

May 2015



Special Request Results

Why We Did This Report

This memo responds to a request from Council Member Zimmerman regarding whether Foundation Communities used funding from the City to campaign for the 2012 and 2013 affordable housing bond propositions.

What We Did

To complete this special request, we:

- interviewed employees of Foundation Communities and two City departments that provide funding to the organization;
- reviewed Foundation Communities' financial records and identified how the organization accounts for funds received from the City; and
- reviewed expenditures of City funds by Foundation Communities to determine whether the funds were used for affordable housing bond campaign purposes.



For more information on this or any of our reports, email
oca_auditor@austintexas.gov

SPECIAL REQUEST REPORT – REVIEW OF FOUNDATION COMMUNITIES, INC. EXPENDITURES

BACKGROUND

During the period August 2012 through December 2013, the City of Austin (City) had 6 active contracts with Foundation Communities, Inc. (Foundation Communities) totaling \$9.6 million, including 3 loan agreements and 3 social service contracts. During this period, the City paid Foundation Communities \$4.2 million for construction and service cost reimbursements, as well as property acquisition costs related to these contracts.

In November 2012, the citizens of Austin voted on a bond proposition for affordable housing (\$78 million). This proposition failed and a second affordable housing bond proposition was put on the ballot for November 2013 (\$65 million). Austin voters approved the second proposition.

OBJECTIVE AND SCOPE

Our objective was to determine if Foundation Communities used funding provided by the City to support campaigning for the November 2012 and November 2013 affordable housing bond propositions.

The scope of this review included expenditures of funds by received from the City by Foundation Communities from August 1, 2012 through December 31, 2013.

WHAT WE FOUND

Foundation Communities did not use funding from the City to pay for campaign activities related to the 2012 and 2013 affordable housing bond propositions. We determined that Foundation Communities receives funding from several sources, such as private donations, in addition to payments from the City. Foundation Communities used those other sources to pay for its campaign activities. In addition, Foundation Communities accounted for City funds separately from other funding sources.

Accounting records maintained by Foundation Communities indicate the organization spent approximately \$244,000 in support of the 2012 and 2013 affordable housing bond proposition campaigns. All contributions were in the form of in-kind contributions. Costs associated with employees working on the campaigns accounted for approximately 69% of the contributions. Other contributions were for advertising and office supplies. None of these contributions were paid for with funds received from the City.

The City had several processes in place that ensured that Foundation Communities used those funds for the purposes stipulated in the contracts. None of the contracts explicitly allowed for Foundation Communities to use the funds for campaign contributions. The processes included:

For the 3 loan agreements:	Either property acquisition payments were made directly to the title company that handled the purchase, or construction-related payment request invoices were submitted to the Neighborhood Housing and Construction Department (NHCD) for review and verification prior to payment authorization.
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For the 3 social service contracts:	Foundation Communities submitted payment request invoices to the Health and Human Services Department (HHS) for review and verification prior to payments authorization.
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OTHER OBSERVATIONS

The original campaign finance reports from the HousingWorks Action and Keep Austin Affordable political action committees stated that Foundation Communities contributed \$29,900 to the 2012 and \$194,401 to the 2013 affordable housing bond propositions, for a total of \$224,301. However, as noted above, Foundation Communities' accounting records indicate the organization spent approximately \$244,000 in direct support of both bond propositions. Foundation Communities management stated they will work with the Political Action Committees to amend the campaign finance reports so that they accurately reflect the contributions.