



Office of the County Auditor

**Mary Modelski**

Cook County Auditor

69 West Washington, Suite 840 • Chicago, Illinois 60602 • (312) 603-1500

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June 6, 2024

The Honorable Toni Preckwinkle, President  
And Board of Cook County Commissioners  
118 N. Clark Street, Room 537  
Chicago, Illinois 60602

In accordance with the [Cook County Auditor Ordinance](#) and our 2024 *Audit Plan* we conducted a review of the American Rescue Plan Act (ARPA) Fixed-Site Emergency Shelter for People Experiencing Homelessness Grant #NT117. The overall objective was to review the monitoring process over the utilization of the funds and to assess if they are being used, as intended.

Our fieldwork was conducted from April 2, 2024, through May 28, 2024. The memo contains two observations.

We have discussed our conclusions and observations with the staff of the Bureau of Economic Development. We have attached their acknowledgement letter as an addendum to this memo. We express our great appreciation for the cooperation that the staff extended to Flor Pineda of our staff. Since this is a review of the ARPA funds, the observations will not require a response and shall not be tracked within the Open Recommendation Report.

Respectfully Submitted,

Mary Modelski  
County Auditor

CC: Xochitl Flores, Bureau Chief – Bureau of Economic Development



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**MEMORANDUM**

**To:** Xotchil Flores, Bureau Chief – Bureau of Economic Development

**From:** Mary Modelski, County Auditor 

**Subject:** 2024 ARPA – Fixed-Site Emergency Shelter for People Experiencing Homelessness (NT#117)

**Date:** June 6, 2024

Per the Fiscal Year 2024 Audit Plan, we conducted a review of the American Rescue Plan Act (ARPA) – Fixed-Site Emergency Shelter for People Experiencing Homelessness (NT#117).

**Background:**

The American Rescue Plan Act guaranteed federally funded grant relief to state and local governments in March 2021. The American Rescue Plan Act will assist in building an equitable economic recovery for residents disproportionately impacted as the result of the COVID-19 pandemic. The ARPA grant is aimed to address homelessness, mental and behavioral health, food insecurities, poverty, youth development, loss of revenue of small businesses and job loss and support communities and citizens in other vital economic and social areas.

The Bureau of Economic Development supports organizations within the Cook County Continuum of Care. Stand up fixed-site shelters provide health and safety to people in a housing crisis, who cannot be diverted from homelessness. These organizations provide shelter services, to ensure the experience of homelessness is short, by reconnecting people to housing and other supports. The Fixed-Site Emergency Shelter program will support returning residents and justice-involved individuals, who are housing insecure or unhoused, by providing security necessary to connect these individuals to stable and permanent housing thus helping to reduce reversion.

The goals of the program are to decrease reliance on temporary hotel-based shelter in use during the pandemic, support five or more fixed-site shelters in various stages of development, and to create or launch development of fixed-site shelters to serve 200 persons experiencing homelessness.

Through the Fixed-Site Emergency Shelter program, the County loaned funds to two subrecipients for the purchase of existing hotel properties. A long-term arrangement was entered into through the signing of the subrecipient agreement, along with other agreements in November 2023. Below are the loan agreement and subrecipient details as of March 26, 2024.

LOAN AGREEMENT DETAILS			
Borrower	Lender Name	Loan Amount	Loan Terms
Connections Margarita Inn, LLC	Cook County	\$7,000,000	30-year, 0% interest per annum loan, forgivable on maturity date, and subject to events of default and recapture provisions.
HF Oak Park, LLC	Cook County	\$6,500,000	30-year, 0% interest per annum loan, forgivable on maturity date, and subject to events of default and recapture provisions.

SUBRECIPIENT DETAILS			
Subrecipient	Grant Award	Expenditures	Expended %
Connections Margarita Inn, LLC	\$7,000,000.00	\$7,000,000.00	100%
HF Oak Park, LLC	\$6,500,000.00	\$6,500,000.00	100%
Cook County	\$1,000,000.00	\$40,508.97	4.05%
Totals	\$14,500,000.00	\$13,540,508.97	93.38%

**Objectives:**

The overall objective of the audit was to evaluate the monitoring process over the utilization of funds and assess whether funds were being used as intended.

**Monitoring:**

The Fixed-Site Emergency Shelter program monitoring procedures include near-term and long-term activities. The near-term activities are from December 1, 2023, to November 30, 2026, and focus on meeting ARPA requirements. The long-term activities will commence on December 1, 2026.

Starting December 1, 2023, to November 30, 2026, monthly (if needed) and quarterly compliance meetings will be held. Additionally, monthly program-specific and equity metrics will be collected from the subrecipients. As a part of the long-term monitoring procedures, periodic site visits of the Connections Margarita Inn, LLC and HF Oak Park, LLC fixed-site shelters will be conducted throughout the agreement term (November 22, 2023, to November 22, 2053).

**Agreement Requirements:**

Connections Margarita Inn, LLC and HF Oak Park, LLC signed legally binding agreements on November 2023. The OCA reviewed these signed agreements to identify components of performance compliance procedures, borrower requirements, and events of default.

### **Financial:**

Connections Margarita Inn, LLC and HF Oak Park, LLC submitted cash advance requests and expense reports to purchase of existing hotel shelters located at 1566 Oak, Evanston, IL and 22 North Oak Park Avenue, Oak Park, IL respectively. The OCA confirmed that the advanced ARPA funds went towards the acquisition of the properties.

- Connections Margarita Inn, LLC. – Submitted an Advance and Expense Summary report for \$7.5 million
- HF Oak Park, LLC – Submitted an Advance and Expense Summary report for \$6.5 million.

### **Audit Procedures:**

The following procedures were performed to evaluate the adequacy of controls over the monitoring and financial processes:

- Obtained and reviewed a copy of the subrecipient agreements.
- Interviewed key personnel to gain a better understanding of monitoring and fiscal reporting.
- Obtained access to the Department of Planning and Development SharePoint, where it housed monitoring and financial records for the Fixed-Site Emergency Shelter Program.
- Reviewed Connections Margarita, LLC, and HF Oak Park, LLC monthly and quarterly compliance meeting notes for the period of January through March 2024.
- Reviewed Connections Margarita, LLC, and HF Oak Park, LLC performance metrics for January to March 2024.
- Reviewed Borrower Loan Agreement Requirements for both Connections Margarita, LLC and HF Oak Park, LLC.
- Reviewed all expense summary reports to ensure they were properly supported and submitted in accordance with the subrecipient agreement.
- Compared expenditures in NT117 Budget Tracker to expense summary reports and EBS-ORACLE transaction analysis reports.
- Searched the Cook County Clerk's Office and Treasurer's Office websites to corroborate the recording of documentation and real estate taxes associated with the shelter properties.

### **Conclusion**

Based on applied audit procedures and inquiries with designated officers of Bureau of Economic Development – Department of Planning and Development, the OCA concluded that:

- The controls in place to monitor the utilization of funds appear adequate.
- The process for the perpetual monitoring over 30-years of the long-term utilization of purchased property was not documented.

### **Observations**

- As of April 1, 2024, Connections Margarita Inn, LLC held two monthly and one quarterly meeting. HF Oak Park, LLC held one monthly and one quarterly meeting. The Bureau of Economic Development – Department of Planning and Development had not collected performance metrics due to technology issues. However, on April 11, 2024, The Office of the County Auditor (OCA) received and reviewed program-specific and equity metrics for both Connections Margarita Inn, LLC and HF Oak Park, LLC.
- The Bureau of Economic Development – Department of Planning and Development should develop a comprehensive, risk-based, proactive, multi-year monitoring and reporting process associated with property assets in the Connections Margarita Inn, LLC and HF-Oak Park, LLC long-term indenture arrangements to prevent the occurrence of a performance compliance failure, borrower requirement violation, and/or event of default.



DEPARTMENT OF PLANNING AND DEVELOPMENT

SUSAN M. CAMPBELL

Director

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To: Mary Modelski, County Auditor

From: Susan Campbell, Director, Dept of Planning and Development

Subject: BED Review of the Audit Report Cook County of Fixed Site Shelter NT 117 ARPA Program

Date: June 11, 2024, 2024

cc: Xochitl Flores, Bureau Chief  
Ama Baljinnnyam, Director of Financial Affairs and Grants Management,  
Karl Bradley, Deputy Director of Housing and Strategic Finance

The Bureau of Economic Development appreciates the information that has been provided by the Cook County Auditor with regards to the review of the American Rescue Plan Act (ARPA) – Fixed Site Shelter Program (NT# 117). The overall objective of the audit was to evaluate the monitoring process over the utilization of funds. Having had the opportunity to thoroughly assess the report, we affirm that it reflects the essence of the program.

We are committed to continuous enhancement and refinement, however, please note the following:

- As administrators of this program, we adopted the federally funded HOME program guidelines governing expenditures and use of funds as well as monitoring procedures.
- We provided the auditors with long term monitoring policies and procedures towards the end of the auditors' fieldwork period.
- All housing development projects are required to submit annually their financial audit including an examination of their risks and areas of compliance.

As we initiate the long-term monitoring phase, we will continue to follow HUD's procedures governing monitoring of finance and program areas and demonstrate more fully in our documentation, compliance with these guidelines.

Once again thank you for your thorough review, partnership, and constructive feedback. We look forward to continuing our collaboration to further strengthen the Fixed Site Shelter program and better serve our Continuum of Care community of homeless service providers.

Should you have any further inquiries or require additional information, please do not hesitate to contact us.

*Susan M. Campbell*