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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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October 23, 2015

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Mr. Jaime Longoria  
Interim Executive Director  
Hidalgo County Community Services Agency  
PO Box 204  
Edinburg, TX 78540

RE: MONITORING REPORT  
CEAP CONTRACTS #58150002108, #58140002229, #58140001799  
CSBG CONTRACT #6115002185, #61140001850, #61130001583

Dear Mr. Longoria:

Enclosed is a report for the monitoring review conducted by Department Monitor Kevin Glienke on September 28 – 30, 2015, of the Comprehensive Energy Assistance Program (“CEAP”) and Community Services Block Grant (“CSBG”) contracts between Hidalgo County Community Services Agency (“HCCSA”) and the Texas Department of Housing and Community Affairs (“Department”). The goal of the review was to provide reasonable but not absolute assurance regarding compliance with federal and state requirements and program objectives.

To achieve this goal, a sample of activities were randomly selected and tested. The attached monitoring report discloses five (5) findings, three (3) concerns, and one (1) observation. Please submit a response to this report by November 23, 2015 (the corrective action deadline). Failure to respond and complete the requirements of the report may lead to the referral of HCCSA to the Enforcement Committee. In addition, any uncorrected findings or findings that were not corrected during the corrective action period will be taken into consideration the next time HCCSA is considered for additional Department funds. Therefore, if you do not agree with finding in this letter or require additional time to correct the matter, please contact the Patricia Murphy, Chief of Compliance prior to the corrective action deadline.

The Department appreciates the cooperation and hospitality extended to the Compliance Monitoring staff. In the next 30 days, you will receive an email with a link to a survey. The Department welcomes and solicits your feedback on this monitoring process. Should you have a question or require assistance, please do not hesitate to contact me.

Sincerely,

*EARNEST HUNT*  
Earnest Hunt  
2015.10.23  
09:29:05 -05'00'

Earnest Hunt  
Director of Compliance Subrecipient Monitoring

cc: Julian Martinez  
Judge Ramon Garcia  
(100 East Cano St 78539)



## Findings Noted in the Review

**Finding #1: Non-compliance with Board Requirements**

**Program: CSBG**

A review of the board information provided during the monitoring review showed a lack of compliance with board requirements, as well as non-compliance with HCCSA Board Bylaws.

**Finding #1A: Board Meeting Requirements**

A review of compliance with Board Meeting Requirements identified training completion certificates not being maintained for eight (8) of the Board of Directors. Specifically, HCCSA did not have documentation reflecting completion of the Open Meeting Training and the Public Information Certificate for the Board Members identified in Table 1 below. The Texas Government Code and the Texas Administrative Code (“TAC”) requires that Subrecipients maintain a copy of board training certificates issued to the Board member upon completion of all required trainings. **Reference: Texas Government Code, Title 5, §551.005; 10 TAC §5.217.**

*Table 1*

Board Member Name	Need Open Meetings Training Certificate?	Need Public Information Certificate?
San Juanita Sanchez	Yes	Yes
Baudelia Rojas	No	Yes
Thelma Garza	Yes	Yes
Harold Requenez	Yes	Yes
Armando Dominguez	Yes	Yes
Julian Martinez	Yes	Yes
Oralia Salinas	Yes	No
Marie Salazar	Yes	No

**Finding #1A Action Required:** HCCSA shall obtain and maintain training completion certificates, for all members of the Board of Directors. If any Board members have not completed the required trainings, HCCSA must facilitate the ability for the Board members to complete the training. As part of the response to this report, HCCSA must provide copies of the training completion certificates for the respective Board members.

**Finding #1B: Tri-Partite Board Structure**

A review of the current board roster showed that the current makeup of the HCCSA Board is: two (2) public sector representatives, three (3) private sector representatives, and four (4) low income sector representatives. The Texas Administrative Code (“TAC”) requires that the Subrecipient Board structure be at least one-third elected public officials holding office on the date of the selection, or their representatives. **Reference: CSBG ACT Sec 676 (2) A-C; 10 TAC §5.213(a)(1); HCCSA Board Bylaws Section III(A)**

**Finding #1C: Election Selection Process and Documentation**

A review of the current board roster showed the current makeup of the HCCSA Board has four (4) low income sector representatives. During the monitoring trip, HCCSA was only able to provide election documentation for 3 of the 4 low income representatives, **Reference: 10 TAC §5.213**

**Finding #1B & #1C Action Required:** HCCSA must address the positions to ensure compliance with the tri-partite board structure as well as get up-to-date with the democratic selection procedures for the required

board positions, which at a minimum are representatives of the low-income sector. As part of the response to this report, HCCSA must submit a plan of action and corresponding timeline to have both of these issues addressed within the next six (6) months. Verification of compliance with the submitted plan of action will be checked in the next monitoring of HCCSA.

**Note #1:** The Department recognizes that HCCSA is in the process of editing and updating their board bylaws. Discussion with HCCSA staff indicated that they believed the adoption of the updated bylaws would be completed within the next couple months, by the end of November 2015 at the latest. The required actions for the above finding should all be taken into consideration with the drafted version of the new bylaws in mind. The Department recommends that HCCSA have the updated board bylaws be reviewed by an attorney, which is a requirement of the upcoming 2016 CSBG Organizational Standard 5.3.

**Finding #2: Inaccurate Monthly Financial Reconciliations**

**Program: CSBG & CEAP**

A review of the HCCSA general ledger, randomly selected months of expenditures from both the CEAP and CSBG programs, and monthly bank statements showed multiple areas where the general ledger totals did not accurately reconcile to the corresponding expenditure report or bank statement.

**Finding #2A: Inaccurate Monthly Expenditure Report Reconciliation**

**Program: CEAP**

A review of the general ledger revealed that two months: April 2015 Monthly Expenditure Report (“MER”) and May 2015 MER do not reconcile to the general ledger. Those discrepancies are identified in Tables 2-3 below. The Texas Uniform and Grant Management Standards (“UGMS”) requires current, accurate, and complete financial information be maintained. **Reference: UGMS Part III, Subpart C.**

*Table 2*  
*April 2015*  
*#58150002108*

	<b>Admin</b>	<b>Crisis Component</b>	<b>UA Component</b>	<b>Program Services</b>	<b>Travel</b>	<b>TOTAL</b>
<b>MER Reported</b>	\$29,092.25	\$11,884.72	\$55,858.37	\$16,542.11	\$0.00	\$113,377.45
<b>General Ledger</b>	\$29,092.25	\$11,884.72	\$55,631.08	\$16,542.11	\$0.00	\$113,150.16
<b>Variance</b>	\$0.00	\$0.00	\$227.29	\$0.00	\$0.00	\$227.29

Table 3  
 May 2015  
 #58140002229

	Admin	Crisis Component	UA Component	Program Services	Travel	TOTAL
<b>MER Reported</b>	\$43,642.98	\$17,036.32	\$92,118.81	\$41,094.27	\$0.00	\$193,892.38
<b>General Ledger</b>	\$43,669.61	\$17,036.32	\$92,118.81	\$41,094.27	\$0.00	\$193,949.01
<b>Variance</b>	\$56.63	\$0.00	\$0.00	\$0.00	\$0.00	\$56.63

**Finding #2A Action Required:** HCCSA must identify what caused the discrepancies on this monthly report and then make the proper adjustments on the next MER to ensure the financial reporting numbers accurately reconcile to their general ledger. As part of the response to this report, HCCSA must: (1) provide copies of this accounting adjustment process to ensure accurate reconciliation with the expenditures reported to the Department and (2) develop and implement a sufficient internal process to minimize this type of potential error again and provide of copy of this process.

**Finding #2B: Inaccurate Cash Reconciliation**

**Program: CEAP & CSBG**

A review of the July 2015 general ledger and bank balance statement revealed that cash amounts between the two reports did not reconcile accurately. According to the documentation provided during the monitoring visit, there is a \$6,527.48 discrepancy between the bank balance and the general ledger; the discrepancy shows there is less money in the bank than is reflected in the general ledger through July 2015. The Texas Uniform and Grant Management standards ("UGMS") requires current, accurate, and complete financial information be maintained. **Reference: UGMS Part III, Subpart C.**

**Finding #2B Action Required:** HCCSA must identify what caused that discrepancy between the general ledger and the bank balance statement. As part of the response to this report, HCCSA must: (1) provide copies of the documentation of what caused the discrepancy, (2) show that the September 2015 bank balance statement and general ledger reconcile properly, and (3) develop and implement a sufficient internal process to minimize this type of potential error again and provide of copy of this process.

**Finding #3: Lack of Inventory Form Submissions**

**Program: CEAP & CSBG**

A review of documents submitted to the Department revealed HCCSA has not submitted an inventory form for either the CEAP or CSBG program for at least the past two years. Per program contracts, HCCSA must submit a cumulative inventory form of all equipment acquired, in whole or in part, with applicable program funds under this or previous program contracts, with a unit acquisition cost of \$5,000.00 and/or a useful life of more than one year, within forty-five (45) days of the end of the program contract term. **Reference: CEAP & CSBG Contracts Section 10**

**Note #2:** The Department recognizes that this was also a finding in HCCSA's most recent single audit for FYE 12/31/14. HCCSA responded to the audit on August 19, 2015, stating they would send a report to each grantor agency for the current fiscal year of inventory and equipment; as of October 6, 2015, nothing was received by the Department.

**Action Required:** Submission of updated inventory forms for both programs is a contract requirement. The process for inventory form submission is: (1) accurately complete the inventory form located on the Department website; (2) electronically submit the completed form(s) to Department Community Affairs Fiscal Staff within forty-five days of contract end date. An inventory form is required to be submitted, even if there is no inventory that meets the dollar threshold for the inventory form. HCCSA must submit an inventory form for PY14 for both the CEAP and CSBG programs to the appropriate Department staff, as well as provide a copy of those forms as part of the response to this report.

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**Finding #4: Inaccurate Monthly Performance Reporting**

**Program: CSBG**

Through the August 2015 Monthly Performance Report (MPR), HCCSA has inaccurately reported the total number of people transitioned out of poverty (TOP) under the PY15 CSBG contract. A review of CSBG client files identified three (3) households that have been TOP'd, with a total of eleven (11) individuals that should be reported; the August MPR currently has fourteen (14) individuals reported as TOP'd. Discussion with HCCSA staff indicated the mistake was a simple human input error. In order to report a household as one that has been transitioned out of poverty, HCCSA must maintain 90 days of income documentation showing that the household's income is over 125% of poverty as a result of services provided by HCCSA. HCCSA must report accurate information as the Department relies on reports from our Subrecipients to ensure program goals and requirements are met. **Reference: 10 TAC §5.207(j)(3)(K); CSBG Monthly Performance Reporting Forms and Instructions Part XII**

**Action Required:** HCCSA must make the appropriate adjustment on the upcoming MPR to accurately report the total cumulative number of individuals that have been successfully TOP'd under the PY15 CSBG contract. As part of the response to this report, HCCSA must provide documentation of the adjustment being made in the contract reporting system.

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**Finding #5: Not Meeting Transition Out of Poverty (TOP) Goals**

**Program: CSBG**

A review of prior program year Community Action Plans and Monthly Expenditure Reports reflects low TOP performance and slow expenditure levels in the last four (4) CSBG contract periods. Table 1 below reflects HCCSA's TOP goals, actual TOPs, and expenditure rates for each respective contract period. The Department reminds HCCSA that one of the goals of the CSBG program is to reduce poverty by empowering low-income families to become fully self-sufficient and transition them out of poverty. The goal for number of people HCCSA is expected to TOP is identified annually in the CAP Plan.

The Department also notes HCCSA's unacceptably slow expenditure rates in the CSBG program. Standard CSBG contract terms are 12 months; HCCSA has received contract extensions from the Department for each program year identified below to allow for full contract expenditure. During the monitoring visit, Department staff had a discussion with HCCSA staff about the consistent contract extensions from previous program years and the compounded effect on HCCSA's ability to fully expend the program funds within the allotted original contract period. The Department recommends that when a contract extension is granted, HCCSA modify the subsequent contract period's CAP plan and program budget to reflect 100% allowable expenditure of the program budget and the activities to be performed within the remaining term of the contract period. As of August 2015, HCCSA has expended 28.62% of the 2015 CSBG award with a 66% of the contract term expired. **Reference: 10 TAC §5.202; HCCSA Community Action Plans**

Program Year	Contract Number	Original Contract Term	TOP Goal	Expenditure at end of Original Contract term.	Contract Extension	Actual TOP	Time Needed to Expend Contract
PY12	61120001323	1/1/12 – 12/31/12	25	54.88 %	6/30/13	10	18 months (Budget was fully expended in June 2013)
PY13	61130001583	1/1/13- 12/31/13	69	46.35 %	5/30/14	0	17 months (Budget was fully expended in May 2014)
PY14	61140001850	1/1/14- 12/31/14	65	60.74 %	7/31/15	0	19 months (Budget was fully expended in July 2015)
PY15	61150002185	1/1/15- 12/31/15	65	N/A	N/A	14	Percentage of contract expended, as of August 2015, is 28.62%.

**Action Required:** HCCSA’s 2016 Community Action Plan was submitted October 1, 2015. The Community Action Plan submitted is designed to address the needs identified in HCCSA’s updated Community Needs Assessment and Strategic Plan. HCCSA must develop a plan to address how they will appropriately and fully expend the remaining 2015 funds as quickly as possible as well as how they expect to appropriately and fully expend their 2016 CSBG funds in the appropriate time frame; HCCSA must provide a copy of this plan as part of the response to this report.

## Concerns Noted in the Review

**Concern #1: High Administrative Expenditure Level**

**Program: CEAP**

Through the August 2015 expenditure reports, HCCSA’s CEAP Contract #58150002113 has an Administrative ratio of 8.65%; the maximum allowable ratio for CEAP is 6.25%. HCCSA is reminded that they must be at or below 6.25% by the end of the contract term, which is December 31, 2015; any amount in excess could be disallowed. **Reference: CEAP Contract Exhibit A.**

**Note #3:** Through the August 2015 expenditure report, HCCSA has spent 52.38% of the CEAP contract while 66% of the contract period has expired. Discussion with HCCSA staff indicated that they expect complete contract expenditure by the end of the contract period. The Department reminds HCCSA that CSBG funds are not allowed to be used to cover any CEAP Admin charges.

**Action Required:** By the end of the contract closeout period, HCCSA must have the Administrative ratio at or below the acceptable amount or will face disallowed costs for the overages. For the purposes of this report, there is no required action for this concern.

**Concern #2: Need to Update Cost Allocation Plan Methodology**

**Program: CEAP & CSBG**

During the monitoring process, multiple charges were reviewed that were accurately allocated amongst TDHCA grants according to the latest HCCSA Cost Allocation Plan, which was last updated in February 2015. The review of the methodology for the Cost Allocation Plan showed one over-arching methodology that determined allocation percentages, and was then applied to all the different indirect costs. Per federal requirements, “a cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.” **Reference: 2 CFR 200.400s, UGMS II Attachments A & C**

**Action Required:** During the monitoring, HCCSA staff revealed that the Cost Allocation Plan, including the methodology, are being updated. The Department recommends that HCCSA verify/update the Cost Allocation Plan annually, at a minimum. Verification of the updated Cost Allocation Plan will be checked in the next monitoring of HCCSA. For the purposes of this report, there is no required action for this concern.

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**Concern #3: Missing Procurement Contract Provisions**

**Programs:** CEAP, CSBG

The Department reviewed the contract between HCCSA and Shah Software and noted that it is missing required contract clauses. The UGMS and TAC requires the contracts to include the terms, conditions, and specifications of the services provided and contract provisions listed in UGMS and the TAC. **Reference:** UGMS III Sub Part C\_.36 (b) (2) & (i), CEAP/CSBG Contracts Section 9 (C), 10 TAC §5.10.

**Action Required:** HCCSA must execute a contract with Shah that contains all required contract terms. As part of the response to this report, HCCSA must provide a copy of the executed contract.

**Note #4:** The Department recognizes that HCCSA procured Shah Software NewGen as a sole source provider utilizing their county legal team and their county purchasing department for this process. The Department is aware that there are other client software providers available for procurement. The Department reminds HCCSA that for any and all applicable procurements relative to TDHCA grants, all applicable rules and regulations must be followed, including the requirement to allow for free and open competition.

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## Observations Noted in the Review

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**Observation #1:**

The Department is aware that HCCSA has had significant staff changes over the past six months as well as significant changes and adjustments to both CEAP and CSBG program processes and implementation. The Department has provided HCCSA with intensive on-site training to HCCSA in an effort to maximize the impact of these programs for the benefit of the community. As a result of this recent staffing and programmatic overhaul, the Department limited the scope of this monitoring review and did not review any PY15 CEAP or CSBG client files for compliance. Beginning with PY16, the Department expects HCCSA will be in complete compliance with all applicable rules and regulations as they are written.