Oregon Housing and Community Services: Emergency Rental Assistance (Oregon ERA)

Andrew Love, Audits Manager Danielle Moreau, Senior Auditor February 2024



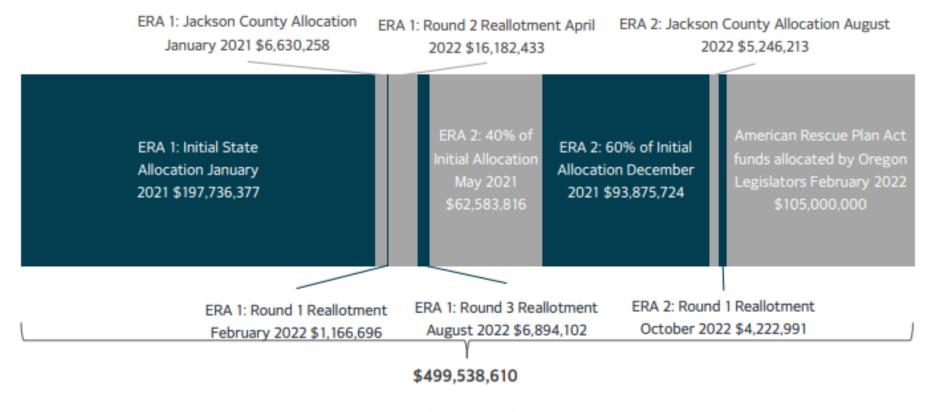
# **Audit Background**

- In December 2021, the Chairs of the Housing Committees in both the Oregon Senate and House sent a letter to the Oregon Secretary of State's Office requesting a performance audit of the program.
- Legislators were concerned by inconsistent results across counties, technical difficulties with the program's software, and a lack of communication to landlords and renters.
- The audit began February 2022 and the report was released in January 2024.



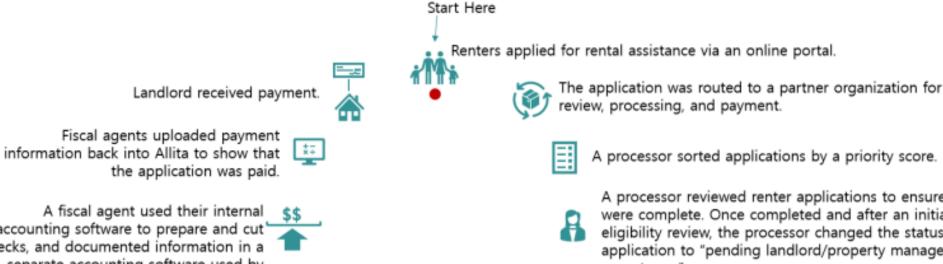
## **OHCS received nearly half a billion dollars for Oregon ERA**

#### Figure 4: Initial and additional assistance allocations totaled nearly half a billion dollars



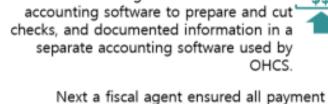
Source: OHCS

### **Oregon ERA application process included renters and** landlords



A processor reviewed renter applications to ensure they were complete. Once completed and after an initial eligibility review, the processor changed the status of the application to "pending landlord/property manager acceptance."

The landlord was notified the renter requested rental assistance. They may have declined to participate in the program. If they agreed, the landlord verified renter documentation, uploaded their property information, and signed a disclosure statement.



information was verified and downloaded a group of applications from Allita for payment processing.

> If the landlord approved the request, a manager would conduct a final review and approve the application for funding.

### OHCS and partners distributed \$426 million in rental assistance, but the agency conducted little oversight of these funds

- OHCS cannot be certain spending met federal guidelines, or how much emergency funding went to eligible applicants.
- The agency has not reliably determined how many total applications were paid, or households helped.



Oregon Housing and Community Services OHCS Prioritized Providing Emergency Rental Assistance Funds to Oregonians in Crisis but Could Have Done More to Ensure Funds Were Properly Distributed

January 2024 Report 2024-01





Secretary of State LaVonne Griffin-Valade Audits Direct Kip Memme

### Material weaknesses resulted in an adverse opinion for the program in the Statewide Single Audit – the first in more than 25 years

### Statewide Single Audit Report

Fiscal Year 2022

July 2023 2023-21

#### Matters Giving Rise to Adverse Opinion on the Emergency Rental Assistance Program

As described in the accompanying schedule of findings and questioned costs, the State did not comply with the compliance requirements as listed in the table below. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

#### Assistance

Listing #	Program Name	Finding #	Compliance Requirement
21.023	Emergency Rental	2022-025	Activities Allowed or Unallowed; Allowable
	Assistance Program		Costs/Cost Principles
		2022-026	Activities Allowed or Unallowed; Eligibility
		2022-027	Reporting
		2022-028	Reporting



## **OHCS's lack of established internal controls led to rushed and reactive decision-making**

- Renters and landlords experienced application processing delays because of rushed implementation of new software.
- Limited OHCS collaboration and ineffective communications with key partners reduced program effectiveness, transparency, and accountability.

### **Oregon ERA lacked stable management oversight and was inadequately staffed, undermining the program**

Figure 7: From 2020 to 2022, movement occurred in key leadership positions

#### MAY 2020

MAY 2021

The Chief Financial Officer becomes the agency's Deputy Director.

> NOVEMBER 2020 The Director of Public Affairs departs.

JULY 2020 The Chief Operating Officer departs.

MARCH 2021 A new Director of Public Affairs is hired.

#### The Oregon ERA Program Coordinator starts work on the day the Allita online application portal is opened.

NOVEMBER 2021

Chief Programs Officer was hired.

JANUARY 2022 The Assistant Director overseeing Oregon ERA departs.

#### APRIL 2022

The former Chief Programs Officer over Oregon ERA becomes the interim Housing Stabilization Division Director.

#### MAY 2022

A Senior Policy Analyst, who was instrumental to Oregon ERA, departs.

#### SEPTEMBER 2021

An Assistant Director for the agency's new Disaster Recovery & Resilience Department is hired.

#### JANUARY 2022

Agency Director, Margaret Salazar, departs.

#### APRIL 2022

Andrea Bell, former Director of the Housing Stabilization Division, under which Oregon ERA resides, is appointed the new agency director.

MARCH 2022

The Oregon ERA Program Coordinator is promoted internally to another department.



### Program challenges could have been eased had the agency been better prepared for a housing emergency

- OHCS was not prepared to respond to disaster housing emergencies, despite its responsibility to do so under Oregon's emergency management framework.
- The Oregon Disaster Housing Strategy was over a decade out of date.



# Planning Considerations: Disaster Housing

Guidance for State, Local, Tribal and Territorial Partners May 2020



## **Summary of deficient internal controls**

- Deficient financial accounting controls, including those for fraud, eligibility, and federal reporting compliance
- Poor contract administrative (oversight and monitoring) practices
- Lack of stable management oversight
- Inadequate program staffing
- Rushed implementation of software production
- Lack of early engagement and collaboration with local housing partners
- Ineffective communications with the public/applicants fragmented customer service system
- Lack of preparation for housing emergencies

### Lessons learned from Oregon ERA will help OHCS address the homeless crisis

- OHCS has pivoted to addressing homelessness in addition to maintaining their routine work.
- Outcomes are expected within limited timeframes.
- State funds undergo less scrutiny from auditors than federal funds, thus heightening the importance for good internal controls and monitoring.
- The COVID pandemic tested the agency's financial and contracting controls and highlighted weaknesses, offering lessons that can be applied as ongoing pressures will continue to test controls.



# Recommendations

- In addition to the recommendations from the Statewide Single Audit, we had 16 recommendations.
- Our recommendations:
  - develop real-time contract monitoring and data-reliability procedures;
  - continue efforts to gain access to local housing data;
  - work with partners to obtain timely data;
  - develop internal fraud policies;
  - ensure customer services standards and DEI polices are in all-service related contracts and in contract monitoring procedures;
  - cement role of ombudsman; and
  - prepare for future emergencies by conducting and using an after-action report to improve IT oversight, collaboration, and develop future resiliency plans and teams.
- OHCS agreed with eight of our recommendations, partially agreed with six, and disagreed with two.

## **Questions?**

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