

BOARD OF COMMISSIONERS



Finance Committee Meeting
February 16, 2017



Creating Dynamic Communities Where People Thrive

BOARD OF COMMISSIONERS

Chairman Morris A. Stribling, DPM	Vice-Chairman Charles R. Muñoz	Commissioner Thomas F. Adkisson	Commissioner Francesca Caballero	Commissioner Charles Clack	Commissioner Marie R. McClure	Commissioner Jessica Weaver
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Finance Committee

Thomas F. Adkisson, Chair; Jessica Weaver, Member; Francesca Caballero, Member

President and CEO

David Nisivoccia

**San Antonio Housing Authority
Finance Committee Meeting or
**Special Board Meeting
3:30 p.m., Thursday, February 16, 2017**

The Board of Commissioners will convene for a Committee, or Special Board meeting, at the Central Office of the San Antonio Housing Authority, 818 S. Flores St., San Antonio, TX, 78204, for discussion on the following matters:

1. Meeting called to order
2. Consideration and appropriate action regarding Resolution 5711, authorizing the appointment of all Officers of the San Antonio Housing Authority, other than the President and Chief Executive Officer, as Assistant Secretary/Treasurers of all SAHA Affiliate Corporations (Muriel Rhoder, Chief Administrative Officer)
3. Consideration and appropriate action regarding Resolution 5706, certifying the San Antonio Housing Authority's Investment Policy and Investment Strategies have been reviewed in accordance with the requirements set forth in section 2256.005 (E) of the Texas Public Funds Investment Act (Ed Hinojosa, Chief Financial Officer)
4. Update and discussion regarding the Quarterly Financial Report (Ed Hinojosa, Chief Financial Officer; Diana Kollodziej Fiedler, Director of Finance and Accounting)
5. Update and discussion regarding the budgeting process and federal funding environment (Ed Hinojosa, Chief Financial Officer; Diana Kollodziej Fiedler, Director of Finance and Accounting)
6. Quarterly Update and Discussion regarding the Internal Audit Department (Helen Madison, Acting Director of Internal Audit)
7. Adjournment

* Note: Whenever the Texas Open Meetings Act (Section 551.001 et seq. of the Texas Government Code) provides for a closed meeting in matters concerning legal advice, real estate, contracts, personnel matters, or security issues, the Board may find a closed meeting to be necessary. For convenience of the citizens interested in an item preceded by an asterisk, notice is given that a closed meeting is contemplated. However, the Board reserves the right to go into a closed meeting on any other item, whether it has an asterisk, when the Board determines there is a need and a closed meeting is permitted.

** Note: If a quorum of the Board of Commissioners attends the Committee Meeting, this meeting becomes a Special Meeting of the Board, but no Board action will be taken other than recommendations to the full Board, unless the full Board is present.

“Pursuant to § 30.06, Penal Code, (trespass by holder license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not attend this meeting with a concealed handgun.”

“Pursuant to § 30.07, Penal Code, (trespass by holder license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not attend this meeting with a handgun that is carried openly.”

BOARD OF COMMISSIONERS
Finance Committee

RESOLUTION 5711, AUTHORIZING THE APPOINTMENT OF ALL OFFICERS OF THE SAN ANTONIO HOUSING AUTHORITY, OTHER THAN THE PRESIDENT AND CHIEF EXECUTIVE OFFICER, AS ASSISTANT SECRETARY/TREASURERS OF ALL SAHA AFFILIATE CORPORATIONS



David Nisivoccia
President and CEO



Muriel Rhoder
Chief Administrative Officer

REQUESTED ACTION:

Consideration and appropriate action regarding Resolution 5711, authorizing the appointment of all Officers of the San Antonio Housing Authority, other than the President and Chief Executive Officer, as Assistant Secretary/Treasurers of all SAHA affiliate corporations.

SUMMARY:

On January 14, 2010, the SAHA Board of Commissioners appointed the following positions to serve as Assistant Secretary/Treasurers of the SAHA affiliated entities:

- Chief Financial Officer
- Public Affairs and Personnel Officer
- Legal and Compliance Officer

The only position currently at SAHA functioning as Assistant Secretary/Treasurer is the Chief Financial Officer. For consistency in operation, staff recommends that all Officer positions, in lieu of specifically identified Officer positions, to serve in this capacity. On April 8, 2009, the Board of Commissioners appointed the President and Chief Executive Officer as the Secretary/Treasurer of all SAHA affiliated entities.

Currently, the Officers for the San Antonio Housing Authority are:

- President and Chief Executive Officer - David Nisivoccia
- Chief Administrative Officer - Muriel Rhoder
- Chief Financial Officer - Ed Hinojosa
- Development Services and Neighborhood Revitalization Officer - Timothy E. Alcott

A listing of all SAHA affiliated corporations is attached.

FINANCIAL IMPACT:

None at this time.

ATTACHMENTS:

- Resolution 5711
- Listing of all SAHA Affiliate Corporations

CERTIFICATE FOR RESOLUTION 5711

The undersigned officer of the Housing Authority of the City of San Antonio, Texas, a Texas housing authority created pursuant to the laws of the State of Texas (“SAHA”), hereby certifies as follows:

1. In accordance with Chapter 551, Texas Government Code, as amended (the “Open Meetings Act”), and the bylaws of SAHA, the Board of Commissioners of SAHA (the “Board”) held a meeting on March 2, 2017, (the “Meeting”) of the duly constituted officers and members of the Board, at which a duly constituted quorum was present. Whereupon among other business transacted at the Meeting, a written

RESOLUTION 5711, AUTHORIZING THE APPOINTMENT OF ALL OFFICERS OF THE SAN ANTONIO HOUSING AUTHORITY, OTHER THAN THE PRESIDENT AND CHIEF EXECUTIVE OFFICER, AS ASSISTANT SECRETARY/TREASURERS OF ALL SAHA AFFILIATE CORPORATIONS.

(the “Resolution”) was duly introduced for the consideration of the Board and discussed. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of the Resolution, prevailed and carried by a majority vote of the Board.

2. A true, full, and correct copy of the Resolution adopted at the Meeting is attached to and follows this Certificate; the Resolution has been duly recorded in the Board’s minutes of the Meeting; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting; and the Meeting was held and conducted in accordance with the Open Meetings Act and the Bylaws of SAHA.

SIGNED March 2, 2017.



David Nisivoccia
President and CEO

**San Antonio Housing Authority
Resolution 5711**

RESOLUTION 5711, AUTHORIZING THE APPOINTMENT OF ALL OFFICERS OF THE SAN ANTONIO HOUSING AUTHORITY, OTHER THAN THE PRESIDENT AND CHIEF EXECUTIVE OFFICER, AS ASSISTANT SECRETARY/TREASURERS OF ALL SAHA AFFILIATE CORPORATIONS

WHEREAS, on January 14, 2010, the SAHA Board of Commissioners appointed the following three Officer positions to serve as Assistant Secretary/Treasurers of all SAHA affiliate corporations: Chief Financial Officer; Public Affairs and Personnel Officer; Legal and Compliance Officer; and

WHEREAS, the only position currently at SAHA functioning as Assistant Secretary/Treasurer is the Chief Financial Officer; and

WHEREAS, on April 8, 2009, the SAHA Board of Commissioners appointed the position of President and Chief Executive Officer to serve as the Secretary/Treasurer of all affiliate SAHA corporations; and

WHEREAS, for consistency in operation, staff recommends that all Officer positions, in lieu of specifically identified Officer positions, to serve in the capacity of Assistant Secretary/Treasurer.

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

- 1) Approves Resolution 5711, authorizing the appointment of all Officers of the San Antonio Housing Authority, other than the President and Chief Executive Officer, as Assistant Secretary/Treasurers of all SAHA affiliate corporations.

Passed and approved the 2nd day of March 2017.

Morris A. Stribling, DPM
Chair, Board of Commissioners

Attested and approved as to form

David Nisivoccia
President and CEO

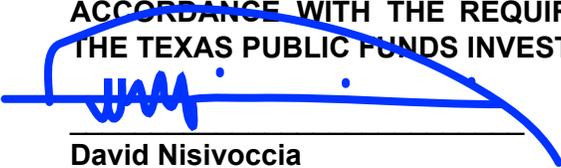
San Antonio Housing Authority

Listing of all SAHA Affiliate Corporations

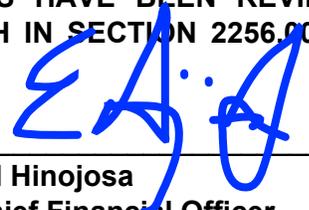
- San Antonio Housing Development Corporation
- San Antonio Housing Facility Corporation
- San Antonio Housing Finance Corporation
- San Antonio Housing Authority Foundation, aka Education Investment Foundation
- San Antonio Homeownership Opportunities Corporation
- Springhill/Courtland, PFC
- Woodhill PFC
- Sendero I PFC
- Sendero II PFC
- Refugio Street PFC
- Las Varas PFC
- Sunshine Apartments, Inc.
- Pecan Hill Apartments, Inc.
- Converse Ranch LLC
- Converse Ranch II LLC
- SAHA The Alhambra LLC
- Costa Almadena GP, LLC
- Costa Mirada GP, LLC
- SAHA San Juan Square, LLC
- SAHA San Juan Square II, LLC
- SAHA San Juan III, LLC
- Costa Valencia GP, LLC
- SAHA The Mirabella, LLC
- 252 ARDC Military, LLC
- 252 ARDC Binz, LLC
- ARDC San Marcos GP
- ARDC Sutton GP, LLC
- ARDC Sutton II GP, LLC
- Enclave Living GP, LLC
- Midcrowne Senior GP, LLC
- Durango Midrise GP, LLC
- New Braunfels 2 Development LLC
- Primrose SA IV Development LLC
- Clark 05 Development, LLC
- TX Pleasanton Development, LLC
- SAHA Wheatley I, LLC
- SAHA Wheatley Senior, LLC

BOARD OF COMMISSIONERS
Finance Committee

RESOLUTION 5706, CERTIFYING THE SAN ANTONIO HOUSING AUTHORITY'S INVESTMENT POLICY AND INVESTMENT STRATEGIES HAVE BEEN REVIEWED IN ACCORDANCE WITH THE REQUIREMENTS SET FORTH IN SECTION 2256.005 (E) OF THE TEXAS PUBLIC FUNDS INVESTMENT ACT



David Nisivoccia
President and CEO



Ed Hinojosa
Chief Financial Officer

Requested Action:

Consideration and appropriate action regarding Resolution 5706, certifying the San Antonio Housing Authority's Investment Policy and Investment Strategies have been reviewed in accordance with the requirements set forth in section 2256.005 (E) of the Texas Public Funds Investment Act.

Summary:

Section 2256.005 (E) of the Texas Public Funds Investment Act (PFIA) requires the governing body of each covered entity review its Investment Policy and Investment Strategies, not less than annually, and adopt a written instrument by rule, order, ordinance or resolution stating such.

The Investment Policy denotes the allowed investment activities, which must conform to all federal, state and local statutes, governing the investment of public and nonpublic funds. The policy contains relevant information to guide responsible personnel regarding authorized investment activities.

The purpose of the review is to ensure SAHA remains in compliance with requirements set forth in Section 2256.005 (E) of the Texas Public Funds Investment Act.

There are no proposed changes to the Investment Policy at this time.

Financial Impact:

None

Attachments:

Resolution 5706
2017 Investment Policy

CERTIFICATE FOR RESOLUTION 5706

The undersigned officer of the Housing Authority of the City of San Antonio, Texas, a Texas housing authority created pursuant to the laws of the State of Texas ("SAHA"), hereby certifies as follows:

1. In accordance with Chapter 551, Texas Government Code, as amended (the "Open Meetings Act"), and the bylaws of SAHA, the Board of Commissioners of SAHA (the "Board") held a meeting on March 2, 2017, (the "Meeting") of the duly constituted officers and members of the Board, at which a duly constituted quorum was present. Whereupon among other business transacted at the Meeting, a written

RESOLUTION 5706, CERTIFYING THE SAN ANTONIO HOUSING AUTHORITY'S INVESTMENT POLICY AND INVESTMENT STRATEGIES HAVE BEEN REVIEWED IN ACCORDANCE WITH THE REQUIREMENTS SET FORTH IN SECTION 2256.005 (E) OF THE TEXAS PUBLIC FUNDS INVESTMENT ACT.

(the "Resolution") was duly introduced for the consideration of the Board and discussed. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of the Resolution, prevailed and carried by a majority vote of the Board.

2. A true, full, and correct copy of the Resolution adopted at the Meeting is attached to and follows this Certificate; the Resolution has been duly recorded in the Board's minutes of the Meeting; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting; and the Meeting was held and conducted in accordance with the Open Meetings Act and the Bylaws of SAHA.

SIGNED March 2, 2017.



David Nisivoccia
President and CEO

**SAN ANTONIO HOUSING AUTHORITY
RESOLUTION 5706**

RESOLUTION 5706, CERTIFYING THE SAN ANTONIO HOUSING AUTHORITY'S INVESTMENT POLICY AND INVESTMENT STRATEGIES HAVE BEEN REVIEWED IN ACCORDANCE WITH THE REQUIREMENTS SET FORTH IN SECTION 2256.005 (E) OF THE TEXAS PUBLIC FUNDS INVESTMENT ACT

WHEREAS, the State of Texas has passed legislation requiring written Investment Policies for all public agencies; and

WHEREAS, the State requires the governing body of an investing entity review its Investment Policy and Investment Strategies, not less than annually, and adopt a resolution stating such; and

WHEREAS, staff of the Authority has previously prepared the Investment Policy to meet the requirements of the State of Texas Law; and

WHEREAS, there are no proposed changes to this policy at this time.

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

- 1) Approves Resolution 5706, certifying the Investment Policy and Investment Strategies have been reviewed.**

Passed and approved the 2nd day of March 2017.

**Morris A. Stribling, DPM
Chair, Board of Commissioners**

Attested and approved as to form:

**David Nisivoccia
President and CEO**

INVESTMENT POLICY

March 2, 2017

1.0 POLICY:

It is the policy of the Housing Authority of the City of San Antonio, Texas to invest all funds in a manner that will provide the highest investment return with the maximum security while assuring sufficient liquidity to meet the daily cash flow demands of the Housing Authority. Investment activities must conform to all federal, state and local statutes governing the investment of public and non-public funds.

2.0 SCOPE:

This investment policy applies to all financial assets of the Housing Authority and related entities. These funds are accounted for in the Housing Authority Annual Audit Reports and include:

- 2.1 Operating Funds and Reserves for Public Housing, Section 8, and all programs
- 2.2 Development Reserves, Bond Proceeds, and Escrow Accounts
- 2.3 Any newly acquired or special funds
- 2.4 Non-Profit and Partnership Funds

3.0 OBJECTIVE:

As required by the Act, the investment of funds shall be governed by the following investment objectives, in order of preference:

- 3.1 **Preservation and safety of principal:** Investment decisions of the Authority shall be undertaken in a manner that seeks to ensure the preservation and safety of capital in the overall portfolio. To obtain this goal, adequate diversification is required to assure that potential losses on individual investments do not exceed the income generated from the remainder of the portfolio. There shall be a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis.
- 3.2 **Liquidity:** The investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements that might be reasonably anticipated. Investment in securities with an active secondary market are preferred investments.
- 3.3 **Yield and Return on Investment:** The San Antonio Housing Authority investment portfolio shall be designed with the objective of attaining a rate of return

throughout budgetary and economic cycles, commensurate with the Authority's investment risk constraints and cash flow characteristics of the portfolio.

- 3.4 Legal Limitations: Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code and the U. S. Department of Housing and Urban Development Public and Indian Housing Notice 95-27 issued May 11, 1995.
- 3.5 Administrative Cost: In choosing an investment, the San Antonio Housing Authority shall consider the administrative work involved, particularly with regards to investments of short duration.

4.0 PRUDENCE:

The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. Prudence shall be measured by considering the investment of all funds or funds under the entity's control over which the officer had responsibility rather than a consideration as to the prudence of a single investment.

This standard states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived." The investment officer and those delegated with investment authority under this policy, when acting in accordance with the written procedures and this policy in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio, provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

5.0 DELEGATION OF AUTHORITY:

The Board of Commissioners of the Housing Authority of the City of San Antonio retains the ultimate responsibility as fiduciaries over the assets of the organization. The Board hereby delegates to the CEO and the CEO's designated staff the day-to-day responsibility of managing the Housing Authority's investment activities. The CEO will report the investment activities to the Board of Commissioners on at least a quarterly basis as required by the Public Funds Investment Act.

The CEO, with assistance from the CEO's designated staff, will establish the system of procedures and controls to regulate the investment activities. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established and approved by the President and CEO.

The CEO designates the Chief Financial officer as responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. The Chief Financial Officer will also oversee all investment activities and assure that appropriate internal controls are in place and being followed.

The CEO also designates the Director of Finance and Accounting as the Investment Officer of the Housing Authority to be responsible for the day to day operating decisions related to investment decisions and activities. In addition, the Investment Officer shall be responsible for all transactions undertaken and together with the Chief Financial Officer, shall establish a system of procedures and controls to regulate the activities of subordinate officials and staff. The CEO, Chief Financial Officer and Director of Finance and Accounting shall be authorized to make investment decisions and place investment orders. All participants in the investment process shall act responsibly as custodians of the public trust.

6.0 ETHICS AND CONFLICTS OF INTEREST:

Officers, employees, board members, and investment officials involved in the investment process shall refrain from personal business activity that could conflict, or could reasonably be perceived as a conflict, with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officers, employees, board members, and investment officials shall disclose to the President and CEO, in writing, any material financial interests in financial institutions that conduct business with this Authority. Officers, employees, board members, and investment officials shall further disclose any large personal financial investment positions that could be related to the investment activities of the Housing Authority, particularly with regard to the time of purchases and sale of investments. All Federal, State of Texas, and Housing Authority Ethics Policies shall be strictly followed.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:

The Investment Officer shall maintain a list of all financial institutions authorized to provide investment services for the Housing Authority.

7.1 All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officer with annual financial statements and certification in writing that the financial institution or the broker/dealer has read and will follow all Federal and State of Texas laws and regulations regarding investments made by the San Antonio Housing Authority.

7.2 An annual review of the financial statements will be completed by the Investment Officer.

- 7.3 A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the Housing Authority transacts business.
- 7.4 The board or designated investment committee of the San Antonio Housing Authority shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the San Antonio Housing Authority.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS:

- 8.1 HUD Funds: The San Antonio Housing Authority is required to invest HUD sourced funds in investments approved by the U.S. Department of Housing and Urban Development. These investments must be fully collateralized. ATTACHMENT A is applicable to HUD funds and contains a listing and description of approved investments.
- 8.2 Non-HUD Funds: Funds in excess of HUD funds, unrestricted funds, reserves, partnership funds, bond proceeds, foundation funds, and other funds are not subject to ATTACHMENT A; however, these funds shall be invested in accordance with the Public Funds Investment Act.

9.0 COLLATERALIZATION:

Full collateralization is required for all Housing Authority investments. In order to protect the Housing Authority assets collateralization of one-hundred percent (100%) is required at all times. All collateral shall conform to those investment instruments listed in ATTACHMENT A of the Public Funds Investment Act.

Collateral will always be held by an independent third party with whom the financial institution or broker/dealer has a current custodial agreement. A clearly marked evidence of ownership or safekeeping receipt must be available to the Housing Authority.

Collateral substitution may be allowed when the substituted collateral is on the approved list of investments listed in ATTACHMENT A or the Public Funds Investment Act.

10.0 DIVERSIFICATION:

The San Antonio Housing Authority will diversify its investments by security type and institution. With the exception of U. S. Treasury securities and authorized investment pools, no more than 50% of the San Antonio Housing Authority total investment portfolio will be invested in a single security type or in securities issued by a single financial institution or broker/dealer.

11.0 MAXIMUM MATURITIES:

- 11.1 Operating Funds: To the extent possible the San Antonio Housing Authority will attempt to match its investments with anticipated cash flow requirements. Unless

matched to a specific cash flow, the Authority will not directly invest in securities maturing more than three years (3) from the date of purchase. This maximum maturity policy applies to all operating funds.

11.2 Non-operating or excess funds: Funds in excess of operating needs, unrestricted funds, foundation funds, bond proceeds, reserves, escrow funds, and other funds not required for operations may be held in securities without regard to the three year (3) limitation referenced in Section 11.1. The Investment Officer shall assure that sufficient liquidity exists at all times to meeting operating commitments.

12.0 INTERNAL CONTROL:

The Investment Officer shall establish an annual process of independent review as part of the annual audit. This review will provide internal control by assuring compliance with policies and procedures.

13.0 PERFORMANCE STANDARDS AND REPORTING:

As required by Section 2256 of the Public Funds Act, at least quarterly, the Investment Officer or designee will prepare an investment report for the Housing Authority Board of Commissioners. The report shall contain the name of the financial institution or broker/dealer holding the investment, the investment position, the cost of the investment, the fair market value, the purchase date, maturity date, and any interest accrued. Investment performance will be measured by standards set by the U.S. Department of Housing and Urban Development.

14.0 INVESTMENT POLICY ADOPTION:

The San Antonio Housing Authority investment policy shall be adopted by resolution of the Board of Commissioners. The policy shall be reviewed on a periodic basis and revised by the Investment Officer as necessary. It is the intent of the Housing Authority that if any changes of federal or State of Texas laws affect this policy, the new law or change becomes effective as stated and this policy is automatically conformed to existing law.

15.0 EXEMPTION:

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements contained herein. At maturity or liquidation, such funds shall be reinvested only as provided by this policy.

ATTACHMENT A

INVESTMENT INSTRUMENTS APPROVED BY HUD

1. DIRECT OBLIGATION OF THE FEDERAL GOVERNMENT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES

- a. U.S. Treasury Bills
- b. U. S. Treasury Notes and Bonds
 - (1) U.S. Treasury Notes
 - (2) U.S. Treasury Bonds

2. OBLIGATIONS OF FEDERAL GOVERNMENT AGENCIES

- a. Federal Financing Bank (FFB)
- b. Government National Mortgage Association (GNMA). Mortgage-Backed Securities (GNMA I and GNMA II)
- c. GNMA Participation Certifies
- d. Maritime Administration Merchant Marine Bonds, Notes, and Obligations
- e. Small Business Administration (SBA). Small Business Investment Corporation (SBIC) Debentures
- f. Tennessee Valley Authority (TVA) Power Bonds and Notes

3. SECURITIES OF GOVERNMENT-SPONSORED AGENCIES

- a. Farm Credit Consolidated System-Wide Discount Notes
- b. Federal Farm Credit Banks Consolidated System-Wide Bonds
- c. Federal Home Loan Banks Consolidated Obligations

These securities are the secured joint and several obligations of the Federal Home Loan Banks comprised of:

- (1) Bonds
 - (2) Notes
 - (3) Discount Notes
- d. FHLMC Mortgage Participation Certificates (PC) (Guaranteed)
 - e. FHLMC Collateralized Mortgage Obligations (CMOs)
 - f. Federal National Mortgage Association (FNMA) Debentures
 - g. FNMA Notes
 - h. FNMA Short-Term Discount Notes
 - i. FNMA Capital Debentures
 - j. Student Loan Marketing Associations (SLMA) Obligations

SLMA issues obligations comprises of guaranteed student loans as follows:

- (1) Floating Rate and Master Notes
- (2) The Series E and F Floating Rate Notes
- (3) Zero Coupon Notes

4. DEMAND AND SAVINGS DEPOSITS
5. MONEY-MARKET DEPOSIT ACCOUNT
6. MUNICIPAL DEPOSITORY FUND
7. SUPER NOW ACCOUNTS
8. CERTIFICATES OF DEPOSIT

- a. Certificates of Deposit are permitted at depository institutions that are insured by an agency of the Federal Government. Caution must be exercised for certificates exceeding the \$250,000 insurance limit or when the term is longer than 30-90 days. The new FDIC limit of \$250,000 is in effect through December 2013. Although the certificates' rate of return may be attractive for larger amounts and longer terms, U. S. treasury Securities offer superior safety and liquidity for the same amounts and terms. Certificates shall be in the HA's name. In addition a General Depository Agreement must be executed by each financial institution that issues a Certificate of Deposit.
- b. Certificate amounts above \$250,000 are permitted provided that the excess is 100 percent collateralized by clearly identified (not pooled) U.S. Government securities. Possession of the collateral securities and a continuous perfected security interest may be the only sure protection against loss in case of bank failure.

- c. Brokered deposits should be avoided because it is impossible to get \$100,000 federal insurance on a number of deposits placed by brokers.

9. REPURCHASE AGREEMENTS

Repurchase (repos) agreements for a term not to exceed 30 days may be entered into with Federally insured depository institution to purchase and sale of securities identified under subparagraphs b, c and d. A repurchase agreement is an agreement negotiated with a bank usually for a short period (1 to 7 days) where in securities approved for investment are purchased from that bank at a stated price with the bank agreeing to repurchase them on a specified date for a specified amount. The minimum may vary, although it is usually \$100,000. There are three main types: (1) fixed term, where both parties are bound to the negotiated time period; (2) demand, where the agreement stays in effect until terminated by either party, and; (3) day-to-day, where daily renewal is by mutual consent and 24-hour notice is required for termination. The HA should review existing and future repos for compliance with the following certifications. Prior approval by HUD is not necessary, however, the repos seller depository or its agency must provide a written certification to HUD, Assistant Secretary for Public and Indian Housing (Office of Finance and Budget), the Area Office, and to the HA.

- a. that the depository's repo program complies with applicable Federal and State statutes and regulations and that the program does not involve sales or loans of Federal securities by securities dealer that are not regulated or that report to the Federal Reserve Board;
- b. that the depository owns the underlying Federal securities (approved for repurchase under HUD guidelines) when the repo interest is sold and that the value of the securities is equal to or greater than the amount the HA pays for the repo;
- c. that the HA has possession of the securities (or the HA will take possession of the securities on behalf of the HA) as a bailee (evidenced by a safe keeping receipt and a written bailment for hire contract), from the time the repo interest is sold to the HA and will be (or is expected to be) maintained for the full term of the repo;
- d. that the repo agreement and any related documents identify specific Federal securities related to the specific repo purchased by the HA;
- e. that the repo interest does not represent any interest in a pool or fund of Federal securities for which registration under the Investment Company Act of 1940 may be required;
- f. that the HA will have a continuous perfected security interest in the underlying Federal securities under State or Federal law for the full term of the repo (disclosing the method by which perfection has or will be accomplished, i.e., by

possession, filing, registration of book-entry securities) and/or Federal preemption of State law by Federal regulation;

- g. that the depository or a reporting dealer selling the repo has not received any adverse financial report from a credit reporting agency, State or Federal regulatory agency; and
- h. that the depository will not substitute other securities as collateral, except to increase the value of the repo security to match the repo's purchase price.

10. SWEEP ACCOUNTS

11. SEPARATE TRADING OF REGISTERED INTEREST AND PRINCIPAL OF SECURITIES (STRIPS)

12. MUTUAL FUNDS

A Mutual Fund (Fund) is an investment company that makes investments on behalf of individuals and institutions. The Fund pools the money of the investors and buys various securities that are consistent with the Fund's objective.

- a. Mutual Fund Criteria: The Fund shall be organized as a no-load, open-end, diversified management company and its shares shall be registered under the Securities Act of 1933. The Fund shall be under the control of the Securities Exchange Act of 1934, Investment Adviser Act of 1940 and the Investment Company Act of 1940. The investment objective of the Fund shall be to obtain as much income as possible consistent with the preservation, conservation and stability of capital. The mutual fund objective cannot be changed without the prior approval of fund shareholders.
- b. The securities purchased by the Fund shall be on the HUD-approved list of investment securities. The fund will not engage in options or financial futures. The HA shall limit the amount of funds invested in the Fund to no more than 20 percent of the HA's available investment funds. The Fund shall disclose clearly the basis of earnings and how they are distributed. The HA shall obtain a statement of potential default and risk. The HA's invested funds shall be accessible to the HA daily. It shall be demonstrated that any limitations on withdrawals will not impair the HA's day-to-day cash management needs.
- c. The management fee shall be fixed at a reasonable amount. The Fund shall disclose the relationships of the investment advisor, manager, trustee, custodian and transfer agent. The Fund shall clearly state all services (such as wire transfers and check writing privileges) and charges.

- d. Investment in the Fund shall be authorized by a Board Resolution. A certified copy of the resolution shall accompany the initial application for the Fund.

13. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this section does not qualify as an authorized investment during the period the investment does not have the minimum rating. Management has the authority to waive the minimum portfolio credit quality if the quality decline is due to a downgrade or default of U.S. Government securities. The San Antonio Housing Authority shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

MEMORANDUM

To: Finance Committee

From: David Nisivoccia, President and CEO 

Presented by: Ed Hinojosa, Chief Financial Officer; Diana Kollodziej Fiedler, Director of Finance and Accounting

RE: Update and discussion regarding the Quarterly Financial Report

SUMMARY:

The Quarterly Financial Report for the San Antonio Housing Authority for the six months ended December 31, 2016, is attached. The results of operations for the six months ended December 31, 2016, reflect a deficit before non-cash items of \$4.9 million.

Total Operating Revenue was approximately \$23.2 million below budget, due to unfavorable variances of \$778,000 in Tenant Revenue, \$1.7 million in Grants, and \$20.6 million in Section 8 Housing Assistance Program (HAP) Payment Revenue. The \$778,000 unfavorable variance in Tenant Revenue was due to lower public housing rental income than budgeted, higher than expected vacancies at the Cottage Creek and Woodhill Apartments and higher than anticipated loss to lease adjustments for the Converse Ranch I and II Apartments. Section 8 HAP Payment Revenue ended the period below budget by \$20.6 million. SAHA's HAP funding for the months of August, September and part of October was reduced by the amount of funds reported to the U.S. Department of Housing and Urban Development (HUD) as Housing Choice Voucher reserves, which were subsequently transitioned to HUD-Held Funds.

Total Operating Expenses ended the period \$5.7 million below budget, due primarily to favorable variances of \$3.4 million in Section 8 HAP Expenses, \$1.4 million in Salaries and Benefits and \$1.6 million in Other Expenses. Salaries and Benefits expense ended the period \$1.4 million below budget due to favorable variances in the majority of sectors, with the largest variances resulting from vacant positions in Central Office and Section 8. Ordinary Maintenance and Operations ended the period \$790,000 over budget due to unfavorable variances in Public Housing and Beacon Communities, with the most significant variances occurring in plumbing repairs, HVAC parts, painting services and other maintenance contract costs. Expenditures included in Other Expenses were \$1.6 million lower than expected due to favorable variances realized in consulting and legal fees, insurance costs and other contract costs.

The Comparative Balance Sheet reflects an overall increase in Total Net Position of \$5.2 million from Dec. 31, 2015, to Dec. 31, 2016. Total Assets increased \$8.7 million due to increases of \$5.7 million and \$12 million in Current Assets and Other Non-Current Assets, offset by a \$9.1 million decrease in Fixed Assets. The \$5.7 million increase in Current Assets was due primarily to HUD pre-funding the January Section 8 Subsidy. The increase of \$12 million in Other Non-Current Assets resulted primarily from execution of a \$6.3 million Choice loan, a \$3.6 million Moving To Work loan, a \$968,000 Replacement Housing Factor Funds (RHFF) loan, and a \$900,000 ground lease, between Wheatley Family I, LP, and San Antonio Housing Facility

Corporation. The reduction of \$9.1 million in Fixed Assets resulted primarily from the routine recording of depreciation and the demolition/disposition of 39 homes in the Blueridge Subdivision. Partially offsetting the decrease in fixed assets was the capitalization of Capital Fund Program Public Housing projects. The \$3.5 million increase in Total Liabilities was due to the refinancing of the Castle Point Apartments and an increase of \$3.3 million in Deferred Revenue. The increases were partially offset by scheduled debt payments and amortization of deferred ground leases.

PROPOSED ACTION:

None at this time

FINANCIAL IMPACT:

None at this time

ATTACHMENTS:

Financial Performance Report
Cash and Investment Summary
Grants Report

San Antonio Housing Authority
Financial Performance Report
As of December 31, 2016
(UNAUDITED)

Condensed Statement of Revenue and Expenses
(For the Six Months Ended 12/31/2016)

	ACTUAL 12/31/2016	BUDGET 12/31/2016	Variance	%	Highlights Section
Operating Revenue					
Tenant Revenue	\$ 14,919,870	\$ 15,698,010	\$ (778,139)	-4.96%	I(a)(1)
Grants	24,227,742	25,929,773	(1,702,031)	-6.56%	I(a)(2)
HAP Revenue	27,508,243	48,132,758	(20,624,516)	-42.85%	I(a)(3)
Miscellaneous Revenue	1,376,965	1,480,104	(103,139)	-6.97%	
Total Operating Revenue	\$ 68,032,820	\$ 91,240,645	\$ (23,207,825)	-25.44%	
Operating Expenses					
Salaries and Benefits	\$ 15,516,229	\$ 16,918,380	\$ (1,402,151)	-8.29%	I(b)(1)
Ordinary Maintenance & Operations	5,993,757	5,203,468	790,289	15.19%	I(b)(2)
Utilities	3,430,433	3,499,007	(68,574)	-1.96%	I(b)(3)
Other Expenses	5,149,436	6,713,709	(1,564,273)	-23.30%	I(b)(3)
HAP Expense	44,629,683	48,056,663	(3,426,980)	-7.13%	I(a)(2)
Total Operating Expenses	\$ 74,719,538	\$ 80,391,227	\$ (5,671,688)	-7.06%	
Net Operating Income	\$ (6,686,718)	\$ 10,849,419	\$ (17,536,137)	-161.63%	
Non-Operating Income (Expenses)					
Interest Expense	\$ (1,378,445)	\$ (1,257,560)	\$ (120,885)	9.61%	
Interest Income	960,248	794,411	165,837	20.88%	
Other Income (Expenses)	2,219,804	(1,913,360)	4,133,164	-216.02%	
Total Non-Operating Income (Expenses)	\$ 1,801,607	\$ (2,376,509)	\$ 4,178,116	-175.81%	
Surplus (Deficit) Before Non-Cash Items	\$ (4,885,111)	\$ 8,472,909	\$ (13,358,021)	-157.66%	
Non-Cash Items					
Depreciation & Amortization	\$ (7,389,925)	\$ (6,856,224)	\$ (533,701)	7.78%	
Non-Operating Income (Expense)	1,523,749	(3,978,136)	5,501,885	-138.30%	
Total Non-Cash Items	\$ (5,866,176)	\$ (10,834,360)	\$ 4,968,184	-45.86%	
Change in Net Position	\$ (10,751,287)	\$ (2,361,451)	\$ (8,389,837)	355.28%	I(c)(1)

**San Antonio Housing Authority
Financial Performance Report
As of December 31, 2016
(UNAUDITED)**

Comparative Balance Sheet

	12/31/2016	12/31/2015	Increase (Decrease)	%	Highlights Section
Assets					
Current Assets	\$ 83,489,207	\$ 77,805,633	\$ 5,683,574	7.30%	
Fixed Assets	192,175,726	201,228,347	(9,052,621)	-4.50%	
Other Non-Current Assets	65,522,948	53,482,635	12,040,313	22.51%	
Total Assets	\$ 341,187,880	\$ 332,516,615	\$ 8,671,266	2.61%	II(a)
Deferred Outflows of Resources					
Deferred Losses on Refunding	\$ 1,120,122	\$ 1,102,995	\$ 17,128	1.55%	
Total Assets and Deferred Outflows Of Resources	\$ 342,308,003	\$ 333,619,609	\$ 8,688,393	2.60%	
Liabilities					
Current Liabilities	\$ 21,528,891	\$ 18,962,051	\$ 2,566,840	13.54%	
Non-Current Liabilities	73,714,833	72,797,742	917,091	1.26%	
Total Liabilities	\$ 95,243,724	\$ 91,759,793	\$ 3,483,931	3.80%	II(b)
Net Position					
Net Investment in Capital Assets	\$ 127,271,634	\$ 137,534,130	\$ (10,262,496)	-7.46%	
Restricted Net Position	32,293,476	28,733,050	3,560,426	12.39%	
Unrestricted Net Position	87,499,168	75,592,636	11,906,533	15.75%	
Total Net Position	\$ 247,064,279	\$ 241,859,816	\$ 5,204,462	2.15%	II(c)
Total Liabilities and Net Position	\$ 342,308,003	\$ 333,619,609	\$ 8,688,393	2.60%	

San Antonio Housing Authority
Financial Performance Report
As of December 31, 2016
(UNAUDITED)

HIGHLIGHTS

The results of operations for the six months ended December 31, 2016 reflect a deficit before non-cash items of \$4.9 million, which was \$13.4 million below budget. Total Operating Revenue was below budget by \$23.2 million and Total Operating Expenses were below budget by \$5.7 million.

Total Assets and Deferred Outflows of Resources increased by \$8.7 million and Total Liabilities increased by \$3.5 million. Presented below are explanations which summarize the results of operations and changes in financial condition.

I. Income Statement

Total Operating Revenue was below budget by \$23.2 million and Total Operating Expenses were below budget by \$5.7 million.

(a) Operating Revenue

- (1) Tenant Revenue was approximately \$778,000 lower than anticipated for the period. Public Housing rental income was \$298,000 less than budgeted. For the Beacon segment, vacancies at the Cottage Creek and Woodhill Apartments exceeded the budget by \$346,000. Cottage Creek and Woodhill had fiscal year-to-date occupancy of 85% and 87%, respectively. Additionally, there was an unfavorable variance of approximately \$141,000 in loss to lease adjustments for the Converse Ranch I and II Apartments.
- (2) Grants revenue was approximately \$1.7 million lower than expected due to an unfavorable variance in the Capital Funds sector, which was affected by the timing of both Capital Fund and Choice grant expenditures.
- (3) Section 8 Housing Assistance Payment Revenue ended the period below budget by \$20.6 million and Section 8 Housing Assistance Payment Expense ended the period below budget by \$3.4 million. Actual HAP Expense of \$44.6 million exceeded actual HAP Revenue of \$27.5 million and the \$17.1 million deficit was funded by SAHA's Section 8 reserves.

(b) Operating Expenses

- (1) The Salaries and Benefits expense line item ended the period \$1.4 million below budget. Central Office and Section 8 accounted for the largest variances, which resulted from a number of vacant positions.
- (2) The Ordinary Maintenance and Operations expense line item ended the period \$790,000 over budget primarily due to unfavorable variances in Public Housing and Beacon. For Public Housing, significant variances arose from plumbing repairs and other maintenance contract costs. For Beacon, the most significant variances occurred in HVAC parts, painting services, and plumbing repairs.
- (3) Utilities expense was below budget by \$69,000 and the Other Expenses line item was below budget by \$1.6 million. The Capital Funds sector had the largest impact on the

San Antonio Housing Authority
Financial Performance Report
As of December 31, 2016
(UNAUDITED)

favorable variance in Other Expenses. Consulting fees were \$480,000 below budget due to the Wheatley redevelopment incurring less consulting fees than budgeted. Contract costs were \$420,000 below budget, with the variance primarily related to Wheatley, which incurred actual contract costs of \$203,000, compared to \$538,000 budgeted. Other significant favorable variances for the Other Expenses category included \$130,000 in insurance costs, \$94,000 in training costs, \$104,000 in legal fees, and \$85,000 in protective services.

(c) Summary of Changes in Net Position

- (1) Change in Net Position ended the period with a \$8.4 million unfavorable variance, largely due to the unfavorable variance described above in total operating revenue.

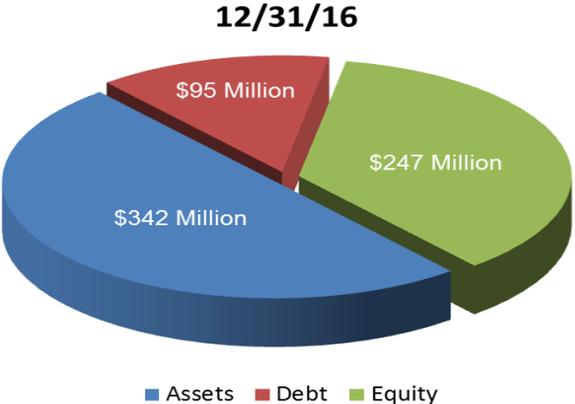
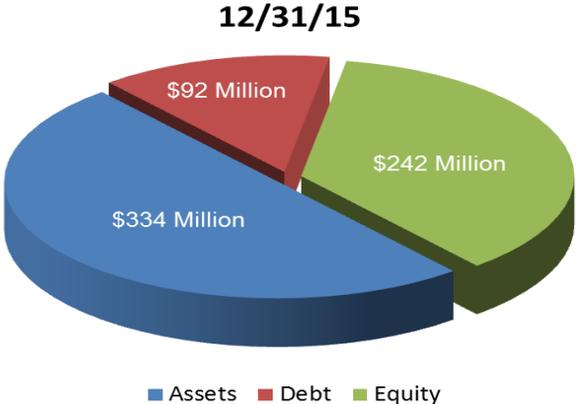
II. Balance Sheet

Total Assets and Deferred Outflows of Resources increased by \$8.7 million. Total Liabilities increased by \$3.5 million and Total Net Position increased by \$5.2 million.

- (a) Total Assets increased by \$8.7 million, or 2.61%, due to increases of \$5.7 million and \$12 million in Current Assets and Other Non-Current Assets, offset by a \$9.1 million decrease in Fixed Assets. The \$5.7 million increase in Current Assets was due primarily to HUD pre-funding the January Section 8 Subsidy. Also contributing to the increase were loan proceeds of \$3.8 million which resulted from a refinance of the Castle Point Apartments and will be used for rehabilitation activities. Additionally, the Woodhill Apartments received insurance proceeds of \$2.1 million for storm damage. Partially offsetting the increases in Current Assets were a decrease of \$2.8 million in accounts receivable due from HUD and a decrease of \$2.3 million in assets held for sale related to the Wheatley 2-1/2 blocks land acquisition. The increase of \$12 million in Other Non-Current Assets resulted primarily from execution of a \$6.3 million Choice loan, a \$3.6 million MTW loan, a \$968,000 RHFF loan, and a \$900,000 ground lease, between Wheatley Family I, LP and San Antonio Housing Facility Corporation. The reduction of \$9.1 million in Fixed Assets resulted primarily from the routine recording of depreciation and the demolition/disposition of 39 homes in the Blueridge Subdivision. Partially offsetting the decrease in fixed assets was the capitalization of Capital Fund Program Public Housing projects.
- (b) Total Liabilities increased by \$3.5 million, or 3.80%, due to a \$4 million refinance of the Castle Point Apartments and an increase of \$3.3 million in deferred revenue. Additionally, there was a \$900,000 assignment of note proceeds between SAHA and San Antonio Housing Facility Corporation related to the Wheatley Family I, LP land note. The increases were partially offset by scheduled debt payments and amortization of deferred ground leases.
- (c) Total Net Position increased by \$5.2 million, or 2.15%, as a result of the changes described above.

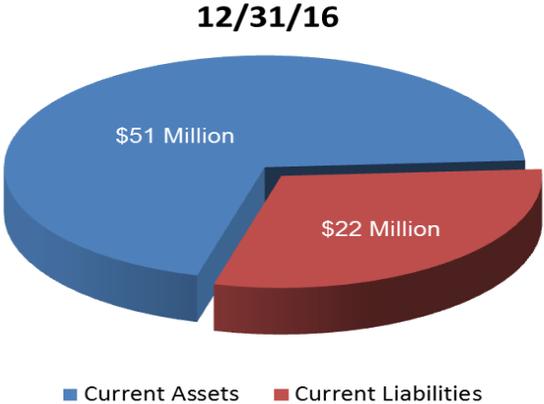
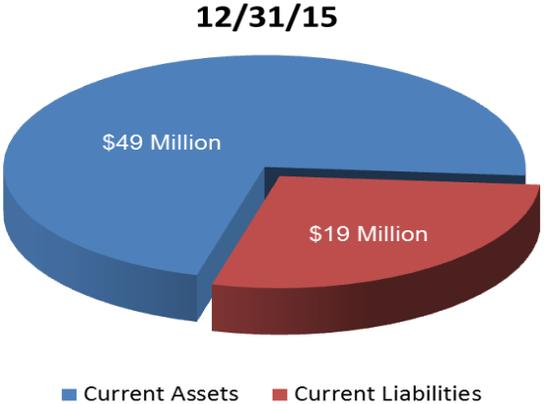
SAHA maintained strong financial and liquidity positions

Financial Strength



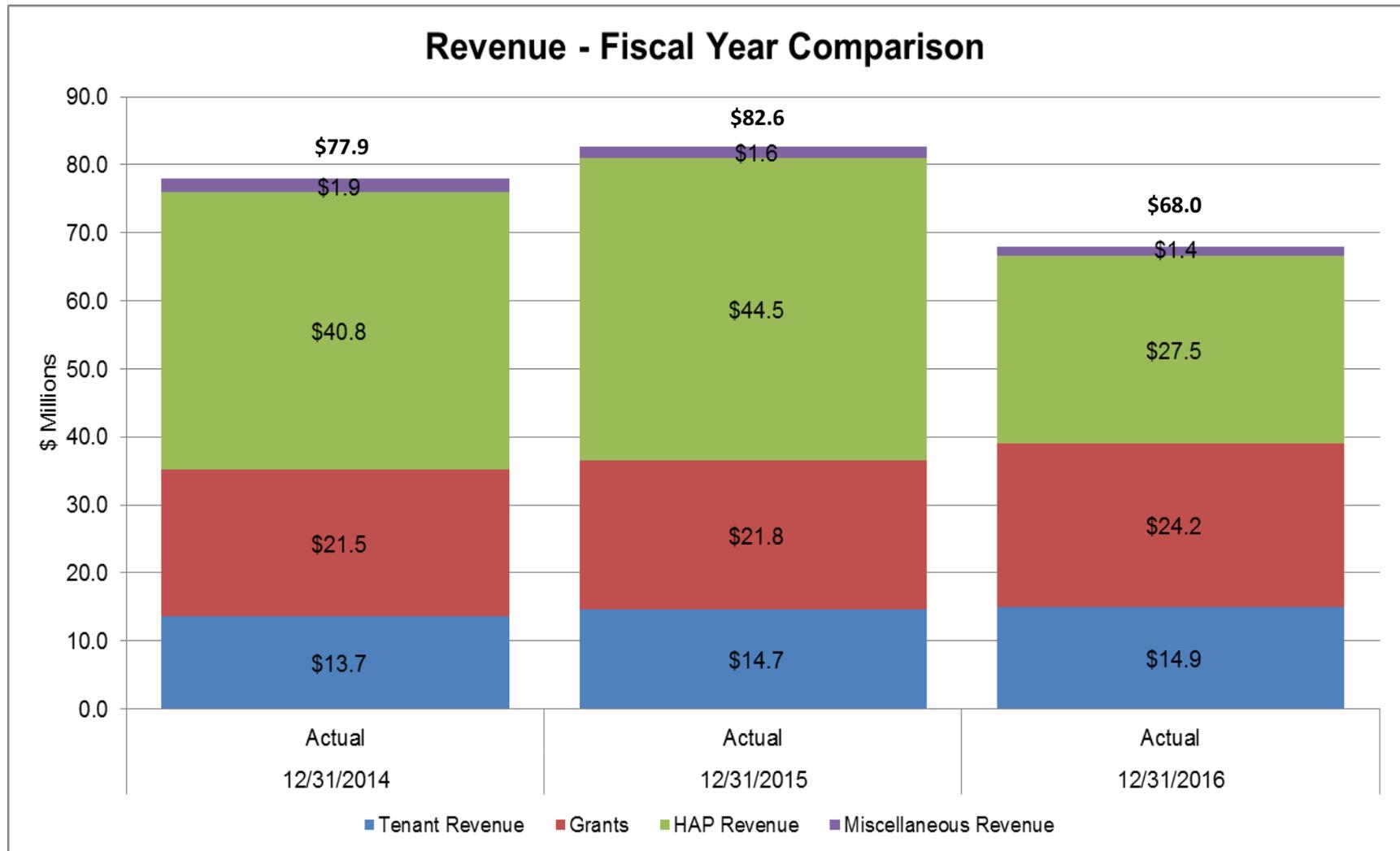
The debt-to-equity ratio remained steady at 0.38, indicating that SAHA has maintained a strong long-term solvency position.

Financial Liquidity

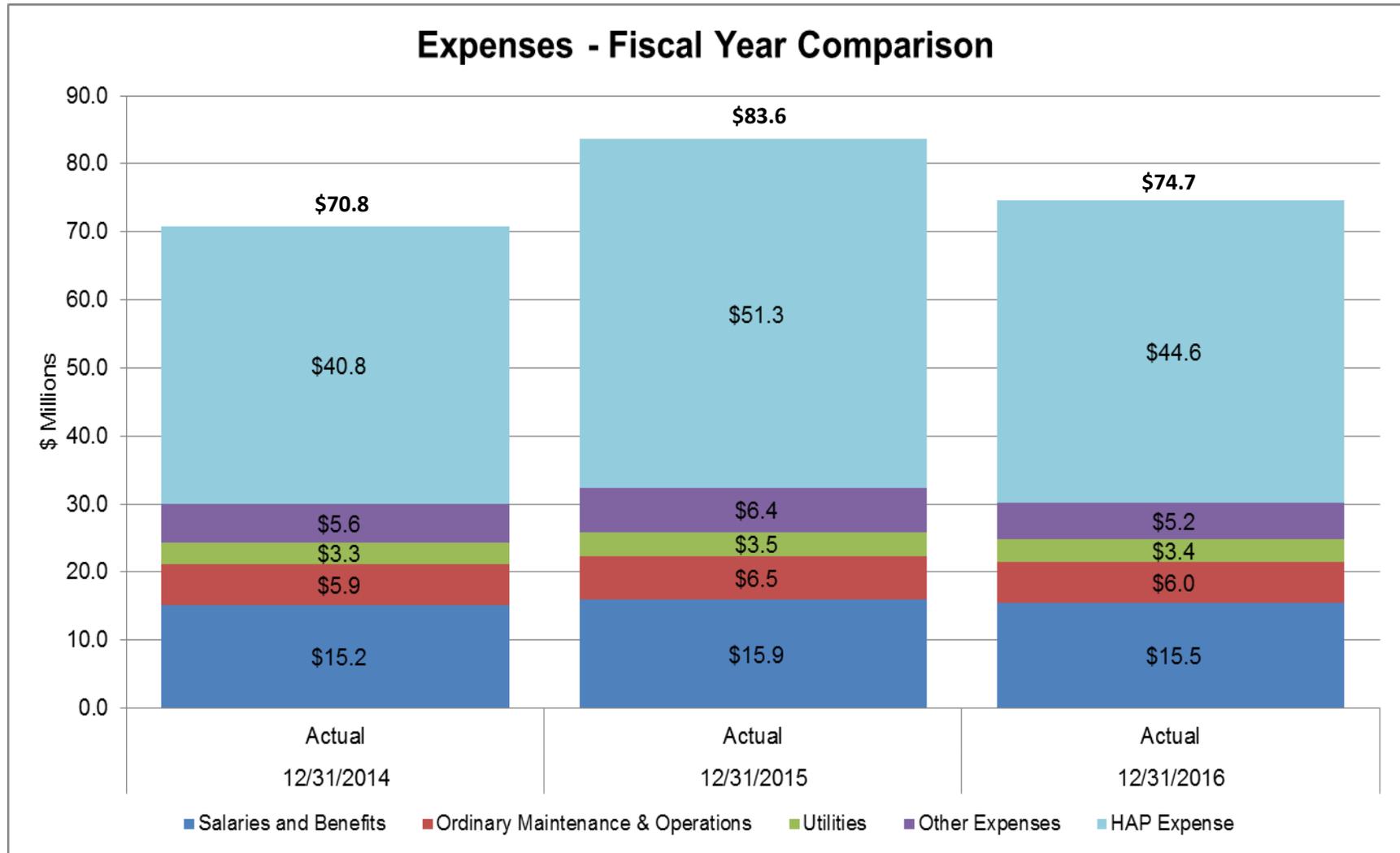


The current ratio decreased from 2.58 to 2.32 due to an increase in Section 8 deferred revenue. The ratio remains an indicator of SAHA's strong capacity to meet its short-term financial commitments.

Total revenue for December 2016 was 18% lower compared to December 2015 due primarily to Section 8 HAP Revenue. Due to HUD strengthening its cash management procedures, the Authority was required to use Section 8 reserve funds to disburse Housing Assistance Payments for August, September, and a portion of October.



Total expenses for December 2016 were 11% lower compared to December 2015 due primarily to Section 8 HAP Expense.



Summary of Major Changes in Cash and Investment Balance

For the Quarterly Period Ending December 31, 2016

Overall, the cash and investment balance increased by \$14 million over the previous quarter primarily due to HUD pre-funding the January 2017 Section 8 Subsidy, as well as the receipt of proceeds from the refinancing of two Beacon communities, and insurance claim proceeds.

Bank Held Cash

Unrestricted Cash

- **Central Office Cost Center** – There is a net cash increase of approximately \$1.9 million primarily due to a transfer of \$2 million to transfer funds owed to the central office cost center.
- **Section 8** – There is a net cash increase of approximately \$11.9 million over the previous quarter primarily due to the transfer in of \$6.5 million from MTW funds as described below in **Unrestricted Cash – MTW Preservation and Expansion Funds**, as well as the receipt of HUD pre-funding of the January 2017 Subsidy of \$7.8 million, and a reduction of \$2 million for the transition of Section 8 HAP funds to HUD-Held funds.
- **MTW Preservation and Expansion Funds** – There is a net cash decrease of approximately \$1.6 million primarily due to the transfer out of \$6.5 million to Section 8 as described above in **Unrestricted Cash – Section 8**, and the maturity and sale of two T-Notes totaling \$5 million as described below in **Investments at Various Banks – Unrestricted Investments – MTW Preservation and Expansion**.
- **Other Unrestricted Cash** – There is a net cash increase of approximately \$3.2 million primarily due to the transfer of \$2 million of the Mirasol legal funds as mentioned below in **Restricted Cash – Central Office Cost Center**, collection of intercompany accounts, and the receipt of approximately \$700k in proceeds from a property sale.

Restricted Cash

- **Central Office Cost Center** – There is a net cash decrease of approximately \$1.9 million primarily due to the transfer of Mirasol legal funds totaling \$2 million as mentioned above in **Unrestricted Cash – Central Office Cost Center**.
- **Non Profit – Other Restricted Cash** – There is a net cash increase of approximately \$1 million due to the maturity of a \$1 million T-Note as described below in **Investments at Various Banks – Restricted Investments – Restricted Funds Required by Lenders**.

Investments at Various Banks

Unrestricted Investments

- **MTW Preservation and Expansion** – There is a net decrease in investments of approximately \$5 million due to the maturity and sale of two T-Notes totaling \$5 million as described above in **Bank Held Cash - Unrestricted Cash – MTW Preservation and Expansion Funds**.

Restricted Investments

- **Restricted Funds Required by Lenders** – There is a net increase of approximately \$5.1 million primarily resulting from the receipt of \$2 million in insurance claim proceeds and over \$4 million in proceeds from financing of two Beacon communities. There was also a \$1 million T-Note that matured as described above in **Bank Held Cash – Restricted Cash – Non Profit – Other Restricted Cash**.

**San Antonio Housing Authority
Cash and Investment Summary
December 31, 2016**

	Balance 9/30/2016	Deposits	Withdrawals	Balance 12/31/2016
Bank-Held Cash:				
Unrestricted Cash:				
Central Office Cost Center	3,345,043	9,536,290	7,621,282	5,260,051
Public Housing	8,099,452	11,204,971	10,576,130	8,728,293
Section 8	1,830,295	40,101,258	28,242,314	13,689,239
MTW Preservation and Expansion Funds	1,628,001	5,499,186	7,100,187	27,000
Central Office- Health Insurance	742,189	1,233,679	1,290,203	685,665
Homeownership	(201)	12,804	9,563	3,040
Properties Unrestricted Operating Cash	721,839	2,320,616	2,307,514	734,941
Properties under SAHFC	4,801,959	1,048,360	863,199	4,987,120
Foundation Corporation	8,883	26,986	24,867	11,002
Capital Fund Program	352,856	805,875	1,158,731	-
Development Activities under SAHFC	119,756	37,552	122,752	34,556
Other Unrestricted Cash	3,700,388	39,695,399	36,301,096	6,974,671
Restricted Cash:				
* Central Office Cost Center	2,141,934	170,002	2,133,558	178,378
Development Activities under SAHFC	-			-
* Public Housing	7,084,811	195,441	34,407	7,245,845
Section 8- FSS Escrow	1,110,106	100		1,110,206
Project Based Properties	859,217	29,965	150,161	739,021
Facility Corp	1,273,822	66,683		1,340,505
Capital Funds	1,193,544	210		1,193,754
Endowment Trust	243,423	21	24,757	218,687
Non-Profit-Other Restricted	2,009,851	1,058,807	20,142	3,048,318
Sub-Total:	41,267,148	113,904,005	98,660,863	56,210,290
Investments at Various Banks				
Unrestricted investments at Various Banks:				
Section 8	-	-	-	-
Central Office Cost Center	-	-	-	-
MTW Preservation and Expansion	5,002,448	-	5,002,448	-
Sunshine Plaza Apts, Inc.	800,147	800,000	800,536	799,611
Restricted Investments at Various Banks:				
* Central Office Cost Center	-	-	-	-
* Mirasol Settlement Funds	4,005,516	-	-	4,005,516
Non-Profit	-			-
Restricted Funds Required by Lenders	4,386,313	10,834,769	5,692,349	9,530,733
Capital Funds	2,510,133		961,178	1,548,955
Sub-Total:	16,786,557	11,634,769	12,456,511	15,884,815
Total Cash & Investments:	\$ 57,973,705	\$ 124,838,774	\$ 110,517,374	\$ 72,095,105

**San Antonio Housing Authority
Investment Value
December 31, 2016**

Investment	Maturity Date	Book Value		Market Value	
		9/30/2016	12/31/2016	9/30/2016	12/31/2016
Woodhill T-Note 912828F88	October 31, 2016	1,000,184	Matured	1,000,200	Matured
MTW T-Note 912828G46	November 30, 2016	2,501,451	Matured	2,501,100	Matured
Sunshine T-Note 912828G46	November 30, 2016	800,147	Matured	800,320	Matured
PH-Mirasol T-Note 912828RX08	December 31, 2016	2,002,758	2,002,758	2,002,800	Matured
PH-Mirasol T-Note 912828RX08	December 31, 2016	2,002,758	2,002,758	2,002,800	Matured
Sunshine T-Note 912828TM2	August 31, 2017	800,147	800,147	800,320	801,080

**San Antonio Housing Authority
Cash Held for Properties Managed by SAHA**

Cash Held for Properties Managed by SAHA:	9/30/2016	Deposits	Withdrawals	12/31/2016
	Cash from Tax-Credit Partnerships	\$ 4,662,487	\$ 1,240,615	\$ 970,425
Cash from Third Party Properties	3,653	15,466	13,226	5,893
Total Cash Held for Properties Managed by SAHA:	\$ 4,666,140	\$ 1,256,081	\$ 983,651	\$ 4,938,570

**San Antonio Housing Authority
Collateralization
December 31, 2016**

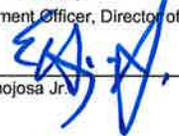
	Total Deposits	Deposits Covered by FDIC	Deposits Covered by Collateral	Pledged Collateral
Frost National Bank	\$ 58,246,475	\$ 500,000	\$ 58,246,475	\$ 60,830,486
Bank of New York - Burning Tree	\$ 145,909	\$ 145,909	\$ -	\$ -
Bank of New York - Burning Tree	\$ 250,082	\$ 250,000	\$ -	\$ -
Bank of New York - Burning Tree	\$ 3,833	\$ 3,833	\$ -	\$ -
Bank of New York - Castlepoint	\$ 190,214	\$ 190,214	\$ -	\$ -
Bank of New York - Castlepoint	\$ 466,260	\$ 250,000	\$ -	\$ -
Bank of New York - Castlepoint	\$ 4,730	\$ 4,730	\$ -	\$ -
Bank of New York - Encanta Villa	\$ 124,080	\$ 124,080	\$ -	\$ -
Bank of New York - Encanta Villa	\$ 150,096	\$ 150,096	\$ -	\$ -
Bank of New York - Encanta Villa	\$ 15,726	\$ 15,726	\$ -	\$ -
Bank of New York - Woodhill	\$ 44,911	\$ 44,911	\$ -	\$ -
Bank of New York - Woodhill	\$ -	\$ -	\$ -	\$ -
Bank of New York - Woodhill	\$ 128,925	\$ 128,925	\$ -	\$ -
Bank of New York - Woodhill	\$ 2,096,531	\$ 250,000	\$ -	\$ -
Bank of New York - Woodhill	\$ 200,757	\$ 200,757	\$ -	\$ -
Bank of New York - Woodhill	\$ 13,818	\$ 13,818	\$ -	\$ -
Bank of New York - Woodhill	\$ 107,912	\$ 107,912	\$ -	\$ -
Bank of New York - Sendero	\$ 54,950	\$ 54,950	\$ -	\$ -
Bank of New York - Sendero	\$ 5,509	\$ 5,509	\$ -	\$ -
Bank of New York - Converse Ranch II	\$ 250,099	\$ 250,000	\$ -	\$ -
Greystone - Converse Ranch I	\$ 360,140	\$ 250,000	\$ -	\$ -
Walker & Dunlop - Bella Claire	\$ 15,674	\$ 15,674	\$ -	\$ -
Walker & Dunlop - SAHFC	\$ 128,212	\$ 128,212	\$ -	\$ -
Bank of New York - Springhill I & II, Courtland	\$ 160,831	\$ 160,831	\$ -	\$ -
	\$ 63,165,471	\$ 3,245,884	\$ 58,246,475	\$ 60,830,486

FDIC has made permanent the standard coverage - all funds in noninterest-bearing accounts are fully insured up to \$250,000

The accompanying Cash and Investment Summary Report has been prepared in accordance with the compliance requirements of the Texas Public Funds Investment Act, Chapter 2256. As the Investment Officer for the San Antonio Housing Authority I certify that all investments in our portfolio comply with the investment strategy expressed in SAHA's Investment Policy dated April 14, 2016 and with the relevant provisions of the State of Texas, Government Code, Chapter 2256, Public Funds Investment.



Diana K. Fiedler, CPA
Investment Officer, Director of Finance and Accounting



Ed Hinojosa Jr.
CFO

Footnotes:

- * includes Mirasol Settlement Funds (Original Settlement Amount is \$12.7 million)

GRANTS REPORT AS OF December 31, 2016

Grant Number	Obligation End Date	Expenditure End Date	Amount to be Obligated by End Date	LOCCS Authorized	Cumulative PHA Obligated	Unobligated Amount	CAPITAL GRANTS			LOCCS Disbursement	
							Obligation Percentage	Cumulative GL PHA Expended	Expended Percentage		
Capital Fund Program (CFP)											
Capital Projects at various PH Properties											
TX59E006501-15	6/7/16	6/7/17	\$ 225,000.00	\$ 250,000.00	\$ 250,000.00	\$ -	100%	\$ 250,000.00	100%	\$ 250,000.00	(1)
TX59P006501-10	7/14/12	7/14/14	\$ 8,770,114.80	\$ 9,744,572.00	\$ 9,744,572.00	\$ -	100%	\$ 9,744,572.00	100%	\$ 9,744,572.00	(1)
TX59P006501-11	8/2/13	8/2/15	\$ 7,336,199.70	\$ 8,151,333.00	\$ 8,151,333.00	\$ -	100%	\$ 8,151,333.00	100%	\$ 8,151,333.00	(1)
TX59P006501-12	3/11/14	3/11/16	\$ 6,669,297.00	\$ 7,410,330.00	\$ 7,410,330.00	\$ -	100%	\$ 7,410,330.00	100%	\$ 7,410,330.00	(1)
TX59P006501-13	9/8/15	9/8/17	\$ 6,472,918.80	\$ 7,192,132.00	\$ 7,192,132.00	\$ -	100%	\$ 7,192,132.00	100%	\$ 7,192,132.00	(1)
TX59P006501-14	5/12/16	5/12/18	\$ 6,564,698.10	\$ 7,294,109.00	\$ 7,294,109.00	\$ -	100%	\$ 5,786,072.24	79%	\$ 5,587,799.72	
TX59P006501-15	4/12/17	4/12/19	\$ 6,785,826.30	\$ 7,539,807.00	\$ 7,378,641.78	\$ 161,165.22	98%	\$ 3,130,218.33	42%	\$ 3,057,424.49	(2)
TX59P006501-16	4/12/18	4/12/20	\$ 7,024,842.00	\$ 7,805,380.00	\$ 4,419,775.32	\$ 3,385,604.68	57%	\$ 1,394,564.00	18%	\$ 1,394,564.00	(3)
Replacement Housing Factor Funds (RHF)											
Funding for the replacement of PH units demolished or sold											
TX59R006501-09	10/29/15	7/29/17	\$ 82,676.70	\$ 91,863.00	\$ 91,863.00	\$ -	100%	\$ 91,863.00	100%	\$ 91,863.00	(1)
*Project:Wheatley Courts CNI Transformation Project											
TX59R006501-10	10/29/15	10/29/17	\$ 324,261.90	\$ 360,291.00	\$ 360,291.00	\$ -	100%	\$ 360,291.00	100%	\$ 360,291.00	(1)
*Project:Wheatley Courts CNI Transformation Project											
TX59R006501-11	10/29/15	10/29/17	\$ 595,331.10	\$ 661,479.00	\$ 661,479.00	\$ -	100%	\$ 661,479.00	100%	\$ 661,479.00	(1)
*Project:Wheatley Courts CNI Transformation Project											
TX59R006501-12	10/29/15	10/29/17	\$ 468,692.10	\$ 520,769.00	\$ 520,769.00	\$ -	100%	\$ 520,769.00	100%	\$ 520,769.00	(1)
*Project:Wheatley Courts CNI Transformation Project											
TX59R006501-13	9/8/15	9/8/17	\$ 494,237.70	\$ 549,153.00	\$ 549,153.00	\$ -	100%	\$ 549,153.00	100%	\$ 549,153.00	(1)
*Project:Wheatley Courts CNI Transformation Project											
TX59R006501-14	5/13/14	5/12/16	\$ 477,295.20	\$ 530,328.00	\$ 530,328.00	\$ -	100%	\$ 530,328.00	100%	\$ 530,328.00	(1)
*Project:Wheatley Courts CNI Transformation Project											
TX59R006501-15	4/12/17	4/12/19	\$ 289,272.60	\$ 321,414.00	\$ 321,414.00	\$ -	100%	\$ 96,545.75	30%	\$ 96,545.75	
*Project: Wheatley Courts Phase II Senior Allocation Project											
TX59R006502-06	10/29/13	7/29/14	\$ 2,347,632.90	\$ 2,608,481.00	\$ 2,608,481.00	\$ -	100%	\$ 2,608,481.00	100%	\$ 2,608,481.00	(1)
* Sutton II											
TX59R006502-08	10/29/13	10/29/15	\$ 2,334,010.50	\$ 2,593,345.00	\$ 2,593,345.00	\$ -	100%	\$ 2,593,345.00	100%	\$ 2,593,345.00	(1)
*Project: Converse Ranch II & Pin Oak II & Sutton II, Wheatley Courts CNI Transformation Project											
TX59R006502-09	10/29/13	10/29/15	\$ 1,267,288.20	\$ 1,408,098.00	\$ 1,408,098.00	\$ -	100%	\$ 1,408,098.00	100%	\$ 1,408,098.00	(1)
*Project: San Juan III											
TX59R006504-09	10/29/13	10/29/15	\$ 1,007,375.40	\$ 1,119,306.00	\$ 1,119,306.00	\$ -	100%	\$ 1,119,306.00	100%	\$ 1,119,306.00	(1)
*Project: San Juan III,Wheatley Courts CNI Transformation Project											
TX59R006502-10	10/29/13	10/29/15	\$ 1,629,651.60	\$ 1,810,724.00	\$ 1,810,724.00	\$ -	100%	\$ 1,810,724.00	100%	\$ 1,810,724.00	(1)
*Project: San Juan III,Wheatley Courts CNI Transformation Project											
TX59R006502-11	8/2/13	8/2/15	\$ 383,153.40	\$ 425,726.00	\$ 425,726.00	\$ -	100%	\$ 425,726.00	100%	\$ 425,726.00	(1)
*Project: San Juan III,Wheatley Courts CNI Transformation Project											
TX59R006502-12	3/11/14	3/11/16	\$ 69,245.10	\$ 76,939.00	\$ 76,939.00	\$ -	100%	\$ 76,939.00	100%	\$ 76,939.00	(1)
*Project:Wheatley Courts CNI Transformation Project											
TX59R006502-13	9/8/15	9/8/17	\$ 76,401.00	\$ 84,890.00	\$ 84,890.00	\$ -	100%	\$ 84,890.00	100%	\$ 84,890.00	(1)
*Project:Wheatley Courts CNI Transformation Project											
TX59R006502-14	5/13/14	5/12/18	\$ 71,152.20	\$ 79,058.00	\$ 79,058.00	\$ -	100%	\$ 79,058.00	100%	\$ 79,058.00	(1)
*Project:Wheatley Courts CNI Transformation Project											
TX59R006502-15	4/12/17	4/12/19	\$ 72,028.80	\$ 80,032.00	\$ 80,032.00	\$ -	100%	\$ -	0%	\$ -	
*Project: Wheatley Courts Phase II Senior Allocation Project											
TX59R006502-16	4/12/18	4/12/20	\$ 72,545.40	\$ 80,606.00	\$ 80,606.00	\$ -	100%	\$ -	0%	\$ -	
*Project: Wheatley Courts Phase II Senior Allocation Project											
Urban Revitalization Program (Hope 6) (URP)											
TX6J006CNG112	9/30/19			\$ 29,750,000.00	\$ 19,284,066.55	\$ 10,465,933.45	65%	\$ 13,515,708.80	45%	\$ 13,433,381.32	
(Choice Neighborhood Grant)											
Implementation grant for Wheatley Neighborhood											

(1) These grants are expended and disbursed at 100% however, HUD still requests monthly updates in eLOCCS.
 (2) A portion of the 2015 CFP grant contains DDTF funding of \$220,088.
 (3) A portion of the 2016 CFP grant contains DDTF funding of \$832,561.

GRANTS REPORT AS OF December 31, 2016

HUD - PROGRAM GRANTS							
Grant Number	Effective Date	Obligation End Date	Expenditure End Date	LOCCS Authorized	PROGRAM GRANTS		
					Cumulative Expended	Expended Percentage	LOCCS Disbursement
<p align="center">Special Needs Assistance Program (SNAP) Funding for housing and supportive services on a long-term basis for homeless persons with disabilities</p>							
TX0252L6J001501	6/1/16	No Date	5/31/17	\$ 141,777.00	\$ 235,588.43	166%	\$ 136,994.40
TX0233LJ6001507	7/1/16	No Date	6/30/17	\$ 811,950.00	\$ 312,759.29	39%	\$ 293,297.75
<p align="center">Resident Opportunities & Self Sufficiency (ROSS) Funding for Family Self Sufficiency (FSS) Coordinators</p>							
TX006RFS444A012 *2012 Public Housing FSS	6/13/13	No Date	6/30/15	\$ 413,273.00	\$ 402,984.56	98%	\$ 402,984.56 (4)
TX006RPS098A012 *2012 ROSS Service Coordinators	8/30/12	No Date	9/30/16	\$ 621,000.00	\$ 508,056.80	82%	\$ 508,056.80 (5)
TX006RPS072A015 *2015 ROSS Service Coordinators	5/10/16	No Date	9/30/2019	\$ 637,068.00	\$ 57,452.93	9%	\$ -
TX006FSH643A014 *PH & HCV Combined FSS 2014	9/29/14	No Date	4/30/17	\$ 800,936.00	\$ 749,617.36	94%	\$ 749,606.11
TX006FSH550A015 *PH & HCV Combined FSS 2015	12/7/15	No Date	12/31/2016	\$ 807,673.00	\$ 743,449.41	92%	\$ 719,859.62
<p align="center">Jobs Plus Funding for PHAs to develop locally-based approaches to increase earnings and advance employment outcomes for Public Housing residents.</p>							
JP15000102 *Jobs Plus - Cassiano	6/6/16	No Date	9/30/2022	\$ 2,700,000.00	\$ 321,351.16	12%	\$ 304,733.46

NON HUD - PROGRAM GRANTS						
Grant Number	Performance Date	Award Amount	Cumulative Expended	Remaining to Expend	Reimbursement Received	Expended Percentage
Byrne Criminal Justice (Department of Justice) *Improve safety at Wheatley Neighborhood	10/1/12 - 12/30/16	\$ 600,000.00	\$ 538,114.71	\$ 61,885.29	\$ 500,000.00	90%
Annie E. Casey Foundation *Wheatley Courts Family Support Services Caseworker (Eastside Jobs Plus)						
SAHA 2015 Jobs Plus East	1/1/15	\$ 146,604.00	\$ 110,801.86	\$ 35,802.14	\$ 109,373.62	76%
SAHA 2016 Jobs Plus East	1/1/16	\$ 202,474.00	\$ 178,593.49	\$ 23,880.51	\$ 104,211.77	88%
HPOG Grant *Alamo College Health Professional Opportunity Grant	09/30/16 - 09/29/17	\$ 102,758.00	\$ -	\$ 102,758.00	\$ -	0%

(4) This grant expired on December 22, 2014. Of the total grant amount, \$10,288.44 was not expended and will be recaptured by HUD.
 (5) A request for extension was denied by HUD. Of the total grant amount, \$112,943.20 was not expended.

GRANTS REPORT AS OF December 31, 2016

LIST OF GRANT APPLICATIONS						
Grant Name	Award Amount	Date Submitted	Match Amount	Term of the Grant	Application Status	Description
ROSS for Education	\$249,348	9/29/16	N/A	N/A	Pending	ROSS for Education
AEC Jobs Plus East	\$202,474	12/20/16	N/A	N/A	Contract Executed	United Way/Annie E. Casey

MEMORANDUM

To: Finance Committee

From: David Nisivoccia, President and CEO 

Presented by: Ed Hinojosa, Chief Financial Officer; Diana Kollodziej Fiedler, Director of Finance and Accounting

RE: Update and discussion regarding the budgeting process and federal funding environment

SUMMARY:

SAHA's Fiscal Year 2017-18 budget process began in early October 2016 and is proceeding on schedule. Budget staff has completed budget training workshops and has made available to all personnel the 2018 budget preparation materials and timeline. The budget module was opened Nov. 2, 2016, and was closed on Jan. 6, 2016. Directors and Budget staff are currently reviewing and revising budgets as necessary. Due to the new U.S. President Donald Trump Administration, the funding for the Fiscal Year 2017-18 budget is uncertain.

All departmental and operational budgets will be prepared in accordance with the following directives:

- All SAHA budgets should be based on Agency priorities and established strategic goals as reflected in PlanBase.
- The Section 8 Housing Assistance Program (HAP) is projected to be funded at 95 percent proration and should be budgeted at SAHA's Target Utilization of 12,140 vouchers with adjustments for known allocations of Tenant Relocation or Special Programs. These targets will be reviewed and may be adjusted during budget review meetings.
- Funding at 84 percent proration for Section 8 Administration is anticipated. Section 8 Administration should include continued efforts for efficiency improvement and cost reduction.
- Public Housing property budgets should anticipate subsidy funding at 84 percent proration; accordingly, all cost budgets should be consistent with this projected funding level. Target occupancy is 98 percent. Public Housing administrative costs should include continued efforts for efficiency improvement and cost reduction.
- Target occupancy for the Beacon Communities portfolio is 95 percent.
- Development Services budgets should be consistent with the five-year development plan.
- Central Office Cost Center (COCC) and Service Departments will experience continued pressure on funding and fees. The COCC budgets should include continued efforts for efficiency improvement and cost reduction.

After all budgets have been reviewed by Budget staff, a series of internal meetings will be scheduled and budgets will be further refined. During March and April, a further review by Directors and the Executive Team will be scheduled, and department heads will be asked to justify their budgets.

The draft budget will be presented to the Finance Committee and the Board of Commissioners at the May 2017 committee meeting and scheduled budget workshop. After the final review, budgets will be finalized and presented for approval at the June 2017 Board of Commissioners meeting.

PROPOSED ACTION:

None at this time

FINANCIAL IMPACT:

None at this time

ATTACHMENTS:

Budget Process Timeline

BUDGET TIMELINE

October 11, 2016	Budget staff to meet with Human Resources (HR) to discuss their role in the budget process
November 2, 2016	Staffing plans made available to Central Office Cost Centers that are charged out (8 departments): BU 15240 – Security Division BU 14999 – Central Office Building BU 14950 – Brazos Warehouse Building BU 15030 – Technology & Telecommunication BU 15005 – Board of Commissioners BU 15058 – Unified Application Center BU 15027 – Accounts Receivable BU 115 – Springview Office Building
November 7, 2016	Director’s approved staffing plans due to Budget Staff for Central Office Cost Centers that are charged out
November 7, 2016	JDE Budget Module made accessible to staff
November 9-10, 2016	Budget training for Central Office Cost Centers/Directors that are charged out
November 10, 2016	Preliminary Staffing plans made available to remaining Cost Centers & Properties
November 14, 2016	Review of “Fee for Service” fees by Executive (IT, Legal, Policy and Planning, Graphic Design and Technical Writing
November 16, 2016	Budgets for Central Office Cost Centers, which are charged out, are due to Budget Staff
December 5-7, 2016	Budget training to Property Management Staff/Assistant Directors/Directors for business units that are not charged out
December 7, 2016	Property Management Staff/Assistant Directors/Directors should Submit staffing plans to Directors for review and approval (excluding Directors whose business units get charged out)
December 7-16, 2016	Budget entry for everyone other than charged out business units
January 6, 2017	Org Charts due from HR to Budget Staff

BUDGET TIMELINE **(Continued)**

January 6, 2017	<ul style="list-style-type: none">• JDE Budget Module closed• Budgets submitted to Directors for review; Directors will contact the Financial Reporting Manager for budget review meetings, if necessary• Staffing plans are due to Budget Staff (excludes charged out business units)
January 9-13, 2017	Budget review by Directors for all business units that are not charged out
January 13, 2017	Directors' signed budgets are submitted to Budget Staff for business units, that are not charged out, by close of business
January 16-27, 2017	Budget review by Budget Staff
January 30–February 1, 2017	After Budget Staff's review, Directors will be contacted if any Budget changes need to be made
February 2-17, 2017	Preparation of budget reports by Budget Staff for Executive Team
February 7, 2017	Review of MTW Resources & Asset Management Plan (Due to HUD as a part of MTW Planning)
February 20-24, 2017	1st Round review of budgets with CFO
March 6-10, 2017	2nd Round review of budgets with CFO
March 20-31, 2017	1st Round review of budgets by Budget Review Committees (Budget Talk Around)
April 3-7, 2017	2nd Round review of budgets by Budget Review Committees (Budget Talk Around)
April 13, 2017	Budget Review Meeting with Public Housing Property Management
May 2017	Review of consolidated budgets at the Budget Workshop for Board of Commissioners
June 1, 2017	Consolidated budgets presented at Board of Commissioners meeting
July 1, 2017	Implement approved budgets for 2017-2018

MEMORANDUM

To: Finance Committee

From: David Nisivoccia, President and CEO 

Presented by: Helen Madison, Acting Director of Internal Audit

RE: Quarterly Update and Discussion regarding the Internal Audit Department

SUMMARY:

Internal Audit provides independent and objective assurance, auditing and consulting services to add value, improve internal controls and strengthen the Agency's operations. The function helps the Housing Authority accomplish its objectives by using a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In addition to its oversight activities, internal audit serves as a resource for identifying opportunities for best practices and efficiencies. The mission of the San Antonio Housing Authority Internal Audit Department is to:

- Ensure the Housing Authority remains a good steward of the public trust by working with all levels of management and staff, as well as the Board of Commissioners, to identify significant risk areas and the internal controls in place to mitigate those risks;
- Provide continuous quality improvement through review of processes and procedures to identify operational efficiencies and best practices; and,
- Perform all assurance and consulting activities with the highest level of integrity and objectivity.

In accordance with the approved Internal Audit Charter, the Chief Audit Executive (CAE), i.e., the Acting Director of Internal Audit, is required to communicate any significant deviation from the approved annual internal audit plan to the Audit Committee, the CEO, and the Legal and Compliance Officer, or equivalent, through periodic activity reports.

This update provides the required communication, as follows:

- Internal Audit Plan Status through Fiscal Year 2016-2017 Quarter 2
- Status of Third Party Audits and Assessments
- Summary and Status of Management's Corrective Action Plans (open action items only)

Management corrective action plans resulting from internal audits are entered into a spreadsheet to allow for easier tracking of the status of the open items. A copy of the spreadsheet is included in the Finance Committee packet. The corrective action plans have been highlighted in green to signify an action has a due date that has not passed, or red to signify a corrective action is behind schedule.

In addition, we have included the planned risk assessment methodology for assessing the risks to the Agency, and identifying the annual audit plan for FY 2017-2018. The selection of internal

audit topics to be included in the annual audit plan is one of the most important tasks of the Internal Audit Department. If the objectives of the internal audit activity are to be achieved, and if internal audit resources are to be allocated in an effective and efficient manner, this aspect of audit planning must be given very careful consideration.

The methodology presented is the same as last fiscal year’s methodology. The risk assessment methodology (1) describes why risk exposure analysis and audit prioritization are important, and (2) provides the framework for performing the risk exposure analysis and establishing an audit priority schedule. Each potential audit focus area or topic is evaluated in terms of the following six factors:

Current Year
1. Staff time used in the process
2. Public disclosure implications
3. Aligns well with strategic objectives
4. Increased Senior Management and/or Commissioner interest over prior year
5. Recent changes in personnel and/or procedures
6. Internal and external compliance requirements

The percentage of audits per stratum remains the same, as follows:

Current Year	
High Risk (<i>top 10%</i>)	100%
Sensitive Risk (<i>next 30%</i>)	30%
Moderate Risk (<i>next 40%</i>)	15%
Low Risk (<i>bottom 20%</i>)	5%

PROPOSED ACTION:

None

FINANCIAL IMPACT:

None at this time

ATTACHMENTS:

- Presentation - Internal Audit Update
- Status of Management’s Corrective Action Plans
- Risk Assessment Methodology for FY 2017-2018



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Internal Audit Update

**Presentation to Finance Committee
February 16, 2017**

Internal Audit Plan Status

2014-2015 Internal Audit Plan

■ Annual Audits

- Resident and Program Participant Termination Process – Assisted Housing Program
 - ▶ Draft final report issued to Executive management
- Resident and Program Participant Termination Process – Public Housing
 - ▶ Draft final report issued to Executive management

2015-2016 Internal Audit Plan

■ Annual Audits

- Regulatory Compliance Verification Processes
 - ▶ Draft final report issued to Executive management

Internal Audit Plan – FY 2016-2017

Quarter 2 Status

2016-2017 Internal Audit Plan

■ Multi-Year Audits

- Construction of New Developments to be Managed by Third Parties - Choice Neighborhood focus – Postponed to Q4

■ Annual Audits

- Capital Improvements at Public Housing and Beacon Communities – Draft report in progress
- Housing Programs Eligibility and Admissions Processes – Postponed from Q2 to Q4

■ Monthly Compliance Audits

- Assisted Housing Programs
- Beacon Communities
- Public Housing

■ Control Self-Assessments

- Data Collection and Maintenance – in progress
- Family Self-Sufficiency – in progress
- Fleet – in progress

Summary of Management Corrective Actions

- 13 open corrective action plans
- 92% of open corrective action plans are on target for completion
- One open corrective action plan is behind schedule

Activities in Support of Strategic Goals – FY 2016-2017 Quarter 2

Strategic Goal: Transform core operations to be a high performing and financially strong organization

- Human Resources File Review – tracking completion of recommendations
- Compliance Audits completed this quarter:
 - Public Housing - 1 property
 - Section 8 - 186 files

Strategic Goal: Empower and equip families to improve their quality of life and achieve economic stability

- Reviewed one Family Self-Sufficiency escrow request for payout

Status of Third Party Audits

- **HUD Field Monitoring of Continuum of Care Program**
 - A monitoring review of the Continuum of Care Program was conducted by local and headquarters staff from the Office of Special Needs Assistance Programs
 - Status – Responses to the Monitoring Report have been reviewed by HUD with additional detail requested
- **Financial and Compliance Audit of the Authority (FY 2015-2016)**
 - An annual Financial and Compliance Audit of the Authority is required due to the size of the agency and the amount of federal funding it receives
 - Status – The audit has been completed for the **fiscal year ended June 30, 2016**; Draft report presented to the Board of Commissioners at their February 2017 meeting
- **Real Estate Assessment Center (REAC) Audits currently in progress**

2017-2018 Internal Audit Plan

- **Risk Assessment Surveys will be completed by staff in March**
- **Risk Assessment Surveys are also completed by the Board of Commissioners**
 - High level surveys are completed by new Commissioners during their first year
 - Detailed surveys are completed by Commissioners after their first year
- **The Risk Assessment Methodology is included in the Board Packet and remains the same as the previous methodology**
- **Results of the Risk Assessment Surveys will be shared with the Finance Committee and Board of Commissioners, along with the proposed Internal Audit Plan for the new fiscal year beginning July 1, 2017**

Questions?

Plan Year	Final Report Date	Audit Title	Finding Type	Finding / Observation Number	Finding / Observation Description	Management's Corrective Action Plan	Original Estimated Completion Date	Revised Estimated Completion Date	Status	Officer	Comments
2012-2013	9/9/2013	Recruiting, Selection, and Onboarding	Best Practices	3	Develop standard dates for the hiring process that takes into account each step of the process to allow for better tracing of timelines between each step	Track the progress on major hires and prepare a summary report for each at the conclusion of the process; and in partnership with Internal Audit and Executives, convene briefings designed to consider policy and procedure changes	12/31/2013	6/30/2017	In Progress	MLR	Item is included in PlanBase.
2014-2015	8/13/2015	Special Programs Audit	Significant Deficiency	2	Utilization of multiple Special Programs is under 90%.	VASH, HSV and Set Aside utilization at 90% by the 2nd quarter of FY 2015-2016.	12/31/2015	6/30/2017	In progress	DN	VASH - 89.59%; Set-aside-84% - December 2016
2014-2015	8/13/2015	Special Programs Audit	Best Practice	1	Special Programs staff utilizes WIP Logs to determine the status of Special Program participants and facilitate the completion of a bi-monthly status report of program utilization by increment. The time it takes to determine the information for these reports is lengthy.	Management will coordinate a meeting with SAHA IT staff to develop a report utilizing the Elite System as a tool to reconcile Special Program tracking. This tracking mechanism will be more efficient and effective to extract data from Elite and lessen staff time to prepare report. The reconciliation report may need to be custom programmed to include the following: files pending processed, date RTA was submitted, pending inspections, families actively searching for a unit and vouchers available for each respective program.	12/31/2015	6/31/2017	In progress	DN	Staff is currently evaluating reports available in Elite
2012-2013	11/25/2013	Audit of Preservation & Expansion and Capital Fund Programs	Best Practices	3	Currently, the Construction Contract Log and the Real Estate Services – Development Project listing are both being managed in a spreadsheet format, requiring manual entry of all information.	Asset Management will work with Construction Services and Finance & Accounting to determine the feasibility of utilizing data in the JDE accounting system to generate an automated Contract Log to replace the excel spread sheet utilized by Asset Management to assign AMD numbers to capital contracts.	6/30/2014	3/31/2017	In progress	EH	This will be addressed as part of the Audit of Capital Projects.
2012-2013	11/25/2013	Audit of Preservation & Expansion and Capital Fund Programs	Internal Control Deficiency	3	The current process for approving the PEPP Routing and Approval Slip is done manually. This document requires authorization from up to eleven people across many departments. The time frame for obtaining these authorizations can be lengthy, using a hard copy document that must be passed from one authorizer to the next.	The CVR recommendation for instituting electronic signatures is appropriate. Ideally the documents would be posted digitally and the assigned property manager or requesting entity would also be responsible for any meetings, follow-up and monitoring the status of completion. To accommodate for approving employees time away from the office such business commitments, vacation or illness, there needs to be a primary and alternate signatory. This will prevent slowing or halting the authorization process. In the meantime to address the audit finding, a regularly scheduled meeting should occur, to answer questions or concerns and expedite the authorization process. This would allow for tracking the responses and attendance and process for further study and additional improvements needed.	FY 2014-2015	3/31/2017	In progress	DN	This will be addressed as part of the Audit of Capital Projects.

Plan Year	Final Report Date	Audit Title	Finding Type	Finding / Observation Number	Finding / Observation Description	Management's Corrective Action Plan	Original Estimated Completion Date	Revised Estimated Completion Date	Status	Officer	Comments
2012-2013	10/15/2013	Follow-up on PH Files QCed in Spring 2015		4		Document the responsibilities of the Unified Application Center staff, Property Management staff, Assistant Directors of Public Housing, Director of Housing, and Chief Operating Officer regarding compliance with the standardized checklist and quality control processes to ensure the file requirements are being adhered to.	11/1/2013	4/30/2017	In progress	EH	The goals of the Property Management staff, Unified Application Center staff, and Assistant Directors of Public Housing (Operations) have been updated to include their responsibilities regarding compliance with the standardized checklist. The goals for the Director of Housing and Chief Operating Officer regarding compliance with the standardized checklist and quality control processes to ensure the file requirements are being adhered to are in progress. COO position currently in hiring process.
2013-2014	9/23/2015	Audit of Contract Compliance, Procurement Audit Follow-up and Procurement Processes for the Construction of New Developments	Best Practices	5	A listing for all purchases made during the scope period was requested from Procurement. The listing provided was incomplete. Further research determined that currently, there is not a central listing, which reflects all purchases made within a given time frame or "as of" date.	Procurement will work with the IT department to develop a program to utilize JDE to pull data in categories to distinguish formal contract/agreement, one-time non-contract purchase orders and other small dollar purchases. Currently the system is limited on what can be provided in the format that is needed. Additionally, Procurement will maintain a log for purchases less than \$2,000.	10/31/2015	6/30/2017	In Progress	MLR	Procurement is working with IT on a solution.
2013-2014	10/5/2015	Audit of Records Retention	Internal Control Deficiency	1	Agency email communications are currently being retained indefinitely, and could be subject to e-discovery requirements.	Emails have been retained since an incident arose where Commissioners lost emails that had been sent to their agency email accounts. At this point, we will work with the Interim President and CEO to ensure that the email record retention policy will hereinafter be followed.	12/31/2015	6/30/2017	In Progress	MLR	Records Retention is waiting on an email retention system. Google Unlimited has been procured.
2013-2014	10/5/2015	Audit of Records Retention	Best Practices	1	Finance and Accounting budget records, titled Budget Working Papers, were withheld from the most recent document destruction and were requested to be retained permanently.	The Records Disposition Schedules (RDS) will be revised to be more specific in order to meet each department's needs. We will meet with department directors and records liaisons from each department before January 2016 to establish the needs of each department and will draft a more specific RDS based on these meetings before July 1, 2016. The updated RDS will adopt guidelines that are in accordance with HUD rules and regulations so long as they are not shorter than state requirements in which case the state requirements will prevail.	12/31/2015	6/30/2017	In Progress	MLR	A Records Coordinator is currently in the hiring process.

Plan Year	Final Report Date	Audit Title	Finding Type	Finding / Observation Number	Finding / Observation Description	Management's Corrective Action Plan	Original Estimated Completion Date	Revised Estimated Completion Date	Status	Officer	Comments
2013-2014	11/25/2013	Audit of Compliance - Quarterly - Non-Profit - Homestead	Best Practices	2	The Rent Roll is maintained as a manual spreadsheet. Incorrect HAP amounts are listed and HAP tenants are not identified (as noted by Findings 9 and 10 above). This manual process provides a greater chance of errors and omissions.	The Non Profit portfolio is very diverse with many different requirements that our current software is not capable of supporting. Since the current software for Non Profit is inadequate, Management has been meeting with the Information Technology Department to identify software that would be beneficial to the Non Profit properties and integrate with the Agency's existing processes and systems. This software would be beneficial for the Non Profit Department and greatly enhance the performance of our properties and would also assist in supporting our programs.	FY 2014-2015	FY 2016/2017	In progress	EH	Property Management Software approved by the BoC in November 2014. Property Management Software to go out through the Request for Proposals process again.
2013-2014	11/25/2013	Audit of Compliance - Quarterly - Non-Profit - Homestead	Internal Control Deficiency	10	The tenant rent subsidy amount listed on the Rent Roll does not match the tenant rent subsidy amount as per the HAP Contract (4 of 18)	The Rent Roll is a manual form so all information has to be entered with another process other than what our computer system is capable of handling. At this time, Non Profit Property Management has to run a HAP payment report from Landlords Corner and manually enter the information into the Rent Roll Report. The Property Managers have been trained to pull the report monthly and update the Rent Roll, as needed. Non Profit is currently working with Information Technology to identify a computer system/application that will meet the needs of the Non Profit properties and integrate with the Agency's current computer applications.	FY 2014-2015	FY 2016/2017	In progress	EH	Property Management Software approved by the BoC in November 2014. Property Management Software to go out through the Request for Proposals process again.
2013-2014	11/25/2013	Audit of Compliance - Quarterly - Non-Profit - Homestead	Internal Control Deficiency	9	The Rent Roll dated July 10, 2013, does not list the all tenants as receiving subsidy (HAP Payments).	The Rent Roll is a manual form so all information has to be entered with another process other than what our computer system is capable of handling. At this time, Non Profit Property Management has to run a HAP payment report from Landlords Corner and manually enter the information into the Rent Roll Report. The Property Managers have been trained to pull the report monthly and update the Rent Roll, as needed. Non Profit is currently working with Information Technology to identify a computer system/application that will meet the needs of the Non Profit properties and integrate with the Agency's current computer applications.	FY 2014-2015	FY 2016/2017	In progress	EH	Property Management Software approved by the BoC in November 2014. Property Management Software to go out through the Request for Proposals process again.
2012-2013	6/15/2015	Risk Management Audit	Best Practice	2	Paperwork related to claims is very paper driven and time intensive to route and obtain the necessary signatures.	Risk has converted two forms to test and use the file management system via cloud storage to improve on efficiency. We will test this process first before proceeding to an electronic signing option.	8/31/2015	N/A	In Progress	EH	

Internal Audit Department Risk Assessment Methodology FY 2017-2018

Introduction

The selection of internal audit topics to be included in the annual audit plan is one of the most important tasks of the internal audit department. If the objectives of the internal audit activity are to be achieved, and if internal audit resources are to be allocated in an effective and efficient manner, this aspect of audit planning must be given very careful consideration. Failure to appropriately select audit topics results in missed opportunities to enhance control and operational efficiency.

The audit universe to which the audit priority plan will be applied will be determined by the chief audit executive (CAE) and designated management personnel. The determination of the audit universe will be based on their knowledge of the organization's strategic plan and company operations, a review of organization charts and functions, and discussions with responsible management personnel. The audit universe will take into account those risk areas audited in the previous fiscal year.

The methodology presented is relatively simple; however, it should suffice to reach reasonable, prudent, and defensible audit topic selection decisions. The following pages (1) describe why risk exposure analysis and audit prioritization are important, and (2) provide the framework for performing the risk exposure analysis and establishing an audit priority schedule.

Risk Exposure Analysis

As used here, risk exposure analysis is a technique used to examine potential internal audit topics and choose topics that have the greatest risk exposure. A risk exposure analysis approach to audit topic selection is important in that it affords a means of providing reasonable assurance that internal audit resources are deployed in an optimal manner, i.e., the audit plan for the internal audit activity allocates audit resources in a manner likely to achieve maximum benefits. To this end, the risk exposure approach provides explicit criteria for systematically selecting audit topics.

Evaluation Framework

In addressing the audit topic evaluation and selection process, internal auditing is confronted with an economic problem, i.e., virtually unlimited potential audits but limited resources. Given a scarcity of audit resources, i.e., manpower, funds, etc., it is important to focus on and conduct audits with the greatest risk exposure.

2. Public Disclosure Implications

Other things being equal, the prospect of significant adverse notoriety, as a consequence of either acts of commission or omission, serves to increase audit interest.

1 2 3 4 5
Noncontroversial Highly Controversial

3. Aligns well with the strategic objectives

Functions and processes that are not believed to align well or assist in the accomplishment of the Agency's strategic objectives increases audit risk.

1 2 3 4 5
Aligns Well No Alignment

4. Increased Senior Management/Commissioner Interest Over Prior Year

Other things being equal, an increase in expressed or implied concern relating to an activity or topic by a member of Senior Management and/or the Board of Commissioners increases audit interest.

1 2 3 4 5
No Change Significant Increase

5. Recent Changes in Personnel/Procedures

Other things being equal, a dynamic environment in terms of personnel or procedures increases the probability of errors and inefficiency occurring, and consequently increases audit interest.

1 2 3 4 5
Static Dynamic

6. Internal and external compliance requirements

Other things being equal, as the internal and external compliance requirements of an area increases, documentation and compliance requirements tend to become more significant. This significance increases the probability of deficiencies and non-compliance, and consequently increases audit interest.

1 2 3 4 5
Not Significant Significant

The key variables considered in the first step are assumed to be general indicators of risk exposure by process. The second step in the analysis is to add the totals for the variables by process to obtain a risk evaluation score. These scores are then combined with the scores from all risk assessment evaluators to obtain a total risk evaluation score for the process.

**RISK EVALUATION - STEP 2
CALCULATION OF RISK EVALUATION SCORE**

Instructions:

Enter the values assigned in Step 1. These values are then combined with the values assigned by each participant in the risk evaluation process.

**SUMMARY
RISK EVALUATION**

<u>Key Variables</u>	<u>Descriptive Value (1-5)</u>
1. Staff time used in the process	_____
2. Public disclosure implications	_____
3. Aligns well with the strategic objectives	_____
4. Increased Senior Management/ Commissioner interest over prior year	_____
5. Recent changes in personnel/procedures	_____
6. Internal and external compliance requirements	_____
RISK EVALUATION SCORE	_____

The risk evaluation factors for all audit topics provide a means of systematically selecting topics to maximize audit effectiveness in developing the annual audit plan.

Once the risk evaluations are complete, they are sorted into four strata by score. The top 10 percent stratum represents high risk. The next 30 percent stratum represents sensitive risk. The third stratum, representing 40 percent of the audit universe, is considered moderate risk. The audit topics in the lowest 20 percent are considered low risk.

The framework for the annual audit plan is then built from samples from these four strata using the following coverage targets. Audit areas considered high risk will be audited 100 percent. The sensitive risk strata will be audited 30 percent. A 15 percent sample will be audited from the moderate risk group, and the low risk group will be audited by selecting a 5 percent sample. The lower risk groups are sampled to see if the rating process is working, to confirm that the levels of risk are appropriately rated, and to look for efficiencies related to excessive controls over low risks.

While the risk model is still subject to the application of good judgment, the individual ratings are documented and subject to critical review and challenge. At each step, the process described has required the evaluator of audit topics to quantify subjective judgments. After the steps described have been carried out, the rank ordering of audit topics should be critically reviewed. Audit management should be hesitant to accept blindly the outcome of this process. The rank ordering should be evaluated to assure that the results coincide with intuitive judgment. The Audit Committee and management must critically evaluate the output of this process; stand back and look at the audit topic ranking and ask, "Does the ranking make sense?" and "Are we comfortable with the ranking?" If this type of "postmortem" is not undertaken, there is danger that the process described could give impractical results. As a consequence of this type of critical review, the audit priority model can be adjusted and refined so that it accurately captures the decision process.