, 2022.

The ERA1 statute at 15 U.S.C. § 9058a(i) Inspector General Oversight; Recoupment, directs that Treasury OIG conduct monitoring and oversight of the receipt, disbursement, and use of funds made available under the ERA1 program. As part of this authority, if OIG determines that a grantee failed to comply with the use of funds requirements in the ERA1 statute (15 U.S.C. § 9058a(c)), the amount equal to the amount of funds used in violation of 15 U.S.C. § 9058a(c) shall be booked as a debt of such entity owed to the Federal Government.

Facts and Analysis

On March 23, 2023, we made an inquiry to Harris County regarding a complaint reported to the OIG Hotline. The complaint came from a tenant alleging that the tenant's landlord received rental assistance funds but proceeded to evict the tenant from the premises. In its March 28, 2023, response to our inquiry, Harris County reported that the tenant applied for rental assistance in May 2021 under Creekstone Properties LLC, but the correct landlord was Creekstone Apartments. The grantee approved the tenant for ERA1 assistance in the amount of \$2,805 and sent the money to the incorrect party (Creekstone Properties LLC). Subsequently,

Harris County issued an invoice to this party demanding repayment of the funds. As of February 26, 2024, Harris County had not received repayment.

Harris County informed us that it “recharacterized” the \$2,805 payment from its ERA1 program to its ERA2 program. According to the grantee, it did this recharacterization so that it could continue to attempt to recapture the ineligible payment and then use any funds recaptured for its ERA2 program. In this regard, Treasury issued guidance regarding the appropriate circumstances under which grantees can recharacterize payments between their ERA1 and ERA2 awards. According to Treasury’s guidance, ERA grantees may recharacterize expenditures initially reported under one award as ultimately being funded by the other (between ERA1 and ERA2 awards), provided the grantee, among other things, complies with all applicable requirements set forth in the ERA statute and Award Terms, including 2 C.F.R. §§ 200.302-200.303 (regarding financial management and internal controls) and 2 C.F.R. §§ 200.403-200.405 (regarding the allowability, reasonableness, and allocation of award costs) for the ERA award that funds the recharacterized expenditures.⁴

Based on the information obtained in response to our inquiry, we determined that Harris County failed to comply with the Use of Funds statute when it paid out ERA1 funds of \$2,805 to an ineligible party. Additionally, as the \$2,805 payment was an ineligible expenditure under its ERA1 award, it could not be recharacterized because it did not comply with all applicable requirements set forth in the ERA1 statute.⁵ Accordingly, these funds are required to be returned to the Federal Government.

Harris County Response

We provided Harris County with an opportunity to respond to a draft of this recoupment finding. In an email response dated October 1, 2024, included in the appendix to this memorandum, Harris County agreed that the \$2,805 payment was an ineligible expenditure under its ERA1 award, and that the rental assistance funds were not approved in accordance with ERA1 household eligibility requirements and internal program procedures. As such, Harris County stated that the payment would be recharacterized back to ERA1 and refunded to Treasury.

OIG Evaluation

Harris County’s response and action addressed our recoupment finding. We verified with Treasury’s Bureau of the Fiscal Service that Harris County reimbursed the

⁴ See Treasury’s Guidance “Emergency Rental Assistance (ERA1): Closeout Resource Updated January 3, 2023,” footnote 5, available at https://home.treasury.gov/system/files/136/—ERACloseoutResource_1-5-23.pdf.

⁵ The statutes authorizing the ERA1 and ERA2 programs, codified at 15 U.S.C. § 9058a and 15 U.S.C. § 9058c, respectively, have requirements that differ in certain respects, including applicant eligibility requirements, thresholds for administrative expenses, and permissible uses of program funds. However, those differences do not apply to the \$2,805 payment in question.

ERA1 program \$2,805 for the ineligible financial assistance amount. Accordingly, we make no recommendation to Treasury management in this memorandum.

We also provided Treasury with an opportunity to review a draft of this memorandum. Treasury responded that it had no comments.

Methodology

We conducted our review of this ERA case from November 2022 to February 2025. 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 Notice.

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, 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

From: [Gonzalez, Janet \(Office of County Administration\)](#)
To: [Freedman, Marla](#)
Cc: [Bell, Jennifer \(Office of County Administration\)](#); EmergencyRentalAssistance@treasury.gov; [Taylor, Robert](#); [Williams, Randall](#); [Advy, Herb N](#)
Subject: RE: Treasury Office of Inspector General Notice of Proposed Recoupment - Harris County TX
Date: Tuesday, October 1, 2024 4:07:47 PM
Attachments: [image013.png](#)
[image014.png](#)
[image015.png](#)
[image016.png](#)
[image017.png](#)
[image018.png](#)

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Good afternoon,

Please find our response to the notice of recoupment received on September 18th below. Let us know if you have any questions and/or concerns.

Harris County has completed a thorough review of the application and eligibility documentation associated with the rental assistance funds in question and agrees that the \$2,805 payment was an ineligible expenditure under its ERA1 award. The rental assistance funds were not approved in accordance with ERA1 household eligibility requirements and internal program procedures. As such, the payment will be recharacterized back to ERA1 and refunded to Treasury following receipt of refund instructions. This determination was made as to this payment only and is not intended to apply to any other claims of ineligible assistance payments made by the County.

Thank you,



Janet Gonzalez | Director
Technical Assistance & Performance | Office of County Administration

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Harris County, Office of County Administration

Director, Technical Assistance and Performance