

**SPECIAL BOARD OF COMMISSIONERS MEETING
HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
502 East Highland Mall Blvd.
Suite 106-B
Austin, Texas 78752
May 13, 2009
12:00 noon**

MINUTES

The Housing Authority of Travis County, Texas held a Special Board of Commissioners Meeting at 502 E. Highland Mall Blvd. on the above date. A quorum was established, and Chairman Tommy A. Nobles called the meeting to order at 12:04 p.m.

ROLL CALL

Roll Call of Commissioners: Chairman Tommy A. Nobles, Vice Chair Ofelia Elizondo, Commissioner Tracy Burkhalter, Commissioner Richard Moya, Commissioner Melvin Wrenn. Staff in Attendance: Executive Director Wiley Hopkins, Assistant Executive Director/CFO Bill Friday, Director of Development & Planning Keith Hoffpauir, Accountant Betty Black, Asset Manager Sherri Griffin, Administrative Assistant Debbie Honeycutt. Guests: Craig Alter, President of the Strategic Housing Finance Corporation, Robert Carter, Leal & Carter, Robert Carter Jr., Leal & Carter, Natalie Hernandez, Housing Authority Outside Fee Accountant, Harvey Davis, Travis County Housing Finance Corporation. Executive Director Wiley Hopkins certified the quorum.

NEW BUSINESS

Item 1: Citizen Communications

There were no citizen communications.

Chairman Tommy A. Nobles said he called the meeting today and he wanted to keep the meeting timely and on focus. Chairman Nobles said he had a scope statement that would basically give us the realm of what would be discussed today. Chairman Nobles said anything that would be discussed outside of that realm that is not directly related to what was here and what was on the agenda, he would ask that it be placed on the regular Board meeting scheduled for May 30th. Chairman Nobles said the scope statement is: The Board of Commissioners and staff would take a look at preliminary information that has been received from the Independent Auditor, Regional Office of HUD and the Office of the Inspector General. Chairman Nobles said there are discussion items that are preliminary. He said none of the items have been finalized. Chairman Nobles asked the Commissioners if there was anything that they would like to add to that scope before proceeding. Chairman Nobles called the Boards attention to Item # 4 to be discussed first.

Item 4: Discussion, deliberation and possible action regarding status of the Authority's
Independent Audit

Robert Carter said there is a handout (Travis County LHA- 6/30/08 Audit) that has been distributed. Mr. Carter said that the handout is broken out in three sections. Mr. Carter said that pages one and two refer to the actual points of the audit, pages three and four refer to the status of the audit findings from the previous year as far as how they were implemented, and page 5 refers to the status of management comments.

Commissioner Melvin Wrenn asked if they provided copies to anyone who might've wanted one. Chairman Nobles said that everybody has one. Mr. Wrenn said he was talking about those persons. Chairman Nobles said yes. Chairman Nobles said Mr. Carter here's a copy if you need one. Chairman Nobles asked if there was anyone else who needed a copy of that information. He asked if everybody had one, and said okay let's go ahead.

Mr. Carter said that all the fieldwork has been completed. Chairman Nobles asked about the status listed under each item and how that would need to be addressed. Chairman Nobles asked Mr. Hopkins if staff could respond after each item as to whether the item is currently being taken care of. Mr. Carter said he would work with staff this week to finalize Item 3, Lease Purchase Receivable of the report (Travis County LHA- 6/30/08 Audit).

Mr. Carter presented Item 4, Inter-Funds Receivable/Payables Assistant Executive Director/CFO Bill Friday said the Authority is going to be receiving certain funds for the current budget year, which would be repaying those Inter-Funds Receivables.

Chairman Nobles asked Mr. Friday what the projected timeline would be to have Item 4 completed. Mr. Friday said by the end of next week. Chairman Nobles said it would be safe to say two weeks, which would be May 27th, 2009. Discussion followed.

Mr. Carter presented Item 5, Mortgages Payable – Lease Purchase Program. Chairman Nobles asked what the projected turnaround time would be on Item 5. Mr. Carter said one week. Discussion followed. Chairman Nobles asked the Board if there were any questions at this point. There were none.

Mr. Carter presented Item 6, Confirmation Still Required. Discussion followed. Mr. Carter said the final confirmation has not been received in writing, which should be taken care of this week. Mr. Friday said he has tried several times to get answers from the bank. Mr. Carter said he had talked to an individual who is managing the program from the Houston office and they said they would be glad to send a confirmation. Mr. Carter stated he would call them this week or next and obtain the information. Mr. Friday said he would give Mr. Carter contact names and phone numbers

Mr. Carter presented Item 8, Contingencies. Discussion followed. Mr. Carter said that he had discussed the item with Mr. Friday.

Mr. Carter presented Item 9, Subsequent Events. Mr. Carter said based on the discussions none have occurred. Mr. Carter said he just needed to confirm with Mr. Friday, so it could be documented in the work papers within the next two week period.

Mr. Carter presented Item 10, Management Discussion and Analysis (MD&A). Discussion followed. Mr. Friday said that he requires the completed financial statements to obtain financial data needed to complete the report.

Robert Carter Jr. presented Page 3 of the report. Discussion followed.

Chairman Nobles said as we began the meeting there were a couple of people here that he would like to recognize.

Chairman Nobles said that Mr. Harvey Davis is from Travis County. Chairman Nobles said Mr. Davis was here at the request of Judge Samuel Biscoe. Chairman Nobles said also present was the President of Strategic Housing Finance Corporation, Mr. Craig Alter.

Robert Carter Jr. presented Page 4. Discussion followed regarding prior year audit exceptions. Mr. Carter Jr. said the prior year findings have been cleared and he saw no repeat of last years exceptions/findings.

Mr. Carter said he would have to discuss Item 2 on page 4 with staff further to get the true nature of it.

Commissioner Melvin Wrenn said to discuss more. Mr. Wrenn said because what you also have is I call it you have a program in other words you have what is listing as escrow account, but technically being utilized as program funding because it may not go to the house of which it was generated from. Mr. Wrenn said so therefore there needs to be some explanation as well as some clarification as well as some tracking. Mr. Wrenn said and the other question that I know one needs to have is within the framework of the program mentally is that permissibly from a stand point of the way the program was set up and if so than that needs to be sighted as part of the reason why you are able to do those different things.

Chairman Nobles said a follow up with what the Finance Committee Chair Mr. Wrenn has said that this needed to be resolved within a two week period. Chairman Nobles said to make sure that Mr. Carter has everything that is needed if at all possible for the audit. Mr. Wrenn said so that's when Mr. Carter should have everything back to him, in two weeks.

Harvey Davis asked if these were the funds that were set aside for down payment assistance for when a home buyer pays the mortgage. Mr. Friday said no. Chairman Nobles said so there is a two week window on that and know how to proceed. Chairman Nobles said he would stay in contact with Mr. Carter. Chairman Nobles said once the item is resolved Mr. Wrenn and Mr. Carter are to notify him. Chairman Nobles asked Mr. Friday if two weeks would be enough time to sit down and discuss item 2 on page 4 with Mr. Carter. Mr. Carter said the discussion will probably lead to collaboration by looking at related documents to collaborations of any discussions.

Mr. Carter Jr. presented page 5. Chairman Nobles asked if item 5 on page 5 was still an out standing issue. Mr. Carter Jr. said yes. Chairman Nobles asked what needed to be done. Mr. Carter Jr. said essentially what needed to be done is adjusting the cost allocation. Discussion followed.

Mr. Friday said he had all employees earning registers for approximately 5 months and had set up a spreadsheet, so that he could put in everybody's time allocated to each different program and on an average basis over that period of time he would be able to tell how much time each employee spends on Section 8, so staff's time is actual time. Mr. Friday said and if those rates go down then he could adjust the Section 8 budget to show that those rates would go down and

it will eat up a bunch of that \$165,000. Mr. Friday said payroll expenses would be one of the biggest things that would be reduced. Chairman Nobles asked how long it would take to get it resolved. Mr. Carter Jr. said essentially what has to be done is adjust 2009 budget. Discussion followed.

Chairman Nobles said so this is not a quick fix, but may take some time, but we could get an answer and what would be a reasonable amount of time. Mr. Friday said not until after the beginning of next year of July 1, 2010. Discussion followed.

Mr. Wrenn asked what policy could be put in place so that would not become an issue next year. Mr. Friday said for the financial statements not to show a loss on any month and the yearly budget to not show a deficit when approved by the Commissioners.

Mr. Friday said sometime there would be a loss because there are two extra pay periods during the year and those two months would show a loss due to the extra pay plus the fringes that are added. Mr. Friday said another part of the year there is a large contribution to the insurance company that month would show a loss.

Executive Director Wiley Hopkins presented an email from the Financial Analyst Byron Gulley from the HUD Office regarding the Travis County Housing Authority's Public Housing Project's Financial Condition for July 1, 2007 through June 30, 2008. Mr. Hopkins said in summary if the Voucher Management System Data report for July 2008 through February 2009 appears that you have improved your management of your Section 8 Housing Choice Voucher Program operating expenses. Mr. Hopkins said he wanted to share the observation regarding making improvements. Chairman Nobles said so that is going to fall directly under Tab 3.

Mr. Carter Jr. said that there are a number of things that would be coordinated with Mr. Friday as far as expanding the audit work due to the OIG comments. Mr. Carter said he would expand the review of records in the procurement, payroll and travel voucher areas. Mr. Carter Jr. said he would send a listing of the account payable documents, payroll and travel voucher he would review.

Chairman Nobles asked Mr. Hopkins if that email that he just read would be pertinent in the scope of what Mr. Carter is going to be looking at. Mr. Hopkins said yes and he would forward it to Mr. Carter.

Chairman Nobles called for a five minute recess. The Board went into recess at 1:20 p.m.

The Board reconvened at 1:25 p.m.

Chairman Nobles called the Boards attention to Item 3.

Item 3: Discussion, deliberation and possible action regarding correspondence between the Housing Authority and David Pohler Director of Public Housing – HUD San Antonio

Mr. Hopkins made the presentation. Discussion followed.

Mr. Hopkins said in the subcommittee meeting last week with Chairman Nobles, Mr. Friday, Mr. Hoffpauir, Mr. Wrenn and himself it was discussed that a formal response letter would be put together to send to HUD along with a copy of the receipt book that the Housing Authority is

utilizing, a copy of the form that is now being utilized for the Section 8 inspections, an excerpt of the minutes and the Capital Inventory Capital Assets policy change. Discussion followed.

Chairman Nobles said the timeline that was discussed to complete Item 3 was two weeks.

Chairman Nobles called the Boards attention to Item 2.

Item 2: Discussion, deliberation and possible action regarding preliminary findings reported by OIG Auditors

Mr. Hopkins presented Item 2. Mr. Hopkins said that there are six items that are listed in the email between the Chairman and the OIG Auditor. Mr. Hopkins said that the items are not detailed as far as giving any guidance. Mr. Hopkins said there is not much information listed that was not already anticipated. Mr. Hopkins said there is a couple of items that he had not heard of for example on page 2 item 4. Mr. Hopkins said staff is pursuing the findings of that item as far as the procurement requirements. Mr. Hopkins said on page 1 item 1 regarding the receivables, the Authority has always known that they were focused on the due to's due from's and reconciliation. Mr. Hopkins said because we kind of interrupted the process of them doing their timeline and their time table as for giving the Authority explicate information in writing, which was going to be by July. Mr. Hopkins said it would be hard to go back and research this in any great depth. Mr. Hopkins said staff would do the best they could in that regard. Mr. Hopkins said regarding Item 2 unrecorded HUD receivables totaling \$65,000, it is unknown what period of time it was. Mr. Hopkins said item 1 and item 3 are related regarding the write-offs. Mr. Hopkins said that Ms. Natalie Hernandez has an ongoing dialog with Joanna Varenhorst in addressing the accounting. Mr. Hopkins said back to page 2 item 5 the Authority has a spreadsheet that the Accountant Betty Black has been working on, along with a spreadsheet for item 6 regarding unsupported and ineligible travel.

Commissioner Richard Moya asked when the Authority would get the official notice from the OIG and what the timeline would be to respond. Mr. Hopkins said once the written final draft has been received from the OIG, there would be 30 days to respond and they would have at least another 30 to 45 days to review the comments of the Authority and come up with a final product.

Commissioner Tracy Burkhalter said when she read the six key factors whether it is preliminary or not it is still in black and white. Ms. Burkhalter asked how it got to that point. Chairman Nobles said we have it here in black and white and if it was not significant she would not have put it down there. Chairman Nobles said again it is preliminary. Mr. Hopkins said that Ms. Varenhorst's audit spans from 2004, 2005, 2006 and 2007 and the commutative numbers and none of the auditors that staff has spoke to have been able to tell the Authority over what period of time those have accumulated over. Ms. Burkhalter asked about number 2 on page 1 she said she found some unrecorded HUD receivables totaling about \$65,000. Mr. Hopkins said there is no way to explain that without knowing what dates she is talking about. Ms. Burkhalter said she probably would have been communicating with her. Mr. Friday said the Authority does not know where the number came from. Discussion followed.

Chairman Nobles said there is a four year window and the Authority does not know if Ms. Varenhorst is looking at one year, two years, three years or four years. Chairman Nobles said we do not know what time period she is looking at, but she does have a figure. Chairman Nobles

said again this is preliminary. Chairman Nobles said it can't be fixed now because we do not know where she is looking.

Natalie Hernandez said she did not know where the 2.5 million dollars is coming from, but she said that the financial statements at fiscal year end had 2.1 million dollars sitting in the HAP equity account.

Ms. Hernandez said what that means is that that Authority received so many dollars for HAP payments, the Authority made so many dollars of actual payments disbursement so there was a balance and that balance is reflecting on the financial statements as an HAP equity account. Ms. Hernandez said in other words it is not the Authority's money it is money that is owed back to HUD and it is clearly stated on the financial statements the 2.1 million dollars. Discussion followed.

Mr. Moya said it is good to get a heads up on what might be on the OIG report, but he said that the Authority should exercise some caution as to what it might mean in the end. Mr. Moya said the email is not specific enough for staff to do the research as required until they know exactly what year and what month they are referring to.

Ms. Burkhalter said she would still be trying to notify Ms. Varenhorst that person right away to find out how she came up with that. Mr. Moya said the Authority needed to wait on the official notification.

Chairman Nobles said HUD is in the process of finalizing the audit now and he said he did not know how long it would take to finalize. He said he thought a week to two months.

Ms. Burkhalter said she thought it was basic to her and the basic question that she has is if this is in the books and we are discussing this today then there should have been so kind of feedback.

Mr. Hopkins said there is a process that HUD has regarding contacting auditors and not contacting auditors.

Ms. Hernandez said that one of the issues that has continued to be discussed is the due to's and the due from's. Ms. Hernandez said if an amount is due from one program then it needs to be paid back. Ms. Hernandez said an expense would be allocated to various accounts and that gives rise to the due to's and the due from's. Ms. Hernandez said that the reserve account has been set up to pay payroll and then transfer money out of the different programs to reimburse that account instead of the other way around. Discussion followed.

Chairman Nobles said if the Authority gets on the same page as HUD as for as balancing according to HUD guidelines and regulations he thought it would eliminate problems.

Vice Chair Ofelia Elizondo said with the statements that have been made are you asking the Fee Accountant to contact the auditor before the official letter comes out. Chairman Nobles said the answer to that question is no. Vice Chair Elizondo said that she did understand they wanted individual audit ability which is checking accounts from each cost center, but what that would produce would be more bank accounting fees plus more accounting fees and more allocations to the programs, which increases the cost, which increases the deficit.

Chairman Nobles said that he has been in consistent communications with Joanna. Chairman Nobles said this is strictly in a Board's over site capacity that could be brought to the Board of Commissioners and if there are changes that needed to be made he said to implement that would be Mr. Hopkins.

Item 5: Executive Session

There was not one at that time.

Item 6: Reconvene from Executive Session and take any action deemed necessary as the result of Executive Session discussions

N/A

ADJOURN

There being no further business, Mr. Moya made a **motion** to adjourn. Vice Chair Elizondo seconded the motion, which **passed** unanimously. The Board adjourned at 2:15 p.m.

Respectfully submitted,

Wiley J. Hopkins, Executive Director/Secretary