



**Office of the Houston City Controller
Harvey Recovery Oversight Committee (HROC) Meeting
January 30, 2020**

Meeting held at: Controller's Office 8th Floor Conference Room

Committee Members Present:	Members Not in Attendance:
City Controller Chris Brown; Chair	Christine Lally
Courtney Smith, City Auditor	
Shannan Nobles, Chief Deputy Controller	
Alexander Obregon, Deputy Controller	
John Sorrells	
Representative from Department of Homeland Security, Office of Inspector General	

I. Meeting Called to Order at 10:33AM **by Controller Brown**

II. Introductions

- **Controller Brown** welcomed committee members and thanked them for their continued commitment to the committee and the City of Houston.

III. Committee Review

- **Controller Brown** introduced items for the committee's consideration, including a memorandum transmitted to the Housing and Community Development Department (HCDD) by the Controller's Office on July 11, 2019 outlining several inquiries related to housing program reimbursements remitted without receipts or other documentation, as well as the respective responses provided by HCDD.
- **Controller Brown** asked **Deputy Controller Obregon** if they were aware of any updates from HCDD related to the memorandum and subsequent responses.
 - **Deputy Controller Obregon** advised that they were not aware of more recent updates following HCDD's responses, though indicated the practice of approving reimbursements without receipts is standard and has been seen in other localities affected by disaster.
 - **Deputy Controller Obregon** reiterated that requests for reimbursement are monitored in accordance with methodology determined by the Department of Housing and Urban Development (HUD).
- **Controller Brown** advised not many reimbursements have been remitted and inquired whether the committee believed controls currently in place were

adequate enough to identify potential abuse by volunteer groups seeking reimbursement without receipts, for example.

- **Controller Brown** also inquired about the status of the Community Development Block Grant – Disaster Recovery (CDBG-DR) program and acknowledged that the City doesn't have excess cash to spend in anticipation of reimbursement requirements.
- **Deputy Controller Obregon** advised that 34 individuals have received reimbursement, 206 have participated in the Homeowners Assistance Program (HoAP) or the Homebuyers Assistance Program, of which 56 households have participated in the Homebuyers Assistance Program solely.
- **Controller Brown** reiterated the need to understand delays seen in the disbursement of funds for HoAP.
- **Chief Deputy Controller Nobles** brought the sixth footnote on the eighth page of the Monthly Financial Operating Report (MFOR) for the period ending November 30, 2019 to the committee's attention.
- **Chief Deputy Controller Nobles** advised that City Council, among other City stakeholders, have focused their attention on the requirement that the City of Houston replenish the Budget Stabilization Fund (BSF) ("rainy day fund") before the end of the current fiscal year after \$20 million was transferred in the wake of Harvey.
 - **Controller Brown** thanked Chief Deputy Controller Nobles for making the comment and advised that roughly \$14 million outstanding was due to be transferred back to the BSF.
- **Chief Deputy Controller Nobles** inquired about the committee's thoughts on *Exactimate*, the software used by HCDD to guide pricing methodology.
 - **Deputy Controller Obregon** advised the *Exactimate* platform is regarded as an industry standard to assist localities in adhering to HUD's reimbursement methodology.
 - **Committee Member #1** advised the system provides for a breakdown of reimbursement by square foot, normalizes addresses and geographic identifiers to avoid duplication of reimbursement or other benefits, though advised reports should continue to be monitored.
 - **Chief Deputy Controller Nobles** advised the inspection reports are generated weekly.
 - **Committee Member #1** asked that while HUD has approved the reimbursement processes outlined, inquired whether or not FEMA has also approved the same procedures.
 - **Deputy Controller Obregon** advised there has been indication of a lack of communication between FEMA, the Texas General Land Office (GLO), and the City.
- **Controller Brown** acknowledged a recent public hearing held by a Texas Senate Committee in which GLO representatives proposed a rule change allowing for localities to stack projects irrespective of a currently enforced three-project maximum allotment.
- **Deputy Controller Obregon** acknowledged the likelihood Homeowner Assistance Program (HoAP) applicant volume could wane as time elapses following the aftermath of Harvey.

- **Chief Deputy Controller Nobles** inquired whether the project verification process could be the root of delays experienced by residents.
 - **Committee Member #1** acknowledged that there are many complex rules associated with applicant eligibility and indicated income level is often a deterrent as the income eligibility threshold applies to all members of a household – not only the sole applicant.
- **Deputy Controller Obregon** advised the total projected spend amount for HoAP was roughly \$392 million, though as of November 30, 2019, only \$25 million has been spent.
 - **Controller Brown** reiterated a need to understand the delays and inquired whether the Committee should be aware of any statutes provisioning the timely expenditure of recovery funds, including CDBG-DR funding.
 - **Controller Brown** outlined a concern about the uncertainty related to funding not expended in a timely manner and in accordance with HUD guidelines.

IV. Discussion

- **Controller Brown** inquired whether the Committee had any opinion on whether recovery programs the scale of that undertaken by **HCDD** should be “in house” or administered by a third party.
- **Controller Brown** indicated the Committee and the Controller’s Office should request an accounting of administrative costs for **HCDD**; what’s been spent and what’s budgeted.
- **Controller Brown** asked **City Auditor Courtney Smith** what could be included in her scope to mitigate concerns in the recovery process.
 - Discussion was held.
- **Committee Member #1** advised the Controller’s Office should seek the total number of applications submitted to **HCDD**, as well as better understand the applicant eligibility criteria.
 - Moreover, **Committee Member #1** suggested the Committee review how applicants are denied, how many have been denied, the criteria in which applicants are denied, as well as how many stages an applicant experiences in the eligibility verification process.
- **Deputy Controller Obregon** suggested the Committee reach out to **HCDD** to learn about the status of applicants and surveys submitted.
 - **Chief Deputy Controller Nobles** advised it was their understanding **HCDD** was using multiple databases for various **HCDD** recovery intake and resource centers.
 - **Controller Brown** advised the Committee should seek to understand if the delays were related to the capacity of inspectors, or intake/processing procedures.
- **Deputy Controller Obregon** mentioned recent reporting about the potential assumption of responsibility by the **GLO** of the City’s recovery effort.
 - **Controller Brown** inquired with the Committee if they believed **GLO** to be more equipped and better positioned to administer the City’s recovery.
 - **Committee Member #1** advised such a conclusion is conditional upon resources and experience held by **GLO** representatives.
- **Deputy Controller Obregon** advised that the projected spend for housing efforts funded by CDBG-DR funds was approximately \$167 million, but the City has only spent \$25 million.

- **Controller Brown** inquired how many applicants are in the queue or have received reimbursement.
 - **Committee Member #1** expanded by inquiring how many metrics on the status of applications and the number of applicants were available.
 - **Committee Member #2** inquired if the applications were paper or digital.
- **Chief Deputy Controller Nobles** inquired if the income eligibility screening processes should be quicker.
- **Controller Brown** advised that recovery assistance is offered to those worst affected by Harvey, though acknowledged the residents in need are often least equipped and ill prepared to navigate an overly burdensome application and screening process.
 - **Controller Brown** acknowledged many middle-income residents are losing patience and withdrawing from the application process as many have yet to meet a priority status.
 - **Controller Brown** inquired whether the Committee believed priority and eligibility could be determined concurrently.
- **Committee Member #1** inquired whether the property eligibility deadline of December 31, 2019 for HoAP was statutory or discretionary, and if it could be extended.
 - **Controller Brown** advised the Controller’s Office would seek out an answer.
- **Controller Brown** asked if the Committee believed the current controls providing for reimbursement without receipts or documentation were sufficient enough to mitigate the likelihood of abuse.
 - **Committee Member #1** inquired whether there are exceptions to the rule and reiterated the criticalness that as much subjectivity in the approval process as possible be removed.
 - **Committee Member #1** inquired whether inspectors must use *Exactimate* or if they could use other pricing methodology.
- **Controller Brown** inquired what the Committee believed would be a sufficient percentage of funding should be dedicated for audit functions, of the funding allocated for administrative purposes.
 - **City Auditor Smith** acknowledged HCDD previously hired an internal auditor, who has since developed a HCDD audit plan for the recovery efforts.
 - **Controller Brown** advised the Committee should review HCDD’s audit plan in a subsequent Committee meeting.

V. Announcements

- **Controller Brown** acknowledged that Gary Horn, Committee Member, would no longer be available to participate in the Committee’s functions.

VI. Future Meeting Dates

VII. Adjournment

Meeting adjourned at 11:23 AM by Controller Brown.