



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000
OFFICE OF PUBLIC AND INDIAN HOUSING

January 24, 2023

Brunswick Housing Authority
Board of Commissioners
C/O William Kitts, Chairperson
Brunswick Housing Authority

Dear Commissioners:

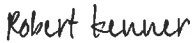
During the week of **November 14, 2022**, the Atlanta Field Office (FO) conducted a review of Brunswick Housing Authority's (BHA) programs. The review was continued remotely with the assistance of BHA staff. The FO thanks the staff for their assistance in this review.

Attached you will find the FO's complete report. The areas of improvement will be listed, along with a summary, citation and corrective action(s) BHA will need to take to mitigate the deficiencies.

Please provide our office with an acknowledgement of receipt of this report, and reach out to the FO to create a recovery plan within 30 days of the receipt of this letter.

If you have any questions regarding your report, please contact me, Robert L. Kenner, at Robert.L.Kenner@hud.gov or (678) 732-2463.

Sincerely,

DocuSigned by:

352241A5F394463
Robert L. Kenner
Director
Office of Public Housing

Enclosure

cc:
Cosby Johnson, Mayor
City of Brunswick
601 Gloucester Street
Brunswick GA, 31520
cjohnson@cityofbrunswick-ga.gov



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WASHINGTON, DC 20410-5000
OFFICE OF PUBLIC AND INDIAN HOUSING

Pamela Bailey, Vice Chairperson
Brunswick Housing Authority

Kamau Dickerson, Commissioner
Brunswick Housing Authority

Chester Dobson, Commissioner
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Brunswick Housing Authority

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Brunswick, GA 31521

JANUARY 23, 2023

BRUNSWICK HOUSING AUTHORITY PROGRAM REVIEW

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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Introduction

On November 2, 2022, HUD's Atlanta Office of Public and Indian Housing notified the Brunswick Housing Authority (BHA) that a team of HUD staff would conduct an assessment of BHA. The notification letter, dated November 1, 2022, explained that the purpose of the assessment was to "review the performance of Brunswick Housing Authority's programs, as well as compliance with HUD program requirements and regulations."

The assessment also included a SEMAP Confirmatory Review. Per the regulations at 24 CFR § 985.101(b): "Failure of an PHA to submit its SEMAP certification within 60 calendar days after the end of its fiscal year will result in an overall performance rating of troubled and the PHA will be subject to the requirements at § 985.107." The requirements at 24 CFR § 985.107 require HUD to conduct a review and provide a written report to the PHA containing HUD findings of program management deficiencies, the apparent reasons for the deficiencies, and recommendations for improvement. Brunswick Housing Authority uses a June 30th fiscal year end, and therefore its SEMAP certification was due on August 29, 2022.

The on-site component of the review was conducted during the week of November 14, 2022. The Field Office (FO) sent Jessica Shaw, Portfolio Management Specialist (PMS), Erica Alderman, PMS and Christina Miller, Division Director (DD) on site for the review, with Brandon Little, Engineer and Katie Del Valle, Financial Analyst (FA) participating remotely. The review proceeded remotely over the following weeks.

The on-site review involved both PMSes speaking with staff members and with William Baker, Interim Executive Director (ED), to attain records and clarification. The FO staff thanks BHA for their participation.

Between the SEMAP submission deadline of August 29, 2022, and the commencement of the review on November 14, 2022, BHA was designated Substandard Physical on October 24, 2022, by the Public Housing Assessment System (PHAS) due to the most recent Real Estate Assessment Center (REAC) inspection of the Public Housing (PH) properties. During the review, the FO requested additional documentation that would be needed to assist BHA in recovering from the Substandard Physical designation. Though BHA has this designation, this will not be covered in this report; rather, a separate notice will be sent to the Interim ED and Board Members within compliance of the PHAS recovery process.

The following report provides specific details on the results of the review by functional areas of the Public Housing (PH) and Housing Choice Voucher (HCV) program administration. Please be advised that some of the information contained in the enclosed report may be confidential in nature under the Privacy Act and should only be released as needed.

SEMAP Areas

On September 10, 1998, HUD published a final rule (63 FR 48548), which established the Section 8 Management Assessment Program (SEMAP) to objectively measure PHAs' performance of the HCV/Section 8 program areas. SEMAP enables HUD to ensure program integrity and accountability by identifying PHA management capabilities and deficiencies and by improving risk assessment to effectively target monitoring and program assistance. PHAs can use the SEMAP performance analysis to

assess their program operations. If a PHA fails to submit its SEMAP certifications by the designated deadline, the PHA is designated as "SEMAP Fail." This prompts the FO to conduct a confirmatory review of the fourteen (14) areas of information in the SEMAP certification as well as the PHA's management of the HCV program.

Brunswick Housing Authority did not submit the SEMAP certification by the August 29, 2022, deadline, causing a "Fail" of the SEMAP scoring.

**Scoring Report on the Confirmation of Section 8 Management Assessment Program
(SEMAP) Certification
Brunswick Housing Authority
Fiscal Year Ending June 30, 2022**

Indicator	Certification Scores	Revised Score
1. Selection from the Waiting List	15	15
2. Reasonable Rent	20	20
3. Determination of Adjusted Income	20	20
4. Utility Allowance Schedule	5	5
5. HQS Quality Control Inspections	5	5
6. HQS Enforcement	10	10
7. Expanding Housing Opportunities	5	5
8. Payment Standards	5	5
9. Annual Reexaminations	10	10
10. Correct Tenant Rent calculations	5	5
11. Pre-Contract HQS Inspections	5	5
12. Annual HQS Inspections	10	10
13. Lease Up	20	20
14. Family Self-Sufficiency	N/A	N/A
15. Deconcentration Bonus	5	0
Total	140	135

Table 1 HCV Utilization and ABA at calendar year end

	2021	2020	2019	2018	2017
UTILIZATION	90.4%	93.6%	96.6%	92.7%	93.2%
ABA SPENT	88%	98.7%	111.2%	99.5%	95.3%

Area 1: Selection from Waitlist

BHA has a firm policy in which they select candidates from the waitlist, but they are not recording it within the tenant file. Their software system tracks the selection from the waitlist, but HUD recommends that BHA note in the tenant file how the person was selected.

Citation: HUD Occupancy Handbook

Corrective Action:

1. Update files to show proper waitlist selection.
2. Update policy to state that selection from the waiting list must be recorded in the file and provide a copy of the policy to the FO.

Area 2: Annual HQS Inspections

BHA's Housing Quality Inspections (HQS) and recertifications are performed in a sporadic manner, meeting the minimum requirement of Public Housing Information Center (PIC) reporting rate. The percentage of HQS is determined by what is reported in PIC. Families that had inspections 26 months ago or greater are divided by the total families on the program. The percentage should be at minimum 95%.

Citation: 24 CFR 982.401

Corrective Action:

1. Provide the FO with documentation of BHA's process to ensure that leased units are inspected annually and that inspection results are timely reported in PIC.
2. Audit BHA's recent history of HQS inspections required and performed. Perform any past due inspections and timely report the inspections in PIC.

Governance and Management

This section will cover the areas in which BHA had deficiencies or weaknesses. The PHA and the Board of Commissioners have a responsibility to HUD and the community to ensure that the operation is functioning within State and Federal guidelines.

BHA provided the FO with the Bylaws, Board Minutes from May 2022 – October 2022, the Admissions and Continued Occupancy Policy (ACOP), the Financial Policy and Procurement Policy. Review of the Board Minutes show a lack of detail expected from Board Minutes.

Area 1: Out-of-Date Policies and Forms

A review of the Procurement Policy showed that it was last updated in 2016. However, HUD has made amendments to procurement in CFR Part 200 as of 2020. The Procurement Policy will need to be updated to reflect such changes. As seen in the section for Procurement, BHA taken actions inconsistent with its procurement policy and federal regulations regarding procurement.

The PHA submitted their PHA Board Resolution to Approve Operating Budget on the HUD-52574 form which expired in 2019. Though the form is still the same number, HUD-52574, the PHA must submit it on the most current form, not the expired one.

Citation: 24 CFR 85.36

Corrective Action:

1. BHA must have and follow its own written procurement process and procedures. These procurement procedures must conform to the procurement standards provided in HUD regulations at 2 CFR 200.317 through 200.327. BHA must update the Procurement Policy and provide a copy to the FO.
2. Update the budget and provide a copy to the FO.

Area 2: Board Meetings

The Board is responsible for oversight of the PHA, ensuring compliance with federal and state laws and regulations, and has a fiduciary responsibility to the community of Brunswick. Board meetings should have defined frequency, set out in the Bylaws.

Review of the Bylaws did not state the frequency of the meetings; therefore, the Bylaws will need to be updated.

Board meetings should follow an agenda, sent out to Board members in advance so they may review items. The Board should review the financial data from the PHA, including all expenditures and rent revenue. All past-due rents and repayment agreements should be discussed.

The Board should also be reviewing the overall management of the PHA and any physical needs. The Board should be made aware of any procurements or new hiring. Review of the Board Minutes show that the Board is not made aware of procurements or hiring of new positions, which will be discussed further in the .

Area 15: Ineligible Use of Funds – Brinson, Askew, Berry, Seigler, Richardson & Davis
BHA has a contract with Brinson, Askew, et al. and attorney Stewart Duggan. The contract is dated October 24, 2022. Invoices were billed as early as May 10, 2022, for legal services. The contract does not appear to have gone through the proper procurement process. Further, the contract states that it is representing the Board of Commissioners against the Mayor, which is not allowable. BHA paid a retainer of \$75,000 on October 27, 2022, but did not attribute the payment to this vendor on the Trial Balance, instead attributing it to "No Vendor" and using federal funds to make the payment.

Citation: HUD Handbook 7460.810; 24 CFR 982.151; 2 CFR 200.302; 2 CFR 200.403; 2 CFR 200.404

Corrective Action:

1. Immediately reimburse all monies paid to this vendor. See Procurement Area 22: Multiple Contracts for Similar Service - Legal Services Brinson, Askew, Berry, Seigler, Richardson and Davis (Stewart Duggan) for more details on amounts due.

Procurement section of this report.

Citation: O.C.G.A. 8-3-50, GA Code § 8-3-50 (2015)

Corrective Action:

1. Update the Bylaws to show the frequency of the meetings and provide a copy to the FO.
2. Provide the FO with the next Board Meeting Agenda to show that the Board is reviewing financial records of the PHA.

Area 3: Ineligible Use of Funds - Board Member Payments

Both appointment Board members and Resident Board Members are voluntary, unpaid positions. Upon reviewing the Vendor Listing and Trial Balance, the FO determined that some Board Members were receiving payments which is unallowable per Georgia Code. HUD allocates a stipend to the Resident Advisory Board (RAB), intended to coordinate resident functions with the stipend. RAB Funding is provided through the Operating Subsidy under the Public Housing program, based on a formula of \$25.00 per occupied unit per year. Resident activities must be for outreach and training of the residents. The RAB should include a Resident Commissioner (RC) to be duly elected and act in the interest of the residents. The RAB will receive a stipend of \$200 per month, paid out of the Operating Subsidy RAB formula, per commissioner to be fully recorded and accounted for. The remaining funds are for the PHA to use for resident activities at their discretion. It appears the stipend is going directly to Chester Dobson, rather than in an account for resident activities.

Board Members may receive reimbursement for travel if it is within reason and directly correlates to the actions of the PHA. Federal funds may only be used if the travel expense is for an applicable program. A review of BHA's travel expenses showed ineligible travel expenses paid with Public Housing funds, which will need to be returned to the program. The Vendor Listing shows more payments made to commissioners, but as the vendor listing does not itemize the charges, the FO is unable to determine any monies due back at this time.

Table 2 Board member Travel

BOARD MEMBER	TRAVEL TOTAL	VENDOR LISTING
WILLIAM KITTS	\$1,627.06	\$2,008.02
KAMAU DICKERSON	\$694.50	\$694.50
CHESTER DOBSON, JR.	\$206.50	\$606.50
PAMELA BAILEY	\$0.00	\$213.50
TOTAL	\$2,528.06	\$3,552.52

Citation: PIH Notice 2001-3; 24 CFR 964.150; PIH Notice 2013-21; GA Code § 8-3-50 (2015)

Corrective Action:

1. Audit payments to Chester Dobson Jr. and previous resident commissioners for reimbursement to the program. Provide the audit detail to the FO and verification of returned payments. Audit detail should include date of payment and the program from which it was paid.
2. Audit payments to other Board Members for reimbursement to the program. Provide the audit detail to the FO and verification of returned payments. Audit detail should include date of payment and the program from which it was paid.

Area 4: Lack of Controls Over Personally Identifiable Information (PII)

During the review, we noted instances in which BHA was not properly handling and safeguarding PII. The FO received documents that included PII as outlined in 2 CFR 200.82.

Citations: 2 CFR 200.82, 2 CFR 200.79, HUD Privacy Handbook, 2 CFR 200.303

Corrective Actions:

- 1) BHA should review their internal controls and policies to ensure staff members are aware of what constitutes PII and how it should be properly handled.
- 2) BHA must use secure electronic safeguards (such as encryption software) when transmitting PII electronically.

Area 5: Review of Participant Files

A review of the participant files showed the files to be in order with little to no errors. One file stood out as it was the file for a resident who is also a sex offender. Per federal regulations and BHA's ACOP, sex offenders are not permitted to live in Public Housing units and will need to be removed from the property. The FO was made aware of the situation via email on November 14, 2022 and the FO provided guidance on the regulations.

Citation: 24 CFR 982.553(2); 24 CFR 5.905; 24 CFR 5.856

Corrective Action:

1. Residents who are sex offenders may not live on PH property. This resident's lease will need to be terminated immediately.

Area 6: Lease Enforcement – Monthly Service Charges & Excess Fees

During the review, staff members discovered that the Brunswick Housing Authority was charging the residents fees for maintenance repairs, routine pest control, lawn maintenance and normal garbage disposal. The result is that residents are being charged monthly fees that result in rents higher than 30% of their Adjusted Monthly Income (AMI). In a review of BHA conducted in 2017, the FO found that BHA had been charging residents an additional \$25.00 and \$27.00 to non-elderly and elderly leaseholders, respectively, for operational costs that are BHA's responsibility.

For tenants that have low or no income, these charges are a burden. Tenants who are unable to pay these fees, in addition to their monthly rent or as a negative renter, are assessed late fees and face possible eviction for non-payment. Evicting a tenant for non-payment of costs that violate program regulations could be grounds for a tenant lawsuit.

The 2017 review contained a statement from the Office of Counsel to gain legal perspective on this issue:

According to The United States Department of Housing and Urban Development Office of Counsel, in terms of fees charged by a public housing authority, there are certain charges that are required to be included in the lease and there are others that are optional. Pursuant to 24 CFR 966.4(b)(2), in addition to rent, a PHA lease must provide for

charges to the tenant in two instances: (1) "for maintenance and repair beyond normal wear and tear" and (2) "for consumption of excess utilities". Optional charges outside of rent that may be assessed include late charges and security deposits (not to exceed one month's rent or such reasonable fixed amount as may be required by the PHA). 24 CFR 966.4(b)(3) and (5). Pet charges and/or deposits are also permissible under 24 CFR 960.707(b). The regulations are essentially silent on other specific charges, but any additional charges imposed should be reasonable, listed in the lease, fairly applied, and consistent with occupancy policies.

Maintenance Costs and Services Fees

Section III(a) of Part I of the Brunswick Housing Authority Lease Agreement ("Lease") provides that, in addition to rent, a tenant is responsible for certain other charges specified in the lease which may include "maintenance costs – the cost for services or repairs due to intentional or negligent damage to the dwelling unit, common areas or grounds beyond normal wear and tear, caused by Tenant, household members or by guests". Costs beyond normal wear and tear are permissible under 24 CFR 966 provided there is a reasonableness test of the charge.

Section III(b) of Part I of the Lease – Maintenance Service Fees – would not be permissible. This clause outlines monthly service fees to elderly and non-elderly tenants as \$9 and \$10 respectively. Service fees may not be charged to residents. Maintenance charge fees must be reasonable and specific. As stated in Section II (b) of Part I of the Lease rent "includes all maintenance services due to normal wear and tear" which would not allow for additional charges for routine maintenance.

Trash Collection Fees

Trash Collection is classified as a utility. 24 CFR 982.517(b)(2)(ii). Part I Section III(c) of the lease states, "All BHA residents shall pay monthly trash collection fees directly to Brunswick Housing Authority. The rate is currently \$22.00;" however, this contradicts Part II of the Lease, which provides for Utility Allowances for Tenant paid utilities of which "sewage/trash" is marked as a utility to be paid directly by the tenant; therefore, the charge \$22.00 per month is not permissible. In addition, the amount currently being charged to residents is \$25.50, not \$22.00.

Section VIII (e) of Part I of the Lease states that an automatic charge of \$35 will be imposed if a trash receptacle is not removed from the community curb and returned to the unit by the tenant within 24 hours after trash pickup. HUD regulations may allow this fee if it is considered reasonable, but in 2017 the FO determined it to be an unreasonable fee as it was not rationally related to a legitimate housing purpose and was excessively overbroad or under-inclusive.

Late Charges

The Lease states, "Should the tenant fail to make full payment of all rent and recurring charges by the 5th of each month, a \$50.00 late fee shall be assessed to the account." Though not stated in the lease, tenants receive a notice on the 6th of each month notifying them of the late rent charges due, and if the tenant fails to pay within 30 days, then the warrant and legal fees of \$76.50 gets applied to the outstanding balance. Based on these fees, a tenant could potentially be responsible for \$126.50 in late

and legal fees, which was deemed unreasonable in 2017. The lease does not appear to include the required language of when the charges are due and collectible.

BHA is charging tenants more than \$164,000 per year in additional fees for 389 of the units in inventory (AMPs 1 & 3); this does not include the additional maintenance charges for repairs. Both the monthly service fees and trash fees are charged monthly as part of the tenant's monthly rent as outlined by BHA in the terms of the lease agreement under *Section III. Other Charges*.

We selected a random sample of four tenants and calculated the Total Tenant Payment (TTP) with the inclusion of monthly fees to determine the percentage of AMI the tenant is being charged. All four samples exceeded the 30% of AMI threshold.

Table 9: Changes in Percentage of AMI with Monthly Service and Trash Fees

AMP	UNIT	AMI	TTP ¹	Service Fee ²	Trash Fee ³	TTP with Fees	% of AMI with Fees
1	930006	\$801.00	\$240.00	\$10.00	\$25.50	\$275.50	34%
1	930039	\$1,631.00	\$489.00	\$10.00	\$25.50	\$524.50	32%
1	930082	\$3,030.00	\$909.00	\$10.00	\$25.50	\$944.50	31%
1	910026	\$788.00	\$236.00	\$9.00	\$25.50	\$270.50	34%

While these fees not only violate the 30% rule and have a negative impact on regular renters, it has an even greater impact on "negative renters". Negative renters are those families whose AMI is so low that when their rent is calculated, the utility allowances are so high that it generates a rental credit that is paid by the PHA to the tenants to assist with their utility costs. For tenants that have little or no income and rely on negative rent for their utility expenses, these monthly fees are an increased burden.

The FO believes that BHA is also assessing excessive fees when tenants do not pay their rent or their assessed fees on time, particularly those tenants that have a negative rent. Because the tenants must pay the fees on the same due date as the monthly rent, the fees are essentially treated as an extension of rent, resulting in late fees on the additional charged fees.

We noted instances in which negative renters were assessed up to \$59.48 in late fees and \$76.50 in warrant/legal charges because they were late paying the \$35.50 fees associated with the trash and other services. If the tenant does not pay the service fees by the 5th day of each month, they are charged an additional \$50 as a late fee. On the 6th day of not being paid, BHA issues a letter to the

¹ Total Tenant Payment, Highest of 30% Area Median Income or 10% HUD-50058

² \$10 for non-elderly, \$9 for elderly

³ Varies per lease start date

tenant in which they have 30 days to pay the debt before an additional charge of \$76.50 is assessed for warrant fees.

The table below shows a sample of negative renters who received a negative rent check to pay their utilities, but because of the service fees assessed by the PHA, had to pay additional late fee amounts that exceeded their negative rent. For example, Unit 920036 was due a negative rental check for \$210 to pay utilities; however, because the tenant did not pay their monthly service fees on time, late fees in the amount of \$50 and legal fees in the amount of \$76.50 were assessed. The tenant was responsible for paying \$162 in fees and penalties to maintain their residence at BHA. Charging late fees for costs that are ultimately BHA's responsibility or evicting a tenant for non-payment of costs that violate program regulations could be grounds for a tenant lawsuit and are inconsistent with BHA's mission.

Table 10: Sample Fees and Late Charges Paid by Negative Renters

AMP	UNIT	Negative Rent	Service and Trash Fee	Late Fees Assessed	Legal Fees	Fees Paid as of 9/22
1	910046	-\$213.00	\$35.50	\$59.49	\$0.00	\$94.98
3	920124	-\$213.00	\$35.50	\$50.00	\$0.00	\$85.50
3	940019	-\$182.00	\$35.50	\$50.00	\$0.00	\$85.50
3	920036	-\$210.00	\$35.50	\$50.00	\$76.50	\$162.00

Other General Comments Regarding Lease Provisions:

- Review charges listed on Maintenance list attached to Lease as to reasonableness, i.e. replace screen door \$300.
- Consider whether "three (3) days' time in which to move" in the event of an involuntary transfer under Section VII.(f)e. and whether the "skipping families" language in VII.(f)h are reasonable.
- Check Georgia law if it is allowable to include "failure to pay other charges/payments when due" as a non-payment termination opposed to a "good cause" termination as this is a distinction made under federal law. 966.4(l)(2).

Citation: 24 CFR 966.4; 24 CFR 5.628, 24 CFR 966.4(b)(3); 24 CFR 966.4(b)(4)

Corrective Action:

1. Change the lease to ensure its in accordance with 24 CFR 966.4 and 24 CFR 982.517(b)(2)(ii).
 - a. Amend all leases and stop charging all tenants the monthly family fee and trash fee immediately.
 - b. Amend all leases to have a reasonable late fee.
2. Reimburse all trash charges from 2017 – present to the residents.
3. Fully audit all maintenance charges to residents and provide the audit to the FO to consider reimbursement.

4. Review Admission and Continued Occupancy Policy (ACOP) and PHA Plan to ensure all regulations in *Notice PIH 2016-05* are followed.
5. Follow through with the repayment agreement or eviction procedures as stated in ACOP policies.
6. Ensure that residents sign and acknowledge the new rent changes.

Financial

HUD's review of BHA included a financial assessment. HUD reviewed financial documents to determine the financial condition of BHA and whether it was complying with financial procedures and internal controls. We reviewed tenant rent collections, expenditures, bank statements, credit card statements, general ledgers, budgeted amounts, and financial statements for the timeframe of May 1, 2022, to November 4, 2022. This timeframe was selected to have six (6) months of data, the PHA provided the additional three (3) days for November.

We performed an analysis of the FASS indicator, referenced in the above section **Error! Reference source not found.**, and current financial data to determine if the BHA continued to maintain its liquidity. We determined that the BHA's financial condition continued to be that of a High Performer.

As of September 30, 2022, we calculated that BHA had a QR of 10.29 and a MENAR of 24.27. These ratios indicated that the PHA had sufficient funds to pay all its current obligations and that it had adequate reserves to continue operations for more than 24 months.

BHA has had a significant increase in several expenses: Administrative Salaries, Travel, and Legal Expenses. With the financials being reported for the first four months of BHA's fiscal year (July 1, 2022, through October 31, 2022), BHA is already at 92% of what was expended in Administrative Salaries for the fiscal year that ended 06/30/2022, a 161% increase in Travel, and a 1,338% increase in Legal Expenses.

Table 3 Expense Analysis

PUBLIC HOUSING PROGRAM		
FISCAL YEAR END (FYE) TYPE	06/30/2023 10/31/22 Financials (Gen. Fund, AMPs 1,2,3)	06/30/2022 Unaudited Financial Data Schedule (FDS)
91100 ADMINISTRATIVE SALARIES	\$339,724	\$370,820
91800 TRAVEL	\$61,124	\$23,415
91700 LEGAL EXPENSE	\$179,679	\$12,499

We conducted a Peer-to-Peer review to gauge BHA's level of revenue and expenses in comparison to other PHAs as seen in the table below. The Peer-to-Peer review is a computer-generated amalgamation of hundreds of PHAs of similar size and programs. Computations are done by taking FDS Revenue and Expense data and dividing it by the PHA's Total Available Unit Months (UMAs). Based on the Total Tenant Revenue, the comparison shows BHA is lagging on behind peer PHAs on rental

collection. BHA spends 410% more on Other Administrative expenses than its peers, and BHA's Total Administrative Expenses are 32% higher. Also, BHA spends 42% more on Non-Operating Expenses.

Table 4 Peer-to-Peer Review

	BHA	PEERS
ASSESSMENT YEAR		2022
PHAS DESIGNATION	Substandard Physical	All Designations
PHA COUNT	1	43
LEASED UNIT MONTHS	6,890	8,135
TOTAL AVAILABLE UNIT MONTHS	7,068	8,631
TOTAL TENANT REVENUE	\$128.05	\$206.59
TOTAL EXPENSES	\$729.23	\$718.81
TOTAL ADMINISTRATIVE	\$228.96	\$173.30
ADMINISTRATIVE SALARIES	\$52.46	\$42.27
OTHER ADMINISTRATIVE	\$158.01	\$30.98
MAINTENANCE AND OPERATIONS: CONTRACTS	\$97.12	\$89.16
MAINTENANCE AND OPERATIONS: MATERIALS	\$41.79	\$34.77
TOTAL NON-OPERATING EXPENSES	\$179.49	\$126.54

While we commend the BHA for its solid financial condition, we identified some areas of concern. Below is a more detailed explanation of each Finding and Concern.

Area 7: Comingling of HAP Funds, Administrative Fees and Administrative Expenses
Under the Annual Contributions Contract (ACC), HUD provides HCV allocations to BHA for housing assistance payments (HAP) and administrative fees. HAP allocations allow for BHA to make housing assistance payments to owners on behalf of specific families leasing specific units. Administrative fees may only be used to cover those costs incurred by BHA to perform administrative responsibilities for the program.

A review of BHA's bank statements showed HAP and administrative fees are deposited in one bank account, the HCV account, General Ledger (300). Expenses coded for HCV (300) in the trial balance that were non-HAP did not match the total of the expenditures in the bank account and did not match the reported totals in HUD's Voucher Management System (VMS). The trial balance codes all the expenses for HCV under their general ledger item, debiting the item from the HCV ledger. A check for the total amount of those expenses is paid to the General Fund (100), then recorded on the ledger as a reimbursement from the program.

Table 5 Comparison of BHA's documents and submissions for the current FYE

	JULY	AUG	SEPT	OCT
BANK STATEMENT				
DEPOSITS	\$506,269.34	\$488,337.10	\$504,278.33	\$504,525.70
HAP	\$456,152.00	\$440,256.00	\$448,710.00	\$448,710.00
Admin Fee	\$46,913.00	\$46,913.00	\$46,913.00	\$46,913.00

	Other	\$3,204.34	\$1,168.10	\$4,111.33	\$8,824.00
	Other HUD	\$0.00	\$0.00	\$4,544.00	\$78.70
EXPENSES		\$441,266.72	\$518,668.21	\$521,631.06	\$440,127.49
	Transfer to FSS	\$1,271.00	\$1,195.00	\$1,599.00	\$1,486.00
	Transfer to General	\$0.00	\$83,288.72	\$77,780.01	
	Other	\$409,661.72	\$407,172.49	\$401,570.05	\$410,186.49
	Checks	\$30,334.00	\$27,012.00	\$40,682.00	\$28,455.00
VMS					
DEPOSITS		\$503,749.00	\$487,842.00	\$498,810.00	\$504,447.00
	HAP	\$456,836.00	\$440,929.00	\$449,383.00	\$453,034.00
	Admin Fee	\$46,913.00	\$46,913.00	\$49,427.00	\$51,413.00
EXPENSES		\$466,731.00	\$515,015.00	\$512,920.00	\$0.00
	HAP	\$440,144.00	\$434,907.00	\$440,972.00	\$0.00
	HAP after the 1st	\$1,180.00	\$792.00	\$1.00	\$0.00
	Other HAP	\$7,585.00	\$7,797.00	\$7,843.00	\$0.00
	Expenses	\$17,822.00	\$72,311.00	\$64,105.00	\$0.00
TRIAL BALANCE					
DEPOSITS					
	HAP	\$456,152.00	\$440,256.00	\$228,710.00	\$0.00
	Admin Fee	\$46,913.00	\$46,913.00	\$46,913.00	\$0.00
EXPENSES		\$458,493.91	\$491,984.62	\$521,311.53	\$504,383.72
	HAP	\$411,117.00	\$402,325.00	\$409,547.56	\$408,936.00
	UAP	\$22,532.00	\$22,261.00	\$21,736.00	\$22,307.00
	Port In		\$5,035.00	\$4,181.00	\$4,652.00
	Other Vouchers	\$10,332.72	\$8,796.70	\$9,144.49	\$9,192.49
	Expenditures	\$14,512.19	\$53,566.92	\$76,702.48	\$59,296.23

Citation: 24 CFR 982.151; 24 CFR 982.152; Annual Contributions Contract, Form HUD-52520

Corrective Action:

1. Separate budgets or utilize an internal spreadsheet to track HAP and administrative fee expenses and submit to the FO.
2. Audit the expenses to ensure they are correctly distributed and submit to the FO.

Area 8: Possible Errors in Reporting RNP

In the HCV program, the Restricted Net Position (RNP) must be backed by cash. The RNP reflects excess HAP reserves, whereas the Unrestricted Net Position (UNP) reflects excess administrative fees. Each year the RNP, UNP and other item costs are reviewed by the Federal Management Center to determine the disbursement the PHA will receive for its HCV program.

To determine the RNP and disbursements for each year, the PHA reports the starting RNP balance to HUD and HUD disburses HAP to the PHA. When the PHA reports their expenses at the end of the year, the HUD disbursements less the expenses should reflect the new RNP.

The RNP has large fluctuation over the months, which could be attributed to an error in reporting the expenses, as the RNP is calculated by HAP revenue less expenses.

Table 6 VMS Reporting By Month

	UNP EOM	RNP EOM	CASH EOM
JUL-21	\$520,706	\$191,652	\$704,685
AUG-21	\$529,008	\$194,816	\$706,172
SEP-21	\$535,171	\$223,552	\$737,760
OCT-21	\$546,843	\$244,199	\$759,037
NOV-21	\$556,499	\$79,800	\$605,808
DEC-21	\$533,209	\$83,820	\$611,617
JAN-22	\$541,516	\$89,982	\$613,880
FEB-22	\$552,172	\$100,772	\$636,415
MAR-22	\$562,883	\$97,768	\$644,581
APR-22	\$573,112	\$106,128	\$664,930
MAY-22	\$598,140	\$114,485	\$696,812
JUN-22	\$588,228	\$63,533	\$631,050
FISCAL YEAR CHANGE			
JUL-22	\$596,504	\$78,541	\$672,290
AUG-22	\$566,987	\$86,926	\$646,598
SEP-22	\$552,971	\$96,695	\$645,065

Further, BHA's FDS Statements and VMS Submissions do not match the cash and UNP. BHA will need to be reconciled as seen in the corrective actions below.

Table 7 FDS and VMS Comparison

	UNP	RNP	CASH
VMS	\$588,228.00	\$63,533.00	\$631,050.00
FDS	\$566,695.00	\$63,533.00	\$670,848.00
DIFFERENCE	\$21,533.00	\$0.00	\$39,798.00

Citation: 24 CFR 982.151; 24 CFR 982.158; PIH Notice 2015-17

Corrective Actions:

1. Complete a full audit of their HCV program and make corrections to their VMS submissions to reflect accurate RNP and UNP balances.
2. Identify administrative fees, expenses and HAP expenses to ensure they are divided out properly.

3. Notify the FO of either VMS or FDS correction once the audit is complete and determines which reporting was correct. If neither were correct, correct both submissions.

Area 9: Ineligible Use of Funds – Bowman Law Office

BHA has paid for services to the Bowman Law Office, which HUD has determined to be ineligible/needs verification. Services rendered by the law firm must be in relation to the federal programs, and may not be used for investigation, defense, or any other non-program reason. The Vendor Listing shows total payments to the Bowman Law Office as \$25,595.70. The Trial Balance only shows payments attributable to Public Housing for \$4,950. Those payments must be reimbursed immediately to Public Housing, and the remaining \$20,645.70 must be validated by the FO. See Procurement Area 22: Multiple Contracts for Similar Service - Legal Services for further information regarding errors in Procurement with this contract.

Citation: 24 CFR 85.36, 2 CFR 200.435

Corrective Action:

1. Immediately reimburse \$4,950 to the Public Housing Program by using non-federal funds.
2. Submit invoices and payment ledgers for the remaining \$20,645.70 to the FO for eligibility review.

Area 10: Ineligible Use of Funds – Visa Usage

BHA has a Visa credit card which is used to cover many expenses for the programs. An audit of the Visa usage from July 2022 – October 2022 has shown extraordinarily high expenses, many of which are ineligible. A review of the Trial Balance shows only “Visa” in the description of the expense, though it is coded with the applicable general ledger item. By going through the Visa statements, many of these charges are unidentifiable to the Trial Balance only having “Visa” in the description, but a review of the statement shows that many charges would be ineligible to be paid by federal funds. The FO deducted the total amount of ineligible funds from the total payments made to Visa. Below is table outlining the payments to the Visa card and the programs which were billed according to the Trial Balance.

BHA has two non-federal programs which they code as “Locally Owned Units (LOU)” and “Georgia Housing Assistance Payments (GAHAP).” LOU are the units operated as non-profit affordable housing, and GAHAP is a program which is operated as a non-profit with several entities in the area.

Table 8 Visa Payments per the Trial Balance

MONTH	GAHAP	HAP	LOU	PH	TOTAL
AUGUST	\$0.00	\$0	\$7,952.78	\$18,776.65	\$26,729.43
SEPTEMBER	\$0.00	\$1,587.63	\$1,227.06	\$20,312.92	\$23,127.61
OCTOBER	\$5,502.79	\$0	\$0.00	\$7,392.00	\$12,894.79
					\$62,751.83

The Visa card is not paid in full each month and therefore carries a balance so there are charges on the Visa card that have not been categorized on the Trial Balance. For comparison purposes, this report will only include the months of August – October.

Table 9 Visa Charges per the Statements

MONTH	PREVIOUS BALANCE	NEW CHARGES	PAYMENT	REFUND
AUGUST	\$5,041.51	\$10,329.48	\$5,041.51	
SEPTEMBER		\$38,739.48	\$25,628.76	\$(944.31)
OCTOBER		\$33,105.74	\$33,501.01	
TOTAL OF PAYMENTS:				\$64,171.28
PREVIOUS BALANCE + NEW CHARGES:				\$87,216.21

The FO is requesting justification for the charges to Federal Programs; ineligible expenses are subject to repayment.

Other General Comments:

In the Visa card statements provided, there were two charges for First Class plane tickets with Delta. According to 2 CFR 200.475, airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable.

Citation: HUD CFP guidebook; HUD Handbook 7460.810; 24 CFR 982.151; 2 CFR 200.302; 2 CFR 200.403; 2 CFR 200.404

Corrective Action:

1. Provide the FO with an allocation on each charge of the Visa statements from August – October.
2. Provide itemization and justification for each item charged to a federal program.
3. Should the FO deem these costs ineligible, notice of repayment will be sent to BHA.

Area 11: Ineligible Use of Funds – Blue Summit Waters, LLC

BHA has paid for services for a water cooler rental to Blue Summit Waters, LLC, which are ineligible costs based on the citations below. Costs of goods or services for personal use of the non-Federal entity's employees are unallowable. The General Ledger shows total payments to the Blue Summit Waters, LLC as \$267.77, which are attributable to Public Housing, and the vendor listing shows total payments as \$7,750.52.

Citation: HUD Handbook 7460.810; 24 CFR 982.151; 2 CFR 200.302; 2 CFR 200.403; 2 CFR 200.404

Corrective Action:

1. Immediately reimburse \$267.77 to PH from non-federal funds and provide FO with confirmation.
2. Review the payments made from the vendor listing and reimburse the federal programs as needed.
3. Immediately terminate services or pay for services with non-federal funds.

Area 12: Ineligible Use of Funds – 4Imprint

BHA has paid for Portfolio Printing services and products to 4Imprint, which are ineligible. Services and products rendered by the promotional printing vendor must be in relation to advertising costs for federal programs and may not be used for promotional items and memorabilia, including models, gifts, and souvenirs. The General Ledger shows total payments to the 4Imprint as \$8,761.49. The Trial Balance only shows payments attributable to Public Housing for \$851.06. Those payments must be reimbursed immediately to Public Housing, and the remaining \$7,910.43 must be validated by the FO.

Citation: HUD Handbook 7460.810; 24 CFR 982.151; 2 CFR 200.302; 2 CFR 200.403; 2 CFR 200.404

Corrective Action:

1. Immediately reimburse \$851.06 to PH from non-federal funds and provide FO with confirmation.
2. Submit invoices and payment ledgers for the remaining \$7,910.43 to the FO for eligibility review.

Area 13: Ineligible Use of Funds – Walter Curtis

BHA has paid for Pocket Badges to Walter Curtis Co. LLC. The website shows these badges as police-like stars which are ineligible. Products procured must be in relation to the federal programs, and costs of goods or services for personal use of the non-Federal entity's employees are unallowable. The General Ledger shows total payments to the Walter Curtis Co. LLC as \$3,864.44. The Trial Balance only shows payments attributable to Public Housing. Those payments must be reimbursed immediately to Public Housing.

Citation: HUD Handbook 7460.810; 24 CFR 982.151; 2 CFR 200.302; 2 CFR 200.403; 2 CFR 200.404

Corrective Action:

1. Immediately reimburse \$3,864.44 to PH with the use of non-federal funds and provide the FO with confirmation.

Area 14: Ineligible Use of Funds – CDW-G: MacBooks

BHA purchased three (3) Apple MacBook Pro M1 Laptops for \$7,996.83 from CDW-G, which are not eligible. The three (3) MacBooks went to the Executive Director, William Baker, and contractors at The Brooks Law Firm.

Products rendered must be in relation to the federal programs and may not be used for any other non-program reason. Costs of goods or services for personal use of the non-Federal entity's employees are unallowable. Costs must be necessary and reasonable for the performance of the Federal award to be allowable. The Vendor Listing shows payments for these laptops to CDW-G attributable to Public Housing. This also blurs the line between contractor and employee, as computers are not an item that would be specific to the operations of a PHA, any computer may be used. Funds must be reimbursed immediately to Public Housing.

Citation: HUD Handbook 7460.810; 24 CFR 982.151; 2 CFR 200.302; 2 CFR 200.403; 2 CFR 200.404

Corrective Action:

1. Immediately reimburse \$7,996.83 to Public Housing with the use of non-federal funds.

Area 15: Ineligible Use of Funds – Brinson, Askew, Berry, Seigler, Richardson & Davis
BHA has a contract with Brinson, Askew, et al. and attorney Stewart Duggan. The contract is dated October 24, 2022. Invoices were billed as early as May 10, 2022, for legal services. The contract does not appear to have gone through the proper procurement process. Further, the contract states that it is representing the Board of Commissioners against the Mayor, which is not allowable. BHA paid a retainer of \$75,000 on October 27, 2022, but did not attribute the payment to this vendor on the Trial Balance, instead attributing it to “No Vendor” and using federal funds to make the payment.

Citation: HUD Handbook 7460.810; 24 CFR 982.151; 2 CFR 200.302; 2 CFR 200.403; 2 CFR 200.404

Corrective Action:

2. Immediately reimburse all monies paid to this vendor. See Procurement Area 22: Multiple Contracts for Similar Service - Legal Services Brinson, Askew, Berry, Seigler, Richardson and Davis (Stewart Duggan) for more details on amounts due.

Procurement

A review of the financial records led to a review of contracts procured by BHA to ensure that costs were reasonable, associated to the correct program and followed BHA's written procurement process and procedures, in conformance with the procurement standards provided in HUD regulations at 2 CFR 200.317 through 200.327.

BHA has several contracts that are in violation of the procurement procedures as detailed below. While reviewing the contracts, the FO did not request the full procurement file. Each area will outline a corrective action, and whether or not the FO needs to see the full procurement file to make a determination of whether federal funds are owed back.

The PHA and the Board of Commissioners have a responsibility to HUD and the community to ensure that the PHA is functioning within the State and Federal guidelines. Part of the Board's responsibilities are to be aware of the need to hire new staff and to procure contracts. The Board should be aware prior to advertisement, so they may assess the need for new services. The Board should review the advertisement and scope of work to make sure that it meets the needs of the PHA and is not excessive or would cause undue financial burden.

Review of the Board minutes from May until October (as provided by BHA) show that procurements are rarely discussed with the Board. The Board is not notified when positions are advertised or when new contracts are being considered. The Board has not reviewed contracts for procurement or had discussions of the needs of the PHA.

Area 15: Conflict of Interest: Gwen Williams

BHA employs Gwen Williams as a Bookkeeper, but also has her contracted for cleaning services. This is unallowable as an employee may not serve as a contractor and vice versa per 24 CFR 85.36.

The contract begins on August 1, 2022, with no mention of approval in the reviewed Board Minutes. The contract does not have a defined end date, which is unallowable per the federal guidelines.

Lastly, the contract includes a fix-cost plus reimbursement, though this type of contract would not be eligible for reimbursement under Subpart 16.3.

The Trial Balance provided which begins July 4, 2022, shows payments to Ms. Williams beginning July 14, 2022. Based on the Vendor Listing, Ms. Williams has been paid a total of \$15,316.74. The vendor listing does not itemize the payments between Gwen Williams, "Employee," and Gwen Williams, "Contractor." The total payments rendered based on the Trial Balance, which does itemize the transactions, totals \$7,429.45. Ms. Williams contract states she will be paid a total of \$500/week, plus undetermined reimbursements. The contract has spanned 10 weeks, meaning Ms. Williams should have received \$5,000 in payments.

BHA must reimburse a total of \$7,429.45 to Public Housing funds. BHA must provide the FO with additional information of the \$7,887.29 difference between the vendor ledger and the Trial Balance to see if those costs were eligible or not.

Citation: 24 CFR 85.36, Subpart 16.3, 2 CFR 200, Procurement Handbook, Section 19 of ACC

Corrective Action:

1. Immediately reimburse \$7429.45 to Public Housing Funds.
2. Provide the FO with a detail of additional payments of \$7,887.29 for the FO to determine additional funds owed back.
3. Re-bid the procurement for cleaning services.

Area 16: Conflict of Interest and Improper Hiring – Ronald Cooper

Ronald Cooper is an employee of BHA, currently on leave. His title is Director of Security. Mr. Cooper's contract began on July 18, 2022. A Board meeting held July 13, 2022, had a report from Ronald Cooper, already existing as the Security Officer. Because of this, it appears that Mr. Cooper was holding the position prior to the position being created and advertised. All positions of employment must be open to the public to apply, given an equal opportunity for hiring. Mr. Cooper already held the position before the position was open to the public, not allowing for a fair opportunity. Further, Mr. Cooper's employment is a conflict of interest as he is married to fellow BHA employee, Joyce Cooper.

When there is a conflict of interest, PHAs have a process they must go through with HUD, and this process was not followed. Had the advertisement been available to the public, the ED would need to inform the Board that Mr. Cooper applied for the position and alerted them of his relationship with Ms. Cooper. The Board would then need to provide a waiver for Mr. Cooper to be considered and the waiver would need to be sent to the FO. Upon receipt, the FO would review the waiver and determine if they would also provide a waiver. Both waivers would be needed to consider Mr. Cooper as a hire.

Citation: 24 CFR 85.36, Subpart 16.3, 2 CFR 200, Procurement Handbook, Section 19 of ACC

Corrective Action:

1. Provide the FO with a detail of Mr. Cooper's payroll and allocation. Because this was not approved by HUD, payments will need to be returned to the federal programs.
2. Re-advertise the position to make it available to the public. Should Mr. Cooper reapply, the process must be followed thoroughly.

Area 17: Possible Conflict of Interest – KBK

BHA signed a contract with KBK Consulting on July 19, 2022, with discussion in the July Board Minutes. A motion was made to defer the signing of KBK contract but was not deferred. A request was made to the FO on October 27, 2022, for a waiver of following regular procurement procedures due to an emergency. Non-competitive solicitation is intended to be used in rare circumstances and an exception to the general rule. Without justification showing the actions were an imminent threat or there was an urgent need to avoid or prevent harm/injury, this method of procurement was not in compliance with HUD regulations. 2 CFR 200.319(b)(4) states non-competitive contracts cannot be awarded to consultants that are on retainer contracts.

The FO is aware that both William Baker and Kevin Kimble worked on The Marshall Plan for the Economic Recovery of Black America. This suggested they may have a relationship that predates the contract.

When there is a pre-existing relationship, not only would this contract also have to follow proper procurement procedures, but a waiver would need to be requested from the FO regarding possible conflicts of interest.

See Procurement Area 20: Multiple Contracts for Similar Service - Management KBK Consulting for more details.

Citation: 24 CFR 85.36, Subpart 16.3, 2 CFR 200, Procurement Handbook, Section 19 of ACC

Corrective Action:

1. Any federal funds that were used to pay KBK must be repaid with non-federal funds.
2. The contract must be re-bid in compliance with federal procurement regulations.

Area 18: Possible Conflict of Interest – Brooks Legal Firm

BHA has a contract signed on July 19, 2022, with Brooks Law firm with Charles I. Brooks and Hycall Brooks as the consultants.

The FO is aware that William Baker, Charles Brooks and Hycall Brooks worked on The Marshall Plan for the Economic Recovery of Black America. This suggested they may have a relationship that predates the contract.

When there is a pre-existing relationship both regular procurement procedures would need to be followed, and a waiver would need to be requested from the FO regarding possible conflicts of interest.

See Procurement Area 22: Multiple Contracts for Similar Service - Legal Services Brooks Law Firm for more details.

Citation: 24 CFR 85.36, Subpart 16.3, 2 CFR 200, Procurement Handbook, Section 19 of ACC

Corrective Action:

1. Any federal funds that were used to pay KBK must be repaid with non-federal funds.

2. The contract must be re-bid in compliance with federal procurement regulations.

Area 19: Multiple Contracts for Similar Service – Website and IT

BHA appears to have contracts or are making payments to two (2) vendors for website services.

- Brooks-Jeffrey
- Emphasys

Brooks-Jeffrey

A contract was signed on January 19, 2022, for a three (3) year period. The contract includes marketing services, however, the focus will be on the website since there are multiple contracts for such. The contract dictates that Brooks-Jeffrey will design, develop and host the website for BHA. The contract has a not-to-exceed (NTE) limit of \$60,000. Payments from the Vendor Listing show a total of \$22,926.18. Payments from the Trial Balance show \$3,856.18 all billed to PH for marketing purposes. Because the FO was only provided with a limited time period, the FO cannot verify that the remaining \$19,070 was allocated to other programs. This contract should be allocated across all BHA programs, including private ventures.

Emphasys

The Vendor Listing for Emphasys shows total payments made to be \$643,113.29. Services on the Trial Balance describe hosting fees and marketing the FO will need to see invoices for details. Trial Balance shows \$22,831.66 billed between PH and HCV, and \$1,1683.50 to LOU (non-federal funds) totaling \$23,827.00 The Trial Balance itemizes costs to be training and hosting fees, which are the same services provided by Brooks-Jeffreys. The differences in the hosting services will need to be explained.

Table 10 Multiple Vendors for Similar Service- Website Payments

VENDOR	POTENTIAL PAYBACK TO FEDERAL PROGRAMS
BROOKS-JEFFREY	\$22,926.18
EMPHASYS	\$643,113.29
TOTAL	\$666,039.47

Citation: HUD Handbook 7460.810; 2 CFR 200.459; 2 CFR 200.318-320

Corrective Action: BHA must provide the procurement files complete with all competing bids and justification for why these vendors were chosen and what makes the services unique.

1. Provide the FO with the Procurement files for each of the above listed vendors.
2. Provide the FO with detailed invoices with cost allocation for each of the above listed vendors.

Area 20: Multiple Contracts for Similar Service - Management

BHA has contracts with six (6) vendors for vaguely described management services, which appear to have cross-over between the contracts and the employees' duties at BHA.

- DBS Management
- EFREM Group (Mitchell Edwards)
- KBK Consulting
- Vertical Horizons

- Gibbons Industries
- Integral Grant Writing

DBS Management

BHA signed a contract with DBS Management on July 15, 2022, with no mention of the approval in the Board Minutes. The contract is for a six (6) month term at the rate of \$5,000/month totaling \$30,000. According to the Vendor Listing, DBS has been paid a total of \$26,859.75, with \$23,296.50 attributed to LOU. The remaining \$3,563.25 must be verified. The duties as described in the contract include, but are not limited to:

- Administrative Management
- Broadband Grant issues – research and funding
- Leadership Development
- Governance, Compliance, Risk Management
- Grant Writing

EFREM (Mitchell Edwards)

BHA signed a contract on July 7, 2022, with Mitchell Edwards. There is no mention of the contract in the Board minutes from May or June. The contract is for a period of six (6) months, at the rate of \$10,000/month with a \$5,000 sign on bonus, totaling \$65,000. The vendor listing provided shows total payments for \$55,729.63. Of the payments, \$30,000 was billed to LOU and \$15,729.63 was billed to PH.

KBK Consulting

BHA signed a contract with KBK Consulting on July 19, 2022, with discussion in the July Board Minutes. A motion was made to defer the signing of KBK contract but was not deferred. The contract has a not-to-exceed amount of \$84,000 and is for a term of one (1) year. The services are unclear but mention duties that are in regard to compliance. The total payments on the Vendor Listing show \$80,000, and on the Trial Balance payments are a total of \$73,000 attributed to LOU. The remaining \$7,000 must be verified.

Gibbons Industries

BHA has been making payments to Gibbons Industries for grant writing services. According to the Vendor Listing, total payments have been \$18,000. The Trial Balance attributes \$6,000 to PH and \$6,000 to HCV. The remaining \$12,000 will need to be verified.

Integral Grant Writing Services

BHA has been making payments to Integral Grant Writing for grant writing services. According to the Vendor Listing, total payments have been \$7,500. The Trial Balance attributes \$7,500 to PH.

Table 11 Multiple Vendors for Similar Service - Management

VENDOR	LOU	PH	HCV	UNKNOWN	PAYMENT	PURPOSE
DBS MANAGEMENT	\$23,296.50			\$3,563.25	\$26,859.75	Grant Writing, Risk Management

GIBBONS INDUSTRIES		\$6,000.00	\$6,000.00		\$18,000.00	Grant Writing
EFREM	\$30,000.00	\$15,729.63			\$55,729.63	Management
INTEGRAL GRANT WRITING		\$7,500.00			\$7,500.00	Grant Writing
KBK	\$73,000.00			\$7,000.00	\$80,000.00	Compliance
CONSULTING						
TOTAL	\$126,296.50	\$29,229.63	\$6,000.00	\$10,563.25	\$172,089.38	

Citation: HUD Handbook 7460.810; 2 CFR 200.459; 2 CFR 200.318-320

Corrective Action: BHA must provide the procurement files complete with all competing bids and justification for why these vendors were chosen and what makes the services unique.

1. Provide the FO with the Procurement files for each of the above listed vendors.
2. Provide the FO with detailed invoices with cost allocation for each of the above listed vendors, along with what grants were written.

Area 21: Multiple Contracts for Similar Service - Security Services

BHA has two relationships with regards to site security: employee, Ronald Cooper and The City of Brunswick Police Department.

Ronald Cooper is an employee of BHA, currently on leave. His title is Director of Security. Mr. Cooper's contract began on July 18, 2022. Duties outlined in the job description appear to have cross-over with the related vendors. Both duties include patrolling and reporting incidents to BHA.

An agreement was signed by BHA with The City of Brunswick Police on July 1, 2022. According to the contract, BHA will reimburse the City through the Capital Fund Grant Program, however security contracts are ineligible for this grant.

The department provides patrols to BHA and BHA provides the Police with cell phones to complete this service. The Vendor Listing shows all payments to the City of Brunswick, so it must be disregarded in this aspect, because City of Brunswick also provides water and sanitation. Cell phone service provided to the Police is by AT&T, so payments from the Vendor Listing must also be disregarded because it is unknown what is allocated to the Police. According to the last four (4) months of the Trial Balance, the Police have been paid a total of \$39,032.22, billed to PH and cell phones have totaled \$864.72, also billed to PH. Per 2 CFR 200.444, costs of other general types of government services normally provided to the general public, such as fire and police, are unallowable.

Citation: HUD Handbook 7460.810; 2 CFR 200.459; 2 CFR 200.318-320; 200.444; 24 CFR 905.202(h)(1)

Corrective Action: BHA must provide justification for why they have an employee and a vendor for a similar service, and a cost allocation for the payments to the City and to Ronald Cooper. BHA must provide the cell phone contracts and cost allocation along with justification for the cell phone service, for the FO to determine possible repayment to federal programs.

1. Provide the FO with the Procurement files for the City of Brunswick.
2. Provide the information regarding the job announcement for Security Officer and selection process.
3. Provide the FO with detailed invoices with cost allocation for each of the above listed vendors.
4. Reimburse the CFP fund for the costs of the service.

Area 22: Multiple Contracts for Similar Service - Legal Services
BHA appears to have contracts with four (4) law firms.

- Bowman Law
- Brooks Law Firm
- Hunter MacClean
- Brinson, Askew, Berry, Seigler, Richardson and Davis (Stewart Duggan)

Contracts were provided for Brooks Law and Brinson, Askew, Berry, Seigler, Richardson and Davis (Stewart Duggan); however, only invoices were provided for Hunter MacClean and Bowman Law.

Bowman Law

BHA is paying Bowman Law for legal services, which are ineligible as seen above in Area 9: Ineligible Use of Funds – Bowman Law Office. The FO would need to review the contract to determine why this law firm is procured in addition to all the other law firms.

Brooks Law Firm

BHA has a contract with Brooks Law firm with Charles I. Brooks and Hycall Brooks as the consultants.

On July 13, 2022, a motion was made to defer the signing of Brooks Law contract but was not deferred. The contract was signed on July 19, 2022, with no end date. The contract states that this is not an agreement for legal services; however, the invoices indicate that they are providing legal services. The contract also makes statements that BHA will be charged legal fees, directly contradicting that it is not for legal services.

There are two sections that state a retainer will be provided with different amounts: one of \$99,500 and one of \$20,000. BHA paid a retainer of \$20,000.

Though the Brooks Law Firm is being paid from LOU and not federal funds, federal funds were used to pay for travel and MacBooks. Funds for travel and the MacBooks will need to be returned to federal funds. The contract must also be reviewed and clearly state that their services were rendered for LOU only or a combination of all programs.

Hunter MacClean

BHA is paying Bowman Law for legal services, which have been deemed ineligible as seen above in Area 9: Ineligible Use of Funds – Bowman Law Office. The invoices for Hunter MacClean do not appear to have similar services with the other law contracts, however a contract was not provided. The FO would need to review the contract to determine why this law firm is procured in addition to the other law firms.

Brinson, Askew, Berry, Seigler, Richardson and Davis (Stewart Duggan)

BHA retained attorney Stewart Duggan with Brinson, Askew, Berry, Seigler, Richardson and Davis on October 24, 2022. The contract was awarded non-competitively therefore a retainer would be unallowable. Had the contract been awarded through the competitive process, retainers would be allowable. There is no mention of the contract in the Board Minutes. Services do not appear unique.

VENDOR	LOU	PH	HCV	UNKNOWN	TOTAL
BOWMAN LAW	\$0.00	\$4,950	\$0.00	\$20,645.70	\$25,595.70
BROOKS LAW	\$195,709.00	\$711.00	\$0.00	\$0.00	\$195,709.00
HUNTER MACCLEAN	\$12,199.10	\$98,949.18	\$0.00	\$809,352.94	\$920,501.22
STEWART DUGGAN	\$6,500.00	\$75,780.00	\$0.00	\$12,099.44	\$94,379.44
TOTALS	\$214,408.10	\$104,679.18	\$0.00	\$842,098.08	\$1,161,185.36

Citation: HUD Handbook 7460.810; 2 CFR 200.459; 2 CFR 200.318-320

Corrective Action:

1. BHA must provide justification for why they have multiple vendors for a similar service.
2. Provide the FO with the procurement file for each vendor to show compliance with federal regulations.
3. Provide the FO with detailed invoices with cost allocation for each of the above listed vendors.
4. The FO will determine the total amount due back to federal funds.

Area 23: Improper Procurement – Vertical Horizons

BHA has a contract in effect July 5, 2022, for Vertical Horizons, William Baker, as Interim Executive Director (ED). Review of prior Board Minutes show no discussion of the advertisement for the position or procurement. The ED contract is with Vertical Horizons, not an employment contract, so the procurement process would need to be followed. It does not appear that this procurement was open for other bids, rather the contract directly went to Vertical Horizons.

Invoices from Brinson, Askew, et al. show that on May 10, 2022, they, along with Mr. Kitts, prepared the job description for Executive Director. On July 2, 2022, attorneys at Hunter MacClean reviewed an employment contract, and on July 4, 2022, reviewed a consultant contract. It is not specified who the employment contract or the consultant contract were for.

Even though the contract was with Vertical Horizons and its Principal William Baker, BHA mainly treated him as an employee. Its contracts identified the relationships as both employee and "Consultant." The FO reviewed payroll documents showing the ED is being paid as a contractor, however, the position may meet the criteria in IRS Common Law Rules that define employment versus contracting.

Specifically, BHA provided office space, furniture, the purchase of a new laptop, office computers, an executive assistant, an office phone, and an Authority credit card. Descriptions on the Trial Balance also state that insurance was paid.

The duties outlined in the contract identified William Baker as the Interim Executive Director with complete responsibility for BHA's management, and his contract required him to perform all duties and obligations as assigned by the board. His responsibilities included interpreting and implementing all Authority policies, and planning, organizing, and controlling all facets of operations. His business card did not identify him as the contractor for Vertical Horizons, rather an employee of BHA.

It is possible BHA created a tax liability for Federal and State employer-related taxes by mis-categorizing this position.

William Baker's contract has several questionable clauses that are not in the best interest of BHA as the Interim Executive Director, and/or would be in conflict with other vendor contracts as a procured vendor. In the contract William Baker is referred to as the "Consultant." Below are the listed clauses, with their section number in the contract preceding, and a summary:

3.2 Vehicle Allowance

The contract states that a vehicle allowance of \$750/ month will be provided to the "Consultant." This cost is unallowable.

3.3 Start Up Incentive

The contract states that in order to assist the Consultant with start up costs, a payment of \$1,800/month for three (3) months shall be provided and two payments of \$6,756.29 will be provided within five (5) days of contract execution and five (5) days upon his relocation to Brunswick. These costs are all unallowable. PHA funds are not to be used to assist a Consultant in starting their business.

3.5 Break In Service

The contract states that the Consultant will not provide services from July 21-27, 2022, and through August 7-22, 2022. The Consultant will be unavailable for twenty-one (21) days to conduct business. There is no mention of proration for those dates since service will be unavailable as a contractor, and no mention of time off as an employee.

3.6 Grants

The contract states that the Consultant shall receive a bonus of 15% of the total grant amounts the PHA receives. This is an unallowable expense, as the grants are intended for use by the PHA for the residents and community, not as a bonus to any staff members or contractors. Further, the contract states that the Consultant shall continue to receive payments through termination.

Sections 5 & 6 Indemnity

The clauses of Indemnity are invalid. They do not state that Vertical Horizons shall have any bond or insurance. This passes the burden to the PHA. The contract states BHA shall bear the burden of the costs due to any proceedings initiated by either the PHA or the Consultant naming the Consultant as party to any action, suit, arbitration, suit, investigation, inquiry, or other proceeding. For issues naming the PHA as party, William Baker is also indemnified. This is contradictory to Federal guidance, that an employee of a PHA may be held responsible for any actions or proceedings due to their wrongdoing.

Section 7 Termination of Employment

The termination clause is invalid, as the contract is with Vertical Horizons and states that it is a clause of employment. If the PHA chooses to terminate the contract, William Baker is still owed all funds outlined in the contract.

A review of the Vendor Listing and the Trial Balance show that William Baker has received more funds than his contract dictates. The Vendor Listing shows less payments made than the Trial Balance shows, therefore the totals cannot be trusted to be accurate. The Vendor Listing and Trial Balance both show Vertical Horizons and William Baker as payees. BHA needs to clarify why they are paying separately.

Table 12 Payments made to Vertical Horizons and William Baker

	VENDOR LISTING	PH	LOU
VERTICAL HORIZONS	\$94,517.39	\$33,624.11	\$78,905.86
WILLIAM BAKER	\$3,159.63	\$957.06	\$17,459.44

Table 13 Outline of Contract Costs v. Payments

	JULY	AUG	SEPT	OCT	NOV
MONTHLY PAYMENT	\$13,512.57	\$13,512.57	\$13,512.57	\$13,512.57	\$13,512.57
VEHICLE ALLOWANCE	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00
START UP	\$1,800.00	\$1,800.00	\$1,800.00		
START UP	\$6,756.29	\$6,756.29			
TOTAL PER THE CONTRACT					\$90,225.43
TOTAL PER THE VENDOR LISTING					\$97,677.02
TOTAL PER THE TRIAL BALANCE (FEDERAL ONLY)					\$34,581.17
TOTAL PER THE TRIAL BALANCE					\$130,946.47

Citation: HUD Capital Fund Guidebook, HUD Handbook 7460.810; 2 CFR 200.459; 2 CFR 200.318-320, IRS Common Law Rules.

Corrective Action:

1. Provide the FO with the full procurement file for Vertical Horizons and the advertisement for Executive Director
2. Consult a tax professional to determine the amount of Federal and State payroll taxes it owes, if any, and pay those tax liabilities
3. Restore \$33,624.11 to Federal Funds

Area 24: Improper Procurement – EFREM

BHA has a contract in effect July 7, 2022, for Mitchell Edwards, as Interim Director of Capital Development. Review of prior Board Minutes show no discussion of the advertisement for the position or procurement. The contract is with Mitchell Edwards, however he is not on the payroll and is paid as

the EFREM group. Similar to William Baker's contract, this is not an employment contract, so the procurement process would need to be followed. It does not appear that this procurement was open for other bids; rather, the contract directly went to Mitchell Edwards.

On July 2, 2022, attorneys at Hunter MacClean reviewed an employment contract, and on July 4, 2022, reviewed a consultant contract. It is not specified who the employment contract or the consultant contract were for.

Citation: HUD Capital Fund Guidebook, HUD Handbook 7460.810; 2 CFR 200.459; 2 CFR 200.318-320, IRS Common Law Rules.

Corrective Action:

1. Provide the FO with the full procurement file for EFREM and the advertisement for Executive Director
2. Consult a tax professional to determine the amount of Federal and State payroll taxes it owes, if any, and pay those tax liabilities
3. Restore \$33,624.11 to Federal Funds