

Audit and Finance Committee Meeting Transcript – 01/24/2018

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>> Troxclair: Good morning and welcome to the January meeting of the audit and finance committee. It's 9:41 and we'll go ahead and get started. Item number 1 is approve the minutes of the audit and finance committee meeting from December 11th. There is a motion and a second. All those in favor? Passes unanimously and thank you to councilmember alter for sitting in on our meeting today. Item number 2, general citizens communications. I believe that we have one speaker signed up to speak, Mr. David king. >> Thank you very much and happy new year to you all. I know you've already hit the ground running. This is not the first day you've been at work since the holiday so thank you for hitting the ground running and working so hard for our communities. I wanted to just offer some suggestions on strategies to -- for additional accountability and transparency which I know is a priority for your committee and I really appreciate that. One of the issues I think we need to look at is our planned unit development projects, do an audit of those to see, go back and look retrospect I feel to see if they have delivered on what they were supposed to. To look at it from perspective, for example, the taco pud in the zilker neighborhood, you all may know that. It was a long, drawn-out battle and many of our puds are. We spend lots of time. This council spends lots of time and effort. How many millions of dollars do we actually spend on getting a pud, a planned unit development, project through the process? So I think we need to look at that, how much do we invest in that. And then do they actually deliver on what they are supposed to deliver on and within what time frame. Because the taco pud we got nothing for that. Probably spent millions of dollars going through that

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process and we have nothing to show for that. No community benefits. We don't even have a taco cabana there. Another concern I have is transition for special events to be using more of a nonprofit

approach where we're now with the kite festival, which I've emailed councilmembers about my concerns about this, is now promoting tickets for \$60 per person to have first access to the park, early access to the park, catered breakfast and lunch, vip parking, and air-conditioned comfort stations. So to me, that just from a policy perspective, that sounds in equitable. That's supposed to be a free, family oriented event and I see it morphing let's encourage perks to have high-income people to come and have access. I see in equity in that. That the other concern if it's for the benefit of nonprofits, we need to look at the books, we need to look at those events and see how much revenue is actually being generated, how much is the expense. I'm asking we do an audit of these events to see how much is actually generated in sales taxes, how much goes to the nonprofits out of the total amount of revenue generated. The public needs to see that. If that's going to be a priority we need to see the numbers. And the other thing I think that we need to look at is audit of our short-term rental hotel occupancy taxes to see if we're getting the revenues that are supposed to be generated from that. And if we are able to verify at the property level that those hotel occupancy taxes are accurate and correct and paid in a timely manner. And then my last suggestion is for an online portal for the status of council

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ordinances or resolutions. You all work so hard at listening to the community and I know sometimes it's a knock down, drag out battle and then you get to the point where you've passed a resolution after all that hard work and oftentimes we wonder did anything happen with that. I think an online portal would be very important for the public to see what are the status of the ordinances passed by council, were they implemented and how much is to be done so the public can see that. I sent a request to the neighborhood housing department to see what are all the resolutions that council passed related to affordable housing. And the response I got was you need to search the city website and find those yourself. So does that mean that staff doesn't have that list? I don't want to make inferences here or misstate anything, but it concerns me if they can't even produce a list of the affordable housing resolutions themselves. So anyway, thank you for listening to my comments and thank you again for the good work you are doing on this committee. >> Troxclair: Thank you. Is there anybody else here to speak on general citizens communication? Okay. So item -- it's my understanding from our auditor that items number 3 and 5 are going to be postponed. Do you want to speak to them? >> Sure. On both items 3 and 5, management has asked for additional time to respond to the audit. So those will be moved to the February 2 meeting. >> We will take those up on the next meeting. Item number 4, matched savings account program audit that looked at whether the program is serving eligible residents and achieving program goals. >> Mary will be making a

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presentation to you this morning. Just as soon as we get that up and going. >> Good morning, committee members. My name is Mary dory. The matched savings account program is run by the neighborhood housing and community development department. I don't have the clicker. There we go.

The program is run by the neighborhood housing and community development department. Also referred to as nhcd. The purpose of the program is help low-income individuals to become financially empowered to help them to save for one of three allowable goals. They can get assistance buying a first home, pursuing secondary education or investing in their business. For every dollar saved by a participant, the program contributes \$8 up to 4,000 per individual. The matching funds are a 50/50 combination of federal grant funds and city funds from the affordable housing trust fund. The program has been running since 2013, and during that time the program has served at least 82 individuals and released at least \$298,000 out of \$600,000 in available funds. And that information is based from about September 2017 when we pulled records for our audit work. Notably the federal government has declined to renew this grant opportunity not just for the city of Austin but nationwide. Nhcd has until the end of March 2018 to spend down remaining funds at which point any leftover federal funds would need to be sent back. The department is considering whether or not they want to continue a version of the program in the future using just city funds. Because the future of the program is in a little bit of limbo, we consider the activities of the matched savings program through two

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different lenses. First, do they meet requirements of the federal grant and relating legislation, and then second if the city decided to run the program by itself, is this an environment in which we feel taxpayer - comfortable taxpayers funds are safeguarded. So before we dive into the findings, it's helpful to understand some background about how the program participants because the process is a little different from how the city normally pays vendors. All of the program money that the city funds, the matching federal funds and the participant savings are kept in accounts at a credit union. After nhcd authorizes release of funds, the credit union transfers the program matching funds, again, the city and federal component, to the participant's bank account. Then a single check is issued from the participant's account. The city uses three main tools to spend program funds. They can release what I'm going to call a program check, it's that one check from the participant's account with all the matching funds, they can release a program which he can to a third party such as title company or community college, they can also release a check directly to businesses for working capital, and the city sometimes uses its credit card to buy items or services for participants. When this happens the city has to be reimbursed. Like the other options, program funds are transferred to the participant's account and a single check is issued, but in this case the check would be made out to the the city to reimburse for credit card purchases. Our audit has three findings. Our first finding is nhcd prioritized participant benefits over program oversight which resulted programs spending a questionable transactions and ineligible participants. On the right here is a graphic illustrating the percentage of cases with identified problems by the type of purchase, three allowable goals. These problems included missing information as well as other problems such as evidence participants hadn't been following nhcd guidelines regarding how much they were supposed to save each month.

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As you can see, we found problems with 72% of the cases we reviewed. Purchases for participant's businesses including checks for working capital had the highest number of problems. We found that one of the causes behind the problems is staff's understanding of program goals appeared to be slightly different from the federal government. A primary goal is promote savings for promoting economic self-sufficiency. But when we talked to nhcd staff, they emphasized the goal was to transfer funds to participants as providing capital can reduce poverty. The issue we identified is staff emphasized this piece regarding the transfer of funds rather than some of the other outcomes such as changes in savings behavior. Prioritizing transfer of funds may have affected staff choices in other areas. Staff appeared not to consider several fraud risks such as whether a participant might not be putting accurate information on application or whether proposed purchases were appropriate. Staff informed us it wasn't their job to consider such things. Staff stated that the current goal was to spend down as much as possible and avoid having to send the money back to the government. So here again is where our two lenses of analysis come into play. We again looked at whether the program was in compliance with federal grant programs and whether the city may consider the program in its current state. We found several apparent violations which I'll talk about more, but when we were program was something the city may want to continue, we found the oversight structure create concerns regarding stewardship of funds. We found no one in nhcd was reviewing legitimacy of purchases. Management stated they did not review documentation before signing off on release of funds and the

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financial team stated they did not review purchases. Key documents were missing from the funding authorization packets that are supposed to be reviewed by management before the money is released, but management still signed off on those requests. Although the department did later find some of these documents in other locations such as an email account, the department doesn't argue that management didn't look at those documents before releasing the funds. Councilmember Alter: >> Alter: I just wanted you to repeat that. I want to make sure that I heard that correctly. >> Sure. So we found that -- one of the key pieces of documentation we reviewed are funding authorization packets. On the front of it is something called a authorize withdrawal form that says here's how much the participant is contributing, here's how much in program funds the match, here's what it's supposed to be used for and a series of signatures. Accompanying that form should be a whole series of backup documentation. For example, if I'm a participant and wanted to use these funds to buy a house, in packets we saw that were in good working order there would be a home contract, kind of some proof that the person was buying a house, that was for that participant and other information like transaction history, evidence they did have the funds need to do match in their account. In many of the packets we looked at, documents like the housing contract were missing. And management still signed off on that information. So the department said in many of these cases that housing contract was somewhere else, perhaps on the department's network drive. However, management didn't review that information before the funds went out the door. >> Alter: Thank you. >> No problem. The lack of oversight was concerning due to the many questionable transactions we observed, but in addition we observed when program funds were

used to buy items from pawn shops and individuals which raised a little bit of a fraud risk concern for us. We saw that program funds

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were used to buy physical items and these physical items were sent directly to participants before the city was reimbursed. We found violations of the city's procurement card policy which is auditor speak for use of the city's credit card. We found an instance where the -- performed for a staff member using program funds reportedly to buy items for the participant. We saw several cases in which the management signed off on releasing funds without proof or explanation of how the funding was to be used. Because management was reviewing the legitimacy of funding decisions, no one was checking to make sure program funds were used for appropriate and allowable purposes. Due to the absence of oversight and supervision, one employee was responsible for all major program decisions such as which participants received funds and what types of purchases were allowed. Sometimes this employee made purchases on behalf of participants which would -- violates proper segregation of duties and increases the risk something might go wrong. Our concern is not with the actions of that particular employee but rather with the lack of oversight that allowed the situation to occur. >> Troxclair: Do you mind slowing down a little bit? >> Sure. I talk fast. Sorry. So the lack of management oversight may have also contributed to a misunderstanding regarding who is or is not eligible for the program. Specifically the department's version of the match savings program required participants to be citizens or permanent residents. However, residency status is not referenced in any of the grant requirements or that piece of federal legislation that created the grant. When we asked the department about the citizenship criteria, we were informed the department put it in place due to a particular federal law that they believed prevented people who weren't citizens from benefiting from these funds. However, the city's law department confirmed that the department -- nhcd's interpretation is not correct and the laws cited by the department did not prevent individuals who weren't citizens from participating in the

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program. This means that the department unnecessarily excluded individuals who are not citizens or permanent residents from participating in the msa program and we did find at least one case in which the program denied an applicant due to citizenship status. Additionally it's possible other potential applicants were discouraged from applying due to that criteria. The match savings program isn't taking any more applicants because they are spending down funds. The grant opportunity is over. Our larger concern is nhcd may be implying this misinterpretation of federal law to other programs and unnecessarily excluding potential applicants from those programs. Although we didn't review eligibility requirements for all the other programs, nhcd's explanation of why they required that citizenship criteria for match savings was broad enough it may have been applied to other programs as well. So our second finding of three is that the city did not conduct proper due diligence for release of funds and may have violated requirements for working capital. So for a participant to receive program funds for their

business, they must have a business plan. Nhcd requires plans to have the minimum elements outlined by the federal grant as listed on this slide. While the department does use third party reviewers to check the elements are present, nhcd does not ask reviewers to test or analyze the plans to gauge the business might be viable or successful. Projected financials, those are not tested by reviewers. Some reviewers did question the sufficiency of the plans. As you can see from the quote on the slide, one of the reviewers said it is far from a complete business plan and say I'm not sure what the city of Austin is trying to achieve with this exercise. So due to concerns about the potential viability of participant businesses, we tested whether we could find any evidence of them online. Almost all the participant businesses are what we would call public facing, things like notary services, clothing sellers, food

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trucks, cleaners, and we reasoned given their audience is public we should be able to find some evidence of them online. Our tests found only 39% of participant businesses that had received funds had an active online presence. Another 36% could not be found online at all. And the remaining businesses did have some online presence, perhaps a website or Facebook page but had not been updated in a significant amount of time. Our concern is from the perspective of the city continuing to run the program on its own. It appears as if a number of participant businesses might not be succeeding. If the business plans were subjected to more testing or analysis might have received more supported. Our test indicated one participant does not appear to own the business they requested funds for which appears to be a violation of federal guidelines. Also when we were looking into whether we could find evidence about these businesses online, the city released \$20,000 to a series of artists who appeared to know each other, however, the funding was to different businesses. None of the promised forthcoming albums or other work had been released at the time of our testing. Finally nhcd does not appear to be filing federal requirements regarding working capital expenses so this is bringing in that compliance with grant requirements lens back in again. The match savings program does allow the city to release funds for working capital, which is essentially a cash infusion for participant businesses. In these cases they receive a check not for a specific item or specific service, but rather that they can use that they see fit for their business. However, the grant requires that these working capital funds be released only to a business checking account and that the funds are then only used for the business, they can't be used for other purposes. We found that the city released funds without proof of a business checking account in 30% of the funding authorization packets we reviewed. That's management signing off on the release of funds.

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As I explained earlier our concern is lack of oversight by management that the funds are allowed to go out without proof grant requirements are being met. Nhcd doesn't follow up to see how funds are used which means they cannot verify if funds are used appropriately, that is for the participant's business and not some other purpose. Our last finding is that the impact of the program cannot be determined

beyond the immediate purchase of goods or services for participants. Nhcd does not conduct any formal follow-up activity with participants, they don't do a follow-up survey and do not check whether the program checks are cashed. Currently our department has no means of checking whether checks are cashed because the program funds are transferred to the participant's account and a single check is issued and the program does not keep track of what the participant does with their account once they get the program funds. Although follow-up is not required by the grant, the city cannot determine whether it's worth continuing the program if it does not evaluate the program. Possible areas of evaluation identified by the federal government include looking at the effect of the program on savings rates and behavior as well as the rate of successful homeownership after completing the program. So we issued a number of recommendations that can be split into two major categories. Immediate action that should be taken to safeguard remaining funds, the department has until the end of March to spend down its remaining grant funds as well as recommendations nhcd should consider if they chose to continuosing use city funds. Most of those have to do with design changes. And management needs to follow the recommendation. That concludes my presentation and we're happy to take any questions. >> Troxclair: Thank you. I'm sure we all have lots of questions. Was there -- management, did you have any other response before we go into our questions? >> No. I would like to say that, you know, with audit

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findings of this magnitude, we greatly understand and appreciate them. When -- I like to think that when we undergo an audit, I try to see these as opportunities for us to have things brought forward that I might not necessarily be able to realize otherwise and so I really appreciate, which sounds super -- super odd as I am looking at the findings in front of me, but I really appreciate the work the auditor did to help us realize there is tremendous need for improvement in this area. >> Troxclair: Thank you. Who wants to start? Mayor pro tem tovo? >> Tovo: Sure. I have -- I don't know, about three dozen questions, but I'll try to narrow it down. Let me just say this is -- I mean, it may be kind of an obvious thing to say, but these are very concerning findings and I have some specific concerns about the audit -- I mean specific questions related to information in the audit and then I have some more general questions about implications beyond this one. And so I think for the moment I'll try to confine myself to the small to sort of the micro level comments -- questions so I can understand better and maybe my colleagues have similar questions and then I'll come back to the bigger ones. So there are about 82 participants and 298,000 of the funding has been disbursed. How much is left? >> We have 22 enrollees who are pending being cashed out in the program. How much they have saved, I don't know that I have that identified in front of me or how much additional funding would be required to cash out. Do you know Leticia? >> Approximately \$100,000

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left in the program. >> Tovo: And is that funding all committed at this point? >> Yes. The enrollees -- well, the 22 different individuals are enrolled in the program and have been working through the

program for a period of time to meet their savings goals. And so we're not accepting any new -- any new enrollees or applications for the program, but assuming that they come through with a eligible expenditure in accordance with program guidelines the auditor went over for either small business, education or purchasing a home, those fund are committed to those -- or to those enrollees. >> Tovo: Will those funds be disbursed with the increased scrutiny that we discussed? >> Absolutely. >> Tovo: Okay. Let's see. On page 3 the audit talks about -- refers to the authorizations as problematic authorizations adding up to -- I'm changing the wording, adding up to \$220,000 in program funds. Were they problematic because of the use the funds were being put or were they problematic because of the lack of documentation or both? In other words, are you referring to them as problematic because there wasn't sufficient authorization -- there wasn't sufficient review and sufficient documentation or is there also evidence that a significant portion of that \$220,000 was spent on uses that were not -- were problematic? >> That's a good question and it's hard to answer just because -- in some of the cases because the documentation was missing

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explaining fully what the funds were to be used for, it might look like the purchase is questionable. So one of the examples we cite in the report is -- I think it's \$2,100 gaming computer for an individual which is under the education savings goal and it's reasonable someone might need a computer. Why that expensive of a computer, there may be a very good reason. Maybe they are pursuing something in school that requires a high-powered computer, however, that's not in the documentation because it looks questionable to us on paper. That 72% is the number of -- it collects all of the issues we saw. Certainly many of the packets had missing documentation. I will say that we didn't see any outright evidence of someone using funds for fraudulent purchase so it all looked either that it was nominally going towards something that could be connected to education, that could be connected to a home or those checks for businesses and working capital. We didn't see anyone, you know, adopting a dog for unrelated reasons or something like that. >> Tovo: Okay. Thank you. That's helpful. As you said, without the documentation, it's hard to really scrutinize the purchase and how connected it was to the goals, to the overall goals. >> Can I ask you to clarify missing documentation? So -- >> Can you introduce yourself? >> Sure. Leticia Brandt. And I'm a program manager for neighborhood housing and community development and responsible for the oversight of this program. Missing documentation. So the -- the applicant goes through a few phases. The applicant can be in the program anywhere from six months to two years. The applicant applies for

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assistance and we have check lists in place where there are certain documentation identifying the asset they would like to purchase, who they are, their income, their assets, and when the auditors are speaking to missing documentation, they are referring to documentation that was not moved forward with the release of funds. Which could have taken place six months to two years later. >> Tovo: I need to

turn back to the auditor and ask is that -- I mean I guess I'm having troubling from the report -- it does sound as if some of the documentation was in a separate folder, but it also sounds as if you are making the assertion that some of the documentation was not sufficient. And I think what I hear you saying is that the documentation was sufficient, it just wasn't moved forward. So there just seems to be a disagreement on that point. >> Sure, and I think it's -- it's not entirely disagreement, we're not contradicting anything Leticia is saying. Our concern and I probably sounded like a broken record, is this oversight piece over the release of program funds. So we did look at applications to the program and we didn't -- that wasn't one of the major issues we discussed in the audit report. Information is collected there. The individual who runs the day to day operations of the program collects information from individuals over the course of the program. And that information is scored in different locations on the department's network drive, in that employee's email, and probably other locations as well, sometimes in the physical file. However, when those funding authorization packets that are put together that is given to management to make sure that the -- not only to make sure release of funds is appropriate, those packets are what we focus a lot of analysis on and those packets are where we found

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the missing documentation. The concern is although there may have been documentation somewhere else in nhcd's records that supported the purchase, it wasn't reviewed before the funding was released. >> And more of the documentation that we had in the application could have been moved forward in order for managers, me being the manager, to review, yes. This is -- to review more than yes, this purchase is eligible because it meets their guidelines, it's for education, homeownership or for a business, and the auditor's perspective is that more of that documentation could have moved forward with the fund release. And I -- >> Tovo: Thank you. And I guess it sounds like there are other questions. >> Troxclair: I want you to get through more of your questions, I just have a follow-up to this. You said in your initial response that you didn't find any kind of outright cases of fraud was money was transferred and used for a purpose that was -- couldn't in some way be related to the -- but how -- I guess it doesn't seem like there's any way we can know that if the purpose is to transfer money were specifically transferring money to someone's business account, 30% of people who received [inaudible] To know what was spent on and if we're just giving a check for \$4,000 transferring it into their bank account, I mean how -- how do we -- there's no way for us to know that there is not outright fraud. >> Exactly. That is one of the concerns we identified particularly with the business program. However, for auditor saying something is fraud, very scarcely, something we don't say lightly. Without evidence that money was actually misused we don't want to say it was

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used for fraudulent purchase. All we can see is that we don't know what happened to the funds necessarily, which raises a lot of red flags. >> Troxclair: Right. Okay. >> If I might speak to that point a little bit. >> Troxclair: We have so many questions. >> I know, and hopefully -- [multiple voices]

Hopefully we can work through all of them and we'll get there, I'm very confident. On -- as the auditor noted, there isn't a federal requirement for following up with folks that have been enrolled in the program and that is something that I think were we to consider doing another match savings account grant program we would be certainly interested in looking at. It's a great perspective and we appreciate that from the auditor. Our program guidelines don't reference doing that follow-up. This is a program established in 2011 and I think there's lots of lessons we have learned since then. I would say that -- I completely lost my train of thought. I'm so sorry. >> Troxclair: No problem. >> It will come back to me. I'm sorry. >> Troxclair: I didn't mean to interrupt mayor pro tem's line of questioning. >> I've got a couple followups. Expect. >> Pool: Thanks. So first what percentage of the participants responded to 2 auditor's outreach with questions on the status of their program participation? >> So we did do a survey, we did do a survey to reach out to participants. However, we were only able to get in touch with a very small fraction of folks. >> Pool: How small? >> Eight individuals. >> Pool: Out of 40. >> Something like that. We can look that up for you or pull it for you. And to the department's

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credit, all the individuals we spoke with were very happy with the program, had especially kind words to say about the staff member, say she did a lot to help them and get them through some of the paperwork hurdles of the process. But we weren't able to get in contact with many of them because either information was out of date or we called during business hours and people have jobs and also sometimes if we leave a voice mail saying we're from the auditor's office people don't always want to call us back. >> Pool: I think this is a learning piece, right, that any kind of a program that the city should be promoting where funds are available, taxpayer funds whether they are from the city or the feds or the state, there needs to be the ability to get back in touch with people for an assessment and I think that needs to be explained on the front end. I am sure that the people who received the 800% interest on their \$500 are very happy with over a six-month period are really happy with the program, but that's not really the point. We need to assess the success in promoting what this program was all about which was to see if people would learn how to manage their finances. And we don't even know, do we, whether these bank accounts were continued, was the savings continued or did people take the \$4,500 out of the savings account and spend it on something? Do we know what the outcomes were? >> We don't. So -- some participants, for example, many of the participants using the funds for working capital would take the full match in one go. They have their 500, they would get the 4,000 from the city and that's their involvement with the program. Other participants probably more common with education purchases would make a series of purchases. When that happens, they are still involved with the program. But once they've maxed out

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their amount, gotten \$4,000 from the city or otherwise said they are done, the city ends its involvement with that participant and we don't collect transaction history on that bank account any longer. So we

wouldn't know if the check was cashed or they continued to de deposit money in that account. >> The account for the individual account holder closes once their involvement in the program ends. So there is an account that's open by each enrollee where they make the deposits and ossify union is the bank year -- maybe this is the first time they have a savings account, they can't hold on to that account at the credit union? >> The account is opened specifically for the match program in order for us to monitor what's going on. >> Pool: Right, I understand -- my question at the back end was there any discussion about maintaining -- maintaining that savings account? Because we're actually incentivizing people to take the money and spend it when an empty of will program was to talk about -- element of this program was to talk about personal finance and manage your moneys. >> That does not mean he -- they don't have bank accounts. >> Pool: But we don't know. >> I'll just note that we did speak with the bank manager at velocity and he said that -- so I think a little bit of a confusion is that we spoke to him, he said that some people do continue their accounts, but I believe what he meant is that they convert them into another form of velocity accounts. He did say that conversion rate was fairly low. >> Pool: And I would think that would be something that velocity would want, to hang on to a customer. I have just one other follow-up on what the mayor

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pro tem was talking about. And this is to our staff. People come and go in their positions over time, and so when I hear about how it was difficult to locate documents because they might be over here or might be over here, they were dispersed without cross-referencing of locations or existence, what would happen should the person who was running this program that Ms. Brown was supervising, do we have controls in place should it happen that that person would have one day either been sick and away from her job or left, taken another position and didn't transfer complete information about this program, because it's probable because it sounds like it took the auditor significant diligence in order to find -- to locate all of the documents and you don't even know if you've located all of them. What sort of controls are in plays with the succession in this position where this information was only really known about by that one person? >> We actually experienced that when the current staff member for this program took it over because she was taking it over from someone who had created a lot of the initial program documentation, and I think there was some gaps even back then, which was probably back, you know, five, six years ago. But in terms of what controls we have in place now, as any employee is exiting, we would have their email accounts archived so we have all of that information still available should we need to access what would have been in their email. And the information relative to the program and the expectation is that it's stored on our group drive, which, you know, our drive in nhcd, so there shouldn't be any program specific documentation that is stored on the individual's computer. >> And we also have hard

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copy files that are in our central records. >> Pool: I think what I'm -- right, and that's Normal and happens even without you thinking about. I think what I want to hear is there is a conversation with the employee who documents locations of things because if that person were to leave without that record, you wouldn't know how to search for the documents even if they are stored and archived. You wouldn't know how to find them. Even if you have a backup of the email, you still have to go through hundreds of thousands of emails in order to find something. If you don't even know what you are looking for, you don't know if you found everything. The whole documentation piece, I can just put a bow on this, this is hugely problematic and probably not only in this department but succession from one person to the next in any kind of program, be they government or public or private is key, but we don't think about it much because we're in the middle of doing stuff. That is something that is really highlighted in this instance because so much of the documentation is dispersed and they should have all been in one file folder with the hierarchy, with all the participants, there should have been redundancy and backup so somebody like the auditor who needs to review everything would have had all this information especially since we're talking about federal funds which have significant strings attached, I suppose. I don't know what all the elements of control were, but it's a significant amount of money and you have a significant amount of money left. >> It's a good point and one I will discuss with our records administrator. >> Pool: Thank you. >> Troxclair: Councilmember alter. >> Alter: Thank you. So I find this disappointing and disturbing on a lot of levels. Firstly because this is a program that many people need in order to be able to transition to better

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circumstances. It provides an opportunity for them to buy a home, to get education, to start a business, a lot of people don't have access to capital and that is the problem that this program is designed to serve and these programs have been found in other circumstances to work really well. So it's disturbing to me because there was a real reason to have a program like this. It is also concerning because we want to put a lot of money into improving the affordability of our city, but if we're not managing those funds effectively, we could just be throwing our money away. And so that broader picture is really disturbing. I'm not sure if this is a question -- who this is a question for, but I'm -- you know, if you are the supervisor who is signing off to disburse the funds, how do you sign off without the documentation that's required? Like at the most basic level and what are the consequences to the manager who is not doing that on a relevant basis and who is held accountable for that and let me also preference this I know there has been change in leadership in nhcd and I understand there's new effort to address issues and this is not isolated but I'm not understanding the timing between this data and -- this data and 2016 or is it 2017 data, how is all of that. That's a lot of questions together, but, you know, the buck has to stop somewhere and somebody has got to be responsible and there should be consequences of some kind. >> What I would like to add -- thank you for your comment. I totally agree. Our files are not only in hard copy, we do have files on our general -- on our

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general system that we refer to. It is organized by program, by participant, and what we're saying about the documents is that there may have been three folder with three different types of documents that were captured there out the process -- throughout the process. That's one thing. We are implementing some of the tools that we use for our housing programs for this program. It's different from what we normally administer. I've been overseeing the program since 2013. It was in place two years before I took over the program. So I inherited a lot. So did the staff that's administering this program. And unlike our housing programs which we are experts in, there are some tools that I see now that we can use even on this program as it relates to the application process, the fund release. In the fund release, just like other fund releases that we have in our programs, we have an invoice that identifies the inventory of a service that we're paying for on behalf of the businesses or for the home. In cases where there was a home because folks benefited from more than one service you may have had documentation in the file for the property and then application that was received six months to two years ago for the applicant. So that's what the auditor is meaning when they saw information in more than one file. But as relates to signing off on release of fund, you have an invoice, it identifies the inventory, it has an amount, and the manager does check for that

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amount in that what they are purchasing is eligible. But can we implement some of the recommendations that the auditor has mentioned, yes, they are well received and we will definitely consider. >> And I think with respect to accountability, I'm going to accept responsibility for making sure that the concerns that are being raised here and that are being raised by the committee that we work to reimmediate that immediately, that we have proper oversight and our management team is understanding that it's more than -- it's not -- that reviewing all the appropriate documentation and making sure that everything is included for purposes of audit, like for the disbursement of funds -- disbursement of funds, it's making sure all the documentation and paperwork is in line, is not a matter of not supporting your employee or not trusting your employee, but it's a matter of public trust and that it needs to be done. I think there's a number of -- you know, I was talking with Ms. Brown before the meeting and I know that if she had questions on the documentation that came forward from the staff member, she would pick up the phone and call the person and they would talk things through and make sure all those questions were resolved, and that level of detail didn't make it into the packets and that's something that we need to make sure the funding requests that are going forward are complete and accurate and contain absolutely everything that they need to. And that was an oversight on our part. And we will remedy that. So if you are looking for who to hold responsible, I

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think it's neighborhood housing and community development. I know that Leticia has had conversations with the employee about the importance of this and about the concerns that we have, and while we do know that we have an additional 22 folks enrolled in this program, we're going to continue to work with that staff member on that knowledge that she has about the program with high, high oversight through Leticia, through Mandy and myself to make sure any future disbursements were happening in a well supported and documented way. I would I would also say that whether we move forward or not with the match savings program is a big question mark for a lot of the reasons that the auditor has outlined. The inclusion of small business is not necessarily as tightly aligned with where we're going as a housing department. R. Through the strategic housing blueprint where we're focusing overtime proving the availability of affordable housing units within our city limits. And any future program that we will will probably be more narrowly tailored to be supporting what we can through the strategic housing blueprint to focus more on home ownership and maybe something that would be along the lines of preservation. I don't know that I'm going to completely answer your question there, councilmember, but I just wanted to offer those remarks. >> Alter: I appreciate your perspective. I'll still having trouble understanding, though, there's a point at which a manager is signing off on the disbursement of funds. Now there's a question of whether that information was in the packet that went forward to document it and there's another question of whether that documentation that didn't go forward was reviewed before it was signed off. And I did not understand

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from what has been presented whether that step took place and just the documentation didn't go forward in the neat little packet or not because if you are signing off, you know, we are responsible for signing off on contracts and we need to read through that stuff. And if we don't read through it, I don't get to blame somebody else for my vote. I'm still responsible for my vote. >> That's correct. I checked whether or not there is an invoice. Whether or not the invoice is through a third-party and whether or not the amounts match up. And if the amounts do not match up, my question is were the additional funds -- where are the additional funds? And in most cases they've been used on other purchases. The auditors can probably speak to what additional documentation they would have liked to have seen in the file in order for me to take those steps. One I think they mentioned was the business plan itself. Like at the time of cashout two years later, six months later, that maybe that need to be reviewed again. I'm not sure what other documentation they would have liked to have seen. With what I mentioned. >> Troxclair: I'm really concerned about the course of this conversation because what we have been presented in the audit is completely different than what you have now stated multiple times. And I think it goes back to mayor pro tem tovo's original question is is it that we have all the documentation? It's just that it wasn't all in one nice, neat folder? Or is it that we don't have -- we don't have all the documentation, it's not being reviewed properly and we have no controls over how that money is being spent? The auditor has -- correct me if I'm wrong, but I feel like you have clearly told us multiple times now that none of those things are happening and it concerns me that the response from management is, no, all the auditor is saying is that we had it in different folders. That's not what they're saying, right? >> Different folders, not

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enough, but I'll let them -- >> I'll provide some clarity here. When we first started our review, we focused a lot on the authorization packets, which is the record that shows the money going out of the door and what support there would have been for that money. And in a great number of cases there was not adequate support for those disbursements. Later in the audit we became aware from hcd staff that some of that additional support was located in other places, people's emails, share drive. We asked to review that. They provided a lot of that. In many cases some of those additional pieces were indeed located, not in all. There were still some residual cases where we just quite frankly never found the support for that. So that's kind of one issue. It wasn't all of the time it wasn't recovered, but main times. >> Troxclair: But that is the key. I feel like that is the key misunderstanding. In some of the times, the documentation was not found. And Leticia's consistent response is no, we've always had all the documentation, it just wasn't in the right place. I think it's just really important that if -- Ms. Truelove I appreciate your openness to hearing the results of the audit and you saying this provides you with a roadmap of how to improve, but I can't -- I don't feel like the committee can trust that it will improve if what we're hearing is that, well, there really wasn't a problem. It's just that we need to have better organization. And they're saying that no, there is a serious problem. So thank you for clarifying that. I didn't mean to interrupt you. Sorry. >> Alter: That's really fine. So I have a lot of other follow-up, but let me try to focus here. So I talked before about some of the things that were disturbing and disappointing.

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I think this also points to a broader issue that I know my office is trying to begin to think about how we tackle, which is we have programs and we have no idea if they're making a result and we're just throwing money at a wall and hoping that we hit some target that we've set. And, you know, if we don't know, we have nothing built into this program to see if these investments are helping people, they have no requirements to report back to us in a few years, you know, that are somehow enforceable or easy to follow up on, you know, we might as well be throwing our money away. And it's -- and this is happening over and over again in housing and homelessness and thunder and lightning arts and workforce development. We have got to get a handle on this. We have limited funds and we have to figure out how to make sure that we are spending that money wisely. We can all agree that we want to make those investments, but we have to make choices. And if we don't know what is effective we cannot do that. So we have got to spend that effort on the evaluation. That being said I am still not convinced that when somebody signed off on these things that they knew they were signing off and they it had done the diligence of looking at the other documents. Just because I ask you for money and I have this other documentation doesn't mean I'm following the federal law. There's another piece that we haven't touched on that I wanted a little bit of clarification. You went through it really quickly. It wasn't something that we covered in our premeeting, which was the citizenship element, which is somewhat disturbing to me in the current climate and I'm not sure I fully understood that and the implications for how that might be carried out across other programs. >> Apologies. I talk fast in Normal life, but even more so when presenting. So the citizenship piece.

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So the match savings program sometimes you'll see it referred to as an individual development account program. It's a national funding opportunity. The city was awarded funds for it as were many other organizations across the country. That grant opportunity does provide some leeway to organizations in terms of eligibility criteria they want to put in place. They don't have to choose all of the savings goals, for example, like some programs have said we're only going to do housing, we're only going to do education. So when we looked at the eligibility criteria for neighborhood housing's match savings program and we state law it said you have to be a citizen or a permanent resident, we went back and double-checked the federal legislation. It doesn't mention residency at all as I mentioned. So then we asked the department, trying to figure out this is something that was kind of intentionally put in place for the program or the reasoning behind it. And the department came back and said there's particular federal law that prevents public benefits from going to individuals who aren't citizens or permanent residents or some other very specialized immigration categories. We then followed up with the city's law department and said, here's the specific law that they're citing and their reasoning. Does this make sense? Can you just verify that this is the case? And the law department said actually, no, that's not true. This law is not a reason why citizenship would be a requirement for this program. They said that citizenship status should not -- was not prevented -- an individual does not have to be a citizen or permanent resident to participate in the program according to the law that they had cited. So our concern here, the department is free to put eligibility criteria on the program. Our concern is that the reason why this criteria was put in place was due to misunderstanding of a federal law. It wasn't kind of an intentional choice. And as I mentioned in the presentation, because they said this federal law prohibits public benefits from going to individuals who aren't citizens or permanent residents, that

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explanation is possibly extended to many other nhcd programs, not just match savings. So one of our recommendations is that nhcd reconsider the eligibility requirements for their programs in light of the new understanding over the federal law and to make sure that their reasoning for the eligibility criteria matches up with other departments and city council. >> Thank you. >> Mayor pro tem tovo, I think you had more questions. >> Tovo: Thanks. How did the participants break down with those with housing goals, those with business goals and those with educational goals? >> Just a second. I have that information. >> And then I can talk about it. >> Do you have it? >> Of the 126 that we reviewed, again, we looked at all of the records in existence as of September so there might be more individuals since then. But of the records that we looked at, 40%, 50 purchases, 40% of transactions were for business. 33% of transactions were for education and 27% were for home ownership. >> Tovo: Okay. I'm trying to write this down. I need to ask you to repeat that again. 40% were for business. >> 40% of the transactions. Not necessarily individuals, because sometimes individuals make multiple transactions. 40 business were for business. 33% for education. And 27% for home ownership. >> Tovo: Okay. But those

are as you clarified, those are transactions, not participants. >> Yes. >> Tovo: So if that information isn't really available -- readily available right now, I would like to know of the overall 82 participants, how many were enrolled for housing, savings plans, business and education. >> I can give you that information. >> Tovo: That would be great, thanks. >> There was 104 participants enrolled. 33 canceled. 49 were denied.

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75 closed. There were 43 businesses -- slow down? Okay, sorry about that. >> We're all writing this down. Go back to the 49, please. >> 49 denied. 79 were closed, meaning they were cashed out. 43 of those were businesses. 13 for education. 19 were homes. And then we have 16 that are currently enrolled as of today. >> Tovo: Okay. So I'm not matching -- this isn't matching for me. So you had said there were 22 currently enrolled. It sound like that number is actually 16? >> It sound like that number is 16, yes. >> Tovo: And then it said somehow that the number of -- in the report it said the number of individuals served were 82. I think I just heard the number as 79. >> 75 have closed. >> Tovo: I guess I'm trying to figure out how many participants -- >> Mayor pro tem, let us just get some confirmation on those numbers because -- >> Tovo: 91 are adding up to the totals. >> They're apples and Oranges and let's get the same kind of fruit going. >> Tovo: One thing that strikes me and this gets back to the question, director truelove, that your comments raised for me. As of -- this is a program being administered by the housing department. One of the real opportunities here is to help people save for a home or a co-op or for a permanent residency. Just from the percentages that we talked about, as if it was -- the funding was primarily being used not for home ownership opportunities, but for business opportunities. And we have other small business program -- I guess if the program is going to

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primarily serve businesses, then I'm not sure it was situated well within housing. >> I agree. >> Tovo: If it's a program that's serving individuals who are trying to save money for a home, then the numbers should have reflected that. And so I'm very interested in -- I think there's tremendous benefit of this kind of a program. But I hope if we identify funds are or able to receive funds for this, we would also at the outset consider as you suggested, how best to -- what is the best use of these funds and then structure the guidelines accordingly and accept applicants who meet that goal, and if we primarily want to use it to support small business owners, then it probably should be in a different department. >> I completely agree. We are in an unfortunate position now that we probably weren't in 2011 where this started where we have our strategic housing blueprint where that gives us some pretty firm direction on where we're going. And my desire would be to have any additional programs or future programs be largely oriented around the goals identified in that. >> Tovo: Agreed. And I think you mentioned preservation and to me that's, again, a real opportunity and a huge need and I hope we're able to create a very well structured, very well documented, very strong savings program to support that particular mission. And we do want to support small businesses, but again I think that belongs in that department because they

are accustomed to working with individuals who are working on business plans and can provide better support over the long run for those individuals who are trying to save to support their businesses. >> And if I could just make a quick plug for something that's going to be happening mostly next year, but we are going to be starting our consolidated planning process for our federal dollars, which is kind of our five-year program where we outline the kind of programs that we hear from the community that they would like us to achieve through our federal entitlement dollars of cdbg

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and home. And I hope we will get even more clarity on the types of programs we should be running through in hcd. >> Tovo: Thank you. >> Troxclair: So how much was the -- >> Tovo: So how much was the total funding for this program? >> It was \$600,000. 300,000 was federal -- >> 300,000 federal and 300,000 matched city funds. >> Was in housing trust fund. >> Tovo: It came from the housing trust fund? >> I believe so, yes. >> Tovo: Okay. I thought I had heard that in one of the prediscussions and I guess that raises for me the question if we're primarily using housing trust -- let me back up. The housing trust fund dollars are intended to help create housing or supportive services that help people -- keep people in housing. But it looks as if the majority of the people we're serving were businesses. So I guess I need a response now or later how that \$300,000 was declared to be in line with the mission of the housing trust fund? >> I'll certainly see if there's any documentation from when we created the program in 2011 that spoke directly to that. But I agree that if we were to be using trust fund dollars moving forward that we would want the focus to be on that. >> Tovo: I guess I'm interested because since there are so many need of our housing trust fund, in the last several days I've been meeting with staff and talking about the tremendous opportunities we have before us in terms of creating housing or supporting people in their existing housing and the tremendous challenges that we have. And it concerns me that \$300,000 was taken out of the housing trust fund and may not have been spent in a way that's aligned with the mission of the housing trust fund and how it was set up. So I think I would like to -- I would like to see that rationale and determine whether it needs to be replenished with dollars that would have been more appropriately used for that

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purpose. >> Okay. I'll see what I can come up with in research. >> Tovo: Thank you. And then again I have -- what is our general kind of timing here? I have some very specific questions that maybe I can handle outside of the meeting if necessary. I think I do want to in this meeting give you the opportunity - - give our housing staff the opportunity to address a couple of the charges that seem -- that might benefit from having additional explanation. One is the continued reference to a gaming community. I'm not sure I understand what a gaming computer is, but I want to understand whether it's a gaming system that is used for games or whether it's actually a computer. So there's that question. >> Okay. And the other one? >> >> Tovo: And on page 12 there are references to a group of individuals who may have known one another who were artists or musicians for whom there's no documentation of output.

I'm summarizing and maybe not well. >> I understand the reference that you are speaking to. >> Tovo: \$20,000 in program funds were used -- were -- \$20,000 in program funds was provided to a series of artists who appear to be professionally connected, although each of the required business plans promised forthcoming albums or other work, we found no evidence that this output was released. So I need for you to address that issue and the gaming issue. >> So the gaming computer was a computer that was purchased for an engineering student. And our staff had documentation or communication with their -- or corroboration, I guess you would say, from their professor that that was an appropriate level of computer. So it was a high-powered purchase for an engineering student. Our perspective is -- from the program management is

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that we're not -- we're trying to balance our role in -- and not tell people what they should and should not buy. It's like telling someone they should buy a Mac or PC or telling them to buy new textbooks or used textbooks. If we would help them along the way in savings goals in that respect, we're not there to tell them not to buy the new textbooks, buy the used textbooks. And when the request came through for a high powered machine it was determined to be related to their education. We had communication with the professors saying that that was confirming the student was an engineering student and so that's what the staff requested with that one. >> So it sounds as if that was appropriate -- an appropriate way to verify it, to verify it with the professor. I want to just be clear on how that came through. The professor verified that that was an appropriate level of computer for that student and corroborated it in writing or was it a conversation and was it more the second time you said it you said something about verified that that student was an engineering student. But I want to -- I guess so I just want to verify that the professor weighed in on the level of computer. >> The professor weighed in on the level of computer via email communications with your staff member. >> Tovo: That's helpful. Again, gaming computer -- >> It sounds more nefarious than -- >> Tovo: It sounds like a different kind of piece of equipment. Okay, thank you. >> If I may real quickly on that. Our concern is not that it's a gaming computer and not that it's a high-powered computer or anything like that. It's just that in the packet where multiple managers at nhcd sign off saying yes, we're good to go, there's nothing but a list of the components of the gaming computer and a request to release the funds. So to us that's not the diligence we want to see in the signoff level. We get that somewhere else

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there may be that documentation. That's why we really wanted to emphasize I think for us that it's really about the oversight and the signoff at the time the funds are released to ensure that the funds are going to an appropriate purpose. So in the backup there may be this back and forth whether it was by phone or whether it was an email, it may exist somewhere. We're not trying to say that it's not, but that all the levels of management sign off on it. >> Tovo: I appreciate that. I think in light of the commentary about it, I just wanted them to provide an opportunity to talk about what corroboration, what

verification did exist and how you received it. >> Of course. And as far as the -- >> Troxclair: Sorry, mayor pro tem tovo, to your question about the timeline. I know this was -- we expected this to be a short meeting, but I need to leave at 11:15 because we had that expectation. We have one more item, which is the municipal civil service discussion, which I think would be pretty short. Sorry. >> That's okay. With respect to the concerns about the group of musicians that seemed to be connected, we have found through all of our programs at housing that the greatest ability that we have to promote our programs is through word of mouth. That we often have folks that will come to us for home repair loan program or down payment assistance because they talk to so and so down the block that benefited from the program. And so for us to have seen a group of folks that were coming through that were of a similar sector or they knew each other or were connected somehow that's not entirely surprising or concerning in the grand scheme. We encourage folks when using our programs to leverage other programs.

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If we had someone that came through this program for match savings and they were able to then use that match savings to help with qualifying for down payment assistance then we would see that as a tremendous benefit. So it wasn't super concerning to us -- >> Tovo: That they knew one another. And in light of the chair's cautions about the timetable, I just want to get to -- since the business plans promised a particular outcome, what is nhcd's role in making sure that there is follow through on the expenditure of those -- on that investment that the city and the federal government has made? >> I think that gets to part of the weakness that we've already discussed with respect to the small business aspect of this match savings account. That it wasn't designed to have that kind of follow through that I think would be necessary for any future programs. And so I don't know that I have a good answer on that because that was -- it was not what was envisioned when this program came into being, however looking back we see that that would probably be something that -- we definitely would see that as something we would want to include and incorporate, but it's not something that's there right now, unfortunately. >> Tovo: Okay. Do we know what -- I assume you know what the money was spent on. In those cases. >> I could go back and check. I think in some cases, as I recall from conversations, it was for equipment relative to being a musician. >> Tovo: To the profession. >> Yeah. >> Tovo: Okay, thank you. >> Troxclair: Councilmember pool. >> Pool: Are you done? >> Tovo: Not quite, but that's okay. >> Pool: So I've got a raft of additional questions too that listening to the conversation here and the responses have brought, but

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given the interest of time, I just want to go back to page 4 on the court and ask if knowing the results of this audit and calculating and understanding the concerns that are being raised on this panel, and probably in the community, do you think that the staff reports where it says that staff says it is not their job to consider whether a participant may be misstating or misrepresenting their financial situation when applying for the program. And staff also states that it is not nhcd's responsibility to evaluate

whether a participant's proposed use of funds is appropriate, and that's the participant's responsibility. Knowing the lack of controls on these assessment and evaluation points, which I think even as a parent if I just completely go personal on this, if I have money for my child who is earning additional money, I would exercise oversight and help to guide, because that's what this program was about, to help build -- what was it, individual -- >> Individual development accounts. >> Pool: Right. So even the name of this federal program says we're not just handing out \$4,000 for a 500-dollar investment. So knowing all of this and seeing this response from this panel, is the staff at nhcd, who I agree really should not have had oversight on the elements of it that were outside your wheelhouse, and I don't think that's your fault. I think that there was probably upper level management that allowed this to happen or maybe didn't know it was happening, but that entire grant should not have been the sole discretion of nhcd in my opinion. Knowing all of this and seeing how we're responding to your responses, what further evaluation do you

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have concerning these two comments? Again, that it's not nhcd staff's job to consider whether a participant is misstating their financial situation, and it's not nhcd's position to evaluate whether the proposed use of funds is appropriate? >> I think that -- I would want that -- I don't believe that to be true. I don't think that if our staff really does consider that it's not our responsibility to determine or consider whether they're telling the truth on an application, I think that's not really taking appropriate consideration in our role as the public stewards of the money. I think that's perhaps maybe taken out of context or maybe taking a comment from a staff member that may not be as -- as politically savvy and understanding the big picture that we're in. And we're going to have conversations about that as a department, not just with that particular individual, but with the entire department to make sure that folks really understand and get that it's not just the individual goal of one particular program or my place in the process flow of getting documentation out the doors just to do this one check. We all need to be taking responsibility for making sure that we are being good stewards of the taxpayer dollar. I think that we are working at housing and have been for the last 18 months that I've been there to really effect some change and to build on the public trust and to put in the appropriate amount of controls. And we've got some -- I think we probably still have

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some work to do in that respect and we're going to continue to plug away at it. And that's why I see these audits as opportunities as much as anything else and appreciate any perspective I can get from outside folks because as many times as we look at things internally, having the vantage point of being an outsider and giving us information is very enlightening. >> Pool: And I'll just end by saying one of the assessments that the auditor brought, which is the independent lens looking at this program, which with really rely on, and that's the kind of scrutiny that is necessary and needed not just in the public sector, but in the private sector. When staff responds such that the assessment then of the auditors is that the

goal of the staff in this program was to get the dollars out the door as opposed to ensuring that it was being used properly, effectively and efficiently. I've got real fundamental concerns with that cultural -- with that expression of a culture. And I know director truelove, that you are new to this position and I feel like you've earned a little battle pay for being in this role when this has come through because clearly this has happened before you came in, but you also have some pretty clear guidance, I think. >> Absolutely. >> Pool: About the the things that we're caring about and the importance of being good stewards with -- it's your money too, right? >> Uh-huh. >> Pool: And we have to look at it that way and make sure that it's being spent according to the guidelines. And if the guidelines are insufficient, then flags from the staff who are running the program need to be raised to say I need more direction. And then the upper level staff clearly should be responding sufficiently and quickly in order to address the lower level staff's concerns. There was a deficit in oversight management on up and a lack of training for this particular individual who is making these

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decisions and sending that money out the door, and I hope to get a response -- some kind of a review back, maybe in six months, to see what improvements and corrections have been put in place. And I really want to see how those last 22 people who are still in that program, which I understand the program has been discontinued by the federal government as of last year and no more funds distributed as of this year, is that right? >> Yes. We were -- actually, they had a notice of funding availability opened and then they closed it without awarding any funding, and that was about a year ago. >> Pool: And the people who are in the program now should and must receive a high level of scrutiny, that documentation must be scrupulous and it must be maintained in a coherent manner so that when our auditors come back and look at it at a second time to see how the final 22 have been assessed and evaluated and followed that we would have a good report at the end. Thanks. For all you're doing. >> Thank you. >> Troxclair: Okay. I have a couple of quick questions and then a few comments. There was a footnote that -- let's see. I think it was on the very first page. That you could -- the grant allows entities to set their own match rate up to eight to one. And nhcd previously used a four to one match rate. I guess why was a decision made to go from four to one to eight to one? >> I'm not sure that I have an answer to that. Leticia, do you have that information off the top of your head? >> I can give some insight on it. We had some participants that had not saved a lot of funding, and we had more money on the table that we were going to risk sending back. And our last director made a recommendation that we do an eight to one match. >> Troxclair: Okay. So I would put that on your list as something else to look at. Again, that seems to be on

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in the mindset that we're just trying to get money out the door at any cost rather than trying to make sure that it's spent well and have an effective program. And when will the decision be made whether or not to continue this program? >> Well, this program is done. This particular iteration is finished. >>

Troxclair: Will it be the next budget cycle that you decide whether or not to request -- to fund the program, the full \$600,000 through city funds? >> So we -- during the last year when the federal notice of funding availability was opened, we were considering moving forward because it was a situation where we could get a match for our dollars. At this point we would be having to consider with all of the different competing priorities that we have whether or not we want to continue with one. And considering the risks, considering everything we have, it may be something that we put forward as a potential forward through our consolidated plan or we -- in its current iteration I don't think it's probably appropriate to use housing trust fund unless we strongly restructure it, in which case I think we would need to do a lot more research and program design before we get into a situation like that. So I don't really have a time frame on it. I would also be considering whether or not I would want to contract out with one of the other attendants in Austin that manages match programs, I know egbi, foundation communities, I was going to ask you to not ask me what egbi means, economic growth and business? >> Foundation communities and egbi currently have programs that they are administering. So there might be a potential if we do choose to go with another match savings program that we contract with someone rather than trying to take care of

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that in-house. We do find a lot of the concerns that were noted by the auditor, especially around some of the pro card issues that we didn't really go into, came up because we were having trouble figuring out a way to spend the dollars to make the purchases for the individuals because we were trying to figure out how to facilitate getting funding to them for if they're going to the bookstore and they're going to buy docs books and do we cut a check for a certain amount and not knowing if there's tax or if there's a discount card. Different scenarios given our role, it becomes more problematic. So it may be that a private entity or another non-profit might be better suited to administer such a program. >> Troxclair: Thanks. My -- this to me is not an appropriate program for the city of Austin to be administering and not an effective one. To your point, there are already so many existing organizations and options for people who are looking for down payment assistance. We have of course rental assistance programs and other housing. A multitude of other housing programs within the city. So my preference is that we maybe realize that this wasn't the best -- the most effective use of taxpayer dollars. And as somebody else said earlier, there's so many needs in our city, I don't think that whether or not -- that arguing over a high powered computer machine is just -- really just rises to the level for me. If the decision is made or the request is made to move forward with the program, you know, I think that you've already received the message about that there were questions about what documentation is required and maybe wasn't provided. And then the second question is what should we be doing

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to ensure effectiveness of the program? But lastly, I think that if anything like this continues, the comment about it's not our job to tell people what to do with the money, whether to buy used books or

new books, man, I went through -- I mean, through all of college making sure that I was always buying the used books because the new books were three times as expensive and had the same information. So when you're talking about again so many needs in the city, limited resources, if we're going to have a program in place I think that it is our -- and the purpose of the program is to make sure to teach people how to save money so they can invest in themselves, whether it be a home or business, I do think it is our responsibility to make sure that he -- I don't think I know anybody who has a 2,100-dollar computer. I just -- I certainly don't. And again, I never bought used books when I was in college -- I never bought new books when I was in college either. So there has to be -- again, I don't think -- I don't think that it is possible or our place to be involved in this kind of program that requires that kind of scrutiny. But if we are, then we have to make sure that the money is being spent appropriately. So I appreciate the time that y'all spent on doing a very thorough audit for us today. And we look forward to your future I guess recommendation of how to move forward. Or whether to move forward. Thanks so much. If there aren't any additional comments -- oh, we need to accept the audit. Mayor pro tem tovo makes that motion. Councilmember pool seconds. All those in favor of accepting the audit? And it is accepted unanimously. The next item on our agenda is the staff briefing,

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discussion and possible action regarding appointment of municipal civil service. Do you know, just for time's sake, does -- can somebody tell me whether or not a vote needs to be taken at the end of this presentation or if I can express my opinion if I need to leave in about five minutes? >> We can quickly go through this and yes, an action -- >> Troxclair: Action needs to be taken. And can a vote be taken with two out of the three? >> No. >> Troxclair: Okay. Great. Thanks so much. >> Sure. My name is Deena Estrada with the office of the city clerk and we're here to discuss the recruitment and appointment of municipal civil service commissioners. We'll provide a brief background of the commissioners' role. The current members and provide options on how we need you to proceed. In November of 2012 Austin voters approved the creation of the municipal civil service commission consisting of five -- >> Troxclair: Deena, so grateful that you put this information together. I think that in light of the time that all three of us are familiar with the commission and have been involved in the process before us. >> I'll cut to the chase. Here are the list of commission members. Please note that we are here for the term expiration of Lottie [indiscernible]. Option 1 would be to recommend the reappointment of these two commissioners, which will then go to the full council for consideration. Or option 2 would be an open call for applicants to apply to this position. If you decide -- if the audit and finance commission decides to go with option 2, we will open a call for applicants. There will be a 30-day solicitation. The office of the city clerk will work with the public information office to publicize and within one week after the posting

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closes we'll provide these applications to this body as well as screen for minimum qualifications. Minimum qualifications include that members are a citizen -- a resident of the city of Austin and registered voters. Preferred qualifications include that they have experience with employment, human resources, labor relations and/or mediation. Council may decide at their next meeting who to proceed with interviewing and interviews can be held at the April audit and finance meeting or a special called meeting may be called. So we now leave it to the committee to -- for questions and/or direction on how they would like us to proceed. >> Troxclair: Thank you very much. And I guess I will go first. My default is to always open it up to applications. You know, I appreciate -- I'm sure that the people we have on the commission now are doing a great job and I'm happy to consider them for reappointment, but I think it's important that we always allow other members of the community who want to be involved in our processes, that we allow them the opportunity. Councilmember pool. >> Pool: Even if we were to forward the two names for reappointment, is the position available for people who are interested and to contact council offices and say I know you are looking at reappointing people, but I'd like you to consider me? Is that a possibility? >> Sure, the boards and commissions application is open whether there are vacancies or not. So they are free to contact you. >> Troxclair: But if we want to appoint people -- >> It would go to the full council for consideration. >> Troxclair: There's not an opportunity for us to interview people who may not contact our office interested? >> Correct. >> If I could, Joya hays, human resources director. If you make the decision to appoint, it eliminates a competitive process for which we open up and look at

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additional applications. >> Troxclair: Thank you. >> Pool: Right. And what I was saying is that if people are interested there isn't any bar for them to come to us and say I'd like to be considered, knowing that you are going to reappoint. And then somebody would say well, I don't want that person, I want somebody different. But you're right, there wouldn't be an official, formal process for that. >> Correct. And if you will recall, one of the reasons why I asked for the team to bring this back to you in this format is because as we were discussing actual cases, issues and concerns, the committee brought up the desire to ensure that we had an open, competitive process moving forward so that you all had more opportunity to have some input as to the competencies you're looking for in this commission. And both of these were, if I'm not mistaken, and Sybil, can correct me, both were corrected prior to this council, correct? >> 2015. >> Pool: I think we interviewed Ms. Dailey in 2015. And also Mr. Murphy. So while I -- did you want to weigh in? I was just going to say that having had service, that's a core skill. They have served on the commission for a time so that would argue if there aren't any concerns about their service that they should be reappointed, is the second piece that I was going to say with regard to. If we're people want to serve on it, but we do have two people who appear to have acquitted themselves appropriately and professionally on this commission, and absent any news or information to the contrary, it would seem that if they want to continue to serve that they would have earned that continuation. >> Troxclair: Are there term limits for this position? >> That's something we want to defer to the law department. City charters states that this board -- the terms are three-year terms. However, city code states

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that a member can't serve more than eight years. So that's something we were actually trying to get clarification on prior to this meeting, and could not. >> Troxclair: Thanks. Mayor pro tem tovo. >> Tovo: Yeah. I guess I'm not really sure what I would prefer doing. Because I agree with councilmember pool if they've been acquitting themselves well, which I believe they have, we could just reappoint them. On the other hand, I also agree that it's important to reopen it. I guess I would say I'm happy to support either motion, but I would ask -- I think that we should have a policy moving forward so that we're not in a position of -- I don't want to send the message to people who have been serving well that we're going to, you know, suddenly reopen it. Let's make a policy that, you know, you get two terms -- you will automatically be appointed by your first term unless we hear concerns or unless the council decides to take it up or on that we'll always reopen it. But I think we would do ourselves and future councils a service by just having a consistent policy. We either always open it up or we may not open it up, but rather than have a conversation each time that suggests to people that we may have concerns about their performance, let's just have a consistent policy. So I guess to me that speaks to just maybe always reinterviewing despite the fact that that takes a considerable amount of staff time and staff resources and council resources. And if we end up reappointing people who are currently serving, that's potentially disappointing to the other candidates as well. >> Troxclair: And I will say that one councilmember has let me know that they have someone in their district who wants to apply, and that they're interested in having that opportunity for them. >> Tovo: Okay. That speaks to opening it in my opinion. >> If I could just add, Perez wisely was one that you just reappointed in may of '16. She was already on the commission. She sought a desire to be

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reappoint and we still did a get active process and you selected her. So the team is very open to do it, but I think it's important, as you spoke, to creating that consistency. So I want to point out this audit and finance commission has led us to do that just last year or year before last. So from a consistency perspective, opening it up would be that process. >> Troxclair: Thanks. Councilmember pool? >> Pool: So I just have one question. And then I'll make a motion. My question is how is this commission -- how does this commission differ from other commissions where when we are making reappointments or replacing people we make that decision ourselves like on our appointments to the art commission or the music commission? Is it because this is a joint appointment from the entire council? >> I believe that city code states that they're designated to come to the audit and the review of applications and selection process has to come through the audit and finance committee. >> Pool: Okay. >> Troxclair: And same with the -- >> Pool: So I will make a motion that tracks what chair troxclair said, and that would be to open up these two positions for competitive application and do through that interview process. >> Troxclair: Great. Second? Councilmember pool makes a motion. Mayor pro tem seconds it. All those in favor? It passes unanimously. So we'll have that process. Appreciate your time. Is this on? No, it's not. So that will conclude our audit and finance committee meeting for the day, unless anybody has any future items to

discuss. >> Pool: Nope. >> Troxclair: Okay. We will see you at the next meeting and we will adjourn at 11:19. Thank you.

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