



Issue Date August 17, 2007

Audit Report Number 2007-NY-1011

TO: Edward T. De Paula, Director, Office of Public Housing, 2FPH

FROM: *Edgar Moore*
Edgar Moore, Regional Inspector General for Audit, 2AGA

SUBJECT: The Hoboken Housing Authority, Hoboken, New Jersey, Requires Improved Controls Over Its Capital Fund Program and Cash Disbursement Process

HIGHLIGHTS

What We Audited and Why

Based on an Office of Inspector General (OIG) risk analysis, we audited the Hoboken Housing Authority's (Authority) Public Housing Capital Fund (capital fund) program and its disbursement process. The audit objectives were to determine whether (1) the Authority administrated its capital grant program in accordance with applicable U.S. Department of Housing and Urban Development (HUD) laws and regulations and (2) payments to the City of Hoboken (City) for police services were reasonable and supported.

What We Found

The Authority did not adequately administer its capital grant program. It used \$818,534 of its fiscal years 2000 through 2003 capital grant funds to pay administrative and management improvement costs in excess of the limitations imposed by HUD. The Authority transferred a total of \$637,039 from its fiscal years 2003-01, 2004, and 2005 capital grants to pay operating expenses for its low-rent public housing program. These deficiencies occurred because the Authority did not have sufficient funds in the low-rent public housing program to pay the operating expenses.

Further, the Authority made total payments of \$333,244 to the City for police services without obtaining or maintaining adequate and complete documentation to

support the payments. This problem occurred because the Authority neither obtained nor reviewed the supporting documents, such as invoices and police activity and payroll reports, before it made monthly payments to the City for police services.

What We Recommend

We recommend that the director of the New Jersey Office of Public Housing instruct the Authority to (1) reimburse the capital fund program \$818,536 , (2) reduce the Authority's future capital grants by \$632,039, (3) transfer \$5,000 from the low-rent public housing program to the capital fund program, (4) establish and implement internal control policies and procedures that will prevent funds allocated to site and unit improvements from being used to pay the Authority's operating expenses, (5) provide HUD with adequate and complete documents to support the total payments of \$333,244 made to the City for police services and have the City reimburse the Authority or provide the Authority with comparable future services for any payments determined to be unsupported, (6) establish and implement adequate internal control procedures to ensure that the terms of municipal contracts applicable to HUD funds are carried out in compliance with HUD's requirements and federal regulations, and (7) establish and implement internal control procedures to ensure the accuracy of financial information entered into HUD systems such as the Line of Credit Control System and Financial Assessment Submission-Public Housing Authority system.

Auditee's Response

We discussed the results of our review with Authority officials during the audit and at an exit conference held on July 30, 2007. We provided Authority officials with a copy of our draft report on June 29, 2007, and they provided their written comments to us on July 31, 2007. The auditee generally agreed with the findings and disagreed with the required corrective actions. The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVES

The Hoboken Housing Authority's (Authority) board of commissioners is comprised of seven members; one member is appointed by the mayor, five members are appointed by the city council, and one member is appointed by the New Jersey Department of Community Affairs as delegated by the governor. The interim executive director of the Authority is Mr. Robert DiVincent.

The Authority was under a Memorandum of Agreement (MOA) with HUD since June 2004 because the Authority was designated in fiscal year 2004 as a troubled PHA based on a low PHAS-financial indicator score. In April 2007, the MOA was terminated because the Authority received a passing score for the Authority's PHAS-financial indicator.

The Authority owns approximately 1,364 low-income housing units and administers 326 units under the Section 8 Housing Choice Voucher program. The Authority received more than \$6.4 and \$7.7 million in operating subsidies for fiscal years ending September 30, 2004, and 2005, respectively. It also received more than \$2.4 and \$2.2 million for its Public Housing Capital Fund (capital fund) program in fiscal years 2004 and 2005.

Based on our preliminary evaluation of reports obtained from different U.S. Department of Housing and Urban Development (HUD) systems such as its Line of Credit Control, Public Housing Assessment, and Financial Assessment Submission-Public Housing Authority Systems, we assessed the Authority's capital fund program and the cash disbursements process to be high-risk areas. Based on our risk analysis, we decided to review the Authority's capital fund program and cash disbursements process.

The objectives of our audit were to determine whether (1) the Authority administrated its capital grant program in accordance with applicable HUD laws and regulations and (2) payments to the City of Hoboken for police services were reasonable and supported.

RESULTS OF AUDIT

Finding 1: Controls over the Authority's Capital Grant Program Were Inadequate

Contrary to federal regulations, the Authority did not adequately administer its capital grant program. Specifically, the Authority (1) used \$818,536 from its fiscal years 2000 through 2003 capital grant funds to pay for administrative and management improvement costs in excess of the 10 and 20 percent limitations imposed by HUD and (2) transferred a total of \$637,039 from its fiscal years 2003-01, 2004, and 2005 capital grants to pay operating expenses related to its low-rent public housing program. These deficiencies occurred because the Authority did not have sufficient funds in its low-rent public housing program to pay operating expenses. As a result, more than \$1.4 million in capital funds was used to pay operating expenses related to the low-rent public housing program instead of being used to improve the physical condition of the low-rent housing units.

Administrative and Management Costs Exceeded Limits Imposed by HUD

A review of fiscal years 2000 through 2003 capital grant detail reports revealed that the Authority charged its capital grant program \$741,992 for management improvements (line item 1408) and \$76,544 for administrative costs (line-item 1410) in excess of the 20 and 10 percent limitations imposed by HUD. Authority officials did not provide evidence to show that they had HUD's approval to exceed the limitations.

According to 24 CFR [*Code of Federal Regulations*] 968.112(n)(2)(ii), "...notwithstanding the full fungibility of work items, a PHA [public housing authority] shall not use more than a total of 10 percent of its annual grant on administrative costs in account 1410 [administrative costs] unless specifically approved by HUD." Further, according to 24 CFR 968.112(n)(2)(i), "...notwithstanding the full fungibility of work items, a PHA shall not use more than a total of 20 percent of its annual grant for management improvement costs in account 1408 [management improvements], unless specifically approved by HUD or the PHA has been designated as both an overall high performer and modernization-high performer under the PHMAP [Public Housing Management Assessment Program]."

Despite these regulations, Authority officials used \$818,536 of the Authority's fiscal years 2000 through 2003 capital grant funds to pay operating expenses of the low-rent public housing program instead of using these funds to improve the physical condition of the low-rent housing units. This problem occurred because

the Authority did not have sufficient funds in its low-rent public housing program to pay operating expenses related to the low-rent public housing program.

The Authority Made Ineligible Transfers from the Capital Fund to its Low-Rent Public Housing Program

The Authority transferred \$604,234, \$27,805, and \$5,000, respectively, from its fiscal years 2003-01, 2004, and 2005 capital grants to its low-rent public housing program. According to reports from HUD's Line of Credit Control System, the Authority used these funds to pay costs related to an architect (line-1430), site improvement (line-1450), dwelling structures (line-1465), non-dwelling structures (line-1470), and non-dwelling equipment (line-1475). However, the \$637,039 was actually used to pay the Authority's operating expenses related to its low-rent public housing program.

According to 24 CFR 968.112(O)(3), public housing operating assistance is an ineligible cost. Therefore, a total of \$637,039 in capital funds, which was used to pay public housing operating expenses instead of improving the physical condition of the Authority's low-rent housing units, is ineligible. The Authority did not have sufficient funds in the low-rent public housing program to pay the operating expenses and, therefore, used the capital funds.

Based on the above information, HUD's Office of Public Housing should reduce the Authority's next capital grant by \$632,039, which represents the total amount of funds transferred from fiscal years 2003-01 and 2004 capital grants to the low-rent public housing program. However, the \$5,000 transferred from the fiscal year 2005 capital grant to the low-rent public housing program should be transferred back to the capital fund program because the fiscal year 2005 capital grant obligation remains current, whereas the obligation deadlines for the fiscal years 2003-01 and 2004 capital grants have passed.

Conclusion

The Authority exceeded the percentage limits for administrative costs and management improvement costs and used \$818,536 to pay operating expenses. It transferred an additional \$637,039 in capital funds to its low-rent housing program to pay operating expenses. As a result, more than \$1.4 million in capital funds was used for ineligible purposes not related to the capital fund program and was not used to improve the physical condition of the projects. These deficiencies occurred because the Authority did not have adequate low-rent funds to pay its operating expenses and did not obtain HUD approval to exceed the limits on the use of capital funds for administrative costs and management improvements. The

Authority obtained HUD approval to exceed the limits for administrative costs and management improvements for fiscal years 2004 and 2005.

Recommendations

We recommend that the director of HUD's Office of Public Housing instruct the Authority to

- 1A. Reimburse the capital fund program \$818,536 related to the administrative and management improvement costs that exceeded HUD limitations.
- 1B. Transfer \$5,000 from the low-rent public housing program to the capital fund program for the fiscal year 2005 capital funds that were used to pay low-rent housing operating expenses.
- 1C. Reduce the Authority's future capital funds by \$632,039 related to the fiscal years 2003 and 2004 capital funds transferred to the low-rent public housing program.
- 1D. Establish and implement internal control policies and procedures that will prevent the Authority from using funds allocated to physical improvements from being used to pay the Authority's operating expenses.
- 1E. Establish and implement internal control procedures to ensure that financial information entered into HUD's computer systems is accurate.

Finding 2: Controls over Payments for Police Services Were Inadequate

Contrary to federal regulations and a contract between the Authority and the City of Hoboken (City), the Authority made payments totaling \$333,244 to the City for police services without obtaining or maintaining adequate and complete documentation to support the payments. This problem occurred because the Authority neither obtained nor reviewed the supporting documentation, such as invoices and police activity and payroll reports, before it made monthly payments of \$45,000 to the City for police services. Therefore, there is no assurance that the \$333,244 is supported or reasonable.

The Authority Made Unsupported Payments to the City for Police Services

Since May 2004, the Authority has made a monthly payment of \$45,000 to the City for police services without obtaining supporting documents such as invoices, activity reports, or work schedules.

According to section (2) of the contract between the Authority and the City for police services, “Payments of the above contract price shall be based on invoices and reports submitted by the police department in a timely fashion (which shall be constituted to mean the first of each month of the term of the contract).”

A review of the supporting documents, such as invoices, payrolls, and activity reports provided by the Hoboken police department in March 2007, revealed that although many payroll reports for the period October 1, 2005, through September 30, 2006, indicated that police officers were working at the housing sites during specified periods, the activity reports did not list the officers CCassigned during these periods. Also, some of the officers assigned were working at different locations during the time that they were supposed to be working at the housing sites. Therefore, total payments of \$333,244 were not supported with complete and accurate documentation.

According to the contract between the Authority and the City for police services, section (7B), “The City of Hoboken police department will insure that proper documentation is kept for their personnel records and maintain accountability to HUD requirements.”

Further, according to 24 CFR 85.20 (b)(6), “Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.” However, these documents were not provided as support. This problem occurred because the Authority did not obtain or review the supporting documentation,

such as invoices, working schedules, and activity reports, before it made monthly payments of \$45,000 to the City for police services.

Conclusion

A total of \$333,244 in payments to the City for police services was not supported. This problem occurred because the Authority did not have adequate controls and procedures to ensure that the terms of municipal contracts applicable to HUD funds were carried out in compliance with HUD's requirements and federal regulations.

Recommendations

We recommend that the director of the New Jersey Office of Public Housing instruct the Authority to

- 2A. Provide HUD with adequate and complete documentation to support the total payments of \$333,244 made to the City for police services so that HUD can make an eligibility determination. The City should be required to reimburse the Authority or provide the Authority with comparable future services for any payments determined to be unsupported.
- 2B. Establish and implement adequate internal control procedures to ensure that the terms of municipal contracts applicable to HUD funds are carried out in compliance with HUD's requirements and federal regulations.

SCOPE AND METHODOLOGY

Our audit was conducted at the Authority, located at 400 Harrison Street, Hoboken, New Jersey. To accomplish our objectives, we performed the following:

- Reviewed applicable laws, regulations, and other HUD program requirements.
- Reviewed the Authority's annual contributions contracts and the contract between the Authority and the City for police services.
- Interviewed HUD and Authority officials.
- Reviewed the Authority's general ledgers and supporting documents such as invoices and check advices for disbursements from the capital fund program.
- Traced all of the payments to the City for police services to the corresponding bank statements and copies of cancelled checks.
- Reviewed supporting documents such as police officers' activity and payroll summary reports for the payments to the City for police services.
- Reviewed reports from HUD systems, such as the Line of Credit Control System, Public Housing Assessment System, and Financial Assessment Submission-Public Housing Authority System.

The results of testing cannot be projected to the population or universe of City transactions because our sample selection was not representative of the entire population.

We conducted our fieldwork from December 2006 through April 2007 at the Authority's offices in Hoboken, New Jersey. Our audit covered the period October 1, 2003, through September 30, 2006. However, we extended the period as necessary to achieve our objectives.

We performed our audit in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved.

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its missions, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- 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 resource use is consistent with laws and regulations.
- Safeguarding resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.
- 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.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our audit, we believe the following items are significant weaknesses:

- The Authority's controls were not adequate to ensure that program objectives were achieved. The Authority used capital funds to pay for operating costs related to its low-rent public housing program instead of improving the quality and condition of its public housing developments (see finding 1).
- The Authority's controls were not adequate to ensure the reliability and validity of reports. Information entered into HUD's Line of Credit Control System indicated that funds were used to pay for various physical improvements when they were actually used to pay operating costs related to the low-rent public housing program (see finding 1). In addition, information listed on the Authority's financial reports related to costs for protective services was not supported with complete and accurate documentation (see finding 2).
- The Authority's controls did not ensure compliance with laws and regulations or safeguard resources. The Authority used and transferred funds from the capital fund program to pay operating expenses related to its low-rent public housing program and did not obtain or review supporting documents, such as invoices or police payroll or activity reports, before disbursing funds to the City for police services (see findings 1 and 2).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

<u>Recommendation number</u>	<u>Ineligible 1/</u>	<u>Unsupported 2/</u>
1A	\$ 818,536	
1B	5,000	
1C	632,039	
2A		<u>\$333,244</u>
Total	<u>\$1,455,575</u>	\$333,244

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.



2/ 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 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

	HOUSING AUTHORITY OF THE CITY OF HOBOKEN 400 HARRISON STREET, HOBOKEN, N. J. 07030 (201) 798-0370 FAX (201) 798-0164	
July 23, 2007		
Joseph F. Vizer, CPA Assistant Regional Inspector General for Audit 1085 Raymond Boulevard One Newark Center, 13 th Floor Newark, New Jersey 07102-5206		
Re: Responses To OIG Audit		
Dear Mr. Vizer:		
Finding # 1-		
I am writing in response to your Audit Report which was forwarded for comment to my office on June 29, 2007 by Edgar Moore of your office.		
In January of 2004 the West New York Housing Authority entered into an Interlocal Agreement with the Hoboken Housing Authority to act as its Executive Director for a short time until a new Director could be put in place.		
Initial review of the Authority's finances disclosed a sad state of affairs. We discovered an audited deficit in operations of approximately \$ 1.4 million at 9/30/2003; use of capital fund soft cost allocations before funds were approved for drawdown; utility companies about to shut off service; payroll and vendor checks bouncing; maintenance equipment and vehicles in nonworking condition due to lack of funding and maintenance staffing at levels in excess of funding provided by HUD. Sporadic meetings of the Board of Commissioners to approve bills and payments and poor supervision of staff resulted in large overpayments to security and computer software vendors far in excess of their original contracts. There were reported budgeted funding sources from drug elimination programs that had been eliminated years before.		

Comment 1

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AUDITEE COMMENTS AND OIG'S EVALUATION

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The operating subsidy available for the year ended September 30, 2004 was far from adequate to support the day to day operations. In order to try and right the operation immediate negotiations ensued with the utility companies for payment plans to curtail a shut off of service. Unfortunately layoffs of maintenance and administrative staff were unavoidable. Budget analysis to eliminate unavailable funding sources and regular budget to actual financial statements were compiled.

The services of an auditor were immediately procured. The auditor found that the Authority was in worse shape than was shown in the unaudited financial statements. The Authority's deficit in operations at 9/30/2003 was actually \$ 3.3 million, a negative swing of \$ 4.7 million from the previous year. This included an increase of \$ 2.5 million in amounts to vendors and contractors (principally utilities) over the previous year that needed to be dealt with in the current year besides the normal costs of operations. In addition the audit for the year ended 9/30/2003 presented 12 findings.

The HUD area office was made aware of our findings and a final report was issued, a copy of which was provided to your office.

Comment 1

The Authority's only financial source of continuing operations were draw downs from the Capital Fund Program. Discussions with HUD Area Office staff who understood the problem approved increased limits of Capital Fund Account #'s 1406, 1408 and 1410 for the years after 2003. It is our position that although formal approval was not obtained, the higher limits for 2004 and later years extended back to the other open capital fund years.

Comment 2

The CFP draw downs of \$ 637,039 were used to provide for eligible public housing costs. Although not specific to the accounts budgeted, the funds were needed to assist the Authority in continuing operations until the deficit could be overcome.

At September 30, 2006 the Authority's unrestricted net assets were \$ 1.3 million, a positive swing from when West New York assumed management of \$ 4.5 million and we remain current with all payments due to vendors and contractors. Findings have been reduced to 2, one relating to tenant files and one referring to PHAS submissions. The current year's budget anticipates adequate sources of funding to provide for the Authority's operations.

The Authority is remaining within the HUD approved limits for Capital Fund soft cost categories. Draw downs for other accounts are tied specifically to amounts due to vendors.

Comment 2

I do not dispute your finding but do find your recommendation of reimbursement of funds absurd. You would in affect be penalizing Hoboken Housing Authority and condemning West New York Housing Authority for its corrective and financially sound and necessary actions. Hoboken should not be penalized and West New York should receive a commendation for securing "safe decent and sanitary" housing for 1353 families in Hoboken while improving their quality of life and guaranteeing the long term viability of the Authority.

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AUDITEE COMMENTS AND OIG'S EVALUATION

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The financial turn around of the Authority in 3 years required a huge effort on the part of all involved parties, HUD Area Office representatives, Authority Commissioners and staff and the West New York Housing Authority. In the best interests of the financial health of the Authority we are requesting that the amounts identified in Finding # 1 in the OIG report be considered as allowable partial funding of the deficit built up prior to the involvement of existing management.

Finding # 2-

The Hoboken Housing Authority (the Authority) has always had a need for supplemental security services besides those provided by the Hoboken Police Department. This determination was made prior to West New York assuming the interim management. In 2002 the Authority had elected to solicit proposals for security services. A contract was let for \$ 1.2 million over a 2 year period. The demands for additional security resulted in the total contract payment over 1 year, more than a one million dollar overrun.

Due to the excessive cost of the security contract which furnished inadequate services and the need for the adequate security services the Authority elected to replace the private firm via an interlocal agreement with the Hoboken Police Department. The contract provided for services in excess of those covered through the cooperation agreement.

The results have been positively dramatic, including over 32 "one strike" evictions, reductions in drug trafficking and gang presence. The police presence has provided a positive change for the residents residing in the Authority's buildings, and for the entire City of Hoboken.

In light of the amounts expended in previous years it is the Authority's position that the use of the Hoboken Police Department for supplemental security services is cost effective and provides a more secure environment for residents. Although \$ 45,000 monthly is substantial, it is less than 25% of what was paid to the private security firm.

The documentation provided by the Hoboken Police Department after the fact may have not completely supported the payments made and I take responsibility for the lack of controls in that area. I was also there on nights and weekends patrolling with officers, who prior to their involvement with this contract could not be found.

I am a result oriented individual and results were all positive.

We were in the process of saving a troubled Authority and lacked trained staff to do the necessary monitoring, but we had cut the prior Administrative Security budget by 75% and were seeing the obvious improvements, therefore we had no reason to question our partners at the Hoboken Police Department.

It should be noted that, Hoboken Housing Authority has not paid a pilot to the City of Hoboken for over ten years.

Comment 3

Comment 4

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AUDITEE COMMENTS AND OIG'S EVALUATION

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Auditee Comments

Comment 3

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The Authority understands the OIG's concerns and has initiated reviews of the supporting documentation provided on the monthly invoices. Names of officers, days, hours worked and rate of pay are reviewed. The amounts to be paid to the City will be consistent with the monthly review.

Comment 3

Due to the positive effect the Hoboken Police Department has had on the residents, the reduction in drug trafficking, lesser gang influence and increased "one strike" evictions the Authority believes that the amounts paid in total to the Hoboken Police Department during the period covered by the audit are reasonable and we hereby request approval for these costs.

Comment 5

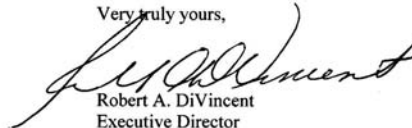
I appreciate constructive criticism and have taken immediate action to correct those deficiencies, but am of the opinion that no good can be done following the course of action outlined in your audit.

If the Captain of the Titanic was able to patch the holes with steaks from the galley, I'm sure that he would not have been made to reimburse the pantry taking resources from elsewhere on the next voyage, because the steaks weren't consumed.

Our ship has been righted; the passengers and crew are safe. We have set out on a new voyage and I can promise you that we won't be going anywhere near an iceberg anytime soon.

I appreciate the time and effort both you and Moustafa have put into this review and although our final opinion may differ you have been fair in your assessment of what occurred.

Very truly yours,



Robert A. DiVincent
Executive Director

RAD:bc
Enclosure

OIG Evaluation of Auditee Comments

- Comment 1** Authority officials agreed that HUD's approval to use capital grants funds for operating expenses in excess of limits imposed by HUD, prior to fiscal year 2004, was not formally obtained. Authority officials stated that a deficit of \$3.3 million was generated by the prior management and that the only financial source of funds was draw downs from the capital fund program; as such, this was the cause to exceed the limits imposed by HUD. Officials also stated that although formal approval was not obtained for exceeding the limits on capital funds in the earlier years, they believed that the subsequent approval by HUD to exceed the percentages for administrative and management improvement costs in the year 2004 extended back to earlier program years. However, since Authority officials did not obtain HUD's formal approval in fiscal years 2000 through 2003 for exceeding approved cost limitations, the \$818,536 in capital funds that was disbursed in excess of cost limitations is ineligible and should be reimbursed to the capital fund.
- Comment 2** Authority officials agreed with the finding that \$637,039 of capital fund draw downs were used to pay public housing costs and were not used for budgeted items on the Authority's fiscal year 2003 capital grant plan. However, the officials disagreed with our recommendation to reimburse this amount to HUD since they believed that this recommendation would penalize the Hoboken Housing Authority and its management for their corrective and necessary actions. Nevertheless, the Authority's disagreement does not change the fact that capital funds allocated to physical improvements such as dwelling and site improvements were used to cover the shortfalls in its operating funds; and since operating expenses are not eligible costs for the capital fund program, these amounts must be repaid.
- Comment 3** Authority officials agreed that documentation provided by the Hoboken Police Department for police services after the fact may not completely support the payments. Officials indicated that action is being taken to review the supporting documentation provided on the monthly invoices and that the amounts to be paid to the City will be consistent with the monthly review. Authority officials further believe that the amounts paid in total to the Hoboken police department were reasonable and thereby request approval for these costs. Since the supporting documents were not adequate, our recommendation remains unchanged, that Authority officials should provide HUD with supporting documentation regarding the unsupported costs and the City should reimburse the Authority or provide the Authority with comparable future services for the amounts determined to be unsupported.
- Comment 4** Authority officials noted that they had not paid PILOT (payments in lieu of taxes) to the City for over ten years. Our review of the financial records revealed that the Authority did accrue Pilot in a payable account, but did not pay the City for this

period. Although not in our scope, this issue needs to be resolved with the City to ensure that the City continues to provide the services required.

Comment 5 Authority officials appreciated the constructive criticism and have begun taking immediate action to correct the deficiencies. However, officials are of the opinion that no good can be done following the course of action outlined in the audit. Nevertheless, the results of implementing our recommendations will ensure that capital funds that are supposed to be used for physical improvements will be used for physical improvements, ineligible costs are repaid and that payments for police services are adequately documented and supported in accordance with the contract. Thus, the course of action of our report has been good for the Authority.