

# Arkansas

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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. Norman", written over the typed name.

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**

**Finding Number:** 2022-004  
**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

**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**

**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

**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**

<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

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

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

**Contact Person:** Mary Franklin  
Director, Division of County Operations  
Department of Human Services  
700 Main Street  
Little Rock, AR 72201  
501-681-8377  
[Mary.franklin@dhs.arkansas.gov](mailto:Mary.franklin@dhs.arkansas.gov)

**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  
Deputy Chief Counsel  
Department of Human Services  
700 Main Street  
Little Rock, AR 72201  
501-681-3295  
Brett.hays@dhs.arkansas.gov