

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY HOUSING AUTHORITY**

Houston, Texas

January 15, 2014

**THE STATE OF TEXAS §
§
COUNTY OF HARRIS §**

The Board of Commissioners of the Harris County Housing Authority met in regular session, open to the public, on the 15th day of January 2014, at the Harris County Housing Authority, located at 8933 Interchange Drive, inside the boundaries of Harris County in Houston, Texas. Chairman Wright called the meeting to order at 1:08 p.m., and the roll was taken of the duly constituted officers and members of the Board:

Kerry Wright	Chairman	Present
Joe Ellis	Commissioner	Present
Roberto Gonzalez	Commissioner	Present
David Riddle	Vice Chairman	Absent
Gerald Womack	Commissioner	Present

Attending for all or portions of the meeting was Doug Ray from the County Attorney's Office as counsel. Present additional attendees included the following:

Tom McCasland, Angela Sklavos, Horace Allison, Paula Burns, Beverly Burroughs, Paul Curry, and Kristen Domeracki of the Harris County Housing Authority; David Cornwell, Ella Edmiston, Wanda LeBlanc, Mandy Heagy, Robert Thurmond IV, Robert Thurmond III, and Michele Bolds were also in attendance.

APPROVAL OF MINUTES FROM DECEMBER 18, 2013

Commissioner Womack moved to approve the minutes from the December 18, 2013 board meeting, Commissioner Ellis seconded, all were in favor, and the motion carried.

PUBLIC COMMENT

Robert Thurmond IV from the Cathedral Justice Project presented information related to the case of Michele Bolds, a client recently terminated from the HCV program. Mr. Thurmond appealed to the commissioners to overturn the final decision of an informal hearing to terminate Ms. Bolds' assistance and claimed that several violations of the HCHA Administrative Plan and federal regulations occurred throughout the termination and informal hearing process. Specifically, Mr. Thurmond stated that HCHA ignored Ms. Bolds' request for a hearing after

Estates expenses paid from federal funds; HCHA requested reimbursement from Harris County, but the County declined to reimburse HCHA for these expenses. HCHA has submitted a payment agreement to repay these expenses.

Corrective Action 2E: The OIG identified \$7,010,079 of misspent funds relating to a damage assessment. These expenses are the subject of on-going litigation; however, HCHA has confirmed that \$2,971,168 of this amount was misspent federal funds and has submitted a payment plan for this amount.

Corrective Action 2F: The OIG report identified \$8,011,036 in unreimbursed expenditures possibly made with federal funds related to Patriots by the Lake. HCHA determined that the affordable housing account was positive at the time of these expenses (prior to 2012); therefore, these expenses must have been paid from non-federal sources. This response does not suggest that the funds were well spent, but only that they did not originate from federal funds and therefore no repayment is required.

Corrective Action 2G: The OIG identified \$514,314 missing from HCHA's net-restricted assets fund; HCHA has reimbursed this fund for the full amount. The Quality Assessment Division report HCHA received regarding the NRA is larger than this amount, and the QAD balance is what is included in the total repayment amount presented to the board.

Corrective Action 3A: The OIG identified \$87,000 in expediting fees possibly paid with federal funds; HCHA has not acknowledged that this was an inappropriate expense, but it has agreed that the fees should have been paid from non-federal funds. HCHA returned the full amount to the proper account as of November 30, 2013.

Corrective Action 3B: The OIG report identified \$582,595 spent under contracts that violated conflict-of-interest prohibitions. These contracts are the subject of on-going litigation, but HCHA has determined that \$574,142.50 of this amount came from federal funds and has submitted a repayment agreement for this amount. Prior to the issuance of the OIG report, HCHA had paid \$773,771 (corrective action 2C) to reimburse federal accounts for expenses paid from federal funds under contracts that violated conflict-of-interest prohibitions.

Corrective Action 3C: The OIG report identified \$1,270,423 of questionable contract and procurement payments. HCHA has supported the source of funds for \$561,892 and supported that \$104,338 came from non-federal sources. HCHA has submitted a payment plan for the remaining \$605,193.

Corrective Actions 3D and 3E: The OIG required HCHA to adopt contracting policies and policies relating to commissioner training. HCHA submitted documentation on October 31, 2013 showing the board's approval of contracting policies and procedures. HCHA also submitted documentation showing board approval for policy revisions requiring annual commissioner trainings and documentation that two such trainings have occurred under the new administration.

In total, the OIG report questioned approximately \$27.4 million in expenses and HCHA has agreed to repay \$8.5 million. Of this amount, \$7.6 million has yet to be repaid. If HUD accepts

As part of the audit, CLA staff reviewed financial records and approximately 200 HCV case files. The audit resulted in four findings, two of which were material weaknesses and two of which were identified as significant deficiencies. The material weaknesses included material audit adjustments due to errors in deferred ground lease revenue and errors involving commingling of program funds and problems with cash management. Although HCHA addressed the problems with the comingling of funds as of October 2012, this finding will remain on the report until all funds have been fully restored to the appropriate lines of business after the close out of the repayment agreements in response to the OIG report. Significant deficiencies included errors in rent reasonableness procedures and the late submission of unaudited records to REAC. In regards to rent reasonableness, auditors found eight instances in which staff performed rent reasonableness calculations after having already approved rental increases. Mr. McCasland has addressed this issue with the appropriate staff, and HCHA has implemented new quality control measures to catch any future errors in a timely manner. Unaudited REAC submissions are due 60 days after the end of the authority's fiscal year, and this deadline was missed for the 2013 fiscal year. HCHA staff received verbal permission for the late submission; however, in accordance with accounting rules and procedures, it must still remain a finding in the audit report. Other than an audit finding, there is no penalty for missing the REAC deadline. Two of the findings from the 2012 fiscal year audit were cleared in the 2013 audit.

In its letter to management, CLA included additional recommendations that did not rise to the level of findings. These recommendations included establishing a process to review policies related to internal controls annually, implementing procurement procedures to document searches within the HUD Limited Denial of Participation and GSA Excluded Parties Listing Service Systems, establishing a cost allocation plan for allocating expenses associated with multiple programs, and establishing procedures to properly accrue accounts payable at the end of the year. In response to the commissioners' questions, Mr. Curry assured the board that these recommendations have been implemented.

Chairman Wright asked for further information regarding the material weakness finding related to errors in the deferral of ground lease revenue. Ms. Heagy explained that although previous auditors had advised HCHA to take the ground lease revenue for Cypresswood Estates all at once, the revenue should have been deferred over the life of the ground lease. This error was not found on previous audits, but was discovered this time due to heightened scrutiny requirements for HCHA's tax credit entities.

Ms. Heagy reviewed the contents of a board report provided to each commissioner; this report reviewed policies and accounting practices utilized in the audit, included a report showing adjustments to journal entries, and included a summary of passed journal adjustments. Ms. Heagy then reviewed changes in GASB rules that may affect the authority in the next fiscal year; these changes include a new regulation that requires organizations to record liabilities due to pension funds. In response to the commissioners' questions, Ms. Heagy advised that her most important recommendation moving forward is that HCHA continue to follow established procedures to prevent the co-mingling of federal and non-federal funds. Commissioner Womack moved to approve the resolution approving the financial statements as prepared by CLA,

HCHA is continuing to receive referrals from the VA for VASH clients.

Paula Burns reviewed the status of properties within the Affordable Housing Division. Many of the properties are 100% occupied; however, Primrose at Heritage Park, Magnolia Estates, and Cypresswood Estates have vacant units that are reserved for families at 60% AMI. At Cypresswood, staff is working to get permission to make more units available to families with incomes levels at 80% AMI.

Horace Allison presented on development activities within the Affordable Housing Division. The GLO has expressed support for a proposed elderly development near the Southeast Transit Center but has concerns over a proposed permanent supportive housing development in Midtown due to its location in an economically impacted area. The GLO has requested additional information regarding the Midtown development to demonstrate that it provides a viable solution to meet a need in the area.

HCHA has received the 60% documents for Retreat at Westlock and forwarded them the HCCSD for review. Finding sites and creating successful LIHTC applications this year is difficult because of requirements for building in high opportunity areas with excellent schools. Staff has identified two potential tracts, one off of Tidwell and Beltway 8 and the other at FM 1960 near Kuykendahl. Any proposed developments must be for family housing due to changes in TDHCA's Qualified Allocation Plan, which does not allow for elderly developments this year.

The Midtown Redevelopment Authority has asked HCHA staff to continue meeting with organizations and leaders in the third ward in order to build support for a development at Live Oak. Architects have developed preliminary drawings for a transit-oriented development (TOD), which will be forwarded to METRO for its review. Staff will continue meeting with community leaders near the proposed TOD site to build support for the project. Commissioner Womack recommended several leaders that staff might meet with and advised that it might be best to have METRO's support and assurance of site control before moving forward.

The applications and work specifications for all five homes have been accepted by the Amy Young Barrier Removal Program. Staff members plan to receive bids for construction on these homes before the end of the month. Mr. Allison responded to the commissioners' questions regarding how participants in this program were selected and how the program was advertised.

Chairman Wright asked about the deadline for using GLO funding. Mr. Allison and Mr. McCasland advised that the original deadline for using the funds was 2015, but HCHA has been informed that as long as the authority is moving forward with development plans, the GLO will not withdraw its funding. In response to a request from Chairman Wright, Mr. McCasland agreed to request written confirmation that HCHA will not lose its funding. Mr. McCasland advised that although HCHA has not yet spent any GLO funds, it expects to have enough funding to support two projects. The staff's first preference would be to fund new construction; however, if necessary to use the funds in a timely manner, HCHA would consider rehabilitating an existing structure. Staff members have been very responsive to all GLO requests for information and documentation.

ADDITIONAL BOARD ACTION

None.

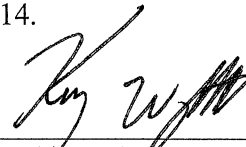
COMMENTS BY COMMISSIONERS

None.

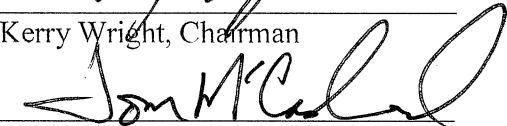
ADJOURNMENT

Commissioner Womack moved to adjourn at 4:24 p.m., Commissioner Ellis seconded, all were in favor, and the motion carried.

Adopted and approved this 26th day of February 2014.



Kerry Wright, Chairman



Tom McCasland, Secretary

Attachments: Resolutions 14-01 to 14-05