



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

ASSISTANT SECRETARY FOR CONGRESSIONAL
AND INTERGOVERNMENTAL RELATIONS

October 6, 2023

The Honorable French Hill
U.S. House of Representatives
Washington, DC 20515-0402

Dear Representative Hill:

On behalf of Secretary Fudge, thank you for your letter regarding the 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). The following information is from HUD's Office of Public and Indian Housing (PIH).

Below are the responses to items 1-3 from HUD's Office of Housing and Voucher Programs, Quality Assurance Division:

- 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 covers 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?**

The Quality Assurance Division (QAD) conducted a Financial Management Review at MHA and issued a report on December 15, 2015 (Federal Fiscal Year 2016), which identified Findings for which a Corrective Action Plan (CAP) was required to be presented to QAD by the MHA. The QAD FMR Team worked with the MHA through the CAP process receiving additional financial records and assisting the MHA with taking corrective actions and adjusting financial records to reflect accurate balances. In October 2018, the QAD FMR Team closed its review because the supporting documentation provided by MHA to QAD indicated that the required Corrective Actions were completed. At that time, QAD advised the MHA that it would return to conduct a follow-up review to ensure that MHA followed the established policy and procedures to maintain accurate reporting and financial record keeping.

QAD's return review was delayed until 2023 due to the COVID-19 pandemic. During this review the QAD Team found that MHA executive leadership team had changed and the PHA had failed to maintain accurate accounting and proper management of the program.

2. **In HUD’s financial management review of MHA, it states “MHA and/or CAHC have failed or refused to provide requested audited financial statements for any year beyond 2019”, as well as information about where the 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 if MHA and/or CAHC refuses to provide this information?**

Monitoring of Corrective Action Plans (CAP) and PHA compliance falls within the purview of the Office of Field Operations (OFO) in consultation with Program Office. The QAD works with PHAs through the CAP process to prevent debt collection or further enforcement action. The QAD does not have enforcement authority, but it can refer outstanding compliance matters to enforcement authorities. If a PHA is noncompliant with CAP requirements HUD can also exercise enforcement activities including legal remedies up to and including program default or referral to the Office of Inspector General for further investigation.

3. **“In HUD’s 2023 Financial Management Review of MHA it states that MHA will be required to demonstrate that Housing Quality Standards are/were completed. If they were not, what steps will HUD take to ensure these inspections take place on a go-forward basis”?**

If MHA cannot provide supporting documentation proving that inspections were conducted timely and in compliance with Housing Quality Standards regulatory requirements, HUD can choose to take enforcement action up to and including the requirement for MHA to repay all Housing Assistance Payments made on behalf of units that were not HQS compliant.

Below are the responses to items 4-6 from HUD’s Office of Field Operations:

4. **In the event MHA is financially insolvent, how will HUD ensure continuity of service for residents in the Second Congressional District of Arkansas?**

HUD intends to ensure families remain housed and does not foresee a lapse in funding. HUD will continue to provide housing assistance payments, administrative, and operating funds in accordance with its obligations under the Housing Choice Voucher Consolidated Annual Contributions Contract and Public Housing Annual Contributions Contract with MHA. Once MHA has submitted their unaudited and audited financial information as required by 24 CFR Part 5 and 24 CFR Part 902, HUD will analyze to determine if MHA becomes financially insolvent. If insolvency is confirmed, HUD has made available the At Risk/Receivership/Substandard/Troubled Program and the Public Housing Operating Fund Shortfall funding opportunities that MHA may submit application for. However, Congressional appropriations determine funding availability.

5. **What potential enforcement actions is HUD considering due to MHA’s breach of the Annual Contributions Contract?**

24 CFR § 5.403 establishes the regulatory guidance regarding the Annual Contributions Contract (ACC) for Public Housing Authorities. A breach of one or more terms of the ACC can result in a declaration of substantial default of the ACC and the pursuance of

remedial actions in accordance with 24 CFR § 907. Based on the potential MHA breaches of the ACC, PIH may exercise its authority to declare MHA in substantial default in accordance with 24 CFR § 907 and may pursue any available remedies pursuant to that regulation.

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?

Pursuant to Section 6(j)(2)(B) of the U.S. Housing Act, HUD has determined that a public housing agency with more than 250 units and designated troubled provides for an on-site independent assessment of the management of the agency. As a part of HUD's Public Housing Agency Recovery Sustainability troubled monitoring process, HUD will complete a holistic assessment of MHA which will focus on root-cause operations, procurement, governance, and conflicts of interest between it and the Central Arkansas Housing Corporation and determine if any mitigating actions should be taken.

If you have additional questions or concerns for HUD, please contact Anthony S. Landecker, Public Housing Director in HUD's Little Rock field office, at 501-918-5753 or Anthony.S.Landecker@hud.gov.

I hope this information is helpful in responding to your constituent. Please let me know if I can be of further assistance.

Sincerely,



Dr. Kimberly A. McClain
Assistant Secretary for Congressional
and Intergovernmental Relations