



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

March 13, 2026

OIG-CA-26-026

MEMORANDUM FOR JEFFREY STOUT

ACTING CHIEF PROGRAM OFFICER, OFFICE OF CAPITAL
ACCESS

From: Julie Wong /s/
Acting Deputy Assistant Inspector General for Audit

Subject: Emergency Rental Assistance Program (ERA2) – Questioned
Cost Finding, Moreno Valley, California

During the coronavirus pandemic, Congress authorized and funded two Emergency Rental Assistance (ERA) programs administered by the Department of the Treasury (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 as 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.

In August 2023, Inland Southern California 211 (ISC 211),¹ a subrecipient of the City of Moreno Valley, California (Moreno Valley), informed the Treasury Office of Inspector General (OIG) of four cases of improper payments made from the grantee's ERA2 financial assistance award.² After reviewing documentation provided by ISC 211 and Moreno Valley we agreed with ISC 211's conclusion on one of the four cases reported. ISC 211 paid \$20,850 on behalf of Moreno Valley for an application that lacked valid documentation to establish eligibility and therefore is in violation of the Use of Funds statute. Accordingly, we question this cost. In response to a draft of this questioned cost finding, Moreno Valley agreed it would repay the \$20,850. We are recommending that the Treasury Office of

¹ ISC211 is a subsidiary of Inland Southern California United Way.

² Pursuant to 2 CFR § 200.113, Mandatory disclosures, under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Non-Federal entities that have received a Federal award including the term and condition outlined in appendix XII to this part are required to report certain civil, criminal, or administrative proceedings to SAM (currently FAPIIS). Failure to make required disclosures can result in any of the remedies described in [§ 200.339](#). (See also [2 CFR part 180](#), [31 U.S.C. 3321](#), and [41 U.S.C. 2313](#).)

Capital Access disallow these costs and direct Moreno Valley to reimburse the Federal Government \$20,850.

Background/Legal Authority

Under the ERA2 statute at 15 U.S.C. § 9058c(d)(1), Use of Funds, an eligible grantee shall only use ERA2 award funds to provide eligible households with financial assistance, housing stability services, and as applicable, other affordable rental housing and eviction prevention activities. 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 the Secretary of the Treasury. The aggregate amount of such assistance an eligible household may receive under an ERA2 award, when combined with financial assistance provided under an ERA1 award authorized by 15 USC § 9058a, shall not exceed 18 months. See 15 U.S.C. § 9058c(d)(1)(A)(ii).

The ERA2 statute at 15 U.S.C. § 9058c(f)(2) defines an eligible household as a household of one or more individuals who are obligated to pay rent on a residential dwelling and with respect to which the eligible grantee involved determines that: (1) one or more individuals within the household has (a) qualified for unemployment benefits or (b) experienced a reduction in household income, incurred significant costs, or experienced other financial hardship during or due, directly or indirectly, to the coronavirus pandemic; (2) one or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability; and (3) the household income is not more than 80 percent of the area median income for the jurisdiction.

Pursuant to the ERA2 statute at 15 U.S.C. § 9058c(g), the last day of the period of performance for grantees ERA2 awards was September 30, 2025.

Facts and Analysis

In August 2023 and April 2024, we received reports from ISC 211 about four cases of improper payments made from Moreno Valley's ERA2 financial assistance award.

Based on our inquiry of ISC211 and Moreno Valley, and review of documentation provided, we agreed with ISC211's conclusions on one of the four cases.³ Specifically, for application #**(b) (6)**, ISC211 determined that the applicant submitted altered lease and unemployment documents. ISC211 paid ERA2 assistance based on an application that lacked valid documentation to establish eligibility and therefore ISC211 cannot establish an eligible use of funds. As such, we determined that the rent and rental arrears paid, in the amount of \$20,850, is

³ ISC211 provided additional support that (a) two of the payments were made from another grantee's ERA2 financial assistance award which also used ISC211 as a subrecipient and (b) one payment was in fact eligible.

an ineligible ERA2 expenditure that failed to comply with the requirements of the ERA2 statute. Accordingly, OIG is questioning the cost of \$20,850 for the ERA2 financial assistance paid for this case.

Grantee Response

We provided Moreno Valley with an opportunity to respond to a draft of this questioned cost finding. On April 7, 2025, the Grants Division Manager, Financial & Management Services, Moreno Valley, provided written response by email, included verbatim as follows:

The application was deemed fraudulent after it was paid, no repayment has been received, the city preparing to de-obligate the balance of its ERAP2 funds, the \$20,850 for this application will be returned along with those funds. This application was previously removed from the fraud tracker, hence why it wasn't addressed sooner.

OIG Evaluation

Moreno Valley's planned corrective action is responsive to the questioned cost finding.

Recommendation

We recommend that Treasury's Office of Capital Access disallow the questioned cost amount of \$20,850 and instruct Moreno Valley to repay that amount to the Federal Government.

Methodology

We conducted our review of this ERA case from August 2023 to December 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 memorandum.

In conducting our review, we followed the OIG's system of quality management for ensuring that the information in this Notice is accurate. We also followed the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Federal Offices of Inspector General* which require that our work adheres to its general standards for integrity to include objectivity, independence, professional judgment, and confidentiality as well as its general standard for receiving and reviewing allegations.

Schedule of Monetary Benefits

According to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at Title 2 of the Code of Federal Regulations § 200.1 a “questioned cost” is an amount, expended or received from a Federal award, that in the auditor's judgment:

- (i) is noncompliant or suspected noncompliant with Federal statutes, regulations, or the terms and conditions of the Federal award;
- (ii) at the time of the audit, lacked adequate documentation to support compliance; or
- (iii) appeared unreasonable and did not reflect the actions a prudent person would take in the circumstances.

Questioned costs will be recorded in Treasury’s Joint Audit Management Enterprise System. The amount will also be included in the OIG Semiannual Report to Congress. It is Treasury management’s responsibility to report to Congress on the status of the agreed to recommendations with monetary benefits in accordance with 5 USC § 405(c) of the Inspector General Act of 1978, as amended.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$20,850.00

The questioned costs represent ERA2 amounts provided by Treasury under the American Rescue Plan Act of 2021 that were paid by Moreno Valley to ineligible households in violation of the ERA2 statute at 15 U.S.C. § 9058c(d), Use of Funds.

Distribution

Department of the Treasury

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City of Moreno Valley, Financial and Management Services

Inland Southern California 211