



U.S. Department of Housing and Urban Development
San Antonio Field Office, Region VI
Office of Public Housing
Hipolito Garcia Post Office and Courthouse
615 E. Houston Street, Suite 347
San Antonio, Texas 78205
Phone (210) 475-6860 Fax (210) 472-6817
www.hud.gov www.espanol.hud.gov

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Mrs. Vickie Simpson
Executive Director
Kyle Housing Authority
P.O. Box 130
Kyle, TX 78640

*Mr. Garcia
Tenant*

Dear Mrs. Simpson:

SUBJECT: Kyle (TX367) Post On-Site Visit Report

Thank you for taking the time out of your schedule to meet with Mr. Dan Garcia during his visit to the Kyle Housing Authority (KHA) on March 24, 2016. The Board Chairperson and Co-Chairperson were not present despite prior assurance by the Executive Director (ED) of their presence during this visit. The ED stated that their work schedules conflicted with this meeting and therefore they could not attend.

Mr. Garcia completed a remote assessment of the KHA prior to his visit, in which he reviewed the Public Housing Assessment System (PHAS) Score Report, including the scoring indicators and sub-indicators for this 21-unit, very small Public Housing Agency. A three-year trending analysis was performed as part of Mr. Garcia's overall remote assessment, as a means to provide context in which to understand the Housing Authority's performance. Additional details are included within this document.

Although the Kyle Housing Authority appears to have scored well on PHAS over the past several years, there were some issues of concern noted during the visit. The concerns relate to potential non-compliance by the KHA in several areas including, its internal controls, its funding, and its authorized utilization. Mr. Garcia noted inadequate internal controls, with respect to procurement procedures and lack of appropriate documentation. These procurement concerns tie directly to questionable expenses, questionable financing for contract services, and questionable cost allocations. In addition, the KHA has operated well in excess of 5 years without a full Board, which is required to authorize procurement contracts and approve any increases in executive and maintenance payroll.

Physical (PASS) – up to 40 points

Title 24 CFR 902.20 Physical inspection of Public Housing Authorities (PHA) projects states that the PHA's score for the physical condition indicator is based on an independent physical inspection of a PHA's project(s) provided by HUD and using HUD's UPCS inspection protocols to ensure projects meet Decent Safe and Sanitary/Good Repair (DSS/GR) standards that constitute acceptable basic housing conditions.

A 3-year trend analysis has been developed utilizing the Real Estate Assessment Center (REAC) Inspection Summary Reports. The results of the 2013 and 2015 inspections identified repeat deficiencies, which were reviewed with the ED during our visit. Had the KHA corrected the deficiencies timely in 2013, the PHA would most likely have received a high PASS score in 2015. The ED could not produce any evidence of corrective measures taken to address the deficiencies. The chart below illustrates these repeat deficiencies, suggesting a disregard by the KHA to address the deficiencies noted in the physical inspection reports.

Figure 2
Repeat Deficiencies from REAC Inspection in 2013 impacting the 2015 inspection

Total # of Repeat Discrepancies in exact same building and units in 2015 not resolved from 2013 REAC Inspection is 6. Ratio is 6:20 or 30%

	2013	2015
Building 1 - 412-414	Doors - Unit - damaged Hardware/Locks	Doors - Unit - damaged Hardware/Locks
	Kitchen Items - Unit - refrigerator - Missing/Damaged/Inoperable	Kitchen Items - Unit - refrigerator - Missing/Damaged/Inoperable
Building 3 - 404-406	H&S Deficiencies - Call-for-aid - Unit - Inoperable	H&S Deficiencies - Call-for-aid - Unit - Inoperable
Building 5 - 401-403	Kitchen Items - Unit - refrigerator - Missing/Damaged/Inoperable	Kitchen items - Unit - Refrigerator - Missing/Damaged/Inoperable
Building 7 - 409-411	Kitchen Items - Unit - Range/Stove-Missing/Damaged/Inoperable	Kitchen items - Unit - Plumbing - Leaking Faucet/Pipes
Building 9 - 412-414	Doors - Unit - Deteriorated/Missing Seals	Doors - Unit - Deteriorated/Missing Seals

Total # of Units is 21

Total # of Units Inspected is 10. Ratio is 10:21 or 47.62%

Total # of Discrepancies in 2013 is 24 & 2015 is 20. Combined is 44.

Total # of common discrepancies throughout entire REAC Inspection is: (Doors 9, Kitchen 7, GFI 4, Bathroom 3, Outlet/Cover Plates 3)

Financial Assessment Sub-System (FASS) – up to 25 points

Title 24 CFR, 902.30 financial condition assessments are an indicator that determines the financial condition of a public housing project. The purpose of this effort is to evaluate whether there are sufficient financial resources to support the provision of housing that is DSS/GR. The PHAs financial condition measures liquidity and includes three sub-indicators; Quick Ratio (QR), Month Expended Net Asset Ratio (MENAR), and Debt Service Coverage Ratio (DSCR). Although the KHA has scored the maximum 25 points over the past three years, the FASS scoring process only reviews these three categories in determining a PHA's financial condition.

Mr. Garcia's 3-year trending analysis includes a review of financial reports submitted to REAC and the Audit Clearing House and interprets financial trending not included in a FASS analysis. After noting some spending trends, Mr. Garcia expanded the analysis from three years to 7-years of historical performance which provided a clearer perspective of KHA spending that raised some concerns. These concerns were presented to the ED during the visit and met with resistance and/or inadequate responses. See examples of these concerns as illustrated below:

Concern 1: Cost allocations between programs

The Executive Director acknowledged that she and the maintenance person spent more than 75% of their daily Public Housing work schedule, addressing the ongoing concerns and management of the Section 515 program. This program falls under the USDA Rural

Development Multi-Family Program and not the HUD Public Housing program. The ED is not charging Federal awards for wages/salaries based on timesheets, work logs, or similar reports that would reflect specific program work activity for herself and the maintenance person. The ED could not produce any guidance or policy that requires only allowable costs be charged to its federal program.

Concern 2: Cost Allocations/salaries and benefits

The ED, over the past four years has essentially doubled the administrative salaries being charged to HUD, while by self-acknowledgment, spending a majority of her time addressing the Section 515 program including salary increases for the maintenance person. A review of a seven-year period indicates excessive benefit to earning percentages, which was as high as 104.02% in year 2010 before tapering down to 26.85% in year 2015. The employee benefit contributions are designed for benefit plans such as pension, retirement, and health and welfare plans. This line also records administrative expenses paid to the state or other public agency in connection with a retirement and other post-employment benefit plans, if such payments is required by state law, and with trustee's fees paid in connection with a private plan, if such payment is required under the plan contract. The employee benefit contributions appear excessive and do not have Board minutes authorizing these payments. See trend analysis below:

Figure 3
Administrative and Maintenance expenditure

	2009	2010	2011	2012	2013	2014	2015
Administrative Salaries	\$ 10,141.00	\$ 10,652.00	\$ 10,381.00	\$ 9,160.00	\$ 12,306.00	\$ 17,036.00	\$ 18,728.00
91100 Employee Benefit contributions - Administrative	\$ 8,422.00	\$ 11,080.00	\$ 9,608.00	\$ 5,423.00	\$ 4,772.00	\$ 5,198.00	\$ 5,027.00
BI-weekly earnings	\$ 390.00	\$ 409.00	\$ 399.00	\$ 352.00	\$ 473.00	\$ 655.00	\$ 720.00
Benefits amount to earnings amount in percentage	83.05%	104.02%	92.55%	59.20%	38.78%	30.51%	26.85%
94100 Maintenance and Operations - Labor	\$ 14,556.00	\$ 15,288.00	\$ 14,947.00	\$ 16,188.00	\$ 18,962.00	\$ 17,538.00	\$ 17,647.00
Employee Benefit Contributions - Ordinary Maintenance	\$ 8,383.00	\$ 8,532.00	\$ 8,207.00	\$ 6,310.00	\$ 6,592.00	\$ 7,331.00	\$ 6,860.00
Monthly earnings (2-weeks salary each month)	\$ 1,213.00	\$ 1,274.00	\$ 1,245.00	\$ 1,349.00	\$ 1,413.00	\$ 1,461.00	\$ 1,470.00
Benefits amount to earnings amount in percentage	57.59%	55.81%	56.81%	38.98%	38.86%	41.80%	38.87%

Concern 3: Compensated absences

HUD observed a trend of increasing compensated absences for the ED charged to the Public Housing Program. These increases have occurred despite the fact that the ED works four days a week, at 7-hours per day, and is off every Friday. The ED could not provide any tracking system such as a database or spreadsheet utilized to track vacation and sick time balances. The ED could not produce any leave policy, guidance within their administrative plan, or Board minutes authorizing the compensated absences. A seven-year illustration is provided below:

Figure 4
Compensated absences

	2009	2010	2011	2012	2013	2014	2015
96210 Compensated Absences	\$ -	\$ 510.00	\$ 2,351.00	\$ 925.00	\$ 987.00	\$ 2,819.00	\$ 2,820.00

Concern 4: Unsupported maintenance and contract costs

The level of expenses for maintenance and operations contracts for the previous 5 years is noticeably elevated for a very small 21-unit housing authority. When asked about these large expenses, the ED stated that she has contracted with a landscape company that performs mowing and landscape services twice a month, and charges \$200 per visit. The ED was unable to produce any contract or procurement documentation to review. This expenditure would account for \$4,800 for the year; however, after inquiring into the remaining balance of maintenance and operations contracts the ED could not provide any justification or produce any supporting documentation or copies of Board minutes discussing the authorizing of these expenses. The ED has also stated that “a few years ago” the Housing Authority contracted with a private vendor to construct storage sheds, and to install interior cabinets in each of the units. She was unable to produce any procurement documentation for these two projects, or to provide copies of Board minutes, including discussions of authorization for such projects. A 5-year analysis of unsupported contract costs in the total amount of \$65,660 is illustrated below:

Figure 5
Contract costs

	2011	2012	2013	2014	2015
94300 Maintenance and Operations Contracts	\$ 9,005.00	\$ 13,443.00	\$ 16,425.00	\$ 12,952.00	\$ 13,835.00

Concern 5: Procurement process

The KHA does not appear to have an existing, Board-authorized procurement plan in place, or seem to abide by any industry standard procurement policy. The ED stated that “the Board does not need to be made aware of my day-to-day operations nor do I seek advanced procurement approval for purchases.” The ED was unable to produce any Board-approved procurement policy, or maintenance plan, that would potentially justify KHA’s procurement practices.

Concern 6: Small purchase documentation

The ED has delegated a considerable amount of authority to the maintenance person to make decisions regarding small purchases for maintenance and supply needs. The ED explained that the maintenance person has spending privileges, allowing for small purchases on an as needed basis. The ED was unable to produce any supporting documentation for these purchases, including any copies of Board authorized threshold amounts that defines small purchases; requisition forms, small purchase procurement and tracking log, or any purchase orders.

Concern 7: Supply Management and Inventory Control

The ED initially acknowledged the absence of an inventory; however, during the conversation, the ED referenced the existence of several 5-gallon containers of paint and materials, maintained and used by the maintenance person during unit make-ready efforts. The

ED was unable to provide any evidence of supply management documentation, or an inventory control log for items purchased and maintained as inventory.

Management Assessment Sub-System (MASS) – up to 25 points

Title 24 CFR 902.30 Management Operations Assessments is designed to measure the PHA's performance of management operations through the management performance of each project. Under this indicator, each project is scored individually as well as for individual management sub-indicators including accounts receivable, occupancy rate and accounts payable. MASS represents 25 points of the PHAS score with a three-year trend of 19, 18, and 22 respectively.

Tenant Accounts Receivable (TAR)

The KHA Tenant Account Receivable results are sufficient and are below the 1.0% threshold. Mr. Garcia did inquire into the 2013-year TAR and the actions taken by the Housing Authority to recover these uncollected rents. Mrs. Simpson stated that she is still actively pursuing collection efforts that include correspondences to the former tenant, the next of kin, and understands the need to write this off as a loss.

Concern 8: Occupancy/Make-Ready timeliness

Occupancy rate is at 100% at the time of the visit. Although occupancy is not much of an issue with the Housing Authority, it is the filling of vacancies when a unit does become available that seems unusually long. There is an excessively long make-ready period for units to become available for a tenant to move in. The ED was unable to produce any written guidance with regard to the make-ready process and did not appear to have a plan to address any potential maintenance concerns. The ED stated that she allows her maintenance person all the time he needs to complete the make-ready process prior to allowing a tenant to move in.

Mr. Garcia has determined the reasoning for the extended make-ready process for the very small 21-unit Public Housing is due to the unavailability of the maintenance person. The ED has acknowledged that the maintenance person spends a majority of his time addressing the maintenance concerns of the Section 515 program and not those of the Public Housing Projects. Furthermore, the ED is not charging Federal awards for wages/salaries based on timesheets, work logs, or similar reports that would reflect specific program work activity for herself and the maintenance person. The ED could not produce any guidance or policy that requires only allowable costs are charged to its federal program. This issue is referenced in the cost allocation concerns described earlier in this report.

Capital Fund Program (CFP) – up to 10 points

Title 24 CFR 902.50 Capital Fund Program Assessments is designed to examine the time taken by a PHA to obligate all active Capital Fund program grants. Each Capital Fund grant must be at least 90% obligated by the Obligation End Date (OED) to receive the full 5 points. PHA's are responsible with ensuring the thorough and timely reporting of their Capital Fund program information to HUD's eLOCCS system.

Occupancy Rate is scored only if the PHA scores five points on the first sub-indicator and is awarded the full 5 points for occupancy rates at or above the 96% threshold as measured in PIC, on the last day of the PHA's fiscal Year. The PHA has a two-year deadline or OED, by which to obligate its Capital Fund Grant. The KHA did have some cabinets replaced in all units and also constructed small sheds for each unit for tenants use. The CFP Grants have been utilized to finance activity in an effort to improve the KHA's developments; however, these CFP files were not available for review.

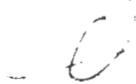
Conclusion

Mr. Garcia has discovered that the Kyle Housing Authority has been operating without the complement of a full Board of Commissioners as required by the State's Local Government Code Title 12, Sec., 392. A summary of concerns is listed as follows:

- Unauthorized cost: work is charged to the Public Housing program while working Section 515 program without personnel activity reports or equivalent documentation to identify time worked in each program
- No existing Board Chairperson or Board Co-Chairperson well in excess of five years
- Unsupported ED salary with incremental increases that have tripled in value
- Unsupported salary increases for Maintenance person
- Unsupported travel payments
- Unsupported employee benefits contributions – Administrative and Maintenance
- Unsupported compensated absences over past six years
- No Procurement Policy reviewed and authorized by Board of Commissioners
- Unsupported contractual expenses not previously authorized by Board of Commissioners
- Maintenance charges not pre-authorized by Board of Commissioners
- Inadequate unit maintenance throughout the year per REAC Physical Inspection results

You are reminded that should this office request supporting documentation that your timely compliance is appreciated. This office will also coordinate a follow-up site visit to thoroughly review these concerns with the ED. Should you have any questions or concerns you are encouraged to contact Mr. Dan Garcia via email at: danny.garcia@hud.gov or by phone at 210-208-5127.

Sincerely,



David Pohler
Director
Office of Public Housing

Cc: Honorable Mr. Todd Webster, Kyle City Mayor
Mr. Jerry Hendrix, Chief of Staff, City of Kyle