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Congress of the United States
House of Representatives
Washington, DC 20515

September 7, 2023

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The Honorable Marcia Fudge
Secretary
U.S. Department of Housing and Urban Development
451 7th St SW
Washington, D.C. 20410

Dear Secretary Fudge:

I write to you today regarding the U.S. Department of Housing and Urban Development's (HUD) oversight of the Housing Authority of the City of Little Rock d/b/a Metropolitan Housing Alliance (MHA). MHA is Arkansas's largest federally funded public housing agency and thousands of residents rely on it for affordable and public housing. While the basis of this letter is MHA's recent "Troubled" designation by HUD, this is only the latest example of the agency's years-long pattern of abysmal performance and financial mismanagement.¹

MHA was categorized as "Troubled" by HUD's Public Housing Assessment System (PHAS) for Fiscal Year 2022, in which the agency was given an overall score of 40 out of 100. This comes after MHA previously received a "Troubled" designation in 2017 and assessments were paused from 2019-2021 due to the COVID-19 pandemic, which seriously calls into question whether corrective actions were actually taken by MHA and enforced by HUD.

HUD's Quality Assurance Division revealed alarming findings in its September 2023 review of MHA's financial management and management operations.² For example, HUD found that over 600 units managed by MHA have not received an annual housing quality standards inspection in the last two years, with several units not having received an inspection in over six years.

The review goes on to describe not only a continuation of past failures but, in HUD's own words, "a further degradation of internal controls, financial management and reporting practices. Substantive errors ... appear to be prevalent, pervasive, and systemic." HUD's review suggests that nearly \$30 million of questionable and potentially disallowed expenses were incurred by MHA. Furthermore, HUD found that MHA has not submitted an audited financial statement to HUD beyond 2019, had "no clear method of maintaining monthly and/or annual accounting functions," and regularly used credit

¹ U.S. Department of Housing and Urban Development, ARN 2019-FW-1001: *Little Rock Housing Authority Rental Assistance Demonstration Program* (April 23, 2019); U.S. Department of Housing and Urban Development: Housing Authority of the City of Little Rock FY 2017 "Troubled" PHAS Designation, *available at* https://www.hud.gov/sites/dfiles/PIH/documents/PHAS_Score_12_2022.pdf.

² U.S. Department of Housing and Urban Development, QAD-FMR-MOR-2023-AR004 Report (Sep. 1, 2023).

cards for ineligible purposes without any supporting documentation or business justification. The role and practices of the Central Arkansas Housing Corporation (CAHC), a nonprofit created by and affiliated with MHA, are also questionable. HUD's review suggests that CAHC staff had inappropriate access to MHA's bank accounts—with several bank transfers between the two entities being made with no valid reasons provided—and that CAHC's financial records were comingled with those of MHA.

Public housing agencies play a critical role in providing housing and other essential services for veterans and our neighbors who are often the most in need. However, MHA has demonstrated a blatant disregard to honor its most basic obligation: to care for its residents and the housing they occupy. MHA's gross financial mismanagement of taxpayer funding and HUD's failure to compel the agency to take meaningful corrective action to date is unacceptable.

Given the seriousness of this situation, I respectfully request further information regarding the following questions:

1. In HUD's 2015 Financial Management Review of MHA, the agency was required to take corrective action to "establish written standard operating procedures and a quality control system that converts its internal and financial controls over the HCV program," yet MHA was found to still have significant issues with financial recording and reporting, as well as with its internal control procedures, in HUD's 2023 review. Why were these deficiencies never corrected and what steps will HUD take to ensure that they are permanently fixed?
2. In HUD's 2023 Financial Management Review of MHA, it states that MHA and/or the CAHC have failed or refused to provide the requested audited financial statements for any period beyond 2019, as well as information about where funds from the Regions 5011 account were transferred, the purpose of the transfer to unknown bank accounts, and the ultimate funding utilization. What steps will HUD take to ensure that this information is received, including in the event that MHA and/or CAHC refuses to provide this information?
3. In HUD's 2023 Financial Management Review of MHA, it states that MHA will be required to demonstrate that Housing Quality Standards Inspections are/were completed. If they were not, what steps will HUD take to ensure these inspections take place on a go-forward basis?
4. In the event MHA is financially insolvent, how will HUD ensure continuity of service for residents in the Second Congressional District of Arkansas?
5. What potential enforcement actions is HUD considering due to MHA's breach of the Annual Contributions Contract?
6. Is HUD aware of or planning to examine for any conflicts of interest between MHA commissioners and any officer or staff of the CAHC? If so, what actions will be taken to mitigate these conflicts of interest?

Separately, please provide a copy of the following:

1. Any additional debt identified during the required Corrective Action process.
2. The Corrective Action Plan when it is submitted by MHA to HUD for approval.
3. The Recovery Agreement entered into by MHA and HUD.

I would appreciate a response no later than September 30, 2023, and subsequently with the documentation requested. I appreciate your prompt attention to this request.

Sincerely,

A handwritten signature in blue ink that reads "French Hill". The signature is fluid and cursive, with the first name "French" and the last name "Hill" clearly distinguishable.

French Hill
Member of Congress

cc: Anthony S. Landecker, Director, Office of Public Housing
The Honorable Rae Oliver Davis, Inspector General, U.S. Department of Housing and Urban
Development
The Honorable Scott Frank Jr., Mayor, City of Little Rock
H. Lee Lindsey, Chair, Metropolitan Housing Alliance
Kerry Wright, Commissioner, Metropolitan Housing Alliance
Leta Anthony, Commissioner, Metropolitan Housing Alliance
Louis Jackson, Commissioner, Metropolitan Housing Alliance
Brannndii Peterson, Commissioner, Metropolitan Housing Alliance
Ericka Benedicto, Executive Director, Metropolitan Housing Alliance