



# Red Bank Housing Authority Red Bank, NJ

## Public Housing Operating and Capital Fund Programs



**To:** Theresa Arce, Director, Office of Public Housing, Newark Field Office, 2FPH

**//SIGNED//**

**From:** Kimberly S. Dahl, Regional Inspector General for Audit, 2AGA

**Subject:** The Red Bank Housing Authority, Red Bank, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Red Bank Housing Authority's administration of its operating and capital funds.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 212-264-4174.



**Audit Report Number: 2018-NY-1005**

**Date: September 26, 2018**

**The Red Bank Housing Authority, Red Bank, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements**

## Highlights

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### What We Audited and Why

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We audited the Red Bank Housing Authority based on the results of our audit of Asbury Park Housing Authority because both public housing agencies had agreements with the Long Branch Housing Authority to provide services. The objective of this audit was to determine whether the Authority administered its Public Housing Operating and Capital Fund programs in accordance with U.S. Department of Housing and Urban Development (HUD), Federal, and Authority requirements.

### What We Found

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The Authority did not always administer its operating and capital funds in accordance with HUD, Federal, and Authority requirements. Specifically, the Authority did not (1) adequately support payments made to the Long Branch Housing Authority for technical, administrative, and maintenance services; (2) follow applicable requirements when purchasing goods and services; (3) adequately support allocations of contract costs among programs; and (4) ensure that disbursements were properly reviewed and approved before making payments. These conditions occurred because the Authority did not maintain detailed documentation and did not have adequate controls to ensure that Long Branch staff understood and followed applicable HUD, Federal, and Authority requirements. As a result, HUD did not have assurance that more than \$622,000 paid for goods and services was for eligible, reasonable, necessary, allocable, and properly approved costs.

### What We Recommend

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We recommend that HUD require the Authority to (1) provide documentation to show that more than \$252,000 paid under an interagency agreement was for eligible, reasonable, necessary, and allocable costs; (2) update its policies and procedures to ensure that any additional payments made under interagency agreements are adequately supported before payment is made and that services are provided in accordance with applicable requirements; (3) provide documentation to support that more than \$334,138 paid for goods and services was reasonable and properly allocated; and (4) provide documentation to show that \$36,508 disbursed was for authorized and approved costs. Further, we recommend that HUD provide technical assistance to the Authority to help ensure that future interagency agreements clearly outline the expectations and documentation required, its board provides adequate oversight and the Authority complies with HUD, Federal and Authority's procurement requirements when purchasing goods and services.

# Table of Contents

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<b>Background and Objective.....</b>	<b>3</b>
<b>Results of Audit .....</b>	<b>4</b>
<b>Finding: The Authority Did Not Always Administer Its Operating and Capital     Funds in Accordance With Requirements.....</b>	<b>4</b>
<b>Scope and Methodology.....</b>	<b>9</b>
<b>Internal Controls.....</b>	<b>11</b>
<b>Appendixes.....</b>	<b>12</b>
<b>A. Schedule of Questioned Costs .....</b>	<b>12</b>
<b>B. Auditee Comments and OIG’s Evaluation.....</b>	<b>13</b>

# Background and Objective

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The U.S. Department of Housing and Urban Development's (HUD) public housing program was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Operating funds and capital funds are two major components of HUD's public housing program. Operating funds provide annual operating subsidies to public housing agencies to assist in funding the operating and maintenance expenses of low-income housing units. Capital funds provide annual formula grants to public housing agencies for the development, financing, and modernization of public housing developments and management improvements.

The Red Bank Housing Authority was established in September 1957 to build and manage public housing developments for residents of Red Bank, NJ. The Authority is under the jurisdiction of HUD's Newark Office of Public and Indian Housing and is governed by a seven-member board of commissioners appointed by the mayor, city council, and New Jersey Department of Community Affairs as delegated by the governor. The Authority owns and manages 90 low-income public housing units and received more than \$1.2 million in operating funds and capital funds from fiscal years 2015 through 2017.

The Authority's main administrative functions are provided by the management of the Long Branch Housing Authority under an interagency agreement, which is renewed semiannually by the Authority's board at a rate of \$40,000. The services provided by Long Branch include administrative, technical, and general maintenance services.

Our objective was to determine whether the Authority administered its operating and capital funds in accordance with HUD, Federal, and Authority requirements.

# Results of Audit

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## **Finding: The Authority Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements**

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The Authority did not always administer its operating and capital funds in accordance with HUD, Federal, and Authority requirements. Specifically, the Authority did not (1) adequately support payments made to the Long Branch Housing Authority for technical, administrative, and maintenance services; (2) follow applicable requirements when purchasing goods and services; (3) adequately support allocations of contract costs among programs; and (4) ensure that disbursements were properly reviewed and approved before making payments. These conditions occurred because the Authority did not maintain detailed documentation and did not have adequate controls to ensure that Long Branch staff understood and followed applicable HUD, Federal, and Authority requirements. As a result, HUD did not have assurance that more than \$622,000 paid for goods and services was for eligible, reasonable, necessary, allocable, and properly approved costs.

### **Payments to the Long Branch Housing Authority Were Not Adequately Supported**

The Authority did not maintain sufficient records to support \$252,000 paid to Long Branch under interagency agreements. The Authority entered into the agreements with Long Branch for technical, administrative, and maintenance services at a cost of \$40,000 for each 6-month period plus additional costs for snow removal, grounds keeping, nightly maintenance calls, pest control, hot water tank replacement, and bookkeeping fees. The agreement required both the Authority and Long Branch to maintain comprehensive records related to the agreement. It also required Long Branch to dedicate at least 40 staff hours each week to the Authority. However, the invoices and other documentation were not comprehensive as required by the agreement. For example, while it was clear that Long Branch provided some level of services under the agreement, the Authority could not provide documentation, such as timesheets, to show that Long Branch staff met the 40-hour minimum outlined in the agreement. Further, while the Authority stated that the snow removal work was performed by an affiliate agency of Long Branch, it could not provide documentation to show that the rate charged was reasonable because there were no documents to show how the snow removal service fee was determined or whether a cost comparison was performed. As discussed in the sections below, the Authority also could not show that services provided were always performed in accordance with applicable Federal, HUD, and Authority procurement requirements.

These issues occurred because Long Branch considered itself to be a fixed-fee consultant and did not believe that it needed to maintain additional documentation. Further, the Authority did not have adequate controls. For example, the Authority did not ensure that the agreement laid out what comprehensive records would be maintained or included with submitted payment requests or how Long Branch should document that it met the minimum hours. It also did not have

procedures to ensure that adequate support was provided or that services were performed properly before allowing Long Branch staff to process the payments to Long Branch. As a result, HUD did not have assurance that more than \$252,000 paid to Long Branch was for eligible, reasonable, necessary, and allocable costs for services performed in accordance with applicable requirements.

### **Goods and Services Were Not Properly Procured**

The Authority did not always follow applicable HUD, Federal, and Authority requirements when purchasing more than \$334,000 in goods and services with operating and capital funds. Specifically, for three professional services contracts, it did not advertise sufficiently and did not prepare independent cost estimates and cost analyses. Further, it did not obtain price or rate quotations from an adequate number of qualified sources before making purchases that fell under its micropurchase and small purchase requirements.

#### Cost Estimates and Cost Analyses Were Not Prepared

The Authority did not prepare independent cost estimates before receiving proposals and cost or price analyses when awarding three contracts with disbursements totaling \$161,600 for general legal, fee accounting, and auditing services. Regulations at 24 CFR 85.36(f) and 2 CFR 200.323(a), and sections 3.2 and 10.3 of HUD Handbook 7460.8, REV-2, required the Authority to perform independent cost estimates and a cost or price analysis to determine whether the price was reasonable. The Handbook specifically required a cost analysis in cases in which only one offer was received. The Authority's procurement policy also required it to prepare cost estimates and cost analyses. However, there was no documentation in the Authority's procurement files related to establishing price reasonableness even though the Authority had received only one proposal for each contract.

#### Advertisements Were Not Sufficient

The Authority did not advertise sufficiently when procuring legal, fee accounting, and auditing services. HUD Handbook 7460.8, REV-2, required that the solicitation be run for a period sufficient to achieve effective competition, which in the case of paid advertisements, means that the solicitation should generally be run not less than once each week for 2 consecutive weeks. The Authority's policy also required it to run the paid advertisement once each week for 2 consecutive weeks. However, the Authority published advertisements for 1 day, even though it had received only one proposal for each contract from the same vendors with which it had previously contracted for the services.

#### Price or Rate Quotations Were Not Obtained

The Authority did not obtain price or rate quotations from an adequate number of qualified sources when it paid approximately \$172,538 to 14 vendors for purchases that fell under the micropurchase and small purchase thresholds. Regulations at 2 CFR 200.320(a) and (b) required the Authority to document that micropurchase prices paid were reasonable and obtain price or rate quotations from an adequate number of sources for small purchases. However, the Authority could not show that it had documented the

reasonableness of the prices paid. For example, it paid approximately \$25,336 to a vendor for computer software support services without obtaining a price or rate quotation. According to Authority officials, they had been using the same vendor since at least 2001. While the Authority stated that it kept using the same vendor because it would not be cost effective and feasible to change the agency's entire software system, it did not provide documentation, such as an independent cost estimate or quotes and comparisons showing how it reached this conclusion or written justification for not switching the vendors. During the same time-frame, the Authority did not ensure that 13 additional purchases below its micropurchase and small purchase thresholds were supported by price quotes before disbursing \$147,202 to the vendors. For example, the Authority paid \$19,289 and \$15,795 to two vendors for various hardware and maintenance supplies but did not obtain quotes for these purchases.

These deficiencies occurred because the Long Branch staff performing work on the Authority's behalf did not fully understand applicable procurement requirements and the Authority did not have adequate controls to ensure that it complied with HUD, Federal, and Authority procurement requirements. As a result, HUD did not have assurance that \$334,138 in operating and capital funds disbursed for goods and services was reasonable and that the procurement transactions were conducted in a manner providing full and open competition.

#### **Allocation of Contract Costs Was Not Always Supported**

The Authority did not always adequately support the allocation of contract costs among its programs. Federal cost principle requirements at 2 CFR Part 225, appendix A, paragraph C(3) and 2 CFR 200.405 required costs to be properly allocated among funding sources. The Authority's accounting records showed that \$161,600 paid for the professional services contracts discussed above came from the Authority's operating and capital funds. However, it appeared that the professional services contracts were intended to be funded from the Authority's public housing program and Housing Choice Voucher Program. The Authority did not provide documentation to show that the payments made matched the planned funding sources. This condition occurred because the Authority did not have adequate controls to ensure that Long Branch staff complied with Federal cost principle requirements. As a result, HUD did not have assurance that \$161,600 paid for professional services was allocable to the Authority's operating and capital funds.

#### **Disbursements Were Not Always Properly Reviewed and Approved**

The Authority did not always ensure that disbursements were properly reviewed and approved. Its internal controls policy required proper review and approval of documents, such as invoices, expense reports, receipts, and other supporting documentation before payments were made to vendors. However, the payment vouchers for \$622,646 of the \$637,415 in disbursements reviewed did not show that the Authority had proper approvals and authorizations before making payments. This condition occurred because the Authority did not have adequate controls to ensure that vouchers were properly approved and authorized. As a result, HUD did not have assurance that \$622,646 paid for goods and services was for approved costs.



## Conclusion

The Authority did not always administer its operating and capital funds in accordance with HUD requirements. These conditions occurred because the Authority did not maintain detailed documentation and did not have adequate controls to ensure that Long Branch staff understood and followed applicable HUD, Federal, and Authority requirements. As a result, HUD did not have assurance that more than \$622,000 paid for goods and services was for eligible, reasonable, necessary, allocable, and properly approved costs. If the Authority updates its policies and procedures and receives technical assistance from HUD, it will help ensure that additional payments made under interagency agreements are adequately supported, services under such agreements are provided in accordance with applicable requirements, and goods and services are procured properly for prices that are reasonable.

## Recommendations

We recommend that the Director of HUD's Newark Office of Public Housing require the Authority to

- 1A. Provide documentation to show that the \$252,000 paid to the Long Branch Housing Authority was for eligible, reasonable, necessary, and allocable costs or reimburse its Operating and Capital Fund programs from non-Federal funds for any amount that it cannot support or that is not considered reasonable.
- 1B. Update its policies and procedures to ensure that any additional payments made under interagency agreements are adequately supported before payment is made and that the services are provided in accordance with applicable requirements. These requirements include but are not limited to HUD, Federal, and Authority requirements related to procurement, allocation of costs, and review and approval of payments.
- 1C. Provide documentation to show that the \$161,600 paid for legal, fee accounting, and auditing services was for prices that were reasonable and that the costs were properly allocated among the Authority's programs or reimburse its Operating and Capital Fund programs from non-Federal funds for any amount that it cannot support or is not considered reasonable.
- 1D. Provide documentation to show that \$172,538 paid for goods and services was reasonable or reimburse its Operating and Capital Fund programs from non-Federal funds for any amount that it cannot support or that is not considered reasonable.
- 1E. Provide documentation to show that \$36,508 disbursed<sup>1</sup> was for authorized and approved costs or reimburse its Operating and Capital Fund programs from non-Federal funds for any amount that it cannot support.

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<sup>1</sup> To avoid double counting, we reduced the unsupported costs for recommendation 1E by the amounts discussed in 1A, 1C, and 1D. The \$36,508 is the full \$622,646 disbursed that was not supported by proper approvals less the amounts cited in 1A (\$252,000), 1C (\$161,600), and 1D (\$172,538).

We recommend that the Director of HUD's Newark Office of Public Housing

- 1F. Provide technical assistance to the Authority to help ensure that 1) future interagency agreements, including the renewal of its agreement with Long Branch clearly outline the expectations and documentation required to show that work was performed, (2) its board provides adequate oversight of work performed under interagency agreements, and 3) it complies with HUD, Federal, and Authority procurement requirements when purchasing goods and services.

# Scope and Methodology

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We conducted the audit from February through July 2018 at the Authority's office located at 52 Evergreen Terrace, Red Bank, NJ, and our office located in Newark, NJ. The audit covered the period January 2015 through December 2017, and we expanded it to include documents related to the Authority's ongoing use of Long Branch for services, including the most recent interagency agreement dated January 2018.

To accomplish our audit objective, we interviewed applicable HUD and Authority officials. We also reviewed the following:

- Relevant background information.
- Applicable laws, regulations, and HUD guidance.
- Authority policies and procedures, annual contributions contract, 5-year plans, and annual action plans.
- Audited financial statements and other financial reports provided by the Authority.
- Contracts, agreements, and related procurement files.
- Check registers, invoices, receipts, voucher disbursements, and other records related to the Authority's operating and capital funds.

According to the Authority's accounting data, it disbursed approximately \$1.65 million in operating and capital funds during our review period. We summarized data by vendor, the amount paid, and the nature of the expenses. After excluding payments for utilities, taxes, and insurance, we selected a nonstatistical sample of disbursements to review the Authority's use of operating and capital funds. The sample included the 18 payees that received the most funds during our audit period. We also selected the four highest reimbursements made to current and former employees and two payments (100 percent) related to the Rental Assistance Demonstration. In total, we selected 24 payees that received \$637,415, representing more than 39 percent of the \$1.65 million disbursed. We reviewed the procurement and disbursement files and other supporting documentation provided by the Authority for each of the payees selected. Although this approach did not allow us to make a projection to the full \$1.65 million disbursed during our period, it allowed us to review more than 39 percent of the total disbursements and was sufficient to accomplish our audit objective.

In addition to the above samples, we reviewed 100 percent of the Authority's Capital Fund obligations for 2015 and 2016 grants<sup>2</sup> and its calculations for Operating Fund subsidies for 2015 through 2017.

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<sup>2</sup> The 2015 and 2016 Capital Fund grants were obligated during our audit period. While the 2017 funds had been appropriated, the Authority had not passed the obligation deadline.

To achieve our objective, we relied in part on computer-processed data from HUD's Financial Assessment Submission – Public Housing System, Public and Indian Housing Information Center system, and Line of Credit Control System and data from the Authority, such as its check register. We used the data as background information and to select disbursements and contracts for review. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequate for our purposes. The testing included comparing information from these systems for the sampled items to the Authority's records. We based our conclusions on source documentation obtained from HUD and the Authority.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective.

# Internal Controls

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objective:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that the use of funds is consistent with laws and regulations.
- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Safeguarding resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## **Significant Deficiency**

Based on our review, we believe that the following item is a significant deficiency:

- The Authority did not have adequate controls to ensure that it followed applicable HUD, Federal, and Authority requirements.

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs**

<b>Recommendation number</b>	<b>Unsupported 1/</b>
1A	\$252,000
1C	161,600
1D	172,538
1E	36,508
<b>Total</b>	<b>622,646</b>

- 1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

# Appendix B


## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Gloria Wright  
*Interim Executive Director*

Reginald Banks  
*Chairperson*



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September 10, 2018

Ms. Kimberly S. Dahl  
Regional Inspector General for Audit  
Jacob K. Javits Federal Building  
26 Federal Plaza, Room 3430  
New York, NY 10278

Dear Ms. Dahl:

The Housing Authority of the City of Red Bank (RBHA) submits the following comments to the issues enumerated below on the most recent audit.

**Finding:** **The Authority did not always administer its Operating and Capital Funds in Accordance with Requirements.**

**A. Payments to the Long Branch Housing Authority were not adequately supported**

**Comment by RBHA:**

The Red Bank Housing Authority (RBHA) retained the Long Branch Housing Authority (LBHA) as a consultant, pursuant to an Inter-Local Agency Agreement ("Agreement"). Under the Agreement, the RBHA was charged a flat monthly fee for a bundle of centralized services, including, but not limited to, administrative, professional, asset management, construction and general maintenance. The LBHA employees performed all services necessary to achieve the goals of the RBHA, often working longer and more hours than required under the Agreements, at a cost-saving to the RBHA. Employees have agreed to provide Certifications that they worked the requisite number of hours per each of the Agreements. In addition, the Agreements allowed for additional charges for fee-for-services. These specific services included snow removal and on-call services after hours.

The RBHA believes that the costs of \$252,000 were eligible, reasonable, necessary and allocable. (1) The costs were necessary and reasonable in order for the RBHA to execute its functions. The services were within the ordinary course of the performance of the duties of public housing authorities (PHAs). (2) The costs and the attendant services were for the support

Comment 1

Comment 2

Ref to OIG  
Evaluation

Auditee Comments

Gloria Wright  
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of a local PHA, within the scope of activities required by HUD and consistent with the functions of a PHA. (3) The costs were authorized by the policies and procedures of the RBHA, its Agency Plan and the LBHA, as specified in its Agency Plan (and approved by HUD), consistent with federal, state and local laws, regulations and procedures. (4) The funds for payment were allocated by HUD pursuant to federal grant awards, through the grant of Capital Funds, subsidy calculations and Housing Choice Voucher funding. (5) In addition to approval by HUD, the State of New Jersey allows public agencies to share services, pursuant to the *Uniform Shared Services Act*. (6) Expenditures and record keeping conformed to GAAP, as demonstrated annually by the opinions of independent auditors, and other policies and procedures of the PHAs. The centralized services, essential for the continued operation of the agency, included support of the PH and HCV programs, financial and accounting services, information technology, etc.

Comment 3

In addition to centralized services, RBHA was charged a flat rate for snow removal and on-call/overnight services. These services are not billable man-hours, but rather charged per month (on-call) or seasonal (snow). Snow removal records are kept for insurance/liability purposes. On-Call services averaged 15 calls per month, which were performed by LBHA employees who were not on-site managers.

Additional services provided under inter-local service agreements included reporting and submissions to HUD, monthly board packages, payroll/bank processing, grant management, banking/cash management, account postings, snow removal reports, on-call report, and maintenance reports. Although there are timesheets were not provided, these services usually exceed the 40 staff hours each week. To comply with the agreement requirements, LBHA employees will provide Certifications that they worked at least the number of hours as required under the inter-local service agreements.

- B. Goods and services were not properly procured
- C. Allocation of contract costs was not always supported
- D. Disbursements were not always properly reviewed and approved

Comment 4

**Comments by RBHA:**

RBHA will update its policies and procedures to ensure compliance with Federal procurement rules. RBHA and LBHA will further provide cost analysis and documentation to support that the payments for goods and services were reasonable and properly allocated.

RBHA will settle the inter-fund liabilities between Public Housing Program and Housing Choice Voucher Program to properly record the contract cost allocation.



**Ref to OIG  
Evaluation**

**Auditee Comments**

Comment 5

Comment 6

Gloria Wright  
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The RBHA and the LBHA both have approved internal procedures for the review, authorization and the writing of checks or the paying of bills. Checks are not prepared for signature without written and signed approval. Only authorized managers or executives can approve payments, and dual signatures are required for check signing. All check requests

require copies of supporting documentation, such as an invoice, expense report, receipt, etc. Supporting documentation, such as an invoice, is stamped "Paid" once the check has been issued to avoid duplicate payments. All disbursements are presented in the List of Bills resolution for the review and approval of the Board of Commissioners of RBHA.

**E. Reimbursement to a former employee was not calculated correctly**

**Comment by RBHA:** RBHA believes that the calculations were correct. It has obtained supporting documents from the former employee for the actual costs of the Medicare Part B premiums. The documents show that the reimbursement was accurate and there is no overpayment to the former employee. The supporting documents were submitted to IG office for further review.

Sincerely,



Gloria Jackson Wright  
Interim Executive Director

## OIG Evaluation of Auditee Comments

- Comment 1 The Authority maintained that it retained Long Branch as a consultant and that it was charged a flat monthly fee. The Authority also noted that Long Branch employees performed all services necessary to achieve goals of the Red Bank Housing Authority, often working longer and more hours than required under the agreement, and indicated that employees will provide certifications to show that they worked the number of hours per the agreements. The Authority's planned action is partially responsive to recommendation 1A. Further, the Authority needs to ensure that future interagency agreements clearly outline the expectations and documentation required to show that work was performed.
- Comment 2 The Authority stated that it believes the \$252,000 paid was for eligible, reasonable, necessary, and allocable costs for several reasons including that (1) the costs were necessary for the Authority's operations, (2) the services provided were consistent with the functions of a public housing agency, and (3) the costs were authorized under its policies and procedures, and the Agency Plan that was approved by HUD. We agree that the services provided appeared to be within the normal duties of a public housing agency and that using funds for such services is allowable under the plan. However, the Authority did not maintain comprehensive documentation as required by the agreement and it could not show that Long Branch had met the minimum number of hours. Further, it did not provide documentation to show that the rate charged for snow removal was reasonable. Without such documentation, HUD does not have assurance that the amount paid was for eligible, reasonable, necessary, and allocable costs. As part of the normal audit resolution process, the Authority will need to provide documentation to further support the amount paid or reimburse its programs for any amount that it cannot support or that is not considered reasonable.
- Comment 3 The Authority stated that it was charged a flat rate for snow removal and for on-call and overnight services. It further noted that the services are charged per month or per season, that snow removal records were kept for insurance and liability purposes, and on call services averaged 15 calls per month. We agree that the Authority provided some records showing the services it received, such as the on call services. However, as discussed in the finding, the Authority could not provide documentation to show that the rate charged for snow removal was reasonable because there were no documents to show how the per season fee was determined or whether a cost comparison was performed. It also could not provide documentation showing how the rate for on call and overnight services was determined. As part of the normal audit resolution process, the Authority will need to provide documentation to show that the amount paid for these services was reasonable.

- Comment 4 The Authority stated that it planned to (1) update its policies and procedures to ensure compliance with procurement requirements, (2) provide documentation to show that the payments for goods and services were reasonable and properly allocated, and (3) settle the inter-fund liabilities between its programs. The Authority's planned actions are generally responsive to recommendations 1B, 1C, and 1D. If the Authority cannot provide adequate documentation related to the payments for goods and services during the audit resolution process, it should reimburse its Operating and Capital Fund programs from non-Federal funds for the amount that it cannot support or is not considered reasonable.
- Comment 5 The Authority maintained that both it and Long Branch had internal procedures related to the review and approval of disbursements. However, the payment vouchers for \$622,646 of the \$637,415 in disbursements reviewed did not show compliance with their internal controls policy. As part of normal audit resolution process, the Authority will need to provide documentation to show that payments were for authorized and approved costs or reimburse any amount that it cannot support.
- Comment 6 The Authority stated that it had obtained additional documentation from the former employee related to the Medicare Part B premiums and that it shows there was no overpayment. Based on the additional documentation provided after the exit conference, we agree that the calculations were correct and there was no overpayment. As a result, we have removed the portion of the finding related to this issue from the final report.