

HATC Action Item 6D
April 6, 2017

Resolution No. HATC-2017-07: To Approve a Strategy regarding the reconciliation of all outstanding travel balances related to former Commissioners.

WHEREAS, Directives related to training and travel for HATC employees and/or Board of Commissioners is outlined in the HATC Personnel Policy; and

WHEREAS, Standard policies are put in place to ensure fairness, equity, and compliance with applicable laws and regulations regarding the use of funds allocation to the agency; and

WHEREAS, Concerns regarding unreconciled HATC Board of Commissioners travel balances prompted a request for further review by the Travis County Auditor's Office.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of HATC hereby:

1. Approves Resolution No. HATC-2017-07,
2. Authorizes the CEO/Executive Director to execute all necessary documents and extensions.

Passed and approved the 6th day of April 2017.



John Hernandez, Chair, Board of Commissioners

Attested and approved as to form:



Patrick B. Howard, CEO/Executive Director

HATC Action Item 6D
April 6, 2017

Resolution No. HATC-2017-07: To Approve a Strategy regarding the reconciliation of all outstanding travel balances related to former Commissioners.

Background Information:

At the request of County Judge Sarah Eckhardt, the Risk Evaluation & Consulting Division (REC) of the Travis County Auditor's Office completed a limited review of travel costs for members of the Board of Commissioners of the Housing Authority of Travis County (HATC) and the Board of Directors for the Strategic Housing Finance Corporation (SHFC). The overall objective of the review was to investigate the validity of anonymous allegations remitted to the County Judge regarding issues with board member travel, particularly related to travel advances. The report was published on February 4, 2016, and a copy was provided to the HATC CEO/Executive Director, and subsequently distributed to the HATC Board of Commissioners. The Auditor's staff reviewed all travel for each member of the HATC and SHFC boards for the period July 1, 2011 through November 30, 2015. They confirmed that a large number of travel advances issued to former SHFC Board of Directors President Willie Anderson and former HATC Board of Commissioners Chairman Melvin Wrenn had not been settled or reconciled.

To date, a significant portion of the travel advances has not been settled, despite efforts of staff, with the assistance of the Travis County Attorney's Office. Board members desire to reconcile this issue in a fair, equitable, and judicious manner.

Requested Action:

Consideration and appropriate action regarding **Resolution No. HATC-2017-07:** To Approve a Strategy regarding the reconciliation of all outstanding travel balances related to former Commissioners.

Alternate Option:

The Board of Commissioners could elect to Not Approve a Strategy, which would mean balances would remain outstanding.

Fiscal Impact:

TBD

Attachment:

- A. Interim Report for Review of Board Member Travel

Prepared and Approved by:

Patrick Howard

Patrick B. Howard, *CEO/Executive Director*



**Interim Report for
HATC/SHFC Board
Member Travel
Review**

SP #16-03

TRAVIS COUNTY
AUDITOR'S OFFICE

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To: Sarah Eckhardt, Travis County Judge
Ron Davis, Commissioner, Precinct 1
Brigid Shea, Commissioner, Precinct 2
Gerald Daugherty, Commissioner, Precinct 3
Margaret Gomez, Commissioner, Precinct 4

From: Nicki Riley, CPA
Travis County Auditor

Date: February 4, 2016

Re: Interim Report for Review of Board Member Travel

At the request of County Judge Sarah Eckhardt, the Risk Evaluation & Consulting Division (REC) of the Travis County Auditor's Office has initiated a limited review of travel costs for members of the Board of Commissioners of the Housing Authority of Travis County (HATC) and the Board of Directors for the Strategic Housing Finance Corporation (SHFC). The overall objective of the review was to investigate the validity of anonymous allegations remitted to the County Judge regarding issues with board member travel, particularly related to travel advances.

This report is an interim discussion of selected preliminary findings from this review. We are issuing an interim report due to the time-sensitive nature of these items. A final report containing all of our findings from this review will be released at a later date.

SCOPE

We reviewed all travel for each member of the HATC and SHFC boards for the period July 1, 2011 through November 30, 2015.

FINDINGS

We have confirmed that a large number of travel advances issued to SHFC Board of Directors President Willie Anderson and HATC Board of Commissioners Chairman Melvin Wrenn have

not been settled and reconciled. These advances relate to out-of-town travel for training and conferences between August of 2011 and October of 2015.

In June of 2015, HATC purchased a \$454.11 plane ticket from Austin to Minneapolis for Mr. Wrenn's spouse to travel with him to a conference, with the understanding that Mr. Wrenn would reimburse HATC for this ticket. As of January 19, 2016, Mr. Wrenn has not reimbursed HATC.


Ms. Anderson and Mr. Wrenn received what could be considered a disproportionate share of the travel and training provided by HATC and SHFC during the period. The two board members incurred approximately 83% of the travel and training costs incurred by the two boards, and 50% of total travel and training for board members and staff combined.

ENGAGEMENT TEAM


David Jungerman, CIA, Chief Assistant County Auditor – REC
Joanne Englund, CPA, Senior Auditor
Angel Candelario

CLOSING

This interim report is intended solely for the information and use of the Commissioners' Court, HATC/SHFC, Health and Human Services, and the Auditor's Office. We greatly appreciate the cooperation and assistance received from management and staff during this review. Please contact our office if you have any concerns or questions regarding this report.



David Jungerman, CIA
Chief Assistant County Auditor – Risk
Evaluation & Consulting Division



Patti Smith, CPA
First Assistant County Auditor



Nicki Riley, CPA
Travis County Auditor

REPORT DISTRIBUTION

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Richard Moya, HATC Commissioner & SHFC Director
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Managers, Travis County Auditor's Office

BACKGROUND

TRAVEL POLICY

HATC's current travel policies and procedures appear to be documented in the "Housing Authority of Travis County Travel, Meeting and Training Attendance" Policy, which was revised October 5, 2008. This is difficult to verify because a number of versions of travel policies and procedures exist for both HATC and SHFC which contradict each other. HATC/SHFC management stated that they intend to create a consolidated travel and training policy for both entities soon in order to eliminate this confusion. Management stated that they are open to any suggestions we have for improvements to their current travel policy.

The following sections relevant to our review are taken from the October 5, 2008 version:

"1. GENERAL

The Housing Authority of Travis County staff and commissioners are reimbursed in accordance with this policy for reasonable and allowable out of pocket expenses incurred while traveling on official Housing Authority business. Travel by Housing Authority employees and commissioners are necessary for training, staff development, and the performance of tasks necessary for effective Housing Authority operations. Housing Authority employees and commissioners are expected to exercise prudent care in incurring expenses. Authorized travel for any Housing Authority business, which will be reimbursed to the employee or commissioner from funds other than those of the Authority, shall be subject to the travel policy of the organization subsidizing the travel. In such cases, the Authority may elect to reimburse the traveler for any difference in reimbursement if the other agency travel policy is more restrictive. Employees and commissioners shall not receive reimbursement in excess of allowances according to this policy.

3. ELIGIBILITY

If commissioners and employees do not submit their travel voucher within 90 days after return date of authorized travel and submit any amounts due the Housing Authority of Travis County they will not be eligible for the next trip.

8. ADVANCED TRAVEL ALLOWANCES

The employee or commissioner on travel status is eligible for a travel advance as approved by the Executive Director. Travel advances must be balanced at the end of the travel within 90 days of the return of the employee or commissioner. Travel advances are balanced with the expense report. Any amounts not used for approved travel expenses must be reimbursed to the Housing Authority."

TRAVEL ADVANCES

When HATC/SHFC staff or board members are approved for out-of-town travel for conferences or training, the executive assistant makes the necessary reservations, typically paying for the incurred costs using the office credit cards. The executive assistant also calculates the amount to be advanced to the employee for the trip; the travel advance is an estimate of the remaining amount that the traveler will incur on the trip. This generally includes local transportation (not including rental cars typically), tips, and food (calculated at the GSA per diem rate for the travel destination). Accounting personnel then prepare a check for the total advance, which is remitted to the traveler.

Within 90 days of their return, the traveler is to organize and submit all receipts related to their expenditures for travel advance funds to the executive assistant. Both staff and board members persons are reimbursed using the per diem rate, so they are not required to submit receipts in order to be reimbursed for their meals. Furthermore, since board members are not employees of HATC/SHFC, they are required by they are not allowed to receive a meal per diem, per IRS regulations; therefore, they are to maintain receipts provide receipts for their meals.

The executive assistant reviews the submitted receipts for reasonableness and compliance with policy. She then compares the total approved receipted amount to the amount of the travel advance. If the advance was greater than the receipted amount, the traveler is to reimburse HATC/SHFC for the difference. If the approved receipt amount is greater than the advance, accounting personnel issue the traveler a check for the difference.

FINDINGS

1. REIMBURSEMENT OF TRAVEL ADVANCES BY BOARD MEMBERS

As stated in the quotations from the HATC/SHFC travel policy above, supporting documentation for travel advances is to be submitted to HATC/SHFC personnel within 90 days of a traveler's return. Any unused portion of a travel advance should then be reimbursed to HATC/SHFC as soon as possible. However, two members of the HATC and SHFC boards have not turned in receipts and/or fully settled a number of travel advances dating back to Fiscal Year (FY) 2012.

As of January 19, 2016, SHFC board president, Willie Anderson, has not turned in receipts and/or fully settled travel advances related to 22 trips occurring from August of 2011 to October of 2015. Ms. Anderson has submitted receipts for ten of these trips which have been reviewed and verified by HATC/SHFC personnel. However, an unsupported travel advance balance remains on each of these ten trips.

The outstanding travel advances for these 22 trips total \$8,777.89, while the verified receipts total \$1,447.11. Therefore, Ms. Anderson has \$7,330.78 of unreconciled travel advances outstanding. These items are detailed in Table 1 below:

Table 1 – Unreconciled travel advances for Willie Anderson

Travel Event	Start Date	End Date	Location	Advance Amount	Verified Receipts	No Verified Support
THA Conference	08/07/11	08/11/11	San Antonio, TX	432.70		432.70
2011 NAHRO	10/22/11	10/27/11	St. Louis, MO	476.00		476.00
2012 Texas NAHRO	04/15/12	04/18/12	Arlington TX	224.00		224.00
2013 Texas NAHRO	04/28/13	05/01/13	San Antonio, TX	575.41	105.77	469.64
2013 SW NAHRO	06/09/13	06/14/13	Galveston, TX	476.70	54.75	421.95
2013 NAHRO	07/16/13	07/20/13	Denver, CO	534.55	353.25	181.30
THA Conference	08/26/13	08/29/13	Corpus Christi, TX	279.60	119.20	160.40
2013 Texas NAHRO	10/16/13	10/18/13	San Antonio, TX	182.00		182.00
2013 NAHRO	10/23/13	10/27/13	Cleveland, OH	476.00		476.00
2014 SW NAHRO	01/22/14	01/25/14	Grapevine, TX	367.00		367.00
2014 NAHRO	03/07/14	03/13/14	Washington, DC	630.00	336.43	293.57
2014 Texas NAHRO	04/06/14	04/10/14	Corpus Christi, TX	345.00	45.98	299.02
2014 SW NAHRO	06/22/14	06/23/14	Tulsa, OK	192.00	49.97	142.03
2014 NAHRO	07/15/14	07/20/14	Tampa, FL	345.00	96.12	248.88
THA Conference	08/25/14	08/28/14	Fort Worth, TX	327.08	182.28	144.80
2014 NAHRO	10/14/14	10/20/14	Baltimore, MD	649.60		649.60
2014 Texas NAHRO	10/26/14	10/31/14	Grapevine, TX	380.25		380.25
2015 NAHRO	03/13/15	03/19/15	Washington, DC	517.00		517.00
Novogradac Conf.	05/05/15	05/09/15	San Francisco, CA	375.00	103.36	271.64
2015 SW NAHRO	06/27/15	07/03/15	New Orleans, LA	517.00		517.00
2015 NAHRO	10/13/15	10/18/15	Los Angeles, CA	372.00		372.00
2015 SW NAHRO	10/22/15	10/23/15	Grapevine, TX	104.00		104.00
			Totals:	8,777.89	1,447.11	7,330.78

Since early November of 2015, Ms. Anderson has submitted receipts relating to eight of the above trips. HATC/SHFC personnel are working to review these receipts, but have not completed this process. Based on our limited review of these additional receipts, we estimate that they support \$884.92 of the \$7,330.78 open travel advance balance detailed in Table 1. Therefore, we estimate the remaining open, unsettled balance to be \$6,445.86. It does not appear that these new receipts will completely settle the advances for the eight trips to which they apply.

As of January 19, 2016, HATC board chairman, Melvin Wrenn, has not turned in receipts and/or fully settled travel advances related to 13 trips occurring from October of 2011 to October of 2015. The advances for these 13 trips total \$7,726.13, while the verified receipts received for the oldest three trips total \$1,148.34. Therefore, Mr. Wrenn has \$6,577.79 of unreconciled travel advances outstanding. These items are detailed in Table 2 below:

Table 2 – Unreconciled travel advances for Melvin Wrenn

Travel Event	Start Date	End Date	Location	Advance Amount	Verified Receipts	No Verified Support
2011 NAHRO	10/22/11	10/25/11	St. Louis, MO	344.00	142.95	201.05
2012 Texas NAHRO	04/15/12	04/19/12	Arlington, TX	453.17	369.99	83.18
2012 SW NAHRO	06/17/12	06/23/12	Kansas City, MO	956.43	635.40	321.03
2012 NAHRO	07/27/12	08/01/12	San Francisco, CA	656.00	0.00	656.00
2012 THA Conference	08/20/12	08/23/12	Dallas, TX	200.24	0.00	200.24
2013 NAHRO	10/23/13	10/27/13	Cleveland, OH	445.00	0.00	445.00
2014 PHADA	06/01/14	06/04/14	New Orleans, LA	898.12	0.00	898.12
2014 NAHRO	07/15/14	07/20/14	Tampa, FL	883.86	0.00	883.86
2014 NAHRO	10/14/14	10/20/14	Baltimore, MD	769.67	0.00	769.67
TALHFA Conference	10/29/14	10/31/14	Corpus Christi, TX	223.00	0.00	223.00
2015 SW NAHRO	06/27/15	07/03/15	New Orleans, LA	636.20	0.00	636.20
ULI Housing Conf.	07/12/15	07/16/15	Minneapolis, MN	451.00	0.00	451.00
2015 NAHRO	10/15/15	10/18/15	Los Angeles, CA	809.44	0.00	809.44
			Totals:	7,726.13	1,148.34	6,577.79

Notes from Tables 1 and 2:

NAHRO stands for National Association of Housing and Redevelopment Officials

TALHFA stands for Texas Association of Local Housing Finance Agencies

ULI stands for Urban Land Institute

THA stands for Texas Housing Association

The Novogradac Conference relates to Tax Credits

PHADA stands for Public Housing Authorities Directors Association

On January 19, 2016, HATC/SHFC received a box in the mail from Mr. Wrenn containing what appeared to be receipts from nine of the above trips. This package included a short note from Mr. Wrenn describing the contents. A cursory review of the contents disclosed a number of illegible receipts. It also contained receipts that were not applicable to his open travel advances. In addition, there were restaurant receipts relating to meals for multiple persons. For these, Mr. Wrenn did not specify what items on the receipt he personally consumed.

Significance:

As stated in the background section above, the HATC/SHFC travel policy requires that travel advances be reconciled and settled within 90 days of the traveler's return. As of January 19, 2016, all of Mr. Wrenn's 13 open advances have been outstanding for over 90 days, and of Ms. Anderson's 22 outstanding advances, the oldest 21 have been open for over 90 days. These 34 advances open for over 90 days are therefore non-compliant with the travel policy.

When an organization's leadership, particularly the chairman or president, are repeatedly non-compliant with stated policies and procedures, a number of negative outcomes may be the result. Staff and other board members look to their leadership to set a good example. In their non-compliance, Mr. Wrenn and Ms. Anderson may be encouraging a lack of diligence by staff and other board members when they travel. This can negatively impact the internal controls environment and make it more difficult for staff to reconcile and settle all of HATC/SHFC's travel advances.

When board members disregard travel policies and do not submit their receipts and advance settlements for a number of years, HATC/SHFC personnel are placed in the difficult position of trying to collect information and funds from a member of their employer's governing bodies – specifically, the chairman and president of said bodies. This can negatively impact employee morale, and the use of employee time in the pursuit of these items is inefficient.

Not reconciling and settling travel advances in a timely manner also creates accounting issues. HATC/SHFC accounting personnel post the entire travel advance to the applicable expense accounts when the advance is issued. When an advance is reconciled and settled, they record any additional expenses if the advance was not sufficient to cover the applicable costs. If the advance was in excess, the accountants reduce the expenditures accordingly when the traveler returns the excess funds. When travel advances are not settled within the same fiscal year as the travel occurred, these adjusting entries for insufficient or excess advances are not made in the proper accounting period. Matching expenses to their proper accounting period is a fundamental accounting principle.

Typically, a percentage of board member travel is applied to HUD programs. This includes travel advances. When the advances are not reconciled and settled within the same HUD program year, the adjusting entries for insufficient or excess advances are not posted to the correct HUD reporting period.

Recommendations:

Ms. Anderson and Mr. Wrenn should submit their outstanding receipts immediately and work with HATC/SHFC personnel to complete the reconciliation process for all outstanding trips. They should also pay HATC/SHFC for any balances due on these travel advances immediately.

If either of these acts does not occur in a timely manner (e.g. within 30 days), we recommend that HATC/SHFC consider the entire remaining unsettled travel advance to be a debt due from the applicable board members. HATC/SHFC should attempt to collect these items from the board members through any legal means deemed prudent. Failing this, HATC/SHFC should

consult with their legal counsel regarding how to appropriately report these advances to the IRS as income for these board members in the applicable tax years.

2. ISSUES RELATED TO SPOUSAL TRAVEL

Mr. Wrenn traveled to a housing conference in Minneapolis from July 12 to July 16 of 2015. Mr. Wrenn's spouse traveled with him to this conference, and the plane ticket purchased for his spouse was purchased by HATC. As of January 19, 2016, Mr. Wrenn has not reimbursed HATC for this \$454.11 ticket. Total travel costs incurred by HATC associated with this trip are as follows:

Travel Cost Detail for Minneapolis Trip:

Rental car	\$350.51
Rental car tolls	17.25
Hyatt Hotel	812.64
Unsettled travel advance	451.00
Mr. Wrenn's airfare	454.11
Spouse's airfare	454.11
Total Travel Cost	<u>\$2,539.62</u>

Mr. Wrenn's spouse also traveled with him to NAHRO conferences in Los Angeles in October of 2015, Baltimore in October of 2014, and Tampa in July of 2014. For these trips, HATC purchased plane tickets for Mr. Wrenn's spouse for \$298, \$314.20, and \$388 respectively. For each of these, Mr. Wrenn reimbursed HATC for the ticket cost within two weeks of purchase.

In regards to the NAHRO conference in Tampa in which his spouse accompanied him, Mr. Wrenn and his spouse stayed at the Embassy Suites Hotel, while two fellow board members stayed at the Marriott, the location of the conference. Including taxes, the Embassy Suites nightly rate was \$256.48, while the Marriott's rate was \$144.48. According to HATC/SHFC personnel, Mr. Wrenn decided to attend the conference after all of the rooms at Marriott allocated to the conference had been reserved by other attendees. By waiting to make his reservations, Mr. Wrenn cost HATC/SHFC an additional \$560 for hotel charges over the five day conference.

We also noted that Mr. Wrenn obtained a rental car during his and his spouse's stay in Tampa. HATC/SHFC paid \$385.86 for the rental car, \$40 for gas, and \$110 for hotel parking. As noted above, Mr. Wrenn also obtained a rental car while in Minneapolis with his spouse at a cost of \$350.51 for HATC/SHFC, plus \$17.25 in toll fees. In the case of the Minneapolis trip, Mr. Wrenn and his spouse were staying in the hotel in which the conference occurred. For the Tampa trip, the Embassy Suites is located across the street from the Marriot in which the conference was being held. In both cases, all of the hotels in question provide shuttle service to the appropriate airports.

Significance:

Mr. Wrenn's unpaid plane ticket for his spouse is a \$454.11 debt from the HATC board chairman to HATC. This balance has been due for over six months, and it should be reflected as an account receivable on HATC's accounting records.

Paying for spousal travel expenses, even when they are reimbursed immediately by the traveler, is not a best practice for either internal controls or accounts payable. In addition, a debt of this type places HATC personnel in the difficult position of trying to collect from a member of their employer's governing body - the chairman of said body in this case - creating unnecessary stress for these employees. As alluded to above, transactions like this can have an overall negative effect on the internal controls environment of an entity and can be detrimental to employee morale.

Co-mingling personal activities with professional activities can also give the appearance of impropriety to outside parties and regulatory agencies. There are also concerns about the appearance of impropriety when Mr. Wrenn and his spouse obtained a rental car for both the Tampa and Minneapolis conferences. In neither case does there appear to be a verifiable need for a rental car.

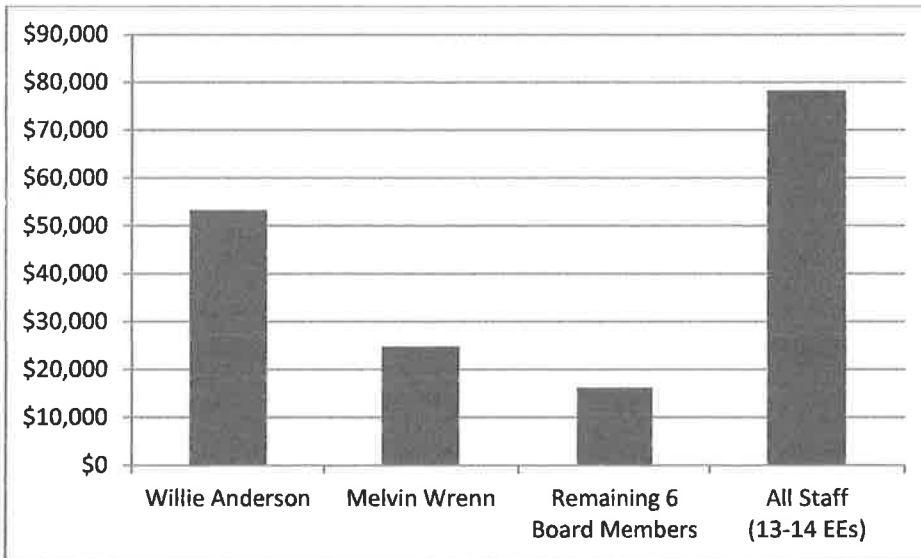
Recommendations:

Mr. Wrenn should immediately reimburse the \$454.11 still owed to HATC for his spousal travel to Minneapolis. If Mr. Wrenn does not reimburse these funds immediately, HATC should pursue collection through any legal means deemed prudent.

We recommend updating HATC/SHFC travel policies to prohibit either entity from paying for travel expenses for any parties other than staff and board members. We also recommend updating the HATC/SHFC travel policies to prohibit board members from obtaining rental cars without a verifiable, specific need for this mode of travel.

3. QUANTITY OF BOARD MEMBER TRAVEL

HATC/SHFC travel and training expenses combined for FY12 through FY15 are displayed in Table 3 below:



Combined, travel and training expenses for the SHFC board president, Willie Anderson, and HATC board chairman, Melvin Wrenn, totaled \$78,010 in the four fiscal years ending June 30, 2015. These two board members incurred approximately 83% of total travel and training costs for the two boards and 50% of total travel and training for all 12 board members and staff (typically 13 to 14 employees) combined.

Significance:

Work-relevant training is a powerful tool for improving the efficiency and effectiveness of an organization's personnel. Therefore, the thoughtful, equitable use of the training budget is particularly important.

In addition, the above distribution of travel and training funds gives the appearance that these funds are not being allocated equitably throughout the two organizations, both among the board members and the staff. This can lead to low employee morale.

Recommendations:

We recommend that HATC/SHFC implement new travel and budget policies to help ensure that travel and training expenditures are allocated amongst staff and board members in an equitable, efficient, and effective manner.