

# **Special Report**

## **Arkansas Legislative Audit**

# **Review of Selected Financial Records and Transactions Harrison House of Hope**

For the Period July 1, 2021 through November 30, 2023



## **INTRODUCTION**

This report is issued in response to a request from the 14<sup>th</sup> Judicial District Prosecuting Attorney for Arkansas Legislative Audit (ALA) to review funding received by Harrison House of Hope (HHH) from the Emergency Solutions Grant Program (Program) administered by the Arkansas Department of Human Services (DHS).

## **OBJECTIVES**

The objectives of this review were to determine if:

- Program funds were used properly.
- HHH policies and procedures were adhered to properly.
- Financial records were adequate.

## **SCOPE AND METHODOLOGY**

This review was conducted primarily for the period July 1, 2021 through November 30, 2023, with limited procedures for specific additional transactions occurring prior to the review period. ALA staff reviewed relevant HHH records pertaining to the Program, including meeting minutes of the governing body, bank statements, receipt and disbursement journals, documentation supporting expenditures of Program funds, and supporting documentation for Program reimbursement requests. Additionally, ALA interviewed certain individuals to determine and evaluate areas of possible impropriety with HHH processes and procedures.

Since Program proceeds were commingled with other operating funds of the HHH and used for required matching of Program funds received, ALA expanded the scope of this review to include additional expenditures of the HHH.

## **BACKGROUND**

### **Establishment and Operations**

The Harrison House of Hope opened on July 9, 2012, and was designated as part of the Housing Opportunities Partnership Exchange (HOPE) Continuum by the U.S. Department of Housing and Urban Development. The HHH is a 501(c)(3) nonprofit organization serving Baxter, Boone, Carroll, Marion, Newton, and Searcy Counties in north central Arkansas.

### **ARKANSAS LEGISLATIVE AUDIT**

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The HHH's bylaws indicate its purpose is to provide services to homeless, near homeless, and unemployed individuals to meet their basic needs and to provide a support system that empowers them to reach their potential. The HHH maintains a day center in Boone County, with the building being granted a 30-year lease at \$1.00 per year by the City of Harrison City Council.

The bylaws also indicate the principal representative and policy-making body of the HHH is its Board of Directors (Board), which shall consist of 12-15 members from the citizens of the counties served by the HHH. Board members serve strictly on a voluntary basis. The HHH employs an Executive Director, who manages the business and affairs of the HHH and is hired and directed by the Board.

### **Sources and Uses of Funds**

HHH revenues consist primarily of donations from private individuals; however, the HHH also receives grant funds from state and federal sources. During the review period, the HHH received \$415,088 from the Emergency Solutions Grant Program (Program) authorized by Subtitle B of Title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371 – 11378). The stated purpose of these funds is for the rehabilitation or conversion of buildings for use as emergency shelter for the homeless, for the payment of certain expenses related to operating emergency shelters, for essential services related to emergency shelters and street outreach for the homeless, and for homelessness prevention and rapid re-housing assistance.

## **RESULTS OF REVIEW**

ALA's review of HHH expenditures indicated noncompliance with Program requirements and HHH bylaws, as discussed by topic below.

### **Conflicts of Interest**

According to 24 CFR 576.404(b)(1), no person in a position to participate in a decision-making process or gain inside information with regard to activities assisted under the Program may obtain a financial interest or benefit from an assisted activity during his or her tenure or *during the one-year period after his or her tenure*.

During review of Board meeting minutes, ALA staff identified \$10,110 (14 payments) in housing assistance for approved clients paid to a former Board member in April and May 2021. These payments were made within the one-year period following the Board member's tenure, which is prohibited by Program requirements pertaining to conflicts of interest. These funds were rejected for reimbursement to the HHH by Program DHS administrators and were left to be paid using other locally donated funds of the HHH. The HHH's Board discussed seeking reimbursement from the former Board member; however, no action was taken due to multiple then-current Board members also receiving some form of assistance from HHH funds in prior years.

Besides the issues discussed above, no further conflict of interest issues were noted for the review period.

### **Board Composition**

HHH bylaws state the Board should be composed of 12-15 members. For the majority of the review period, the Board did not follow its by-laws, with only 8 members on November 30, 2023. As of report date, the Board had only 6 members.

## Payroll Issues

While payroll costs were not paid directly from Program funds, these costs were used for matching of Program funds for reimbursement purposes. Employee pay rates were not documented in Board meeting minutes; however, ALA staff were able to trace pay rates to budgeted salary levels satisfactorily. No impropriety or other overpayments were noted with these payments.

## Program Reimbursements and Disbursements

A summary of the HHH's expenses reimbursed through the Program during the review period is provided in **Exhibit I**.

### Exhibit I

Harrison House of Hope (HHH)  
Emergency Solutions Grant Program  
Summary of Expenses  
For the Period July 1, 2021 - November 30, 2023

Expense Area	Amount
Rent assistance	\$ 292,031
Day Center operations	81,546
Client basic needs	22,145
Temporary hotel assistance	15,576
Street outreach cell phones	2,446
Home inspections	1,200
Background checks	144
<b>Total</b>	<b>\$ 415,088</b>

*Source: Financial records of HHH (unaudited by Arkansas Legislative Audit)*

ALA staff reviewed two months of Program reimbursement request submissions, selected client assistance files, and selected disbursements reimbursed from Program funds for propriety, sufficient documentation, and compliance with Program requirements. No exceptions were noted.

## RECOMMENDATIONS

ALA staff recommend the HHH:

- Comply with Program requirements pertaining to conflicts of interest.
- Adhere with bylaws regarding the number of Board members.
- Document approved employee pay rates in the Board meeting minutes.

This report has been provided to the 14th Judicial District Prosecuting Attorney.

## MANAGEMENT RESPONSE

Management response is provided in its entirety in **Appendix A**.

## Appendix A

### Management Response



March 28, 2024

Arkansas Legislative Audit  
Attn: Kim Williams  
500 Woodlane Street Suite 172  
Little Rock, Arkansas 72201

Re: Review of Selected Financial Records and Transactions for Harrison House of Hope

Kim,

In reply to the Special Report of Harrison House of Hope financial records and transactions, I would like to provide the following comments:

- 1) I have served as the Executive Director since June 1, 2021. The results of the review addressing Conflicts of Interest are focused on a period prior to my leadership as Executive Director. On my arrival, we implemented a Conflict-of-Interest policy, and ALL board and staff are required to sign the Conflict-of-Interest statement and is now reviewed and signed annually.
- 2) The director at the time of the fourteen payments totaling \$10,110 was not aware of the "cooling off" period when a previous board member had to be off our Board before developing a vendor relationship. Our DHS analyst identified this to the previous director and no payments were remitted to Harrison House of Hope for reimbursement.
- 3) The by-laws of Harrison House of Hope have been modified to reflect a maximum of fifteen (15) board members with a minimum of six (6) board members. We currently have six members.
- 4) While the budget adopted by our board did not specifically address the dollar value of each employee it did address the percentage of raises approved by the board. However, in an electronic ballot unanimously approved by the board on March 28, 2024, the employee dollar values have been entered into our minutes.

Thank you for the opportunity to reply to a response to the specific findings and recommendations.

William D. Tollett, PhD  
Executive Director

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