

City of Hutto, Texas
Responses to Questions from City Council

Individual	Question	Category	EB Response
Dan Thornton	<p>There is a p card purchase for \$60 from Adult Friend Finder</p> <p>Their web site describes Adult Friend Finder as “World’s Largest Sex Dating & Swinger Community” along with further extensive descriptions of the adult/sexual nature of the site.</p> <p>How was this not considered an inappropriate use of a p card? Who made this purchase? With one presumably inappropriate purchase, I would expect very strict scrutiny on all other charges by this card holder.</p>	P-Cards	This transaction was made by Hutto Police Sergeant Brady Staples on behalf of Catherine Parker. The description is "CIU Adult Friend Finder subscription Det. Parker". After review of supporting documentation, this charge appears to be related to investigative use for the police department.
Dan Thornton	<p>Workpaper 3 shows a “FRAUD CREDIT” of \$1942.33 in December followed by a “FRAUD REBILL” of \$1929.09 in January. Please provide some detail around this as it seems like an odd sequence of transactions. Did someone claim fraudulent charges were made in one month only to have their claim rejected the next month? What charges were reported as fraudulent?</p>	P-Cards	These transactions took place on Sharon Parker’s p-card from November 7, 2019 through December 17, 2018. The initial "fraudulent" charges took place on November 7th. The vendor refunded the transactions on November 8th. The credit card company also refunded the transactions on November 16th. The rebill was due to both the vendor and the credit card company issuing refunds. All transactions net to \$0.00 .
Dan Thornton	<p>There are numerous p card payments to various PayPal accounts. Were you able to verify these were legitimate charges to real businesses for appropriate expenses? If so, can you please explain how that process works for PayPal vendors? I find it extremely difficult to determine who many of those vendors are or what products or services they provided.</p>	P-Cards	Receipts and supporting documentation were examined for PayPal charges. PayPal is not an uncommon method of payment for businesses and municipalities. A majority of these transactions were for vendors such as Texas Municipal League and other professional associations. The highest paid PayPal vendor "PayPal *512Enterpri" is actually Centex Signworks and was for signs for the Parks department. It is not uncommon for PayPal names to not match the vendor names. There were some PayPal purchases made by Dwain Jones that were personal in nature, but re-paid to the City. These transactions totaled \$313.57 and supporting documentation can be provided upon request if necessary.
Peter Gordon	<p>Where is the \$2.4M shortfall from the reserve fund? That was the whole reason we requested the audit and is acknowledged in the introductory paragraphs, but it is nowhere addressed in the audit.</p>	Budget	Although the budget shortfall was predication for the forensic audit, the scope of our forensic examination was specific to City spending, which include proper approvals, and testing for indications of fraud or other questionable activity. Examination of the City’s coding and accounting of each transaction was not included as part the the scope proposed to the City at the April 16th City Council meeting.
Peter Gordon	<p>I would like to know whether the City Manager approving his own expense reports was a red flag? If so, what is the standard practice in the industry? Would the CM be expected to have a subordinate approve his expense reports? A group of subordinates? The City Council?</p>	Policies	It is not uncommon for individuals in top positions within entities to review and approve their own purchases. However, in the case of City Governments, we are not aware of a standard practice. We identified these items in our examination to acknowledge the extent in which they were occurring.
Peter Gordon	<p>For all of the expense reports that were self-approved, were receipts attached for all of them? If not, which self-approved reports also had no documentation?</p>	P-Cards	There are 13 self-approved transactions totaling \$337.46 without receipts. All for Odis Jones. These would be included in the missing receipts section.
Mike Snyder	<p>paragraph 2 of the intro discusses the city reported a general fund balance decrease of \$2,392,689. Page 89 (83 page number) of the 2019 CAFR shows an increase in revenues of \$173,612, so any shortage couldn’t be a revenue issue. There is \$807,797 in increased expenditures above and beyond what was in the budget, as may have been amended. Where did the \$808k go? Also, there is a transfer out of \$1,084,707. What is that? Did it follow charter or any laws?</p>	Budget	Although the budget shortfall was predication for the forensic audit, the scope of our forensic examination was specific to City spending, which include proper approvals, and testing for indications of fraud or other questionable activity. Examination of the City’s coding and accounting of each transaction was not included as part the the scope proposed to the City at the April 16th City Council meeting.

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Mike Snyder	<p>paragraph 3 of the intro states that "specifically, our examination primarily focused on the following areas: "P-Card".</p> <p>5,179 charges of \$882,428.85 were made. That seems awfully excessive. 104 cardholders. The avg charge of each cardholder, per month was \$707.07. Can we get a list of the 5,179 charges with payee, cardholder name that made the charge and the amount?</p>	P-Cards	In many City Governments, the preferred method of payment is through use of p-cards due to their controls (such as daily/monthly limits and ability to restrict certain categories of purchases), so the number/amount of p-card charges is not uncommon. Additionally, Workpapers 3 and 4 provide summarized data by both vendor and cardholder that should help illustrate the spending for you. However, a detailed list of all 5,179 charges can be made available.
Mike Snyder	<p>Analysis section of P-card transactions talks about the examination by frequency and amount for questionable activity. With that said, was any consideration made to Figure 3, regarding Odis Jones? Ashley has a consistent amount through 8 months. Odis though, has nothing from Sept 2019-February 2019, then starting in March and progressively increasing until the end of the year. It seems odd to me that a person would go 6 months, no violations, then finish the year with 187 of the 239 or 78% of the questionable approval forms. Also, from a \$\$ look, Odis had \$38,650.89 of the \$51,451.12 or 73% of the amount.</p>	P-Cards	According to Ted Smith (Odis's attorney), "Mr. Jones provided receipts to his Executive Assistant who would complete the p-card expense sheets and then turn them over to the Finance Department for reconciliation and approval." We do not have any information regarding why there was an increase of transactions without receipts at the end of the year.
Mike Snyder	<p>Analysis of bank disbursements show 3,837 disbursements totaling just over \$66.0M. In the transfer analysis has transfers between accounts totaling just under \$164.0M. Workpaper 2 shows what look like to me money moving back and forth from one account to another. At any point, was bond money used (which is restricted) for other purposes and then "paid" back at another point? I ask because transfers are almost 3x what disbursements.</p>	Bank	Examination of the City's revenues, such as bond money, was not included as part the the scope proposed to the City at the April 16th City Council meeting. We are unable to say, definitively, if certain funds spent were "bond" funds without verifying the source of the deposit and the coding within the City's accounting. However, in May 2019, 6.9 million was transferred from a bank account labeled "2019 Parks Taxable Go Bonds" to Hutto's operating account to purchase land from Hutto Highway 79 which was approved by City Council on October 4, 2018. Money was transferred back from other accounts that same month.
Mike Snyder	<p>back to p-cards, in your experience, what is a best practice for the approval of a City Managers expenses? What is Hutto's policy? Is it normal for the CM to have subordinates signing off on expenses? It seems at best, to put the subordinate in a conflict</p>	P-Cards	There is no specific policy pertaining to who approves the City Managers p-card statements. Odis stated that the CFO approved his P-card purchases and the Finance manager reviewed and reconciled them. This, or having a City Council member review the City Manager's p-card statements, would be an acceptable practice for mitigating fraud.
Mike Snyder	<p>Analysis of payroll data. Is it your all's finding ms that ONLY 33 employees received raises? Did any receive less than 5.26%? Also, we're these raises or position changes.</p> <p>Can you all see where any of the raises and/or position changes were budgeted, as may have been amended. I understand that Hutto had no formal policy for compensation adjustments, but there are policies for budgets.</p>	Payroll	Our report reflects individuals who received raises greater than 5% in fiscal year 2019. We will adjust the phrasing in the report to clarify this. Additionally, we will add a workpaper reflecting all raises, which will reflect changes in position titles. The budget amendments did not reflect breakdowns for wages/payroll.
Mike Snyder	<p>Several of the employees are classified incorrectly by their positions in Figure 5. Is that a mistake on your part? Or, is this the information that was sent to you. For example, Fraley, Evan Summer was never Asst Chief of Police to anyone's knowledge.</p>	Payroll	This was information that was sent to us. We received verified job titles and will update the report accordingly.

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Mike Snyder	Figure 5 top overtime. Can you all add to the chart what percent of total compensation the overtime ended up being? 10% of pay or 50% of pay?	Payroll	Would the percentage be based on the total payroll for the employee, or the yearly salary/wage for the employee. Seasonal employees, or other employees who only worked a portion of the fiscal year, may show a large percentage using this method and may be misleading.
Mike Snyder	Figure 6, was Anthony Host the only employee with a "letter"? Are bonuses allowed by law that you know of?	Payroll	Anthony Host was the only one where a letter was identified. Host also was the only one receiving "Merit Pay". We defer any legal questions to your legal counsel.
Mike Snyder	Cottonwood Development Corporation, B. Butler Equity Holdings, which account did the \$4,516,222.63 come out of. It is my understanding that Cottonwood has a lien on the property from Butler. The deeds I've seen show the land purchased from the Weiss family by Hutto, then transferred to Cottonwood and Butler loaning money to Cottonwood for the land.	Butler Property	This transaction occurred in FY2020 and was outside of our scope. We do not have documents available to answer this question.
Mike Snyder	Internal Control recommendations. You state "the internal controls in place were occasionally circumvented". Please elaborate. How they were and what policies. You go on to state that "employees also believe that much of these issues have been rectified and internal controls are currently being followed". Who were the employees "circumventing" the policies? It seems crazy that we'd go from an environment where people are circumventing policies and now they are following them, but CC has no idea who, what and why things were going on.	Internal Control Recommendations	The occasional circumventing of internal controls is based on the findings identified in our report (e.g. missing approvals). Based on interviews conducted, many employees believe internal controls are better enforced/adhered to now than in fiscal year 2019.
Mike Snyder	several questions on bank disbursement summary: — Timothy D. Jordan, what were those expenditures? Was he an employee of the city?	Bank	Timothy Jordan was identified as the Economic Development Coordinator for the Hutto EDC.
Mike Snyder	— Little Ebenezer Baptist Church, what was the \$50,000 for?	Bank	This was approved by the City Council on February 7, 2019. The meeting minutes state "Consideration and possible action authorizing the City Manager to pay Little Ebenezer Baptist Church \$50,000.00 pursuant to the PID agreement regarding Meritage Homes and Cross Creek.
Mike Snyder	— Atmore, Edena, total pay is \$25,187.85 is less than what her Separation agreement was for. Why the discrepancy?	Bank	Please review the examination of severance letter issued in October 2020.
Mike Snyder	— several council members have payments that look like could be expense reimbursements. Did these follow Charter?	Bank	Please specify the payments you are referring to. Any charter questions would be deferred to your legal counsel.
Mike Snyder	— Ohio Child Support Payment Central, what is this?	Bank	This is a child support payment (garnishment) deducted from employee wages.
Mike Snyder	— Federal Express, January has an almost \$8,000 charge, what is the back up on that?	Bank	To clarify, the amount is made up of multiple payments under a purchase order approved for \$10,000. We received proper approval documentation for these transactions along with invoices. The invoices are lengthy and itemize many shipping charges for "City of Hutto/Development"
Mike Snyder	— Wehmeier, James has a total payment of \$4,083.29. This is a lot lower than what his separation agreement was for.	Bank	Please review the examination of severance letter issued in October 2020.
Mike Snyder	— cash, does this mean that people just get cash? \$605 for the year?	Bank	\$605.00 of cash was withdrawn for the year for various petty cash reasons.
Mike Snyder	P-card charges — Amazon, what have we spent \$53k on?	P-Cards	Amazon is a common vendor. Various departments purchase various items from Amazon. Although we reviewed supporting documentation for questionable activity, we did not record every item purchased. Any findings for Amazon would be included in our draft report.
Mike Snyder	— Tractor Supply?	P-Cards	Various purchases such as flooring for Police wellness center, less lethal targets, and water well supplies.

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Mike Snyder	— Adult Friend finder, who had that charge	P-Cards	This transaction was made by Hutto Police Sergeant Brady Staples on behalf of Catherine Parker. The description is "CIU Adult Friend Finder subscription Det. Parker". After review of supporting documentation, this charge appears to be related to investigative use for the police department.
Mike Snyder	— Pandora internet radio	P-Cards	1 charge for Pandora by Jessica Bullock for \$59.42. Proper approvals made.
Mike Snyder	— Craigslist	P-Cards	1 charge for Craigslist by Michelle Lukes (HR/Recruiting) for \$35.00. Proper approvals made.
Mike Snyder	Net p-card charges by cardholder, is there a policy for who gets a p-card? I ask because there are a couple of executive asst who had one with pretty high charges.	P-Cards	The policies do not state specific restrictions on who may or may not have a p-card.
Mike Snyder	Page 172 there is an invoice that appears to show that the city of Hutto paid \$135,000 to Core 35 (12/5/19). The next page is a letter stating that Cottonwood creek would pay the \$135,000 upon the sale of PID bonds. Can you confirm who paid the money. I do not know if any bonds that were sold.	Butler Property	It appears the City of Hutto Wells Fargo Operating account no. paid this invoice. This information is outside of our scope since it occurred during FY2020 and was not examined in depth.