

# REPORT HIGHLIGHTS



## PANDEMIC HOUSING RELIEF— PROPERTY OWNER PRESERVATION PROGRAM PERFORMANCE AUDIT, OCTOBER 2021

DEPARTMENT OF LOCAL AFFAIRS  
DIVISION OF HOUSING

### CONCERN

Overall, we found that the Division of Housing (Division) should improve its processes for emergency housing assistance programs to ensure that (1) it pays the right amount based on program criteria and (2) property owners comply with program requirements.

### KEY FINDINGS

- House Bill 20-1410 authorized the Property Owner Preservation (POP) program in June 2020, and the Division established eligibility requirements, built an online application portal, staffed the program, and started accepting applications for assistance within 1 month, by July 2020.
- The Division distributed \$47.13 million in POP program rental relief aid through 23,181 payments from July 2020 through March 2021, our testing period.
- We found that for 10 of 62 payments reviewed, the Division paid \$15,960 more than allowed by program guidelines. These included duplicate payments, payments for fees that were not allowed by the program, a payment for unpaid rent that was incurred prior to the pandemic, and a payment that was higher than the amount requested.
- Based on the results of our audit work, we estimate that about 5 percent of the \$47.13 million POP program payments that the Division made from July 2020 through March 2021, or \$2.39 million in payments, included similar problems and was paid in error.
- We identified issues with the effectiveness of the Division's POP program compliance controls. Specifically, we found:
  - ▶ The Division did not obtain a signed rental agreement for four of 60 sampled files. We estimate that about 6.67 percent of 23,179 POP program payments that the Division made from July 2020 through March 2021 was paid prior to the Division obtaining a signed rental agreement to verify the accuracy of information related to the tenant, rental period, and rental amounts owed.
  - ▶ The Division did not send timely tenant notification letters—a planned program compliance control—for 17 of the 60 (28 percent) sampled files.
  - ▶ The Division did not send tenant notification letters at all for 11,000 payments, or 47 percent of payments made through March 2021. After being notified of this discrepancy during the audit, the Division sent the notification letters.

### BACKGROUND

- From March 2020 through February 2021, the State allocated \$94.25 million in federal and state funds to the Division within the Department of Local Affairs to help stabilize the housing sector and reduce the risk of homelessness for vulnerable individuals impacted by the COVID-19 pandemic.
- The Division developed the Property Owner Preservation (POP) program, which allowed property owners, rather than tenants, to apply for overdue rent owed by tenants affected by the pandemic.
- From July 2020 through June 2021, the Division reported it distributed more than \$50 million in federal and state funds through the POP program, which included more than 24,400 payments to roughly 1,600 property owners.
- The POP program ended in June 2021.

### RECOMMENDATIONS

The Division of Housing should ensure that (1) housing assistance funds are used as intended and payments are accurate, and (2) it has sufficient controls in place to reduce the risk of housing assistance program noncompliance by:

- Implementing sufficiently-detailed payment review procedures.
- Following up on the overpayments identified during the audit and requesting that the funds be returned.
- Periodically monitoring approved payments to ensure that staff obtained a signed rental agreement or followed applicable guidance on documentation needed to substantiate payment, if different, before approving payments.
- Implementing written procedures to outline the Division's process and staff roles and responsibilities for sending tenant notifications, and periodically monitoring to ensure notifications have been sent.