



# Weslaco Housing Authority, Weslaco, TX

## Public Housing Programs - Travel Payments



**To:** David G. Pohler,  
Director, Office of Public Housing, 6EHP

Craig Clemmensen,  
Director, Departmental Enforcement Center, CACB

//signed//

**From:** Kilah S. White,  
Regional Inspector General for Audit, 6AGA

**Subject:** The Weslaco Housing Authority, Weslaco, TX, Paid Travel Costs That Did Not Comply With Federal, State, and Local Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Weslaco Housing Authority, Weslaco, TX.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (817) 978-9309.



**Audit Report Number: 2017-FW-1008**

**Date: June 26, 2017**

**The Weslaco Housing Authority, Weslaco, TX Paid Travel Costs That Did Not Comply with Federal, State and Local Requirements**

## Highlights

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### What We Audited and Why

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We audited the Weslaco Housing Authority, Weslaco, TX, because of issues noted in the Authority's travel while reviewing its independent public accountant's audited financial statements. Our audit objective was to determine whether the Authority complied with Federal, State, and local requirements for its travel payments.

### What We Found

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The Authority paid its commissioners and employees for ineligible, unreasonable, unnecessary, and unsupported travel costs. This condition occurred because the Authority lacked controls and oversight, its staff was intimidated and did not question travelers' costs, and travelers did not understand or disregarded the requirements. As a result, the Authority paid a total of \$23,138 in questioned travel costs.

### What We Recommend

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We recommend that the U.S. Department of Housing and Urban Development's Office of Public Housing require the Authority to support or repay questioned costs totaling \$23,138. We also recommend the Authority adopt travel policies and procedures that comply with Federal, State, and local requirements. In addition, we recommend that the Departmental Enforcement Center take appropriate administrative sanctions and seek civil money penalties against the commissioners.

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# Background and Objective

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The Weslaco Housing Authority was established in 1950 to serve the residents of Weslaco, TX. The Authority's mission is to provide safe, decent, and sanitary housing conditions for very low-income families and to manage resources efficiently. It also promotes personal, economic, and social upward mobility to provide families the opportunity to make the transition from subsidized to nonsubsidized housing.



The Authority's main office in Weslaco, TX

The mayor appoints a 5-member board of commissioners with staggered 2-year terms to govern the Authority. The board is responsible for establishing operating policies and overseeing the executive director, who manages the Authority's day-to-day operations. As shown in table 1, three separate executive directors have led the Authority since the beginning of its 2013 fiscal year.<sup>1</sup> The Authority has 11 employees, including the executive director.

**Table 1:** Executive directors' tenure during the audit period

Date	Name and title
Oct. 2012 to Jan. 2014	Ruben Sepulveda, executive director
Feb. 2014 to Feb. 2015	Francisco Castellano, interim executive director
Mar. 2015 to the present	Ruben Villarreal, executive director

The Authority operates 127 public housing units and administers 484 housing choice vouchers. It received the following funding from the U.S. Department of Housing and Urban Development (HUD) as shown in table 2.

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<sup>1</sup> The Authority's fiscal year runs from October 1 to September 30.

**Table 2:** The Authority’s HUD funding for fiscal years 2013 to 2016

Public housing program	Fiscal year 2013	Fiscal year 2014	Fiscal year 2015
Operating Fund	\$ 434,033	\$ 515,348	\$ 358,036
Capital Fund	303,396	340,918	336,442
Housing Choice Voucher	1,937,050	2,097,517	2,049,152
<b>Total</b>	<b>2,674,479</b>	<b>2,953,783</b>	<b>2,743,630</b>

According to the Authority’s financial statements and supporting information, it charged its travel costs to both travel and training expenses. However, some training did not include associated travel. Combining these expense categories showed that the Authority spent more than it budgeted for travel and training in 2013 and 2014. Further, it increased its travel and training budgeted and actual costs in 2015 as shown in table 3.

**Table 3:** The Authority’s budgeted and actual costs for travel and training

	Fiscal year 2013	Fiscal year 2014	Fiscal year 2015
Budgeted costs	\$ 16,140	\$ 16,160	\$ 42,486
Actual costs	22,892	16,883	38,662
<b>Difference</b>	<b>(6,752)</b>	<b>(723)</b>	<b>3,824</b>

Our audit objective was to determine whether the Authority complied with Federal, State, and local requirements for its travel payments.

# Results of Audit

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## **Finding: The Authority Paid Travel Costs That Did Not Comply With Federal, State, and Local Requirements**

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The Authority paid its commissioners and employees for ineligible, unreasonable, unnecessary, and unsupported travel costs. This condition occurred because the Authority lacked controls and oversight, its staff was intimidated and did not question travelers' costs, and travelers did not understand or disregarded the requirements. As a result, for 14 of 25 travel vouchers reviewed, the Authority paid a total of \$23,138 in questioned travel costs.<sup>2</sup>

### **The Authority Paid Ineligible Travel Costs**

In violation of Federal, State, and local requirements, the Authority paid ineligible travel costs for attendance at a political conference, rental of a condominium and travel to hold a remote board meeting, a family member's travel, rental of a beach house owned by a family member, duplicate travel costs, and other miscellaneous costs. As a result, the Authority paid \$11,172<sup>3</sup> in ineligible travel costs.

#### *The Authority Paid Travel Expenses for Commissioners To Attend an Ineligible Conference*

In violation of Federal cost requirements,<sup>4</sup> the Authority paid travel expenses for commissioners to attend a 2015 conference that did not primarily pertain to public housing. The National Association of Latino Elected and Appointed Officials<sup>5</sup> held this conference event in Las Vegas, NV. Although the interim executive director approved the conference, it did not appear have a public housing focus, and it did not appear reasonable or necessary for the successful performance of the Authority's public housing programs. This travel occurred because the commissioners were able to select and arrange their own travel. When the board proposed to attend the same conference in 2016, a commissioner voted against attendance because the Authority would not benefit from the conference, and no commissioners attended the 2016 training. The Authority paid ineligible travel costs of \$7,115 for the 2015 conference.

#### *The Authority Paid Rental and Travel Costs for an Ineligible South Padre Island Board Meeting*

In violation of Federal cost principles and Texas' Open Meeting Act,<sup>6</sup> the Authority paid for a commissioner's rental of a South Padre Island, TX, condominium, which was used to hold a May 2014 board meeting. It paid additional travel costs for a commissioner to attend this board meeting. The Authority justified the various travel and rental costs by stating that the board held

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<sup>2</sup> See appendix D for the total amount of questioned costs as some costs were questioned in more than one category.

<sup>3</sup> This total is \$2 less than the total of the subfindings due to rounding.

<sup>4</sup> 2 CFR (Code of Federal Regulations) 200.403, 200.404(a) and (d), and 200.432. See appendix C.

<sup>5</sup> The National Association of Latino Elected Officials is a nonpartisan organization that facilitates Latino participation in the political process. Its mission is to mobilize the Latino community to engage in civic life and policies that advance political engagement.

<sup>6</sup> 2 CFR 200.403 and 200.404(a) and (d). Texas Open Meetings Handbook, chapter VIII.B. See appendix C.

a valid meeting. However, South Padre Island is 62 miles from the Authority, the condominium contract prohibited gatherings, and the contract allowed only registered guests at the property, which made the property inaccessible to the general public in violation of Texas law.<sup>7</sup> As a result, the Authority paid \$1,435 in ineligible costs for the rental and travel costs.

*The Authority Improperly Paid for the Travel of a Commissioner and His Spouse*

In violation of Federal cost principles,<sup>8</sup> the Authority paid for the travel costs of a commissioner and his spouse, who had no official connection to the Authority. In July 2013, the commissioner and his spouse traveled to Denver, CO, for a training conference. Although the commissioner was replaced on the board in December 2013, he and his spouse traveled to Las Vegas, NV in February 2014, to accompany other commissioners that were attending training. The Authority should not have paid for his or his spouse's travel costs. In both cases, the Authority's lack of controls over its credit card allowed the commissioner to make reservations and charges to the Authority's credit card without challenge. As a result, the Authority paid \$1,061 in ineligible transportation costs.

*The Authority Paid for Lodging That Violated Conflict-of-Interest Rules*

In violation of Federal conflict-of-interest requirements,<sup>9</sup> the Authority paid for lodging in May 2014 to a commissioner, who rented a South Padre Island, TX beach house from his spouse. The Authority identified the less than arms-length transaction, but it declined to address the appropriateness of the contract with the commissioner. Authority staff indicated that they were intimidated by the commissioner and did not feel it was appropriate to question the commissioner's travel expense. As a result, the Authority paid \$815 for ineligible lodging costs.

*The Authority Improperly Reimbursed a Commissioner Twice for Travel Expenses*

In violation of Federal and local requirements,<sup>10</sup> the Authority reimbursed a commissioner twice for meals and incidental expenses, and reimbursed him for meals for another person and an alcoholic beverage. Initially on February 20, 2015, the commissioner submitted receipts and was paid for meals, meals for another person, and an alcoholic beverage. The Authority should not have reimbursed the commissioner for the meals of another traveler or for alcohol, which totaled to \$105. On March 2, 2015, less than 2-weeks later, the Authority reimbursed the commissioner for a travel allowance of \$100 per day for 4 days (\$400 total) for the same travel. According to the Authority's policy, it would provide an advance travel allowance of \$100 per day for meals and incidental expenses. However, in this instance, it provided the advance after the travel was completed and after it had reimbursed the commissioner for his actual meals and incidentals. The Authority recognized the error but did not address the issue with the commissioner. As a result, the Authority reimbursed the commissioner \$505 in ineligible expenses.

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<sup>7</sup> Texas Open Meetings Handbook, chapter VIII.B. See appendix C.

<sup>8</sup> Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, attachment B, 43.a. See appendix C.

<sup>9</sup> 24 CFR 85.36(b)(3)(ii) and Housing Authority of the City of Weslaco, Personnel Policies and Forms Handbook, 2.23. See appendix C.

<sup>10</sup> 2 CFR 200.404(a) and 200.423. See appendix C.



### *The Authority Paid Ineligible Miscellaneous Travel Costs*

In violation of Federal and local requirements,<sup>11</sup> the Authority paid additional ineligible travel costs from December 2012 to May 2015 for flight upgrade fees and gift shop, bar, and restaurant purchases charged to hotel rooms. In three cases, it also used the wrong Federal per diem rate to calculate advance travel allowances, which resulted in \$60 of overpayments. These issues occurred because travelers did not always submit receipts, the Authority did not question charges posted to its credit card, and its staff made errors. As a result, the Authority paid \$242 in ineligible miscellaneous travel charges.

### **The Authority Paid Unreasonable and Unnecessary Travel Costs**

In violation of Federal requirements, the Authority paid unreasonable and unnecessary lodging, rental car, and other travel costs. These improper costs occurred because the Authority allowed travelers to make their own travel arrangements and did not question costs billed to its credit card. As a result, the Authority paid \$5,185<sup>12</sup> in unreasonable and unnecessary travel costs.

### *The Authority Paid Unreasonable Amounts for Travelers' Lodging*

In violation of Federal and local policy,<sup>13</sup> the Authority paid unreasonable amounts for travelers' lodging as it allowed its commissioners and an employee to select hotels that exceeded the Federal lodging rate and the conference hotel rate. For example, in June 2015, a commissioner traveled to Las Vegas, NV, and chose a non-event hotel for accommodations. His maximum daily lodging rate was \$279, which exceeded the Federal rate by \$183 and the conference hotel rate by \$110. In another example, in May 2014, a commissioner rented a condominium that exceeded the training lodging rate by \$106 per day. On two occasions, an employee selected a hotel that exceeded the Federal lodging rate by \$69. This condition occurred because the Authority allowed travelers to reserve their own lodging and they either did not know the Federal reasonableness requirement or chose not to follow it. Overall, the Authority improperly paid travelers more than \$2,498 by not requiring them to prudently choose their lodging.

### *The Authority Allowed Travelers To Arrive Early and Extend Their Trip*

In violation of Federal policy,<sup>14</sup> the Authority paid unreasonable and unnecessary travel costs by allowing its commissioners and employees to arrive early and depart late from their travel or conference destinations. The Authority paid for the excessive costs because it received travel requests and completed reservations through email and other methods, which resulted in it not being in control of its employees' and commissioners' travel. For example, one commissioner preferred to arrange his own travel because his family members frequently traveled with him. In another example, the Authority reimbursed three employees who extended their stays an additional night at a conference. When they completed their travel and submitted their information to the Authority for reimbursement, it reimbursed them without question. As a

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<sup>11</sup> OMB Circular A-87, attachments A, C.2; and Housing Authority of the City of Weslaco, Personnel Policies and Forms Handbook, 7.44(3) and 7.46. See appendix C.

<sup>12</sup> See footnote 21 in appendix D.

<sup>13</sup> 2 CFR 200.404 and Housing Authority of the City of Weslaco, Personnel Policies and Forms Handbook, 7.46. See appendix C.

<sup>14</sup> OMB Circular A-87, attachment A, C.2; and 2 CFR 200.404. See appendix C.

result, the Authority paid \$1,642 for unreasonable and unnecessary travel costs incurred by its commissioners and employees.

#### *The Authority Paid Unnecessary Rental Car Expenses*

In violation of Federal requirements,<sup>15</sup> the Authority paid a commissioner's rental car expenses in Las Vegas, NV, on three separate occasions: February 2014, March 2015, and June 2015. The Authority's policy allowed for the use of rental cars, and initially the commissioner requested to rent a car. However, the Authority did not properly determine whether the commissioner's use of a rental was prudent or necessary as his request stated that it was for after training and transportation to and from the airport. In these three cases, the training hotel held rooms for the attendees to use, which made a rental car unnecessary. By choosing lodging that was different from the host hotel, the traveler's decision to obtain a rental car was a personal choice, and he should have paid for the car. As a result, the Authority paid unnecessary rental costs of \$1,045.

#### **The Authority Lacked Supporting Documentation for Travel Costs**

For 11 of the 25 travel vouchers reviewed, the Authority could not provide supporting documentation for the amounts that it paid its travelers for meals, incidentals, hotels, and other costs as required by Federal, State, and local requirements.<sup>16</sup>

- For employees, the Authority did not ensure that travelers followed its requirements. In one case, employees did not provide copies of hotel receipts. In another case, the employee had lodging receipts but failed to provide other necessary support, such as a training certificate or conference agenda, for training the employee attended. As a result, the Authority paid unsupported travel costs of \$2,194.
- For commissioners, the Authority did not have support because its local policy conflicted with Federal and State policy.<sup>17</sup> The Authority's commissioners adopted a policy that allowed the commissioners to receive an advance travel allowance of initially no more than \$300, which was later changed to \$100 per day, for meals and incidental expenses. In addition, the Authority's policy required commissioners to submit receipts for only meals and incidental expenses that exceeded the travel advance. This issue occurred because the Authority's local policy violated Federal requirements and contradicted State policy, which required commissioners' travel to be supported by adequate evidence of actual money spent. As a result, it paid unsupported costs of \$8,226.

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<sup>15</sup> OMB Circular A-87, attachment A, C.2; and 2 CFR 200.404. See appendix C.

<sup>16</sup> OMB Circular A-87, attachment A, C.1.a, and C.1.j; 2 CFR 200.403(g); State of Texas Local Government Code 392.035; Housing Authority of the City of Weslaco, Personnel Policies and Forms Handbook, 7.46; and Texas State Attorney General opinion. See appendix C.

<sup>17</sup> 2 CFR 200.403(g); OMB Circular A-87, attachment A, C.1.j; and Housing Authority of the City of Weslaco, Personnel Policies and Forms Handbook, 7.46. Further, according to a Texas State Attorney General opinion, commissioners can only be reimbursed for necessary travel expenses that are supported by evidence of money expended.

In total, the Authority improperly paid \$10,420<sup>18</sup> in unsupported travel costs.

### Conclusion

The Authority paid its commissioners and employees for ineligible, unreasonable, unnecessary, and unsupported travel costs that did not comply with Federal, State, and local requirements. As shown in table 4, the Authority’s commissioners received the majority of the improper travel payments. This condition occurred because the Authority lacked controls and oversight, its staff was intimidated and did not question travelers’ costs, and travelers did not understand or disregarded the requirements. As a result, the Authority paid a total of \$23,138 in questioned travel costs.

**Table 4:** The commissioners’ and employees’ use of travel funds

	Travel costs	Percentage	Question costs	Percentage
Commissioners	\$ 39,748	56%	\$ 20,260	88%
Employees	31,782	44%	2,876	12%
<b>Total</b>	<b>71,530<sup>19</sup></b>		<b>23,136<sup>20</sup></b>	

### Recommendations

We recommend that the Director of the San Antonio Office of Public Housing require the Authority to

- 1A. Repay from non-Federal funds \$11,172 paid for ineligible travel costs of which \$6,904 was Housing Choice Voucher and \$4,268 was operating subsidy funds.
- 1B. Repay from non-Federal funds \$2,946 paid for excessive lodging rates, extra trip days, and car rental costs of which \$1,214 was Housing Choice Voucher and \$1,732 was operating subsidy funds.
- 1C. Support or repay its HUD programs from non-Federal funds \$9,020<sup>21</sup> for unsupported meals, incidental expenses, lodging costs, and travel for training of which \$2,978 was Housing Choice Voucher and \$6,041 was operating subsidy funds.
- 1D. Adopt policies and procedures that contain current Federal and State guidance.
- 1E. Provide training to commissioners and employees on travel requirements and their responsibilities and duties.

We recommend that the Director, Departmental Enforcement Center,

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<sup>18</sup> See footnote 22 in appendix D.

<sup>19</sup> The table contains a \$1 difference in the total amount of travel costs reviewed and the amount reviewed and reported in Scope and Methodology section due to rounding.

<sup>20</sup> The table contains a \$2 difference in the total amount of questioned costs and the amount of questioned costs reported in the finding due to rounding differences.

<sup>21</sup> The two amounts total to \$1 less than the total unsupported amount due to rounding differences.

- 1F. Take appropriate administrative sanctions, including suspension, limited denial of participation, or debarment, against the commissioners.

# Scope and Methodology

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We performed our audit from November 2016 through February 2017 at the Authority's office located at 600 N. Airport Drive, Weslaco, TX. The audit generally covered the period December 2012 through February 2016.

To meet the audit objective, we reviewed

- The applicable Federal cost principles and uniform administrative requirements, HUD program requirements, State requirements, and local policies and procedures. During our audit period, two different versions of Federal cost principles applied: OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, and 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- All 25 travel vouchers paid during our audit period, which totaled \$71,529. The Authority did not provide complete travel packages for 12 of the 25 vouchers. When the Authority could not provide a complete voucher package, we used alternate documentation to determine travel costs.
- Board meeting minutes that addressed the Authority's travel policies.
- The Authority's fiscal year budget and financial data for fiscal years 2013, 2014, and 2015 to identify travel expenses charged to the Authority.
- The Authority's credit card statements to identify and confirm travel expenses charged to the Authority.
- The General Services Administration's Federal traveler per diem rates for the Authority's travel destinations, which included meals and incidental expenses and privately owned vehicle mileage reimbursement rates.

We interviewed

- The Authority's employees and commissioners.
- The Mayor of Weslaco.
- HUD's Office of Public Housing staff.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# Internal Controls

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objective:

- The Authority's controls, including its policies, procedures, and board oversight, to ensure compliance with HUD's and the States travel requirement.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## **Significant Deficiencies**

Based on our review, we believe that the following items are significant deficiencies:

- The Authority's local policy contradicted Federal and State requirements (finding).
- The Authority's commissioners and employees bypassed the controls (finding).
- The Authority lacked control and oversight of its staff and commissioner's travel (finding).

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs**

<b>Recommendation number</b>	<b>Ineligible 1/</b>	<b>Unsupported 2/</b>	<b>Unreasonable or unnecessary 3/</b>
1A.	\$11,172		
1B.			\$2,946
1C.		\$9,020	
<b>Totals</b>	<b>11,172</b>	<b>9,020</b>	<b>2,946</b>


- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ Unreasonable or unnecessary costs are those costs not generally recognized as ordinary, prudent, relevant, or necessary within established practices. Unreasonable costs exceed the costs that would be incurred by a prudent person in conducting a competitive business.

# Appendix B

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments



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June 6, 2017

Kilah S. White  
Regional Inspector General for Audit  
U.S. Department of Housing and Urban Development  
Office of Inspector General  
Office of Audit (Region 6)  
819 Taylor Street, Suite 13A09  
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RE: U.S. Department of Housing and Urban Development, Office of  
Inspector General's Draft Audit Report dated May 19, 2017

Dear Mrs. White:

The Housing Authority for the City of Weslaco (hereinafter referred to as the "WHA") is in receipt of the Draft Audit Report your office issued on May 19, 2017 (hereinafter referred to as the "Audit"). Specifically, the Office of Inspector General (hereinafter referred to as "OIG") audited WHA travel that occurred from December 2012 through February 2016. During this thirty-nine (39) month period, the OIG identified examples of ineligible, unreasonable, unnecessary and/or unsupported travel costs.

The WHA appreciates the opportunity to respond to the Audit. It is the intent of the WHA to provide some insight into the decision-making process leading to some of the areas deemed ineligible, unreasonable, unnecessary or unsupported. At all times relevant, the WHA, its commissioners and employees were acting in good faith and believed their practices fell within all Federal, State and Local requirements.

With respect to certain findings, the WHA has addressed and changed policy that allowed for ineligible, unreasonable, unnecessary or unsupported travel. Likewise, certain commissioners are no longer involved or associated with the housing authority and the WHA has done its best to ensure that its commission is aware of best practices. The current board of commissioners (and those in place since January 2014) have not been provided with or given access to any credit cards (or credit card numbers) belonging to the WHA.

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Comment 1



**Ref to OIG  
Evaluation**

**Auditee Comments**

Comment 1

A full response to the Audit and its findings follows. The WHA looks forward to working with HUD and the OIG to resolve the Audit findings to ensure that such issues never occur again and allow the WHA to serve low-income families.

*The Authority Paid Travel Expenses for Commissioners to attend an Ineligible Conference*

Comment 1

In 2015, three (3) commissioners attended the National Association of Latino Elected and Appointed Officials (“NALEO”) Annual Conference held in Las Vegas, Nevada. NALEO’s primary mission is to increase Latino political participation in the country. NALEO achieves its mission through integrated strategies that include increasing the effectiveness of Latino policymakers, mobilizing the Latino community to engage in civic life and promoting policies that advance Latino political engagement. Historically, the population serviced by the WHA is predominantly Latino/Hispanic. Commissioners requested information from the Interim Executive Director (hereinafter referred to as “ED”) for information regarding this conference and whether attendance at the conference was permissible.

Comment 1

The Interim ED advised the commissioners that training was available as they were appointed officials. Furthermore, the Interim ED advised the commissioners that such travel was encouraged as the NALEO conference would provide the commissioners with education and materials that would allow them to better serve as leaders in the community and better serve the WHA. The commissioners mistakenly relied on the representation of WHA administration that the NALEO conference was permissible.

Comment 1

After reviewing the finding in the Audit, the WHA and its commissioners accept responsibility and will collaborate with OIG and HUD to reach an amicable resolution. To prevent similar issues in the future, the WHA has implemented the following: Travel for commissioners and/or employees must be approved by the WHA Board. All requests for travel by commissioners will include the purpose of the trip, date of meetings/activities, itinerary, anticipated expenses, date of departure and date of return. Upon completion of the travel, a report must be submitted to the Board to demonstrate completion of the purpose of the travel and to share business information with the entire Board of Commissioners. All travel will be booked by authorized WHA staff and all efficient methods of travel will be utilized. This policy will be strictly adhered to without exception. The WHA will collaborate with the OIG and HUD to coordinate the payback/reimbursement as recommended.

*The Authority Paid Rental and Travel Costs for an Ineligible South Padre Island Board Meeting*

Comment 2

In May 2014, WHA commissioners and staff attended a Public Housing Conference in South Padre Island, Texas. Accordingly, all travel accommodations and costs were paid by the WHA as this was an eligible conference that had a public housing focus and was reasonable or necessary for the successful performance of the WHA’s public housing programs. The Interim Executive Director advised the Commissioner that since the WHA was going to hold a board meeting while at the

**Ref to OIG  
Evaluation**

**Auditee Comments**

Comment 2

conference, the WHA would make arrangements for securing and locating a condominium room for the Commissioner so long as the board meeting would take place at the condominium. The WHA located and paid for the location directly. According to the records reviewed by the WHA, the cost of lodging at the condominium was less than the cost of securing a room for the Commissioner at the conference hotel.

Comment 2

After consulting with legal counsel, the WHA properly posted notice for a Special Meeting to take place at South Padre Island, Texas, while WHA commissioners and staff were already at the conference. In anticipation of the meeting, WHA staff coordinated with the condominium management to ensure that the public would have access to the condominium in order to comply with the Texas Open Meeting Act. On the day of the meeting, WHA staff was positioned at the entrance of the condominium with security so that the general public was granted unconditional access to the property to attend the WHA meeting. As proof thereof, WHA staff, WHA commissioners, WHA partners and those presenting at the special meeting were all allowed access to the property in order to attend the WHA special meeting. Many of these individuals were not staying at the condominium, but were nonetheless granted access to attend the WHA special meeting.

Comment 2

After reviewing the finding in the Audit, the WHA respectfully contends that the May 2014 meeting in question was in compliance with the Texas Open Meeting Act. Moreover, it is the position of the WHA that the Authority did not incur any travel or rental costs to have the meeting at this location as the WHA commissioners and staff were already at the location for an eligible conference. To prevent similar concerns in the future, the WHA will conduct a workshop focusing on the Texas Open Meetings Act to ensure continued compliance with all Federal, State and Local regulations. The WHA will work with the OIG and HUD to address the concerns and follow the appropriate recommendations.

*The Authority Improperly Paid for the Travel of a Commissioner and His Spouse*

Comment 1

In July 2013 and again in February 2014, under the direction of former administration, the WHA improperly paid for a commissioner and the commissioner's spouse for travel to a training conference. The WHA was unable to confirm whether the commissioner reimbursed the WHA for travel costs attributed the commissioner's spouse because of the timing of the incidents revealed in the Audit. The WHA's error in paying travel costs for a commissioner's spouse was a result of prior policies and procedures, lack of oversight and were not in line with Federal, State and Local regulations. With respect to credit card use and access, the WHA has taken corrective action since the date in question. Specifically, commissioners do not have access to WHA credit card information and only WHA designated staff is authorized to use credit cards for official WHA business.

Comment 1

After reviewing the finding in the Audit, the WHA accepts responsibility and will collaborate with OIG and HUD to reach an amicable resolution. To prevent similar concerns in the future, the WHA has implemented the following: Travel for commissioners and/or employees must be approved by the WHA Board. WHA will not

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advance or in any way pay for the travel of any individual not associated with the WHA. All requests for travel by commissioners will include the purpose of the trip, date of meetings/activities, itinerary, anticipated expenses, date of departure, and date of return. Upon completion of the travel, a report must be submitted to the Board to demonstrate completion of the purpose of the travel and to share business information with the entire Board of Commissioners. All travel will be booked by authorized WHA staff and all efficient methods of travel will be utilized. This policy will be strictly adhered to without exception. The WHA will collaborate with the OIG and HUD to coordinate the payback/reimbursement as recommended.

*The Authority Paid for Lodging That Violated Conflict-of-Interest Rules*

Comment 3

In May of 2014, the WHA authorized attendance and travel and rental expenses for commissioners and staff to attend a training conference in South Padre Island, Texas. WHA staff was not able to secure hotel accommodations for all the commissioners or staff at the on-site hotel because the hotel was fully booked with other conference attendees. Accordingly, the WHA sought out other comparable accommodations for its commissioners and staff. One of the commissioners was able provide the WHA with alternative housing information for the training conference. Although the commissioner's spouse was the booking agent and contact person for the housing arrangements, the commissioner specifically advised WHA staff that neither the commissioner nor the commissioner's spouse owned the property.

Comment 1

The commissioner asked the Interim ED and WHA staff if such arrangements were permissible. The Interim ED and/or WHA staff advised the commissioner that there was not any violation of regulations because neither the commissioner nor the commissioner spouse owned the property to be rented by the WHA. However, instead of issuing payment directly to the owner of the property, WHA staff issued payment for the rental to the commissioner's spouse. The commissioner's spouse then paid that amount to the owner of the property. At no time did the commissioner ever threaten or manipulate any WHA staff member.

Comment 1

After reviewing the finding in the Audit, the WHA and the commissioner accept responsibility and will collaborate with OIG and HUD to reach an amicable resolution. In order to prevent similar concerns in the future, the WHA has implemented policies and procedures to ensure that conflict of interest rules are not violated. This policy will be strictly adhered to without exception. The WHA will collaborate with the OIG and HUD to coordinate the payback/reimbursement as recommended.

*The Authority Improperly Reimbursed a Commissioner Twice for Travel Expenses*

Comment 1

In February 2015, a commissioner and the Interim ED traveled to attend a training conference in San Antonio, Texas. At the request of the ED, the commissioner paid out of pocket for the commissioner's meals and for the Interim ED's meals. At the direction of the Interim ED, the commissioner submitted his receipts for the expenses and for reimbursement. Unfortunately, the receipts inadvertently included expenses for alcoholic beverages. The WHA issued payment to the commissioner for the full amount

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on the receipts in order to reimburse out of pocket expenses incurred. In March 2015, the WHA then issued payment to the commissioner for the travel allowance he would have been entitled to for the February 2015 travel.

After reviewing the finding in the Audit, the WHA and the commissioner accept responsibility and will collaborate with OIG and HUD to reach an amicable resolution. In order to prevent similar issues in the future, the WHA has implemented policies and procedures to ensure that travel allowances and/or per diem are in accordance to Federal, State and Local regulations. It is the continued policy of the WHA that travel costs related to alcoholic beverages or individuals not associated with the WHA are not eligible for reimbursement. The WHA will provide its staff and commissioners with the additional training and education to ensure future compliance. The WHA will collaborate with the OIG and HUD to coordinate the payback/reimbursement as recommended.

*The Authority Paid Ineligible Miscellaneous Travel Costs*

Comment 1

From December 2012 to May 2015, the WHA erroneously paid miscellaneous travel costs for commissioners and staff totaling \$242. The WHA has reviewed the prior practices that allowed for such payment and eliminated this component from their policies and procedures. Specifically, the WHA has adopted policies and procedures to ensure that all travel payments are in accordance to Federal, State and Local regulations. The WHA plans to offer additional training and education to ensure future compliance. The WHA will collaborate with the OIG and HUD to coordinate the payback/reimbursement as recommended.

*The Authority Paid Unreasonable Amounts for Traveler's Lodging*

Comment 1

In different instances during the Audit period, the WHA paid travelers above the Federal rate allowed for lodging. In one example noted, a commissioner traveled to a training conference. Prior to the event, the commissioner stated that the ED granted the commissioner the ability to pay out of pocket for lodging at an off-site hotel and then to be reimbursed by the WHA for whatever was allowable. The ED informed the commissioner that such practice was permissible and that the WHA would reimburse the commissioner for at the conference rate for housing once the commissioner submitted the appropriate receipts. The commissioner paid out of pocket for lodging and then submitted receipts in order to be reimbursed. However, the WHA reimbursed the commissioner for the entire amount, not just the reimbursable amount. This error on behalf of the WHA and the commissioner resulted in payment above the Federal rate allowed for lodging.

Comment 1

After reviewing the finding in the Audit, the WHA and the commissioners accept responsibility and will collaborate with OIG and HUD to reach an amicable resolution. In order to prevent similar concerns in the future, the WHA has implemented policies and procedures to ensure that travel costs are in accordance with Federal, State and Local regulations. Pursuant to new policy, the WHA now handles all travel accommodations for commissioners and staff and strictly adheres to the GSA rates based on location.

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Comment 1

The WHA will collaborate with the OIG and HUD to coordinate the payback/reimbursement as recommended.

*The Authority Allowed Travelers to Arrive Early and Extend Their Trip*

Comment 4

In different instances during the Audit period, the WHA paid travel costs that allowed commissioners and/or staff to arrive early or extend their trip. A review of travel has revealed that the practice was utilized to allow for cost effective travel. Specifically, the WHA is located in deep South Texas, therefore airline travel is limited in availability and oftentimes more expensive. Therefore, WHA travelers would sometimes have to travel a day earlier or leave a day later in order to get the best price. The WHA is actively pursuing avenues to ensure that its travel arrangements adhere to Federal standards of cost efficiency.

Comment 1  
Comment 4

After reviewing the finding in the Audit, the WHA and the commissioners accept responsibility and will collaborate with OIG and HUD to reach an amicable resolution. In order to prevent similar issues in the future, the WHA has implemented policies and procedures to ensure that travel costs are in accordance with Federal, State and Local regulations. This policy will be strictly adhered to without exception. The WHA will collaborate with the OIG and HUD to coordinate the payback/reimbursement as recommended.

*The Authority Paid Unnecessary Rental Car Expenses*

Comment 1

The Audit revealed that the WHA paid commissioners for unnecessary rental car expenses. The WHA's travel policy permits rental car expenses to be a reimbursable travel cost. In the example identified, prior written permission was sought and obtained by the commissioner from the ED before any expense was incurred. Specifically, the commissioner asked the ED whether a rental car was a reimbursable expense and the ED advised the commissioner in writing that it was reimbursable. Accordingly, the commissioner incurred the cost, submitted receipts and was reimbursed.

Comment 1

After reviewing the finding in the Audit with the OIG, the WHA and the commissioners accept responsibility and will collaborate with OIG and HUD to reach an amicable resolution. In order to prevent similar issues in the future, the WHA has implemented policies and procedures to ensure that travel costs for rental cars are in accordance with Federal, State and Local regulations. Specifically, a rental car expense must be found to be prudent and/or necessary. The WHA will collaborate with the OIG and HUD to coordinate the payback/reimbursement as recommended.

*The Authority Lacked Supporting Documentation for Travel Costs*

Comment 1

The Audit revealed that the WHA lacked supporting documentation for 11 of the 25 travel vouchers that it paid its travelers for meals, incidentals, hotels, and other costs as required by Federal, State, and local requirements. The WHA is a high performing agency with a great group of dedicated employees that are committed to work diligently

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to remedy all deficiencies that have resulted from this Audit. The WHA will take great measures to ensure the following:

- Internal controls by management will be governed with the organization's mission, goals, and objectives to its highest regard
- The WHA will work stringently to manage its operations effectively and efficiently by ensuring financial spending is closely monitored
- Through extensive training and education, compliance with all applicable laws and regulations will be mandated
- The travel policy has been ratified to ensure it adheres to Texas Law and will be followed without exception or deviation
- Strict monitoring and controls have been put in place to avoid any misuse of agency monies (i.e. a spreadsheet detailing all expenses with receipts will be mandated by all board members traveling for any conference or training)
- As the Interim Executive Director, I will propose a workshop to review Board Policy and make certain it is understood and strictly adhered to. Any questions or concerns will be addressed and remedied.
- I will propose bringing in a consultant to give an in-depth training on 2 CFR Part 200, Cost Principles for State, Local, and Indian Tribal Governments, 24 CFR Part 85 – Section 36: Procurement, and a brief overview and understanding of State of Texas Local Government Code adherence
- The WHA will collaborate with OIG and HUD to identify the full extent of costs that will be required to be repaid and outline a means to get repayment from its commissioners and staff.

**CONCLUSION**

Comment 1

The WHA does not seek to make any excuses for its prior actions. The WHA's intent was to incur travel costs that were permissible and were cost effective, unfortunately because of oversight, lack of training and/or lack of enforcement, some travel costs conflicted with Federal, State and Local requirements. More importantly, they directly contradict the values and principals of the WHA. The current WHA administration and commissioners are dedicated to make continued strides and implement policies and procedures to prevent similar findings in the future. Such commitment includes training and education to ensure compliance. The current board of commissioners (and those in place since December 2013) did not have access to credit cards (or credit card numbers) belonging to the WHA. It is unknown what access staff or commissioners had to credit cards prior to that time.

Comment 1

It is important to note that for the past several years the WHA has been identified by HUD has a "High Performer" and takes great pride in that accolade. The WHA will continue to strive for excellence in order to best serve the residents and its community. Through its actions and initiatives, the WHA will also work hard to address all the

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concerns identified in the OIG's Draft Audit Report to ensure uninterrupted services for all its tenants. Lastly, the WHA looks forward to working with the U.S. Department of Housing and Urban Development and with the Office of Inspector General to resolve the recommendations made in the Draft Audit Report.

Respectfully,



George Pina  
Interim Executive Director  
Weslaco Housing Authority

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## OIG Evaluation of Auditee Comments

- Comment 1 The Authority and its commissioners accepted responsibility and stated they would collaborate with HUD to reach a resolution. The Authority stated it had implemented a new policy for travel.
- We acknowledge the Authority and its commissioners taking responsibility. HUD's Office of Public Housing will need to confirm that the Authority's new policy is implemented and effective.
- Comment 2 The Authority contended that the May 2014 board meeting was in compliance with the Texas Open Meeting Act (Act). It said that it coordinated with the condominium management to ensure that the public would have access to condominium in order to comply with the Act. It also said that it held the meeting in conjunction with a training conference held at South Padre Island and that the condominium cost less than a room at the conference hotel.
- Although the Authority stated it took action to allow public access, holding a board meeting at a South Padre Island resort condominium 62 miles away from the community it served was not prudent. The Authority incurred significant additional costs to hold the meeting. It allowed two employees and four commissioners to extend their stay an additional night at the conference hotel or a condominium and a fifth commissioner spent the night to attend the meeting, which totaled to \$1,575. In addition, the condominium rental cost \$89 per day more than the conference hotel. Further, the Authority did not provide board meeting minutes for this special meeting.
- Comment 3 The Authority stated the commissioner notified the Authority's staff that neither he nor his spouse owned the condominium in which the Authority held the May 2014 board meeting.
- The contract the Authority paid was between the commissioner and his spouse, and the spouse was listed as the owner of the property.
- Comment 4 Although the Authority accepted responsibility for the unreasonable and unnecessary costs incurred by arriving early and leaving late, it noted that used these practices because they were cost effective. It stated it paid travel costs for commissioners and staff to extend their trips because air travel was limited due to the Authority's location.
- We acknowledge the Authority accepting responsibility. However, we disagree that these practices were cost effective and solely due to limited air travel options. For example, on a Las Vegas trip, attended by both staff and commissioners, two staff returned at the end of the conference and two commissioners extended their stay for an additional day, resulting in excessive travel costs.



## Appendix C

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### Criteria

#### **2 CFR Part 200 - Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards**

##### **Subpart E - Cost Principles**

##### **Section 200.403: Factors affecting allowability of costs.**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...
- (g) Be adequately documented.

##### **Section 200.404: Reasonable costs.**

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award...
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award...
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.

...

##### **Section 200.423: Alcoholic beverages.**

Costs of alcoholic beverages are unallowable.

...

##### **Section 200.432: Conferences.**

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-federal entity and is necessary and reasonable for successful performance under the Federal award. Allowable conference costs paid by the non-Federal entity as a sponsor or host of the conference may include rental of facilities, speakers' fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award. As needed, the costs of identifying, but not providing, locally available dependent-care resources are allowable. Conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award.

## **Office of Management and Budget (OMB) Circular A-87 - Cost Principles for State, Local, and Indian Tribal Governments**

### **Attachment A - General Principles for Determining Allowable Costs**

#### **C. Basic Guidelines**

1. *Factors affecting allowability of costs.* To be allowable under Federal awards, costs must meet the following general criteria:
  - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards...
  - j. Be adequately documented.
2. *Reasonable costs.* A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

#### **Attachment B - Selected Items of Cost**

##### **43. Travel costs**

- a. *General.* Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit.

## **24 CFR Part 85 - Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Federally Recognized Indian Tribal Governments**

### **Section 36: Procurement**

#### **(a) Procurement standards...**

- (3) Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer, or agent of the grantee or subgrantee shall participate in selection, or in the award or administration of a contracted supported by Federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when:
  - (i) The employee, officer or agent,
  - (ii) Any member of his immediate family,
  - (iii) His or her partner, or
  - (iv) An organization which employees, or is about to employ any of the above, has a financial or other interest in the firm selected for award...

## **State of Texas Local Government Code**

Section 392.035, *Compensation.* A commissioner of a housing authority may not receive compensation for service as a commissioner. A commissioner is entitled to receive reimbursement for the necessary expense, including traveling expenses, incurred in the discharge of duties as a commissioner.

## **Texas Open Meetings Handbook 2014**

### **Chapter VIII. Open Sessions**

#### **B. Location of the Meeting**

The Act requires a meeting of a governmental body to be held in a location accessible to the public.

## **Housing Authority of the City of Weslaco**

### **Personnel Policies and Forms Handbook**

#### *2.23-WHA [Weslaco Housing Authority] Ethics and Agency Compliance Policy*

##### **I. General**

1. Conduct all aspects of WHA's business in an ethical and strictly legal manner. Obey the laws and regulations as they pertain to WHA's program, the City of Weslaco, State of Texas, and the United States of America.
2. You are responsible for your actions. No one will be excused for misconduct directed or requested by another...
8. Employees should avoid conflicts of interest. A conflict of interest or violation of trust exists when employees engage in an activity that benefits them personally at the expense of the WHA or is harmful to the WHA. An action may constitute a conflict of interest without being in violation of any laws, rules, or regulations. Example of conflict of interest include:  
...
  - b. Accepting commissions, services, preferential treatment, excessive entertainment or travel, gifts of more than nominal value, a share of profits, or other payments from organizations doing business with or seeking to do business with WHA.
  - c. Selling or leasing property, facilities, or equipment from or to the WHA or any organization or individual doing business with or seeking to do business with WHA.

#### *7.44-WHA Expense Reimbursement Guidelines*

3. Employees must provide receipts for all meals and incidental expenses (M&IE) in excess of the amount allowed by the U.S. General Services Administration (GSA) for designated primary destination...If the employee exceeds this amount and desires reimbursement, he/she will have to submit a travel expense report with receipts attached for the overage.  
...

#### *7.46-WHA Out-of-Town Travel Policy (Revised 05/05/2010)*

Employees and commissioners who travel on out of town business or to attend conventions or continuing education programs must comply with this travel policy in order to be reimbursed for expenses incurred in traveling out of town...

Booking of air travel for staff and commissioners will be made by the Operations Director or her/his designee as far in advance as possible to obtain the least expensive tickets. Only coach travel is permitted. Employees or commissioners who choose to upgrade to a higher class of service will be required to bear any upgrade fees.

Employees and commissioners should stay in a hotel that is at or in close proximity to where the event will take place. If possible, the Operations Director or her/his designee shall secure said hotel far in advance to obtain the best rates...

Employees will be provided per diem in accordance with GSA (U.S. General Services Administration) standards for meals and incidental expenses (M&IE). Commissioners are not entitled to per diem per Texas Law. However, they may request an advance of no more than \$300 for M&IE. Any advance to a Commissioner for M&IE will be based on GSA standards.

When renting a vehicle, discretion should be given to the size and price. If a group travel is involved, use of taxi or shuttle shall be considered.

An employee or commissioner must attach receipts to an expense reimbursement form when the costs for M&IE exceed the per diem advance that was issued to him/her. Employees and commissioner should use caution when paying for M&IE. Otherwise, if upon review of the expense reimbursement form, it is found, that, in the opinion of the reviewer, a payment or payments for a submitted amount(s) is/are not reasonable or said amount(s) was/were not made during actual travel, reimbursement will not be approved.

## Appendix D

### Questioned Travel Vouchers

Location	Date (month -year)	Total cost	Total questioned	Ineligible	Unreasonable or unnecessary	Unsupported
1. San Antonio, TX	12/2012	\$ 813	\$ 186	\$ 33	\$ 153	
2. Washington, DC	03/2013	2,691	671		371	\$ 300
3. Las Vegas, NV	03/2013	1,570	320	20		300
4. Denver, CO	07/2013	4,203	1,097	497		600
5. Cleveland, OH	10/2013	2,148	650		224	426
6. Las Vegas, NV	02/2014	6,070	2,010	627	483	900
7. San Antonio, TX	05/2014	513	513			513
8. South Padre Island, TX	05/2014	6,899	4,996	1,565		3,431
9. San Antonio, TX	07/2014	1,070	250			250
10. San Antonio, TX	12/2014	1,231	170	17	153	
11. San Antonio, TX	02/2015	5,774	519	519		
12. Las Vegas, NV	03/2015	8,214	1,846	84	762	1,000
13. South Padre Island, TX	05/2015	7,782	2,795	695	800	1,300
14. Las Vegas, NV	06/2015	7,115	7,115	7,115		
<b>Total</b>		<b>56,093</b>	<b>23,138</b>	<b>11,172</b>	<b>2,946<sup>22</sup></b>	<b>9,020<sup>23</sup></b>

<sup>22</sup> We removed \$2,240 because we questioned the amount in unsupported and ineligible costs.

<sup>23</sup> We removed \$1,400 because we questioned the amount in ineligible costs.