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Roger A. Norman, JD, CPA, CFE, CFF  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

April 11, 2023

Marty Garrity, Director  
Bureau of Legislative Research  
State Capitol, Rm. 315  
Little Rock, AR 72201

RE: Arkansas Legislative Council's Referral of the Emergency Rental Assistance Program

Dear Ms. Garrity:

On January 28, 2022, Arkansas Legislative Council met and passed a motion that Legislative Audit perform an audit of the Emergency Rental Assistance Program (Program) at the Department of Human Services (DHS). The request was presented to the Executive Committee of the Legislative Joint Auditing Committee on February 10, 2022, and incorporated into the Fiscal Year 2022 State of Arkansas Single Audit required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The corresponding report was made public on March 28, 2023, and attached are the Program's report findings and DHS's corrective action plan for each finding.

Please let me know if anything additional is needed in relation to this request.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in blue ink, appearing to read "R. A. Norman", written over the printed name and title.

Roger A. Norman, JD, CPA, CFE, CFF  
Legislative Auditor

Attachment

KWW:jlmc

cc: Ms. Kristi Putnam, Secretary, DHS (*via email*)

**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

<b>Finding Number:</b>	<b>2022-004</b>
<b>State/Educational Agency(s):</b>	<b>Arkansas Department of Human Services</b>
<b>Pass-Through Entity:</b>	<b>Not Applicable</b>
<b>AL Number(s) and Program Title(s):</b>	<b>21.023 – COVID 19: Emergency Rental Assistance Program</b>
<b>Federal Awarding Agency:</b>	<b>U.S. Department of the Treasury</b>
<b>Federal Award Number(s):</b>	<b>ERA0417</b>
<b>Federal Award Year(s):</b>	<b>2021</b>
<b>Compliance Requirement(s) Affected:</b>	<b>Activities Allowed or Unallowed</b>
<b>Type of Finding:</b>	<b>Noncompliance and Material Weakness</b>

**Repeat Finding:**

Not applicable

**Criteria:**

Division N, Title V, Section 501 of the Consolidation Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020) (codified at 15 U.S.C. § 9058a) provides that financial "assistance shall be provided for a period not to exceed 12 months except that grantees may provide assistance for an additional 3 months only if necessary to ensure housing stability for a household subject to the availability of funds." This requirement restricts funding to a maximum of 15 months of assistance.

**Condition and Context:**

Using data analytics, ALA staff identified a population totaling \$1,819,690 at high risk of exceeding the 15-month maximum for rental assistance. From a population of 124 households, we selected a sample of 15, with payments totaling \$257,682, to determine if more than 15 months of rental assistance was provided to the individual household.

Our testing revealed the following exceptions:

- Sample Item 1: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of July 2020, October 2020 through May 2021, and July through August 2021 were paid to both tenants. Neither tenant disclosed the other tenant as a household member on their application. As a result, questioned costs for 11 months of rental assistance totaled \$8,625.  
In addition, one of the tenants was paid rental assistance twice for the month of June 2021, resulting in questioned costs totaling \$473.
- Sample Item 2: The month of April 2021 was paid twice on behalf of one tenant at one rental address. Questioned costs totaled \$625.
- Sample Item 3: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of March through October 2021 were paid to both tenants. Only one lease agreement could be provided for one of the tenants, and a household member was not disclosed on the application or lease. Questioned costs totaled \$8,580.
- Sample Item 4: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of May 2020 through June 2021 were paid to the same landlord. Neither tenant disclosed the other tenant as a household member. Questioned costs totaled \$15,750.
- Sample Item 5: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. Rental assistance payments for the months of August 2020 through June 2021 were paid, resulting in questioned costs totaling \$12,600. Neither tenant disclosed the other tenant as a household member.
- Sample Item 6: Sixteen months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for one month totaling \$650.
- Sample Item 7: Twenty-one months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for six months totaling \$3,925.

In addition, the month of June 2021 was paid twice, resulting in questioned costs totaling \$650.



**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

<b>Finding Number:</b>	2022-004 (Continued)
<b>State/Educational Agency(s):</b>	Arkansas Department of Human Services
<b>Pass-Through Entity:</b>	Not Applicable
<b>AL Number(s) and Program Title(s):</b>	21.023 – COVID 19: Emergency Rental Assistance Program
<b>Federal Awarding Agency:</b>	U.S. Department of the Treasury
<b>Federal Award Number(s):</b>	ERA0417
<b>Federal Award Year(s):</b>	2021
<b>Compliance Requirement(s) Affected:</b>	Activities Allowed or Unallowed
<b>Type of Finding:</b>	Noncompliance and Material Weakness

**Condition and Context (Continued):**

- Sample Item 10: Eighteen months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for three months totaling \$3,600.
- Sample Item 12: Nineteen months of rental assistance was paid on behalf of one tenant at one rental address, resulting in questioned costs for four months totaling \$2,865.
- Sample Item 13: Two different tenants applied for and received rental assistance for the same rental address and rental period, at least partially. The last two months for tenant #1 and the first two months for tenant #2 overlapped. Both payments, representing the months of November and December 2021, were paid directly to the landlord. Neither tenant disclosed the other tenant as a household member on their application. Questioned costs totaled \$900.
- Sample Item 15: Rental assistance was paid for the same rental address and rental period (July and August 2021) on behalf of two different tenants. Questioned costs totaled \$1,250. A 12-month lease agreement, with a "no sublet" clause, for tenant #1 became effective on April 20, 2020, and was extended through November 21, 2021. Rental assistance claimed for tenant #1 totaled \$16,122.

Tenant #1 entered into a lease agreement as landlord with another party (tenant #2) for the same rental address and rental period, at least partially, effective October 1, 2020. There is no documentation supporting that tenant #1 owned the property, and as previously stated, there was a "no sublet" clause in the signed agreement from April 20, 2020. Rental assistance claimed for tenant #2 totaled \$3,750.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

\$60,493

**Cause:**

The Agency did not have sufficient controls and procedures in place regarding the review of application information to determine if rental assistance payments were being made in accordance with program criteria.

**Effect:**

A lack of adequate controls allowed benefits to be paid for periods exceeding the maximum 15-month period and also did not prevent payments that covered the same rental period for the same rental address.

**Recommendation:**

ALA staff recommend the Agency pursue the recovery of overpayments of funds, returning them to the appropriate source.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with, in part, and disputes, in part, this finding. The applicants noted in Sample Items 4, 5, and 13 produced what appear to be valid leases from the same landlord and were determined to be eligible under program guidelines. The Agency will investigate all other identified deficiencies for potential fraud and will seek guidance from the United States Department of Treasury on recoupment of payments that were not made in accordance with program criteria.

**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

Finding Number:	2022-004 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
Pass-Through Entity:	Not Applicable
AL Number(s) and Program Title(s):	21.023 – COVID 19: Emergency Rental Assistance Program
Federal Awarding Agency:	U.S. Department of the Treasury
Federal Award Number(s):	ERA0417
Federal Award Year(s):	2021
Compliance Requirement(s) Affected:	Activities Allowed or Unallowed
Type of Finding:	Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action (Continued):

Anticipated Completion Date: 6/30/2023

Contact Person: Mary Franklin  
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**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

**Finding Number:** 2022-005  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 21.023 – COVID 19: Emergency Rental Assistance Program  
**Federal Awarding Agency:** U.S. Department of the Treasury  
**Federal Award Number(s):** ERA0417  
**Federal Award Year(s):** 2021  
**Compliance Requirement(s) Affected:** Activities Allowed or Unallowed;  
Eligibility  
**Type of Finding:** Noncompliance and Material Weakness

**Repeat Finding:**  
Not applicable

**Criteria:**  
2 CFR § 200.516(a)(6) requires the auditor to report as an audit finding any known or likely fraud affecting a federal award.

**Condition and Context:**  
The Agency identified \$995,655 in fraud committed on behalf of beneficiaries of the Emergency Rental Assistance Program.

**Statistically Valid Sample:**  
Not a statistically valid sample

**Questioned Costs:**  
\$995,655

**Cause:**  
Increased funding opportunities and an online application process provided for the increased ability to commit fraud on behalf of beneficiaries in the Program.

**Effect:**  
Ineligible individuals received benefits or misappropriated benefits received under the Program using fraudulent means.

**Recommendation:**  
ALA staff recommend the Agency continue to seek the prosecution of perpetrators and recoupment of benefits fraudulently obtained on behalf of beneficiaries, whenever possible.

**Views of Responsible Officials and Planned Corrective Action:**  
DHS concurs with this finding. The Agency will continue to investigate claims of fraud in the Emergency Rental Assistance Program and collaborate with prosecutors and local law enforcement on cases of suspected fraud.

**Anticipated Completion Date:** Complete

**Contact Person:** Brett Hays  
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**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

<b>Finding Number:</b>	2022-006
<b>State/Educational Agency(s):</b>	Arkansas Department of Human Services
<b>Pass-Through Entity:</b>	Not Applicable
<b>AL Number(s) and Program Title(s):</b>	21.023 – COVID 19: Emergency Rental Assistance Program
<b>Federal Awarding Agency:</b>	U.S. Department of the Treasury
<b>Federal Award Number(s):</b>	ERA0417
<b>Federal Award Year(s):</b>	2021
<b>Compliance Requirement(s) Affected:</b>	Eligibility
<b>Type of Finding:</b>	Noncompliance and Material Weakness

**Repeat Finding:**

Not applicable

**Criteria:**

In accordance with 15 USC § 9058a(k), an eligible household means a "household that has a household income that is not more than 80% of the area median income for the household."

**Condition and Context:**

ALA reviewed a sample of 25 payments (totaling \$26,777) out of 47,696 payments (totaling \$99,457,430) to determine whether the payments were made to an eligible household.

Our review revealed that a payment, totaling \$226, made in January 2022 was made to an ineligible applicant because the annual household income of \$58,368 exceeded 80% of the area median income by \$1,168. According to Treasury guidance, 80% of the annual area median income for a household of four in the area at the time of disbursement was \$57,200.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

\$226

(Known questioned costs greater than \$25,000 are required to be reported. The auditor must also report known questioned costs when likely questioned costs are greater than \$25,000)

**Cause:**

The dual review process implemented by the Agency's contractor failed to identify the applicant as ineligible.

**Effect:**

Lack of adequate review of submitted applications resulted in ineligible households receiving assistance.

**Recommendation:**

ALA staff recommend the Agency review and strengthen internal controls over eligibility determinations for federal funds and recoup any funds disbursed to ineligible households.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. The Division of County Operations will perform a review of controls for eligibility determinations made by Agency contractors in active programs that disburse federal funds to applicants and seek guidance from the United States Department of Treasury on recoupment.

**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

<b>Finding Number:</b>	2022-006 (Continued)
<b>State/Educational Agency(s):</b>	Arkansas Department of Human Services
<b>Pass-Through Entity:</b>	Not Applicable
<b>AL Number(s) and Program Title(s):</b>	21.023 – COVID 19: Emergency Rental Assistance Program
<b>Federal Awarding Agency:</b>	U.S. Department of the Treasury
<b>Federal Award Number(s):</b>	ERA0417
<b>Federal Award Year(s):</b>	2021
<b>Compliance Requirement(s) Affected:</b>	Eligibility
<b>Type of Finding:</b>	Noncompliance and Material Weakness

**Views of Responsible Officials and Planned Corrective Action (Continued):**

**Anticipated Completion Date:** 6/30/2023

**Contact Person:** Mary Franklin  
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**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

<b>Finding Number:</b>	<b>2022-007</b>
<b>State/Educational Agency(s):</b>	<b>Arkansas Department of Human Services</b>
<b>Pass-Through Entity:</b>	<b>Not Applicable</b>
<b>AL Number(s) and Program Title(s):</b>	<b>21.023 – COVID 19: Emergency Rental Assistance Program</b>
<b>Federal Awarding Agency:</b>	<b>U.S. Department of the Treasury</b>
<b>Federal Award Number(s):</b>	<b>ERA0417</b>
<b>Federal Award Year(s):</b>	<b>2021</b>
<b>Compliance Requirement(s) Affected:</b>	<b>Eligibility</b>
<b>Type of Finding:</b>	<b>Noncompliance and Material Weakness</b>

**Repeat Finding:**

Not applicable

**Criteria:**

In accordance with 15 U.S.C. § 9058a(c)(2)(C)(i)(I), "with respect to financial assistance for rent and rental arrears and utilities and home energy costs and utility and home energy costs arrears provided to an eligible household from a payment made under this [program], an eligible grantee shall make payments to a lessor or utility provider on behalf of the eligible household, except that, if the lessor or utility provider does not agree to accept such payment from the grantee after outreach to the lessor or utility provider by the grantee, the grantee may make such payments directly to the eligible household for the purpose of making payments to the lessor or utility provider." Guidance provided by the U.S. Department of Treasury states, "grantees must make reasonable efforts to obtain the cooperation of landlords and utility providers to accept payments from the ERA program. Outreach will be considered complete if...the grantee has made at least three attempts by...e-mail over a five calendar-day period to request the landlords' or utility providers' participation...."

**Condition and Context:**

The Agency paid approximately \$24,226,688 in rental assistance directly to tenants (and issued on single-payee checks) under the program. The Agency established a process to automatically send system-generated emails to the landlords over a 10-day period based upon information provided by and attested to by the tenants in the grants management system.

Using data analysis, ALA identified 565 high-risk payments, totaling \$1,212,572, that indicated the landlord email address was the same as the tenant email address. We selected 40 payments, totaling \$93,967, and requested copies of the emails sent to determine whether (1) controls were in place to ensure that at least three emails were sent to landlords regarding the tenant's rental assistance application prior to payment being issued directly to the tenant and (2) the email addresses used for communication with the tenant and landlord were different.

Our review of controls to confirm that three emails had been sent to the landlord email address prior to payment revealed documentation for the emails could not be provided in seven instances.

Our review to determine compliance regarding the email address used for communicating with the landlord revealed the following:

- In 30 instances, the email addresses for the tenant and the landlord were the same. Questioned costs totaled \$61,340.
- In two instances, the landlord email address and the tenant email address were reversed. This error would cause the tenant to receive the landlord-designated emails when the required reasonable effort for outreach was made. Questioned costs totaled \$17,205.
- In three instances, although the landlord and tenant email addresses were different, they closely resembled each other. For instance, a landlord's email was [JaneDoe@email.com](mailto:JaneDoe@email.com), and the tenant's email was [Jdoe@email.com](mailto:Jdoe@email.com). Questioned costs totaled \$4,289.
- In one instance, a payment approved for the landlord went to the tenant. Questioned costs totaled \$4,500.



**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

**Finding Number:** 2022-007 (Continued)  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 21.023 – COVID 19: Emergency Rental Assistance Program  
**Federal Awarding Agency:** U.S. Department of the Treasury  
**Federal Award Number(s):** ERA0417  
**Federal Award Year(s):** 2021  
**Compliance Requirement(s) Affected:** Eligibility  
**Type of Finding:** Noncompliance and Material Weakness

**Condition and Context (Continued):**

As a result of the control and compliance exceptions noted above with the high-risk population, ALA selected an additional 20 payments, totaling \$55,220, from the remaining lower-risk population of payments, totaling \$23,014,116. Our review revealed the following exceptions:

- In six instances, documentation supporting three emails being sent to the landlord could not be provided.
- In one instance, although the landlord and tenant email addresses were different, they closely resembled each other. For instance, a landlord's email was [JaneDoe@email.com](mailto:JaneDoe@email.com), and the tenant's email was [Jdoe@email.com](mailto:Jdoe@email.com). Questioned costs totaled \$761.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

\$88,095

**Cause:**

The Agency failed to implement sufficient internal controls over landlord outreach efforts to ensure compliance with Treasury-issued guidance and establish eligibility of the tenant to receive rental assistance payments directly.

**Effect:**

The State of Arkansas could be subject to repayment of funds to the federal government.

**Recommendation:**

ALA staff recommend the Agency strengthen controls to ensure Treasury guidelines are followed regarding outreach to landlords. In addition, the Agency should contact the federal awarding agency to determine if recoupment is required.

**Views of Responsible Officials and Planned Corrective Action:**

The Agency concurs with, in part, and disputes, in part, this finding. While some cases did include matching email addresses for the landlord and tenant, this may be attributable to a landlord's refusal to participate or their lack of an email address. The cases with similar email addresses between landlord and tenant have not been confirmed to be in violation of program regulations. The Agency will review these cases to determine if program regulations were violated and seek guidance from the United States Department of Treasury on recoupment.

**Anticipated Completion Date:** 6/30/2023

**Contact Person:**

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**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

<b>Finding Number:</b>	2022-008
<b>State/Educational Agency(s):</b>	Arkansas Department of Human Services
<b>Pass-Through Entity:</b>	Not Applicable
<b>AL Number(s) and Program Title(s):</b>	21.023 – COVID 19: Emergency Rental Assistance Program
<b>Federal Awarding Agency:</b>	U.S. Department of the Treasury
<b>Federal Award Number(s):</b>	ERA0417
<b>Federal Award Year(s):</b>	2021
<b>Compliance Requirement(s) Affected:</b>	Period of Performance
<b>Type of Finding:</b>	Significant Deficiency

**Repeat Finding:**

Not applicable

**Criteria:**

In accordance with 2 CFR § 200.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

**Condition and Context:**

ALA staff selected 19 of 182 total transactions from the Agency's accounting system to determine whether any one of four key Emergency Rental Assistance Program staff approved the expenditure prior to payment. Of the 19 transactions selected, 3 did not have any documented approval by key staff prior to payment.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

None

**Cause:**

The Agency failed to implement the aforementioned internal control in a consistent, uniform manner.

**Effect:**

Expenditures could be charged to the grant that are not allowed under the applicable federal requirements.

**Recommendation:**

ALA staff recommend the Agency ensure that all expenditures are reviewed by the appropriate program staff prior to disbursement.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. The Division of County Operations will perform a review of its controls for approval of expenditures for active programs that disburse federal funds to applicants.

**Anticipated Completion Date:** 6/30/2023

**Contact Person:**

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**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

<b>Finding Number:</b>	2022-009
<b>State/Educational Agency(s):</b>	Arkansas Department of Human Services
<b>Pass-Through Entity:</b>	Not Applicable
<b>AL Number(s) and Program Title(s):</b>	21.023 – COVID 19: Emergency Rental Assistance Program
<b>Federal Awarding Agency:</b>	U.S. Department of the Treasury
<b>Federal Award Number(s):</b>	ERA0417
<b>Federal Award Year(s):</b>	2021
<b>Compliance Requirement(s) Affected:</b>	Reporting
<b>Type of Finding:</b>	Material Noncompliance and Material Weakness

**Repeat Finding:**  
Not applicable

**Criteria:**

To assist in complying with Division N, Title V, Section 501(g) of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020), the U.S. Department of Treasury (Treasury) required grantees to report expenditures and obligations quarterly.

Furthermore, on January 24, 2022, the Treasury issued a document entitled "Quarterly Reporting Special Tip," which specifically states that "amounts returned to Treasury, whether excess funds or voluntary reallocation, should be excluded from reporting since the funds are no longer available for obligation or expenditure."

Finally, in accordance with 2 CFR § 200.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

**Condition and Context:**

Our review of the June 30, 2022, quarterly report revealed an overstatement of expenditures totaling \$31,822,809 because the Agency failed to exclude amounts returned to Treasury from the expenditure line item, in accordance with Treasury guidance.

In addition, the December 31, 2021, and March 30, 2022, reports erroneously included funds (representing bank balances) that were not obligated or expended, totaling \$6,524,494 and \$4,034,643, respectively. As of June 30, 2022, the bank balance included in the report totaled \$3,724,092.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

\$35,546,901

**Cause:**

The Agency failed to implement sufficient internal controls to review reports for accuracy and to comply with Treasury-issued reporting guidance.

**Effect:**

The Treasury potentially relied on inaccurate information in determining the amount of funds subject to recapture during the period of the grant award.

**Recommendation:**

ALA staff recommend the Agency strengthen internal controls over the review of federal reports to ensure compliance with grantor-issued guidance and correct any erroneously reported information.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. The Agency corrected the reported information in the final 2022 program report that was submitted to the United States Department of Treasury on February 8, 2023.

**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

Finding Number:	2022-009 (Continued)
State/Educational Agency(s):	Arkansas Department of Human Services
Pass-Through Entity:	Not Applicable
AL Number(s) and Program Title(s):	21.023 – COVID 19: Emergency Rental Assistance Program
Federal Awarding Agency:	U.S. Department of the Treasury
Federal Award Number(s):	ERA0417
Federal Award Year(s):	2021
Compliance Requirement(s) Affected:	Reporting
Type of Finding:	Material Noncompliance and Material Weakness

Views of Responsible Officials and Planned Corrective Action (Continued):

**Anticipated Completion Date:** Complete

**Contact Person:** Mary Franklin  
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**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

**Finding Number:** 2022-010  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 21.023 – COVID 19: Emergency Rental Assistance Program  
**Federal Awarding Agency:** U.S. Department of the Treasury  
**Federal Award Number(s):** ERA0417  
**Federal Award Year(s):** 2021  
**Compliance Requirement(s) Affected:** Reporting  
**Type of Finding:** Noncompliance and Material Weakness

**Repeat Finding:**  
Not applicable

**Criteria:**

To assist in complying with Division N, Title V, Section 501(g) of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020), the U.S. Department of Treasury (Treasury) required grantees to report monthly the total number of unique households that received program assistance of any kind during the month. Reporting guidance issued by the Treasury indicated that the number reported for any particular month should capture all previously-approved applicants receiving assistance during the month as well as new applicants approved and receiving assistance in the reporting month.

Finally, in accordance with 2 CFR § 200.303, a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the award.

**Condition and Context:**

ALA's review of the January, February, and March 2022 ERA1-Monthly Compliance reports indicated that the Agency understated the number of households receiving assistance on all three monthly reports as follows:

- January was understated by 1,780.
- February was understated by 1,298.
- March was understated by 1,239.

The Agency only reported a unique household receiving assistance in the first month that assistance was received. Subsequent assistance received by the household was not reported during any additional months, in conflict with Treasury guidance.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

None

**Cause:**

The Agency relied on information provided by a contractor in preparing the federal reports and failed to implement sufficient internal controls to review the information and ensure it complied with Treasury-issued guidance.

**Effect:**

Inaccurate information was reported to the Treasury and relied on by the Treasury in meeting its obligation under federal law.

**Recommendation:**

ALA staff recommend the Agency strengthen internal controls over the review of federal reports to ensure compliance with grantor-issued guidance and correct any erroneously reported information.

**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

<b>Finding Number:</b>	<b>2022-010 (Continued)</b>
<b>State/Educational Agency(s):</b>	<b>Arkansas Department of Human Services</b>
<b>Pass-Through Entity:</b>	<b>Not Applicable</b>
<b>AL Number(s) and Program Title(s):</b>	<b>21.023 – COVID 19: Emergency Rental Assistance Program</b>
<b>Federal Awarding Agency:</b>	<b>U.S. Department of the Treasury</b>
<b>Federal Award Number(s):</b>	<b>ERA0417</b>
<b>Federal Award Year(s):</b>	<b>2021</b>
<b>Compliance Requirement(s) Affected:</b>	<b>Reporting</b>
<b>Type of Finding:</b>	<b>Noncompliance and Material Weakness</b>

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. The Agency corrected the reported information in the final 2022 program report that was submitted to the United States Department of Treasury on February 8, 2023.

**Anticipated Completion Date:** Complete

**Contact Person:** Mary Franklin  
Director, Division of County Operations  
Department of Human Services  
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**State of Arkansas Single Audit  
Schedule of Findings and Questioned Costs – ERA Only  
For the Year Ended June 30, 2022**

**Finding Number:** 2022-011  
**State/Educational Agency(s):** Arkansas Department of Human Services  
**Pass-Through Entity:** Not Applicable  
**AL Number(s) and Program Title(s):** 21.023 – COVID 19: Emergency Rental Assistance Program  
**Federal Awarding Agency:** U.S. Department of the Treasury  
**Federal Award Number(s):** ERA0417  
**Federal Award Year(s):** 2021  
**Compliance Requirement(s) Affected:** Special Tests and Provisions  
**Type of Finding:** Noncompliance and Significant Deficiency

**Repeat Finding:**  
Not applicable

**Criteria:**

Pursuant to section 501(d) of the Consolidated Appropriations Act, 2021, Treasury was required to reallocate "excess" award funds. Treasury calculated a reallocation expenditure ratio based upon information reported by the grantees to determine whether the grantee was subject to the involuntary reallocation and recapture of excess funds.

**Condition and Context:**

ALA tested the April, May, and June 2022 ERA1-Monthly Compliance reports to determine whether the grantee accurately reported the amount expended for housing activity at the time of submission. The May 2022 report was understated because it did not include reissuances totaling \$176,194 or subrecipient payments totaling \$92,871.

**Statistically Valid Sample:**

Not a statistically valid sample

**Questioned Costs:**

\$269,065

**Cause:**

The Agency failed to implement sufficient internal controls over reporting to ensure compliance with Treasury-issued guidance and accuracy in reported amounts.

**Effect:**

Inaccurate information was reported to the Treasury and relied upon by the Treasury in meeting its obligation under federal law.

**Recommendation:**

ALA staff recommend the Agency strengthen internal controls over the review of federal reports to ensure compliance with grantor-issued guidance and accuracy in the amounts reported, as well as to correct any erroneously reported information.

**Views of Responsible Officials and Planned Corrective Action:**

DHS concurs with this finding. The Agency corrected the reported information in the final 2022 program report that was submitted to the United States Department of Treasury on February 8, 2023.

**Anticipated Completion Date:** Complete

**Contact Person:**

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