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TO: David Pohler, Director, Office of Public Housing, 6JPH

Henry S. Czauski, Acting Director, Departmental Enforcement Center, CV

FROM: *//signed//*
Gerald R. Kirkland
Regional Inspector General for Audit, Fort Worth Region, 6AGA

SUBJECT: The Housing Authority of Travis County, Austin, Texas, Could Not Adequately Account For or Support Its Use of Federal Program Funds

HIGHLIGHTS

What We Audited and Why

We audited the Housing Authority of Travis County (Authority) due to several problem indicators including the U. S. Department of Housing and Urban Development's (HUD) rejecting the Authority's 2005 and 2006 audited financial statements and noting that the Authority's 2007 financial statements contained $4.1 million in interprogram transfers and a negative $579,783 administrative fee reserve. Further, the Authority's related entities recently developed three new properties. Our objectives were to determine (1) whether the Authority and/or its related entities followed HUD procurement regulations for nonprofit development or procurement activities, if required, and (2) whether the Authority used federal funds only for eligible program activities.

What We Found

The Authority did not use HUD funding for its new developments and was not required to follow HUD procurement regulations for them. However, in violation

of its annual contributions contract and federal regulations,[1] the Authority could not adequately account for its use of federal program funds or support that it used program funds only for eligible program activities. Specifically, the Authority haphazardly transferred more than $2.5 million between its federal and nonfederal programs and activities without proper support or justification. Further, its books and records were not auditable, and it did not properly allocate costs. Limited testing also showed that it could not support more than $600,000 in costs charged to federal programs, spent more than $3,000 on ineligible costs, and did not always follow procurement requirements. These violations occurred because the Authority disregarded HUD requirements in order to keep its programs functioning and lacked financial controls. Consequently, HUD did not have a true understanding of the Authority's financial position, which was deteriorating.

What We Recommend

We recommend that the Director of HUD's San Antonio Office of Public Housing require the Authority to (1) correct its books and records; (2) hire an outside accounting firm to perform a comprehensive review of the $2.5 million in transfers; (3) provide support for or repay the $600,000 in unsupported costs; (4) repay the $3,084 in ineligible costs; and (5) develop policies, procedures, and controls to ensure that federal funds are only used for eligible program activities and that interprogram balances are reconciled and paid in a timely manner. We also recommend that the Acting Director, Departmental Enforcement Center, take appropriate administrative actions against Authority officials, as applicable.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

On July 1, 2009, we provided a draft report to the Authority with written comments due by July 20, 2009. We extended the response date to July 27, 2009. The Authority's former executive director, who resigned effective July 31, 2009, provided written comments on July 27, 2009. The chairman of the board of commissioners (board chairman) provided comments on July 30, 2009. The Authority generally disagreed with the report. The board chairman generally agreed with the report. The Authority's board of commissioners is responsible for the agency's operations. The complete text of both responses, along with our evaluation of them, can be found in appendix B of this report. We did not include voluminous documents provided by the former executive director but will make them available upon request.

[1] 24 CFR (*Code of Federal Regulations*) Parts 982 and 85.

TABLE OF CONTENTS

Background and Objectives 4

Results of Audit

Finding: The Authority Could Not Adequately Account For or Support Its Use of Federal Program Funds 5

Scope and Methodology 13

Internal Controls 15

Appendixes

A. Schedule of Questioned Costs 16

B. Auditee Comments and OIG's Evaluation 17

C. Schedule of Interprogram Balances 47

BACKGROUND AND OBJECTIVES

The Housing Authority of Travis County (Authority) is governed by a five-member board of commissioners appointed by the county commissioners. It is an independent, government-funded agency charged with the responsibility of providing an adequate supply of low income housing to help meet the housing needs of the residents of Travis County, Texas. The Authority exists to provide safe, decent, and sanitary housing for low income families in Travis County. It also administers and receives grant funds from the U. S. Department of Housing and Urban Development (HUD) for the benefit of low income persons. The Authority administers a low rent public housing program consisting of 105 units, a Housing Choice Voucher program with 564 units, and a Disaster Housing Assistance Program with approximately 16 vouchers. In addition, the Authority administers Shelter Plus Care grants[2] and a Public Housing Capital Fund (Capital Fund) grant received from HUD each year. For fiscal year 2007, HUD awarded the Authority more than $5.8 million.

HUD expressed concern over the Authority's financial status when it rejected the Authority's fiscal years 2005 and 2006 audited financial statements and when it flagged in 2005 and froze in 2007 grant drawdowns for the Shelter Plus Care grants. HUD's Real Estate Assessment Center performed a quality control review of the fiscal year 2006 independent auditor's work papers and noted several deficiencies in the Authority's operations. The Authority's fiscal year 2007 audited financial statements cited $4.1 million in interprogram transfers and a negative $579,783 administrative fee reserve. Further, shortly after our audit started, HUD formally designated the Authority as "Troubled," based on the Authority's Public Housing Assessment System designation, after it received and approved the Authority's fiscal year 2007 audited financial statements in 2008.

The Authority operates three related entities. Strategic Housing Finance Corporation qualifies as an instrumentality under Texas law but does not meet the four indications of control set forth in HUD Public and Indian Housing (PIH) Notice 07-15. Strategic Housing Finance Corporation was recently involved in the development of three new properties. Travis County Development Corporation and Travis County Facilities Corporation however do meet the four indications of control and are considered to be instrumentalities of the Authority.

The Authority's executive director during our audit, Wiley Hopkins, tendered his resignation on June 23, 2009, effective September 1, 2009. However, the board of commissioners accepted his resignation effective July 31, 2009.

Our objectives were to determine (1) whether the Authority and/or its related entities followed HUD procurement regulations for development or procurement activities, if required, and (2) whether the Authority used federal funds only for eligible program activities.

[2] These grants provide assistance to homeless persons for 67 units.

RESULTS OF AUDIT

Finding: The Authority Could Not Adequately Account For or Support Its Use of Federal Program Funds

In violation of its annual contributions contract (ACC) and federal regulations,[3] the Authority could not adequately account for its use of federal program funds or support that it used program funds only for eligible program activities. These violations occurred because the Authority disregarded HUD requirements in order to keep its programs functioning and lacked financial controls. Consequently, the Authority haphazardly transferred funds totaling more than $2.5 million between its federal and nonfederal programs and activities without proper support or justification, its books and records were not auditable, it did not properly allocate costs, it could not support more than $600,000, it spent more than $3,000 on other ineligible costs, and it did not always follow procurement requirements. As a result, HUD did not have a true understanding of the Authority's financial position, which was deteriorating.

The Authority Improperly Transferred Funds between Programs

The Authority haphazardly transferred funds totaling more than $2.5 million between its federal and nonfederal programs and activities without proper support or justification. The resulting interfund balances consisted of more than $1.3 million[4] owed to HUD programs, $830,221 owed to non-HUD programs by HUD programs, $108,221 in potentially unrecorded receivables (discussed later in this finding), and a $205,560 payable between the Capital Fund and the Housing Choice Voucher program that was improperly written off (discussed later in this finding).

According to the Authority's fiscal year 2007 general ledger, HUD program receivables totaled more than $1.2 million. This balance included $732,421 owed to HUD programs from non-HUD programs and $554,317 owed to HUD programs from other HUD programs.[5] A limited review of the fiscal year 2008 general ledger[6] found an additional $87,000 transferred from the Authority's Housing Choice Voucher savings account to other HUD and non-HUD programs. HUD payables to non-HUD programs totaled $830,221. The transfers were improper

[3] 24 CFR Parts 982 and 85.

[4] This includes $1,286,738 according to the fiscal year 2007 general ledger and an additional $87,000 noted in the fiscal year 2008 general ledger.

[5] Title 42 U.S.C. (*United States Code*) 1437(g), chapter 8, subchapter I, allows public housing agencies with less than 250 units that are not designated as "Troubled" to commingle their capital and low-rent funds. Therefore, we did not include receivables between the low-rent and Capital Fund programs in our calculations or analyses.

[6] At the time of the review, the fiscal year 2008 independent audit was not completed.

because according to the ACC, program funds are not fungible, and the Authority should not withdraw funds for a specific program in excess of the funds available on deposit for that program. In addition, Office of Management and Budget (OMB) Circular A-87 states that any cost allocable to a particular federal award or cost objective may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the federal awards, or for other reasons. The Authority was aware that HUD regulations do not allow the commingling of funds. However, the Authority claimed that it disregarded HUD requirements in order to keep the programs functioning.

The Authority Made Transfers in a Haphazard Manner

The Authority made the improper transfers in a haphazard manner. For example, it did not maintain a subsidiary ledger for its different voucher-related subsidies, including its Disaster Housing Assistance Program, Housing Choice Voucher assistance, Housing Choice Voucher administrative fees, and Shelter Plus Care assistance. Instead, it combined all of the revenue for these forms of assistance into one bank account, but it did not track how much each program had available in funds as expenses were paid. It also did not maintain a subsidiary ledger for the different years of its Capital Fund grant, which could also result in problems because the Authority may not be able to properly differentiate to which grant year to charge expenses. In addition, the Authority used equity accounts in the general ledger to make the programs show liquidity and balance at year end. The Authority also made adjustments to the general ledger based on calculations from a HUD system after it entered unaudited data rather than attempting to determine why the Authority's data and HUD's information did not match.

The Authority Intentionally Used HUD Funds for Ineligible and Unsupported Activities

To keep its various programs operating, the Authority admitted that it disregarded HUD's requirements and made improper transfers. For example, in 2007, HUD's Office of Community Planning and Development froze the Authority's Shelter Plus Care grant due to issues with the Authority's accounting for the funds. The Authority used its Housing Choice Voucher funds to keep the Shelter Plus Care program operating although it knew this was a prohibited use of Housing Choice Voucher funds.

Other examples of the Authority's failure to follow OMB Circular A-87 and its ineligible uses of HUD funds were clearly visible in the fiscal year 2007 general ledger. The low rent public housing program owed the Housing Choice Voucher

program; Carson Creek,[7] Travis County Facilities Corporation,[8] and the lease/purchase program[9] all owed the Housing Choice Voucher program; the Shelter Plus Care program owed the low rent public housing program and the Housing Choice Voucher program; Manor Town Apartments,[10] Travis County Facilities Corporation, and the lease/purchase program all owed the low rent public housing program; family self-sufficiency funds were transferred to Sweetwater Apartments;[11] and the general fund owed the Shelter Plus Care program. Appendix C represents a schedule of the interfund balances recorded in the general ledger.

The Authority Made Transfers without Proper Support or Justification

The Authority's records did not show that transfers between the programs were valid, supported, or justified. For example, a stratified variable sample of 166 general ledger transactions, from 302 transactions in the interprogram balance accounts, was selected to determine the validity of the payables balances. However, the Authority was only able to provide supporting documentation for four of the sample items, and the documentation for those items was voluminous. Two of the four transactions had sufficient support, and two were unsupported. Further, the support used for one of the unsupported items consisted of prior period costs dating as far back as 2002 to support the 2007 payable transaction.

In addition, the Authority's 2007 general ledger showed an $83,925 payable from the low rent fund to the Capital Fund. However, HUD regulations[12] allow public housing agencies with less than 250 units that are not designated as "Troubled" to commingle their capital and low rent funds. Therefore, the Authority should not have recorded any payables or receivables between the low rent and Capital Fund. This improper payable balance occurred because the Authority was not familiar with HUD requirements.

Testing of payments in 2007 to five different vendors disclosed that the Authority was inconsistent in tracking its interfund receivables. For example, if a HUD program paid an expense on behalf of another program, the Authority did not always record the HUD program receivable in the general ledger. The Authority claimed that it netted the payments at month end because it was too cumbersome to record all of the transactions as they occurred. However, limited testing showed several incidents in which the HUD program receivable was not recorded.

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7 Private property owned by the Authority that was sold in October 2007.
8 Instrumentality of the Authority.
9 Housing program operated by the Authority but not HUD funded.
10 Private property owned by the Authority.
11 Private property owned by the Authority.
12 Title 42 U.S.C. 1437(g), chapter 8, subchapter I.

The Authority paid at least $108,221 in nonprogram expenses with HUD funds, but the amounts may not have been recorded as HUD program receivables.

The Authority's Books and Records were Unauditable

Because the Authority was not able to provide supporting documentation for the 166 sample items, its program payables and receivables amounts could not be verified, and the amounts did not appear to be valid, supported, or justified. Further, the Authority's check writing system did not interface with its accounting system, which resulted in an increased possibility of errors. The Authority also did not implement controls over its fee accountant to ensure that transactions were recorded properly, and instances were noted in which transactions appeared to have been recorded improperly. In addition, the Authority could not support $476,572 in salary expenses paid with various HUD funds because it did not require staff to track activity as required by OMB Circular A-87[13] until fiscal year 2008. As a result, the Authority was unable to support whether the salary costs charged to HUD programs were reasonable. These conditions affected both HUD program and nonprogram interfund payables and receivables, expenses, and disbursements. As a result, the Authority's books and records were unauditable.

The Authority's Corrective Actions Did Not Prevent Ineligible and Unsupported Costs

The Authority stated that it took corrective action during fiscal year 2007 to correct deficiencies noted in the Real Estate Assessment Center quality assurance review and the fiscal year 2006 independent financial statement audit. However, the Authority's actions were not sufficient to prevent additional ineligible and unsupported costs from being paid by HUD programs.

The Real Estate Assessment Center quality assurance review cited the Authority for not using competitive procurement procedures[14] when it executed a contract for landscaping services. The Authority still cannot provide support that it followed competitive pricing requirements for expenses paid to the contractor during fiscal year 2007. In addition, the Authority could not provide a copy of the contract. As a result, the Authority paid $107,136 in unsupported contract costs with low rent funds.

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[13] OMB Circular A-87, attachment B, section 8(h), states that there should be supporting documentation to justify why salaries are allocated in the manner in which they are allocated.

[14] Title 24 U.S.C. Part 85, section 36(c)(1), requires all procurement transactions be conducted in a manner providing full and open competition.

In the fiscal year 2006 independent financial statement audit, the auditors noted that the Authority reimbursed board of commissioner members for travel expenses without appropriate documentation. To ensure that the recommendations had been implemented, we tested fiscal year 2008 travel expenses.[15] While the Authority implemented specific recommendations related to travel expenses, some of the commissioners' meal expenses were excessive and included costs for a travel companion, which was in direct violation of the Authority's travel policy.[16] The Authority stated that if it paid for travel companions, it must have been an oversight, and it provided support that those commissioners reimbursed the Authority for travel companions' air travel. However, costs for companions' meals were not reimbursed. Further, the Authority allocated 100 percent of the commissioners' travel expenses to the Section 8 program without justification.

The Authority also allocated almost all additional administrative costs charged to its credit card (including food for board meetings, emergency lights for the administration building, background checks for new and recently promoted employees, etc.) solely to the Section 8 program without justification. These ineligible and unsupported costs occurred because the Authority did not have an effective cost allocation plan and its financial controls over disbursements were weak, vague, and outdated. For example, the Authority's check signing policy requires two signatures for nonroutine expenditures over $5,000. However, we found checks for more than $7,000 written to the Authority's credit card with only one signature. The Authority claimed that credit card payments were considered routine. Although the credit card payments may have been routine disbursements, these payments were more than $5,000, and the charges on the credit card statements included nonroutine expenses, such as commissioners' flight reservations and emergency lights for the administration building. Further, the Authority admitted to HUD that its check signing policy was outdated. Of the $41,895 in travel and credit card expenses reviewed, $20,591 was unsupported, and $3,084 was ineligible.

HUD was Unaware of the Authority's True Financial Position

HUD was unaware of the Authority's true financial position as the Authority's financial statements were rejected by HUD for two consecutive years, and although the fiscal year 2007 audit contained a qualified opinion on the Authority's major programs and a significant internal control deficiency, it did not disclose a significant finding related to the Authority's ineligible interprogram

[15] We tested 2008 travel expenses because commissioners did not travel during fiscal year 2007.

[16] The Authority's travel policy states that commissioners are expected to exercise prudent care in incurring expenses, and travel costs incurred by individuals that are not employees or commissioners must have prior written approval by the executive director or a commissioner-approved written contract.

transfers. Further, the Authority's interprogram balances have been steadily increasing since at least 2002. Between 2002 and 2004, the interprogram balances increased from $327,571 to more than $1.2 million. By fiscal year 2007, the interprogram balances were more than $4.1 million.

The Authority's fiscal year 2007 audited financial statements submitted to HUD downplayed its financial problems. Although the independent audit reported more than $4.1 million in interprogram balances, it did not report findings regarding the ineligible use of HUD funds. However, the independent auditor disclosed in the management letter to the Authority that the Authority appeared to be using housing assistance funds for administrative expenses, which is an ineligible use of Section 8 funds, and it should have been reported as a finding. Further, Note K in the 2007 audited financial statements stated that the Authority wrote off $205,560 in "non-existent" payables between the Capital Fund and the Voucher program. However, the audit report did not report as a finding that the payable was the result of an ineligible use of Section 8 funds, nor did it require reimbursement of this ineligible payable from nonfederal funds. As a result, the Authority's ineligible uses of Section 8 funds were not brought to HUD's attention.

The Authority's Financial Position was Deteriorating

The Authority's lack of financial controls and its deliberate disregard for HUD requirements caused its financial position to deteriorate. According to the Authority's financial records for its Section 8 administrative fee revenue, it spent $114,371 more than it received during fiscal year 2007, and it spent $123,196 more than it received during fiscal year 2008. The Authority's Section 8 administrative fee reserve was a negative $579,783 in the fiscal year 2007 audited financial statements. The Authority stated that at the end of fiscal year 2008, it transferred equity between the accounts that had interfund balances and the negative administrative fee reserve balance was significantly reduced. However, this practice will not correct the underlying the problems. By moving equity, funds are not replaced or repaid, and the continual program cost overruns in excess of program revenues will not be corrected. As a result, the Authority's entire operations are at risk as it has not taken sufficient action to ensure that its operating costs do not exceed its revenues.

Conclusion

The Authority could not adequately account for its use of program funds or support that it used program funds only for eligible program activities. These violations occurred because the Authority disregarded HUD requirements in order

to keep its programs functioning and lacked financial controls. Consequently, HUD did not have a true understanding of the Authority's financial position, which was deteriorating.

Recommendations

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

1A. Correct its books and records and maintain them in accordance with the ACC and other HUD requirements.

1B. Hire an independent firm to perform a comprehensive review of the $1,373,738 recorded as HUD program receivables and the $830,221 recorded as HUD program payables to determine the nature and validity of the balances, and require reimbursements or write offs where appropriate.

1C. Develop policies and procedures, including subsidiary cash ledgers, to ensure that the program funds are only used for eligible program activities and that interprogram balances are paid in a timely manner.

1D. Include the $83,925 low rent payable to the Capital Fund in the analysis recommended in recommendation 1B to determine its validity. If the balance is valid, require the Authority write off the balance since it was allowed to transfer capital funds to the low rent program.

1E. Provide evidence to HUD that the $108,221 in potentially unrecorded receivables was recorded. If the Authority can show that the receivables were recorded, include the amount in the analysis recommended in recommendation 1B. If the Authority cannot show that the receivables were recorded, reimburse the appropriate programs from nonfederal funds.

1F. Support with adequate documentation all of its payroll expenses charged to HUD programs during fiscal year 2007 or reimburse the HUD programs $476,572.

1G. Reimburse $107,136 to the low rent fund from nonfederal funds for the unsupported contract costs.

1H. Provide support for the $20,591 in unsupported travel and credit card allocations or reimburse the appropriate HUD funds from nonfederal sources.

1I. Reimburse $3,084 to the appropriate HUD funds for the ineligible travel and credit card allocations from nonfederal sources.

1J. Implement an effective and logical cost allocation plan that is in compliance with HUD and OMB requirements.

1K. Reverse the inappropriate write off of the interfund balance between the Capital Fund and Section 8 totaling $205, 560 and include the amount in the analysis recommended in recommendation 1B. If the balance is found to be valid, reimburse the Section 8 fund from nonfederal funds for the ineligible loan to the Capital Fund.

1L. Suspend the Authority's authorization to "pool its funds" as authorized under section 10 of the ACC and either require the Authority to segregate its ACC funds from other funds or suspend its authority to obtain advances from HUD's Electronic Line Of Credit Control Subsystem and operate on a reimbursement basis.

We recommend that the Acting Director, Departmental Enforcement Center,

1M. Take appropriate administrative actions against the Authority's former executive director and others, as applicable, that caused the conditions cited in this report.

SCOPE AND METHODOLOGY

Our initial audit objectives were to determine (1) whether the Authority and/or its related entities followed HUD procurement regulations for development or procurement activities, if required, and (2) determine the amount of interprogram payables owed to each HUD program and whether these transfers affected the family self-sufficiency program. However, as audit field work progressed, we revised our objectives to determine (1) whether the Authority and/or its related entities followed HUD procurement regulations for development or procurement activities, if required, and (2) whether the Authority used federal funds only for eligible program activities. To accomplish our objectives, we

- Reviewed background information for the Authority, including audited financial statements for fiscal years 2005-2007 and previous HUD reviews.
- Reviewed applicable HUD regulations and OMB circulars.
- Interviewed HUD Offices of Public and Indian Housing and Community Planning and Development management and staff.
- Interviewed Authority management and staff.
- Interviewed the Authority's fee accountant.
- Reviewed the articles of incorporation and internal financing documents for the different related entities of the Authority.
- Tested the reliability of the computerized fiscal year 2007 general ledger provided by Authority staff, using Audit Command Language (ACL) and control totals provided by the Authority.
- Pulled a stratified variable sample of 166 transactions out of a universe of 302 transactions representing HUD program payables. In addition, we added one transaction to the sample, the $205,560 payable in the Capital Fund account that was inappropriately written off (discussed in the finding), which increased the sample size to 167 transactions. Since the Authority only provided 4 of the 167 sample items, we ceased sampling and were not able to verify or project the results.
- Performed a limited review of the Section 8 accounts in the 2008 general ledger.
- Used ACL to sort and summarize the Authority's financial data and determine the amount of HUD program receivables.
- Reviewed fiscal year 2007 payments to five vendors whose invoices were likely allocable among all Authority programs to determine whether the Authority consistently recorded interfund transactions when one program paid for an allocable cost.
- Reviewed 2007 salary expenses charged to HUD accounts.
- As a result of the fiscal year 2006 audit report, reviewed travel expenses incurred by members of the board of commissioners during fiscal year 2008 and additional costs charged to the Authority credit card when travel expenses were allocated, and the check exceeded $1,000.
- Reviewed payments to a landscaping services contractor as a result of the Real Estate Assessment Center quality assurance review.

We conducted the audit between October 21, 2008, and April 23, 2009, at the HUD San Antonio Field Office and the Authority offices in Austin, Texas. The Authority provided electronic financial records for fiscal years 2006 through 2008. However, we expanded our review to prior periods as necessary to accomplish our objectives. We verified the reliability of the data, using control totals and comparative analysis to the audited financial statements, and found that we received all of the data. We also found that the Authority did not always record its payables and receivables and could not provide supporting documentation for transactions. Thus, we determined that the Authority's books and records were unauditable. However, we reported the amounts of interfund receivables and payables in the Authority's general ledger in our finding, although those amounts may be unreliable as no other verifiable sources of information exist. Therefore, the results of our testing of the interfund balances are based on the Authority's records. The results of our testing of travel and credit card expenses are based on our review of source documentation, check vouchers, invoices, and bank records.

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

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

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

Relevant Internal Controls

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

- Controls over compliance with laws and regulations,
- Controls over disbursements, and
- Controls over financial reporting.

We assessed the relevant controls identified above.

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

Significant Weaknesses

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

- Controls over compliance with laws and regulations were ineffective or nonexistent.
- Controls over disbursements did not ensure that program funds were expended for only reasonable and necessary expenses.
- Controls over financial reporting did not ensure that expenses, receivables, payables, and cash were recorded appropriately.

APPENDIXES

Appendix A

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

Recommendation number	Ineligible 1/	Unsupported 2/
1B		$2,203,959
1D		83,925
1E		108,221
1F		476,572
1G		107,136
1H		20,591
1I	3,084	
1K		205,560
TOTALS	**$3,084**	**$3,205,964**

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

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

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation **Auditee Comments**

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
HATC CHAIRMAN'S RESPONSE TO HATC STAFF COMMENTS TO THE HUD OIG'S AUDIT AND EVALUATION

Preface:

As Chairman of the Board of Commissioners, it is critical to remain both transparent and influential in the day to day administrative decisions of the Authority.
To review and provide input to official items, such as the previously submitted audit response, are part of the authorized oversight process.

Although I had requested on numerous occasions to have a draft of this document provided to me prior to its submission to the Office of the Inspector General, this was never done. For this reason, I wish to have the following comments added to the record of this audit response.

Due to the lack of a quorum at the end today's Board meeting, please note that this is only the response of the Chairman, not necessarily that of the Board of Commissiners.

Page 6. The Authority Made Transfers in a Haphazard Manner

HATC RESPONSE:

The first sentence states:

"The Authority and its fee accountant made improper transfers in a haphazard manner."

This statement is false. The fee accountant was not involved in the process of transferring funds between accounts. The fee accountant was not consulted about the amounts to transfer, the dates the transfers should take place, or what accounts these funds should be transferred from.

The fee accountant did record the transfers between funds as they appeared on the bank statement and from information provided by the Authority's staff.

The accounting side, which was done by the fee accountant can be supported with listings of deposits with coding information as well as listings of check disbursements with coding information provided by the Authority's staff and verified against the deposits and payments reflected on the bank statements.

Further, the draft report reflects another misrepresentation of fact when it states that "……..the fee accountant had no HUD training'. Most recently, the fee accountant attended the PHA Financial Conference sponsored by The Affordable Housing Association of Certified Public Accountants.

The second sentence states:

"……..the Authority did not maintain a subsidiary ledger for its Disaster Housing Assistance Program, Housing Choice Voucher assistance, Housing Choice Voucher administrative fees, and Shelter Plus Care assistance. Instead it combined all of the revenue for these forms of assistance into one bank account, but it did not track how much each program had available in funds as expenses were paid."

These two statements are false. There was both a separate bank account and a separate cost center for Shelter Plus Care.

Comment 1

Furthermore, even though a separate bank account was not maintained for the DHAP, Voucher, and Voucher Administrative Fees, there were separate general ledger accounts that specifically accounted for the DHAP and Voucher Payments within the Voucher cost center.

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There was also a general ledger account that reflected the DHAP administrative salaries and related expenses chargeable to the DHAP.

All of the other expenses reflected in the voucher cost center were allocable administrative voucher expenses.

Chairman's Response:

Although the recurring—and irrelevant –claim that statements the preliminary audit are 'false' and even claim "...multiple false representations...." . Due to the failure of staff to provide a qualifying, definitive answer as to 'who' actually performed the improper transfers, the accusations are baseless and unwarranted.
The basic premise of any argument from elementary school to the Supreme Court is the 'burden of proof' from my perspective, which is of course to consider the Authority; there is no direct response to the findings given by staff.
This pattern continues in staff's justification of the Fee Accountants certification from HUD: it mentions that Ms. Sanchez '...attended a conference...by the AHA..." This does not answer the allegation, nor does it meet the burden of proof that the audit findings are 'a misrepresentation'--no proof of HUD certification is provided.

I have already contacted both Board Subcommittee Chairs, and my County Commissioner's office on advice on how to best proceed with an even more extensive external audit. This does not exclude involvement by the County Attorney's office.

- **Fee accountant "used equity accounts in the general ledger to make programs show liquidity and balance during the year. However, these equity accounts were not tied to a cash account or other asset account, and they appeared to exist to allow the Authority to balance it books and records".**

HATC RESPONSE:
This statement could not be further from the truth and ***reflects a total lack of understanding on the part of the auditor.***

During the fiscal year, business activities and the component unit cost centers paid for administrative expenses that were allocable to Shelter Plus Care, Housing Choice Vouchers Program, Low Rent, and Capital Fund (the federal programs).

Each program has a unique cost center with a set of self balancing records or statement of assets and liabilities with a corresponding statement of income and expenses.

This created an asset (an inter-fund receivable) in the business activities and the component unit cost centers balance sheets when these cost centers' cash was used to pay for the respective federal programs' expenses.

At the same time, this created a liability (an inter-fund payable) in the federal programs' respective financial statements with a corresponding expense.

At the end of the year the Component Units and Business Activities cost centers transferred the inter-fund receivable asset to the respective federal programs by writing off the receivable and reducing their equity.

At the same time, the federal programs increased its equity by writing off inter-fund payables to the business activities and the component units.

This in no way took away from fair presentment of the financial statements.

Chairman's Response:

First, to open the response to an official finding with such an inflammatory statement that questions the professional and personal integrity of an individual is unprofessional, uncalled for and will in no way be justified in my comments.
As noted in my first comments, failure to provide proof of this accusation by the HATC staff who submitted this is totally absent.
It is painfully obvious here that respondent here forgot who was being audited during this process.

The 'fair' presentation is to the determined by the auditor, not the party being audited.

Let it also be noted that IF the HATC financial condition reflected positively on the choice of operations, I would consider the argument by staff as legitimate; but considering the current low ranking from regional HUD authorities and the deteriorating financial condition of the Authorities finances, which has placed the Board in an unprecedented position of considering drastic actions among agency staffing, the response from staff indicates that it is HATC staff, not the OIG auditors, with the lack of understanding.

I will propose prompt deliberation by the Board to immediately resolve the questionable bookkeeping practices.

- **"The accountant also made adjustments to the general ledger based on calculations from a HUD system after she entered un-audited data rather than attempting to determine why the Authority's data and HUD's information did not match."**

HATC RESPONSE :

This process was used because the fee accountant does not have access to LOCCS or any other HUD system. The Authority's authorization to the fee accountant is limited to entering the REAC un-audited submission. Therefore, any differences that may exist were identified in the submission process and any appropriate journal entries were subsequently made to the general ledger.

Chairman's Response:

In discussing this specific issue with CFO [redacted] only a portion of the staff response is accurate.
The determination of denying LOCCS access to the Fee Accountant is accurate and is a part of the agencies internal controls for finances. I agree fully with this action.

In regard to the statement of not having access to '...any other HUD system, this is an inaccurate statement made in the HATC response document. The Fee Accountant *does* have full access to the FDS accounting ledger, which is used to process end-of-year financial statements.

In regard to the comment of limited access, it seems that better communication from the Fee Accountant with the Authorities CFO would have easily resolved this.

- **Page 7. The fee accountant was not familiar with HUD requirements and should not have recorded payables or receivables between the low rent and Capital Fund.**

HATC RESPONSE :

There was a reason for recording the low rent and Capital Fund payables and receivables. The independent auditors for the FY'06 audit had eliminated all due to and due from accounts in reporting the audited financial statements.

In 2007 we were notified by HUD's REAC auditors that they wanted to audit the records for FY06. Upon their review the Authority was instructed to reverse all journal entries eliminating the due to and due from accounts.

This review's emphasize was on the ability to track federal funds individually so as to verify the total of HUD expenditures by program. Although the authority was not designated as "troubled", it seemed prudent at the time to continue to track these two programs independently.

The requested information on all the due to and due from accounts from the REAC auditors was provided and reviewed. No issues were raised by the REAC auditors as to the process used to record the journal entries for the due to and due from accounts or the journal entries themselves.

Once the review was completed the Capital Fund and low rent funds were maintained separately since it provided additional expenditure information. Furthermore, the Capital Fund and the Low Rent accounts can easily be combined and reported thereon but, not so otherwise.

By way of note, the fee accountant did combine and eliminate the inter-fund accounts between the FYE 2008 Capital Fund and Low Rent funds even though they were reported under separate cost centers.

Chairman's Response:

While I appreciate a more detailed explanation on this item, it must be taken into consideration that this is 2009 and applies only to the current OIG audit requests and findings.

Again, I emphasize that this is a directive from the auditor, not an option to the HATC.

- **Page 8. The Authority's accountant claimed the Authority netted the payments at month end because it was too time consuming to record all of the transactions as they occurred.**

HATC RESPONSE :

This is a total misrepresentation of what the fee accountant actually stated. As each check is posted, it is allocated to the appropriate federal and non-federal programs as advised by the Authority.

What was said was that a report for each program reflecting the date, payee, and amount paid by that program's bank account on behalf of all the other programs was run at month end.

Using this report, a journal entry by program was recorded reflecting all of the receivables paid on behalf of other programs. This was done for each and every bank account.

When asked why the due to and due from were not recorded at the time the check was posted the response was that some checks were allocated to 10+ different cost centers. Each expenditure allocable to that program would require 4 lines of entry: expense, cash, due to and due from. A check could therefore have as many as 40 lines of entry or more.

At no time was a HUD or non-HUD program receivable or payable not recorded. To do so would have left the self-balancing set of cost centers out of balance.

The Real Estate Assessment Center quality assurance review was provided with the same information that was provided to the OIG auditors. After their review of the documentation provided to them, the Authority was not cited for not recording all of the HUD program receivables and payables as is being done in this report.

Again, it is clear that the auditors did not understand the information that was provided to them or they did not request information needed to assure themselves that all HUD or non-HUD program receivables and payables were recorded.

The difference noted is that the Real Estate Assessment Center quality assurance reviewers were on site. The OIG auditors were not. What they received and reviewed is obviously not known since they were not on site.

As for statement that…….**the Authority netted the payments at month end"....** again there is a lack of understanding of what actually was said and done.

After all due to and due from accounts had been posted with a journal entry, the balance sheet for each individual cost center was reviewed.

Within that program if it had a due to of $100 and a due from of $50 from the same program, a journal entry would be posted to reclassify the $50 due from to the $100 due to and the balance sheet would reflect a due to of $50 or the net of the two transactions.

This is not a difficult concept to understand nor does it distort the validity of the financial statements. It merely summarizes two transactions not unlike reclassifying a negative cash balance or a positive payable.

During the process of reviewing the due to's and the due from's, the auditor suggested using one account to post both the expense and the payment of the transaction so that there were would be no need for a "netting" of accounts.

This process would work if only one bank account was used to pay expenditures. During the period in question there were up to 10 bank accounts that were issuing checks that were allocable to more than one program. That means that there were charges being made to programs back and forth between programs.

Add to this the transfer of cash between programs to manage cash flow and to reimburse programs between all of these bank accounts.

It was therefore prudent to record all expenses as due to's and all outflow of cash as a due from's. The two were summarized at month end and the account with the greater amount within and between the same programs was reflected on the books.

That is not any different than having a receivable, having a credit, and reflecting the receivable balance after the credit is applied. OMB Circular A-87 (c)(i)Basic Guidelines speaks to the "net of all applicable credits".

Chairman's Response:

This rebuttal to audit findings was actually prepared by the contracted fee accountant and should not be recorded as a staff response.
As I continue my inquiry into these comments, It has been brought to my attention that <u>these are the sole opinions of the fee accountant, and that in some cases, was neither reviewed nor discussed by key members of staff</u>.

Based on this fact, I ask the regional OIG Director and his staff to take this into consideration that because she is not a member of the HATC staff, that all staff comments in this document should be nullified.

The frequency of the negative comments, personal attacks and excuses by the fee accountant performing services for the HATC deeply concern me.

- **The Authority paid at least $108,221 in non-program expenses with HUD funds, but the amounts may not have been recorded as HUD program receivables.**

HATC RESPONSE :

As noted in Recommendations 1F, the authority has enclosed a report based on the format discussed with the OIG auditor at the exit conference for the month of March'07 listing all the checks written out of all bank accounts and each check's allocation, if any.

There are monthly totals for each bank account of the amounts that were due from other federal and non-federal programs along with the reference number for each of the journal entries posted to the general ledger to reflect the receivables.

The low rent cash account was duplicated separately from all of the bank accounts to specifically identify every dollar coming in and out of the account along with the date and identification of the journal entries used to record cash coming in and cash going out of that account that was allocable to other cash accounts.

Chairman's Response:
See previous comments.

We focused on identifying every dollar coming in and out of the low rent because that was the cash account that was specifically requested. The same can be done for any cash accounts and any month.

Recommendations
We recommend that the Director of HUD's San Antonio Office of Public Housing require the Authority to:

1A. Correct its books and records and maintain them in accordance with the ACC and other HUD requirements.

HATC RESPONSE :
It is the Authority's position that its books and records have been maintained in accordance with the ACC and other HUD requirements.

The Authority has been audited by independent auditors year after year and by REAC auditors in 2007 and has never been advised that its books were not maintained in accordance with the ACC and other HUD requirements.

The Authority has acknowledged using cash accounts set up for federal programs to pay for indirect costs that were allocable to both other federal programs and non-federal programs. However, the payable to the federal programs was always recorded and the intent was always to re-pay those funds.

There was never any intent on behalf of the Authority to conceal this action. It was clearly recorded and reported on its books.

Chairman's Response:
See previous comments. The Fee Accountant's opinion does not represent that of the Authority.

1B. Hire an independent firm to perform a comprehensive review of the $1,373,738 recorded as HUD program receivables and the $830,221 recorded as HUD program payables to determine the nature and the validity of the balances, require reimbursements or write offs where appropriate.

HATC RESPONSE :

The Authority welcomes a comprehensive review by an independent firm of the $1,373,738 recorded as HUD program receivables and the $830,221 recorded as HUD program payables. This would provide us the opportunity to validate balances and cast off the shadow of doubt that has been cast by this draft report.

The Authority has taken the initiative to obtain a proposal from the independent firm performing our FYE 2008 audit to expand their services to include a comprehensive review of the $1,373,738 recorded as HUD program receivables and the $830,221 recorded as HUD program payables.

Chairman's Response:

See previous comments. The Fee Accountant's opinion does not represent that of the Authority, nor is it accurate.

IC. Develop policies and procedures, including subsidiary cash ledgers to ensure that the program funds are only used for eligible program activities and that inter-program balances are paid in a timely manner.

HATC RESPONSE :

The Authority has set up cash accounts for each program so that program funds are matched to program cash accounts. Only direct program expenses allocable to that program will be paid out of the federal cash accounts.

Any expenses that are allocable to more than one program will be paid out of a non-federal cash account. A receivable from both federal and non-federal programs will be established.

Only funds used to reimburse a non-federal program cash account will be transferred from the federal cash accounts. Inter-program balances will reimbursed within 60 days.

Chairman's Response:

See previous comments. The Fee Accountant's opinion does not represent that of the Authority, and it fails to address the formal request made.
I have many discussions with both the CFO and the Chair of the Finance Committee regarding dramatic improvements to this situation; we will continue discussions and implementations until this area is fully resolved to the satisfaction of the OIG and the regional HUD office...period.

1D. Obtain the services of a qualified fee accountant that has been trained in accounting for HUD funds.

HATC RESPONSE :

Based on the experience, qualifications and HUD training of the fee accountant, it is the authority's position that this recommendation is unwarranted. During discussions at the day of the exit conference, it was understood that this statement would be removed.

Chairman's Response:

See previous comments. The Fee Accountant's opinion does not represent that of the Authority, nor does she have the authorization to object– or agree– to this request.

In this particular instance, the Fee Accountant justifying her own actions without input from myself or any other member should be stricken from the record of HATC response.

In a following up on a question presented to me during the audit process, it prompted me to further investigate active contracts within the HATC. During this process, and after multiple inquiries, I discovered that the Fee Accountant was never obtained under a contract. In my opinion, this is a serious violation of both HATC Policy and HUD Contract Procurement Guidelines.
In the near future I will request to the Board that I authorize the Assistant Executive Director/ CFO to immediately inform [redacted] that her services are to cease immediately, due to violation of HATC/ HUD procurement policies; that the request for services will be posted and that she is welcome to apply for this contract.

In directly addressing the recommendation, it is accepted, in process and should be successfully completed with 30-days.

1E. Include the $83,925 low rent payable to the Capital Fund in the analysis recommended in recommendation 1B to determine its validity. If the balance is valid, require the Authority to write off the balance since it was allowed to transfer capital funds to the low rent program.

HATC RESPONSE :

The Capital Fund and low rent funds although tracked separately were combined and the due to and due from noted above was eliminated in FYE 08.

Nevertheless, there no objections to requesting that the independent firm performing our FYE 2008 audit expand their services to this additional item.

Chairman's Response:

See previous comments. The Fee Accountant's opinion does not represent that of the Authority, nor does she have the authorization to object– or agree– to this request.
I will provide the Finance subcommittee Chair directives regarding this matter

1F. Provide evidence to HUD that the $108,221 in potentially unrecorded receivables was recorded. If the Authority can show that the receivables were recorded, include the amount in the analysis as recommended in 1B. If the Authority cannot show that the receivables were recorded, reimburse the appropriate programs from non-federal funds.

HATC RESPONSE :

Enclosed is a report based on the format discussed with the OIG auditor at the exit conference for the month of March'07 listing all the checks written out of all bank accounts and each check's allocation, if any.

There are monthly totals for each bank account of the amounts that were due from other federal and non-federal programs along with the reference number for each of the journal entries posted to the general ledger to reflect the receivables.

The low rent cash account was duplicated separately from all of the bank accounts to specifically identify every dollar coming in and out of the account along with the date and identification of the journal entries used to record cash coming in and cash going out of that account that was allocable to other cash accounts.

The Authority focused on identifying every dollar coming in and out of the low rent because that was the cash account that was specifically requested. The same can be done for any cash accounts and any month.

Chairman's Response:

See previous comments.
If the process provided in this response is sufficient to the OIG, we will gladly accommodate.

1G. Support with adequate documentation all of its payroll expense charged to HUD programs during fiscal year 2007 or reimburse the HUD programs $476,572.

HATC RESPONSE :

The Housing Authority believes that all the time payroll allocations were made; they were adequate for the Authority. Each staff person was interviewed regarding their time spent on different programs. We believe our judgment of the accuracy was correct. Since that time the Authority completed a new payroll allocation policy that utilizes averages of staff time for six months. The study will be completed every six months and payroll allocations will be revised as a result of the study.

In an effort to accurately allocate payroll expenses to HUD programs, a study of employee work days was undertaken. Employees were instructed to track their work hours by program.

The results of that study were then used to establish percentage allocations to the programs by employee working on more than one program.

Chairman's Response:

See previous comments. The Fee Accountant's opinion does not represent that of the Authority, nor does she have the authorization to speak on behalf of the Board or for the Authority when stating that they were "*...adequate for the Authority.*"
The continued arguments by the fee accountant to oppose the OIG requests are not to be considered from the Authority.
This accounting problem will be corrected.

1H. Provide support or reimburse $107,136 to the low rent fund from nonfederal funds for unsupported contract costs.

HATC RESPONSE :

Enclosed is the documentation to support the fact that a request for proposal was indeed undertaken with respect to the $107,136 in contract costs and that the contract was awarded in compliance with HUD requirements.

Chairman's Response:

See previous comments. If supporting documentation provides said reimbursement is accurate, please provide feedback for any further action required by the Authority.

1I. Provide support for the $20,591 in unsupported travel and credit card allocations or reimburse the appropriate HUD funds from nonfederal sources.

HATC RESPONSE :

The documentation to support the $20,591 in travel and credit card allocations was already submitted but a second copy is enclosed.

Chairman's Response:

See previous comments. If the second submission remains insufficient to support this item, please advise.

1J. Reimburse $3,084 to appropriate HUD funds for the ineligible travel and credit card allocations from nonfederal sources.

HATC RESPONSE :

We disagree with the auditor's assessment that these were ineligible costs. We are of the opinion that this was a judgment call that was made by the Authority and we stand by that decision.

Chairman's Response:

See previous comments. The Fee Accountant's opinion does not represent that of the Authority, nor does she have the authorization to object– or agree– to this request.
The Chair and Board of Commissioners, and key Authority staff were not privileged to this request, and we do not *'stand by that decision'* which is noted.
If the reimbursement is determined as *ineligible* by OIG auditors, the Authority will promptly perform the said reimbursement.

1K. Develop and implement an effective cost allocation plan for direct costs that are in compliance with HUD requirements.

HATC RESPONSE :

A cost allocation plan based on OMB Circular A-87 has an estimated cost of $15,000 to set up. Administrative fees earned on federal programs preclude the availability of adequate funds to pay for this cost.

Chairman's Response:

See previous comments. The Fee Accountant's opinion does not represent that of the Authority, nor does she have the authorization to object– or agree– to this request.
I am in receipt of a confirmed Memorandum of Agreement from [redacted] dated July 27th, which will provide technical to the Authority to develop an effective cost allocation plan.

Full compliance with HUD requirements will be met.

1L. Reverse the inappropriate write off of the inter-fund balance between capital fund and Section 8 totaling $205,560 and include the amount in the analysis recommended in recommendation 1B. If the balance is found to be valid, reimburse the Section 8 fund from nonfederal funds for the ineligible loan to the Capital Fund.

HATC RESPONSE :

As noted before the independent auditors for the FY'06 audit had eliminated all due to and due from accounts in reporting the audited financial statements. All of the reversals were posted with a 2007 except for this particular one which was posted with a FYE 2008 in the audited submission.

This balance is valid and should be reimbursed from nonfederal funds.

Chairman's Response:

See previous comments. The Fee Accountant's opinion does not represent that of the Authority, nor does she have the authorization to object– or agree– to this request.
I am in receipt of a confirmed Memorandum of Agreement from [redacted] dated July 27th, which will provide technical to the Authority to develop an effective cost allocation plan.

Full compliance with HUD requirements will be met.

1M. Suspend the Authority's authorization to "pool its funds" as authorized under section 10 of the ACC and either require the Authority to segregate its ACC funds from other funds or suspend its authority to obtain advances from HUD's Electronic Line of Credit Control Subsystem and operate on a reimbursement basis.

HATC RESPONSE :

The Authority has no objections to segregating its ACC funds from other funds. As noted previously, it is the Authority's intent to have a separate bank account for each federal program and to have funds deposited directly into the respective federal programs' bank accounts.

Chairman's Response:

See previous comments. The Fee Accountant's opinion does not represent that of the Authority, nor does she have the authorization to object– or agree– to this request.

Full compliance top this request will be met.

1N. We recommend that the Acting Director, Departmental Enforcement Center, take appropriate administrative actions against the Authority's executive director and others who were responsible for ensuring that program funds were used for eligible program activities.

HATC RESPONSE :

The Authority is of the opinion that it has done nothing to warrant the actions that are being recommended.

The Authority has in the last two years made many improvements to strengthen internal control and operations to insure Federal Funds are used properly. The following are examples of those improvements.

- New time and payroll policy that require all employees to track time and directly charge time to the program they worked with on a daily basis.
- The Authority has started a savings account for the Voucher Program to safeguard Voucher HAP funds from use in other programs.
- The Authority is setting up additional checking accounts to deposit administrative funds to control Voucher and other HAP type expense accounts.
- The Authority has set up a payroll account so the total payroll is not written from the Voucher funds. Transfers of cash are made at the same time payroll is processed.

- The Authority has worked with the fee accountant to change the Voucher financial statements to be more closely matched with the amounts reported on the monthly VMS data entry.

The Authority has cancelled inter-fund payables and receivables dropping the balance from $4.1 million to approximately $2 million.

In addition our nonprofit has recently received $88,500 from our South Park development and it is planned that the Authority will receive another $80,000 in mid August. We will also receive approximately $160,000 in deferred development fees in October or November 2009. These amounts will be used to reduce the payables to the Voucher program.

The Authority believes that it has made improvements to the internal procedures that have made the Housing Authority's operation better than what they were during the audit period covered in your Draft Report.

The Authority will continue to improve and ensure that federal funds are not used to pay for non HUD programs.

Chairman's Response:

See previous comments. The Fee Accountant's opinion does not represent that of the Authority, nor does she have the authorization to object– or agree– to this request.

The comments are not related to the OIG recommendation.

For the record, I fully support this recommendation.

Administrative actions should be taken in regard to unauthorized accounting methods, ineligible maintenance of Authority financial records, and disregard of mandated principles.

Chairman's Summary:

The *'authority response'* documented in this report received from HATC is actually form an authority non-employee that is not even contracted to perform services for the HATC.

The inconsequential references, failure to provide adequate justification, personal attacks and disregard for the OIG's authority are despicable, unprofessional and in no way reflect the views of myself and the directions mandated by the entire Board of Commissioners.
To have the name of the Housing Authority of Travis County associated with the documented comments from staff are an embarrassment.

For the record, I have had the opportunity to work with **Senior Auditor** [redacted] and **Auditor** [redacted] every day that they were assigned to the HATC audit.

Although I regret the circumstances under which our business relationship was formed, I can tell you beyond all doubts that both [redacted] are the consummate professionals; they insured I was informed in each and every action that performed, answered every question I had

to my full satisfaction, were extremely fair and objectionable in every conclusion that they made, demonstrated extreme constraint to the constant personal attacks from staff and the Fee Accountant (*as seen frequently in this document*) and have thoroughly educated me on many items that will make me a much more effective Board Member, Commissioner and Chairperson.

I commend their valuable time and outstanding service to the HATC.

They identified many 'historical' practices that will be eliminated, improved or created to make this organization much better.

I thank them for their service.

Tommy A. Nobles
Chairman, Board of Commissioners
The Housing Authority of Travis County Texas

HOUSING AUTHORITY OF TRAVIS COUNTY TEXAS

CHAIRMAN OF THE BOARD
TOMMY A. NOBLES
VICE CHAIR
OFELIA ELIZONDO
COMMISSIONER
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ASSISTANT EXECUTIVE DIRECTOR
CHIEF FINANCIAL OFFICER
WILLIAM FRIDAY
DIRECTOR OF DEVELOPMENT
AND PLANNING
KEITH HOFFPAUIR

July 27, 2009

Mr. Gerald R. Kirkland
Regional Inspector General of Audit
U S Department of Housing and Urban Development
Office of Inspector General, Region VI
819 Taylor Street, Suite 13A09
Fort Worth, Texas 76102

Dear Mr. Kirkland,

Enclosed is our response to the draft report of your recently completed audit of the Housing Authority of Travis County, Texas.

We are pleased that the Office of Inspector General places a high priority on resolving disputed issues and seeking agreement on effective corrective actions to findings.

We find ourselves in the position of having to dispute various statements throughout the report that reflect a lack of understanding of the processes and procedures that are used by the Authority.

Having said that, our response will address those statements with which we disagree and respond to the findings listed on the report.

Thank you for the opportunity to provide input on this report. We are confident that we will be able to resolve disputed issues and provide you with planned actions to address those findings with which we agree.

Sincerely,

Wiley Hopkins

Wiley Hopkins,
Executive Director

Enclosure
'cc: Tommy A. Nobles, Chairperson, Board of Commissioners

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HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
COMMENTS AND OIG'S EVALUATION
REF to OIG Evaluation

Page 6. The Authority Made Transfers in a Haphazard Manner

- The first sentence states:

  "The Authority and its fee accountant made improper transfers in a haphazard manner."

  This statement is false. The fee accountant was not involved in the process of transferring funds between accounts. The fee accountant was not consulted about the amounts to transfer, the dates the transfers should take place, or what accounts these funds should be transferred from.

  The fee accountant did record the transfers between funds as they appeared on the bank statement and from information provided by the Authority's staff.

  The accounting side, which was done by the fee accountant can be supported with listings of deposits with coding information as well as listings of check disbursements with coding information provided by the Authority's staff and verified against the deposits and payments reflected on the bank statements.

  Further, the draft report reflects another misrepresentation of fact when it states that "……..the fee accountant had no HUD training'. Most recently, the fee accountant attended the PHA Financial Conference sponsored by The Affordable Housing Association of Certified Public Accountants.

- The second sentence states:

"……..the Authority did not maintain a subsidiary ledger for its Disaster Housing Assistance Program, Housing Choice Voucher assistance, Housing Choice Voucher administrative fees, and Shelter Plus Care assistance. Instead it combined all of the revenue for these forms of assistance into one bank account, but it did not track how much each program had available in funds as expenses were paid."

These two statements are false. There was both a separate bank account and a separate cost center for Shelter Plus Care.

Furthermore, even though a separate bank account was not maintained for the DHAP, Voucher, and Voucher Administrative Fees, there were separate general ledger accounts that specifically accounted for the DHAP and Voucher Payments within the Voucher cost center.

There was also a general ledger account that reflected the DHAP administrative salaries and related expenses chargeable to the DHAP.

All of the other expenses reflected in the voucher cost center were allocable administrative voucher expenses.

- **Fee accountant "used equity accounts in the general ledger to make programs show liquidity and balance during the year. However, these equity accounts were not tied to a cash account or other asset account, and they appeared to exist to allow the Authority to balance it books and records".**

  This statement could not be further from the truth and reflects a total lack of understanding on the part of the auditor.

  During the fiscal year, business activities and the component unit cost centers paid for administrative expenses that were allocable to Shelter Plus Care, Housing Choice Vouchers Program, Low Rent, and Capital Fund (the federal programs).

  Each program has a unique cost center with a set of self balancing records or statement of assets and liabilities with a corresponding statement of income and expenses.

  This created an asset (an inter-fund receivable) in the business activities and the component unit cost centers balance sheets when these cost centers' cash was used to pay for the respective federal programs' expenses.

  At the same time, this created a liability (an inter-fund payable) in the federal programs' respective financial statements with a corresponding expense.

  At the end of the year the Component Units and Business Activities cost centers transferred the inter-fund receivable asset to the respective federal programs by writing off the receivable and reducing their equity.

  At the same time, the federal programs increased its equity by writing off inter-fund payables to the business activities and the component units.

  This in no way took away from fair presentment of the financial statements.

- **"The accountant also made adjustments to the general ledger based on calculations from a HUD system after she entered un-audited data rather than attempting to determine why the Authority's data and HUD's information did not match."**

This process was used because the fee accountant does not have access to LOCCS or any other HUD system. The Authority's authorization to the fee accountant is limited to entering the REAC un-audited submission. Therefore, any differences that may exist were identified in the submission process and any appropriate journal entries were subsequently made to the general ledger.

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  There was a reason for recording the low rent and Capital Fund payables and receivables. The independent auditors for the FY'06 audit had eliminated all due to and due from accounts in reporting the audited financial statements.

  In 2007 we were notified by HUD's REAC auditors that they wanted to audit the records for FY06. Upon their review the Authority was instructed to reverse all journal entries eliminating the due to and due from accounts.

  This review's emphasize was on the ability to track federal funds individually so as to verify the total of HUD expenditures by program. Although the authority was not designated as "troubled", it seemed prudent at the time to continue to track these two programs independently.

  The requested information on all the due to and due from accounts from the REAC auditors was provided and reviewed. No issues were raised by the REAC auditors as to the process used to record the journal entries for the due to and due from accounts or the journal entries themselves.

  Once the review was completed the Capital Fund and low rent funds were maintained separately since it provided additional expenditure information. Furthermore, the Capital Fund and the Low Rent accounts can easily be combined and reported thereon but, not so otherwise.

  By way of note, the fee accountant did combine and eliminate the inter-fund accounts between the FYE 2008 Capital Fund and Low Rent funds even though they were reported under separate cost centers.

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  This is a total misrepresentation of what the fee accountant actually stated. As each check is posted, it is allocated to the appropriate federal and non-federal programs as advised by the Authority.

What was said was that a report for each program reflecting the date, payee, and amount paid by that program's bank account on behalf of all the other programs was run at month end.

Using this report, a journal entry by program was recorded reflecting all of the receivables paid on behalf of other programs. This was done for each and every bank account.

When asked why the due to and due from were not recorded at the time the check was posted the response was that some checks were allocated to 10+ different cost centers. Each expenditure allocable to that program would require 4 lines of entry: expense, cash, due to and due from. A check could therefore have as many as 40 lines of entry or more.

At no time was a HUD or non-HUD program receivable or payable not recorded. To do so would have left the self-balancing set of cost centers out of balance.

The Real Estate Assessment Center quality assurance review was provided with the same information that was provided to the OIG auditors. After their review of the documentation provided to them, the Authority was not cited for not recording all of the HUD program receivables and payables as is being done in this report.

Again, it is clear that the auditors did not understand the information that was provided to them or they did not request information needed to assure themselves that all HUD or non-HUD program receivables and payables were recorded.

The difference noted is that the Real Estate Assessment Center quality assurance reviewers were on site. The OIG auditors were not. What they received and reviewed is obviously not known since they were not on site.

As for statement that…….**the Authority netted the payments at month end"....** again there is a lack of understanding of what actually was said and done.

After all due to and due from accounts had been posted with a journal entry, the balance sheet for each individual cost center was reviewed.

Within that program if it had a due to of $100 and a due from of $50 from the same program, a journal entry would be posted to reclassify the $50 due from to the $100 due to and the balance sheet would reflect a due to of $50 or the net of the two transactions.

This is not a difficult concept to understand nor does it distort the validity of the financial statements. It merely summarizes two transactions not unlike reclassifying a negative cash balance or a positive payable.

During the process of reviewing the due to's and the due from's, the auditor suggested using one account to post both the expense and the payment of the transaction so that there were would be no need for a "netting" of accounts.

This process would work if only one bank account was used to pay expenditures. During the period in question there were up to 10 bank accounts that were issuing checks that were allocable to more than one program. That means that there were charges being made to programs back and forth between programs.

Add to this the transfer of cash between programs to manage cash flow and to reimburse programs between all of these bank accounts.

It was therefore prudent to record all expenses as due to's and all outflow of cash as a due from's. The two were summarized at month end and the account with the greater amount within and between the same programs was reflected on the books.

That is not any different than having a receivable, having a credit, and reflecting the receivable balance after the credit is applied. OMB Circular A-87 (c)(i)Basic Guidelines speaks to the "net of all applicable credits".

- **The Authority paid at least $108,221 in non-program expenses with HUD funds, but the amounts may not have been recorded as HUD program receivables.**

As noted in Recommendations 1F, the authority has enclosed a report based on the format discussed with the OIG auditor at the exit conference for the month of March'07 listing all the checks written out of all bank accounts and each check's allocation, if any.

There are monthly totals for each bank account of the amounts that were due from other federal and non-federal programs along with the reference number for each of the journal entries posted to the general ledger to reflect the receivables.

The low rent cash account was duplicated separately from all of the bank accounts to specifically identify every dollar coming in and out of the account along with the date and identification of the journal entries used to record cash coming in and cash going out of that account that was allocable to other cash accounts.

We focused on identifying every dollar coming in and out of the low rent because that was the cash account that was specifically requested. The same can be done for any cash accounts and any month.

Recommendations

We recommend that the Director of HUD's San Antonio Office of Public Housing require the Authority to:

1A. Correct its books and records and maintain them in accordance with the ACC and other HUD requirements.

RESPONSE:

It is the Authority's position that its books and records have been maintained in accordance with the ACC and other HUD requirements.

The Authority has been audited by independent auditors year after year and by REAC auditors in 2007 and has never been advised that its books were not maintained in accordance with the ACC and other HUD requirements.

The Authority has acknowledged using cash accounts set up for federal programs to pay for indirect costs that were allocable to both other federal programs and non-federal programs. However, the payable to the federal programs was always recorded and the intent was always to re-pay those funds.

There was never any intent on behalf of the Authority to conceal this action. It was clearly recorded and reported on its books.

1B. Hire an independent firm to perform a comprehensive review of the $1,373,738 recorded as HUD program receivables and the $830,221 recorded as HUD program payables to determine the nature and the validity of the balances, require reimbursements or write offs where appropriate.

The Authority welcomes a comprehensive review by an independent firm of the $1,373,738 recorded as HUD program receivables and the $830,221 recorded as HUD program payables. This would provide us the opportunity to validate balances and cast off the shadow of doubt that has been cast by this draft report.

The Authority has taken the initiative to obtain a proposal from the independent firm performing our FYE 2008 audit to expand their services to include a comprehensive review of the $1,373,738 recorded as HUD program receivables and the $830,221 recorded as HUD program payables.

IC. Develop policies and procedures, including subsidiary cash ledgers to ensure that the program funds are only used for eligible program activities and that inter-program balances are paid in a timely manner.

The Authority has set up cash accounts for each program so that program funds are matched to program cash accounts. Only direct program expenses allocable to that program will be paid out of the federal cash accounts.

Any expenses that are allocable to more than one program will be paid out of a non-federal cash account. A receivable from both federal and non-federal programs will be established.

Only funds used to reimburse a non-federal program cash account will be transferred from the federal cash accounts. Inter-program balances will reimbursed within 60 days.

1D. Obtain the services of a qualified fee accountant that has been trained in accounting for HUD funds.

Based on the experience, qualifications and HUD training of the fee accountant, it is the authority's position that this recommendation is unwarranted. During discussions at the day of the exit conference, it was understood that this statement would be removed.

1E. Include the $83,925 low rent payable to the Capital Fund in the analysis recommended in recommendation 1B to determine its validity. If the balance is valid, require the Authority to write off the balance since it was allowed to transfer capital funds to the low rent program.

The Capital Fund and low rent funds although tracked separately were combined and the due to and due from noted above was eliminated in FYE 08.

Nevertheless, there no objections to requesting that the independent firm performing our FYE 2008 audit expand their services to this additional item.

1F. Provide evidence to HUD that the $108,221 in potentially unrecorded receivables was recorded. If the Authority can show that the receivables were recorded, include the amount in the analysis as recommended in 1B. If the Authority cannot show that the receivables were recorded, reimburse the appropriate programs from non-federal funds.

Enclosed is a report based on the format discussed with the OIG auditor at the exit conference for the month of March'07 listing all the checks written out of all bank accounts and each check's allocation, if any.

There are monthly totals for each bank account of the amounts that were due from other federal and non-federal programs along with the reference number for each of the journal entries posted to the general ledger to reflect the receivables.

The low rent cash account was duplicated separately from all of the bank accounts to specifically identify every dollar coming in and out of the account along with the date and identification of the journal entries used to record cash coming in and cash going out of that account that was allocable to other cash accounts.

The Authority focused on identifying every dollar coming in and out of the low rent because that was the cash account that was specifically requested. The same can be done for any cash accounts and any month.

1G. Support with adequate documentation all of its payroll expense charged to HUD programs during fiscal year 2007 or reimburse the HUD programs $476,572.

The Housing Authority believes that all the time payroll allocations were made; they were adequate for the Authority. Each staff person was interviewed regarding their time spent on different programs. We believe our judgment of the accuracy was correct. Since that time the Authority completed a new payroll allocation policy that utilizes averages of staff time for six months. The study will be completed every six months and payroll allocations will be revised as a result of the study.

In an effort to accurately allocate payroll expenses to HUD programs, a study of employee work days was undertaken. Employees were instructed to track their work hours by program.

The results of that study were then used to establish percentage allocations to the programs by employee working on more than one program.

1H. Provide support or reimburse $107,136 to the low rent fund from nonfederal funds for unsupported contract costs.

Enclosed is the documentation to support the fact that a request for proposal was indeed undertaken with respect to the $107,136 in contract costs and that the contract was awarded in compliance with HUD requirements.

1I. Provide support for the $20,591 in unsupported travel and credit card allocations or reimburse the appropriate HUD funds from nonfederal sources.

The documentation to support the $20,591 in travel and credit card allocations was already submitted but a second copy is enclosed.

1J. Reimburse $3,084 to appropriate HUD funds for the ineligible travel and credit card allocations from nonfederal sources.

We disagree with the auditor's assessment that these were ineligible costs. We are of the opinion that this was a judgment call that was made by the Authority and we stand by that decision.

1K. Develop and implement an effective cost allocation plan for direct costs that are in compliance with HUD requirements.

A cost allocation plan based on OMB Circular A-87 has an estimated cost of $15,000 to set up. Administrative fees earned on federal programs preclude the availability of adequate funds to pay for this cost.

1L. Reverse the inappropriate write off of the inter-fund balance between capital fund and Section 8 totaling $205,560 and include the amount in the analysis recommended in recommendation 1B. If the balance is found to be valid, reimburse the Section 8 fund from nonfederal funds for the ineligible loan to the Capital Fund.

As noted before the independent auditors for the FY'06 audit had eliminated all due to and due from accounts in reporting the audited financial statements. All of the reversals were posted with a 2007 except for this particular one which was posted with a FYE 2008 in the audited submission.

This balance is valid and should be reimbursed from nonfederal funds.

1M. Suspend the Authority's authorization to "pool its funds" as authorized under section 10 of the ACC and either require the Authority to segregate its ACC funds from other funds or suspend its authority to obtain advances from HUD's Electronic Line of Credit Control Subsystem and operate on a reimbursement basis.

The Authority has no objections to segregating its ACC funds from other funds. As noted previously, it is the Authority's intent to have a separate bank account for each federal program and to have funds deposited directly into the respective federal programs' bank accounts.

1N. We recommend that the Acting Director, Departmental Enforcement Center, take appropriate administrative actions against the Authority's executive director and others who were responsible for ensuring that program funds were used for eligible program activities.

The Authority is of the opinion that it has done nothing to warrant the actions that are being recommended.

The Authority has in the last two years made many improvements to strengthen internal control and operations to insure Federal Funds are used properly. The following are examples of those improvements.

- New time and payroll policy that require all employees to track time and directly charge time to the program they worked with on a daily basis.
- The Authority has started a savings account for the Voucher Program to safeguard Voucher HAP funds from use in other programs.
- The Authority is setting up additional checking accounts to deposit administrative funds to control Voucher and other HAP type expense accounts.
- The Authority has set up a payroll account so the total payroll is not written from the Voucher funds. Transfers of cash are made at the same time payroll is processed.
- The Authority has worked with the fee accountant to change the Voucher financial statements to be more closely matched with the amounts reported on the monthly VMS data entry.

The Authority has cancelled inter-fund payables and receivables dropping the balance from $4.1 million to approximately $2 million.

In addition our nonprofit has recently received $88,500 from our South Park development and it is planned that the Authority will receive another $80,000 in mid August. We will also receive approximately $160,000 in deferred development fees in October or November 2009. These amounts will be used to reduce the payables to the Voucher program.

The Authority believes that it has made improvements to the internal procedures that have made the Housing Authority's operation better than what they were during the audit period covered in your Draft Report.

The Authority will continue to improve and ensure that federal funds are not used to pay for non HUD programs.

Page 8: The Authority's Books and Records Were Unauditable

Because the Authority was not able to provide supporting documentation for the 167 sample items…

The Housing Authority did in fact provide documentation for the 167 sample items to OIG auditors via FedEx on February 20 and 24, 2009. The fee accountant prepared spreadsheets from our Peachtree accounting system to support the items in question. Extensive documentation was provided by our office for each entry that was selected by OIG auditors.

Due to the volume of the supporting documentation, OIG's fax machine not in working order, and hours of scanning for an e-mail, OIG agreed that FedEx would be an appropriate method of delivery. A package containing spreadsheets, copies of checks, invoices, payroll reports, bank statements, and allocation sheets was sent for overnight delivery by FedEx to OIG.

The Housing Authority is sending copies of the above referenced documentation once again to OIG in this response to the Draft Audit. It will be sent by FedEx today for overnight delivery.

Notes

Also enclosed in the overnight FedEx delivery are copies of the many e-mails that we have received and responded to from OIG. This office has provided all requested information and documentation to [redacted] On [redacted] visits to the office, she was provided with all information requested of this office. A flash drive containing all accounting information was furnished to her at her request.

Only one request of this staff was not provided for and that was for a written allocation plan for employee's payroll expenses. The Housing Authority did not have a written plan at that time. In compliance with OIG's request, we now have a written payroll cost allocation policy. A copy of this plan is enclosed in the FedEx delivery.

The Housing Authority has and is currently changing its policies and procedures to comply with HUD's requirements.

OIG Evaluation of Auditee Comments

Comment 1 The Authority stated that the fee accountant was not involved in the process of transferring funds between accounts and only recorded the transactions. After the exit conference, we notified the board chairman and the Authority that we would remove references to the fee accountant from the report as the Authority lacked a contract with and bore ultimate responsibility for the fee accountant. All references to the fee accountant have been removed from the body of the report.

Comment 2 The Authority disagreed that it used equity accounts to make programs show liquidity and balance during the year. However, the board chairman stated that the Authority staff failed to provide proof for their argument. We agree with the chairman and note that the Authority's response included statements that refute their argument. The Authority stated in its response that it adjusted interfund transactions throughout the year to fund various program activities and it reduced and increased equity when it wrote off interfund balances. Further, the Authority stated in its discussion of interfund receivables and payables that it used up to 10 bank accounts and transferred cash between programs to manage cash flow.

Comment 3 The Authority stated that it recorded interfund payables and receivables between the Capital Fund and Low Rent account in order to track expenditure information. We agree that the Authority can separately track expenditure information for these accounts. However, the Authority should not have created interfund payables and receivables between these accounts as any transfer of funds from the Capital Fund to the Low Rent fund is considered an eligible use of Capital Funds

Comment 4 The Authority stated the report totally misrepresented the facts by stating the Authority netted payments at month end because it was too time consuming to record all of the transactions as they occurred. The Authority further asserted that at no time was a HUD payable or receivable not recorded and it provided a March 2007 report that it claimed would clear the issue. The board chairman stated that these are the sole opinions of the fee accountant and were not reviewed or discussed by key Authority staff. The board chairman requested the statements be nullified. We affirm our original testing and conclusions. The Authority's accounting records did not support its claim that all payables and receivables were recorded. Further, the Authority's response stated that it did not record interprogram receivables and payables at the time a check was posted because a check could have as many as 40 lines of entry or more. We revised the report to state that the Authority netted the payments at month end because it was too burdensome to record all of the transactions as they occurred.

Comment 5 The Authority stated that its books and records have been maintained in accordance with the ACC and other HUD requirements. The board chairman stated that these are the sole opinions of the fee accountant and were not reviewed by Authority staff. We disagree with the Authority. The Authority could not adequately account for its use of federal program funds or support that it used

program funds only for eligible program activities; and, thus, it violated its ACC and other HUD requirements.

Comment 6 The Authority agreed that HUD should require the Authority to hire an independent firm to perform a comprehensive review of the recorded HUD program receivables and payables. Further, the Authority had already solicited at least one proposal for the task. The board chairman stated that these statements were inaccurate. We assert that the Authority must hire a firm to perform a review to determine the nature and validity of the interprogram balances.

Comment 7 The Authority stated that it has taken steps toward corrective action, and established separate cash accounts, and will reimburse interprogram balances within 60 days. We acknowledge the Authority's actions.

Comment 8 The Authority believed that its payroll allocations were adequate and accurate. However, the board chairman stated that the accounting issues will be corrected. We acknowledge the chairman's statements.

Comment 9 The Authority stated that its response included documentation to support the fact that a request for proposal was undertaken and the $107,136 landscaping contract was awarded in accordance with HUD requirements. We disagree as there was no documentation regarding this contract in the Authority's response.

Comment 10 The Authority stated that it submitted documentation to support the questioned travel and credit card allocations; and it disagreed with the ineligible costs as they were the result of a judgment call. The board chairman stated any ineligible costs will be reimbursed. We acknowledge the chairman's statements.

Comment 11 The Authority disagreed with our recommendation to develop an effective cost allocation plan that is in compliance with HUD requirements because of the excessive cost to develop such a plan. The board chairman stated that the Authority is working with HUD to implement this recommendation. We acknowledge the chairman's statements.

Comment 12 The Authority claimed that it already reversed the inappropriate write off between the Capital Fund and Section 8 and agreed that the Section 8 fund should be reimbursed from nonfederal funds. We acknowledge the Authority's actions.

Comment 13 The Authority agreed that HUD should suspend its authorization to pool its funds and indicated it had already created separate bank accounts. The board chairman stated the Authority will work to be in compliance with the recommendation. We acknowledge the Authority's and board chairman's statements.

Comment 14 The Authority stated that it had done nothing wrong to warrant administrative actions against the former executive director and others. In addition, the Authority stated that it has "cancelled" interfund balances, reducing them to

approximately $2 million. The board chairman agreed that administrative action should be taken. We affirm our original recommendation. Further, we question the Authority's cancellation of interprogram balances.

Comment 15 The Authority disagreed that it did not maintain a subsidiary ledger for various programs and that it combined all of the revenue for these forms of assistance into one bank account. The Authority claimed that there was a separate bank account and cost center for Shelter Plus Care and separate general ledger accounts for the Disaster Housing Assistance Program and Voucher payments. We disagree. The Authority did not provide evidence of a separate bank account for the Shelter Plus Care program. Regardless of separate general ledger accounts for recording income and expenses, the Authority admitted in an email that it did not have subsidiary ledgers to track the cash balances of the different funds.

Comment 16 The Authority claimed that it provided documentation to support all 167 sample items and stated it provided the documentation a second time in its response. We disagree. The Authority provided voluminous documentation to support only 4 of the 167 sample items during the field work and the box of documents provided with its response does not appear to include any new information.

Appendix C

Schedule of Interprogram Balances

FY 2007 HUD Program Receivables from Nonfederal Programs						
	Carson Creek	**Bond Program**	**Manor**	**Travis County Facilities Corp**	**Lease/ Purchase**	**TOTAL**
Low Rent			15,227	2,154	2,037	**19,418**
Voucher	271,391			71,612	171,366	**514,369**
Shelter Plus Care		195,634		3,000		**198,634**
TOTAL						**732,421**

FY 2007 HUD Program Receivables from other HUD Programs				
	Low Rent	**Shelter Plus Care/Family Self Sufficiency**	**Capital Fund**	**TOTAL**
Low Rent		15,879		**15,879**
Voucher	221,618	246,516	69,510	**537,644**
Shelter Plus Care II		794		**794**
TOTAL				**554,317**

TOTAL HUD RECEIVABLES FY 2007: $1,286,738

FY 2008 HUD Receivables Reviewed			
	Sweetwater	**Shelter Plus Care/Family Self Sufficiency**	**TOTAL**
Voucher	20,000	67,000	**87,000**

TOTAL HUD RECEIVABLES FY 2007 AND 2008: $1,373,738

FY 2007 HUD Program Payables to Nonfederal Programs						
	Carson Creek	**Bond Program**	**Manor**	**Sweetwater**	**Strategic Housing Finance Corp**	**TOTAL**
Low Rent	19,184	86,155		37,004	14,452	**156,795**
Voucher		153,676	16,773	167,253	206,846	**544,548**
Shelter Plus Care	5,500		100	56,609	1,128	**63,337**
Capital Fund	250	58,370		6,355	566	**65,541**
TOTAL						**830,221**