Memorandum

TO:    David G. Pohler  
       Director, San Antonio Office of Public Housing, 6JPH

FROM: Gerald R. Kirkland  
       Regional Inspector General for Audit, 6AGA

SUBJECT: The Housing Authority of the City of Pearsall, TX, Improperly Procured and Paid Its Interim Executive Director

INTRODUCTION

In accordance with the Office of Inspector General’s (OIG) goal to ensure the integrity and soundness of the U.S. Department of Housing and Urban Development’s (HUD) Public and Indian Housing programs and to follow up on weaknesses identified in another review,1 we reviewed the Housing Authority of the City of Pearsall, TX, to determine whether it followed Federal procurement and the State of Texas’ requirements when contracting for its interim executive director for calendar years 2014 and 2015.

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 review.

METHODOLOGY AND SCOPE

We conducted our work at the Authority’s offices located in Pearsall, TX, HUD’s Office of Public Housing in San Antonio, TX, and OIG’s offices in San Antonio and Fort Worth, TX, between July 24 and August 24, 2015. The limited review generally covered the Authority’s procurement of, contract with, and payments for its interim executive director position for calendar years 2014 and 2015. We expanded the scope as necessary to accomplish our objective.

1 Audit Memorandum 2015-FW-1806 issued June 11, 2015.
To accomplish our objective, we reviewed the Authority’s

- Relevant board of commissioners’ meeting minutes.
- Advertisements for the executive director position placed in the local newspaper from February 13 to February 15, 2014, and with the Texas Housing Association from January 23 through February 15, 2014.
- Board-approved procurement policy, dated May 23, 1996.
- Contract with its interim executive director, which the contractor and a notary signed on February 12, 2014.
- Audited financial statements for fiscal years ending June 30, 2013 and 2014.
- Financial information from HUD’s Public and Indian Housing Information Center system for fiscal years 2014 and 2015. We did not test the reliability of the electronic data as we used the data for only background purposes.
- Bank statements from December 1, 2013, through July 31, 2015.

We also reviewed

- Financial information provided by the Authority’s fee accountant, listing all payments (100 percent) to the contractor and the Authority’s allocation of contract costs among its programs. We traced each of the recorded payments to check payments in the Authority’s low-rent bank account statements.
- Relevant laws and regulations.
- The contractor’s executive director contract with another public housing agency, signed by the contractor and a notary on May 24, 2012.
- The contractor’s resignation letter to the Authority, dated June 10, 2015, which stated he resigned effective June 30, 2015.

In addition, we interviewed

- HUD’s Office of Public Housing staff,
- Current and former Authority staff and board members,
- The contractor,
- The mayor of Pearsall, TX, and
- The former counsel to the Authority.

**BACKGROUND**

The Authority is a nonprofit government organization organized under the laws of the State of Texas to provide housing for qualified individuals. The mayor of Pearsall, TX, appoints the five-member board of commissioners. The board is responsible for establishing operating policies and overseeing the interim executive director, who manages the Authority’s day-to-day operations. The Authority had six employees and an independent contractor serving as its interim executive director.
The Authority operates 24 U.S. Department of Agriculture rural rental housing units and 80 HUD low-rent public housing units. It also administers 118 housing choice vouchers. HUD provided operating subsidies and Public Housing Capital Fund program funds for the development and modernization of the Authority’s public housing developments and for management improvements. The table below details the funding that HUD provided to the Authority.

### HUD’s reported funding for the Authority

<table>
<thead>
<tr>
<th>HUD program</th>
<th>Fiscal year 2014</th>
<th>Fiscal year 2015</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-rent operating subsidy</td>
<td>$248,355</td>
<td>$107,092</td>
<td>$355,447</td>
</tr>
<tr>
<td>Housing choice vouchers</td>
<td>326,566</td>
<td>340,015</td>
<td>666,581</td>
</tr>
<tr>
<td>Capital Fund program grants</td>
<td>84,043</td>
<td>88,489</td>
<td>172,532</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$658,964</strong></td>
<td><strong>$535,596</strong></td>
<td><strong>$1,194,560</strong></td>
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</table>

**RESULTS OF REVIEW**

The Authority improperly procured its interim executive director (contractor) as it failed to follow Federal, State, and its own requirements. The Authority also lacked support for the reasonableness of its payments to its contractor, and it made payments to the contractor before it awarded the contract and after the contractor resigned. These conditions occurred because no one took responsibility to ensure that the Authority properly procured and paid for its contractor. Instead, the board, its attorneys, and its contractor made conflicting statements concerning the procurement and the actions taken. As a result, the Authority used $138,880 in HUD public housing funds to pay unreasonable and ineligible contract fees.

**The Authority Failed To Follow Federal Procurement Requirements**

The Authority failed to follow Federal procurement requirements when it hired a contractor as its interim executive director. The Authority did not advertise for a contractor, although its December 2, 2013, board meeting minute notes said the Authority wanted its attorney “to find a Consultant to be hired as interim Director for the Pearsall Housing Authority.” Instead, it posted an advertisement for the position of executive director. Thus, the Authority did not properly solicit for a contractor as it

- Did not conduct the procurement in a manner that allowed for full and open competition,
- Did not list the selection factors for the procurement,
- Lacked a method for evaluating the proposals received,
- Lacked the significant history of the procurement, and
- Failed to perform a cost analysis.

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2 24 CFR (Code of Federal Regulations) 85.36 (b)(1), (b)(9), (c)(1), (c)(3), (d)(3), and (f)(1)
In addition, the Authority’s actions contained the following procurement irregularities:

- The Authority advertised the position locally the day after the contractor signed the contract;
- The board met in a closed executive session on February 12, 2014, concerning appropriate actions pertaining to the position of executive director, which was 3 days before the closing date of the position in the Authority’s advertisements; and
- The board chairman signed the contract and had it notarized on February 18, 2014, although the Authority could not show that the board met on February 18, 2014, or voted on the contractor’s selection.

These conditions occurred because no one took responsibility to ensure that the Authority properly procured its contractor. Instead, the Authority’s board, attorneys, and contractor made conflicting statements concerning the procurement and the actions taken. According to the board meeting minutes and a board member’s statement, the Authority relied on its attorney to hire the contractor. Yet, the attorney stated he was not involved in the selection. The contractor could not recall who asked him to fill the position and did not know who on the board formally approved his contract. Since it did not properly procure this contract, the Authority should not have used HUD program funds totaling $138,880 to make payments to the contractor.

The Authority Did Not Follow the State’s Open Meeting Requirements
The Authority did not follow the State’s Open Meeting Act requirements as it went into a closed executive session during three board meetings to discuss the position of executive director. The State’s Open Meetings Handbook\(^3\) states that “closed deliberations about the selection of an independent contractor are not authorized.” As the board deliberated this position in executive session, it lacked records of what transpired, including its (1) knowledge, (2) selection process, and (3) rationale for awarding the contract.

The Authority Did Not Follow Its Procurement Requirements
The Authority did not follow its own procurement policy, which required it to follow Federal requirements, document its procurement process, document its selection rationale, and check references of proposed contractors. If it had checked references, it would have learned of the contractor’s full-time position at another public housing agency. However, no one took responsibility to follow the Authority’s requirements. As a result, the Authority could not show that it properly obtained its contract or that it obtained a contract that provided the greatest value.

The Authority Lacked Support for the Reasonableness of Its Payments to Its Contractor
The Authority could not show that the $7,000 per month salary it paid its contractor was reasonable or prudent in accordance with Federal cost principles.\(^4\) According to Authority staff, the contractor usually came to the Authority office once a week for about 15 to 20 minutes, and he attended board meetings. Further, the Authority lacked reports or records to show how much time the contractor spent on the Authority’s business. The contract required the contractor to

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\(^3\) October 2013 revision, Part IX Closed Sessions, paragraph B.6., Section 551.074 Personnel Matters

\(^4\) 2 CFR Part 225, Appendix A, General Principles for Determining Allowable Costs - C. Basic Guidelines, paragraphs 1.b., 2.a., 2.b., and 2.d.
“devote his best efforts, time, skill, labor, and attention to his duties as PHA [Pearsall Housing Authority] Interim Executive Director...” and stated the salary amount would be “prorated in accordance with the actual period of time [the contractor] actually provides services to the PHA as Interim Executive Director.” The contractor also had a contract with another public housing agency to be that agency’s executive director, and his contract with that agency required him to spend 100 percent of his time working on that agency’s business. The board chair stated he did not know that the contractor also worked at another agency. However, the Authority’s attorney knew of the contractor’s other employment and stated the board knew that this individual held a full-time position at the other agency. Further, the contractor stated he informed the board of his other position. The Authority made $119,000 in unreasonable payments to the contractor.5

The Authority Made Payments to the Contractor Before the Contract Was Awarded and After the Contractor Resigned

In violation of Federal requirements,6 the Authority made ineligible payments to its contractor for consulting services for the 2 months before its executed contract and for the month of July 2015, although the contractor resigned effective June 30, 2015. Two prior board members signed the checks for December 2013, January 2014, and July 2015 consulting services. Further, all three checks referenced the contractor’s invoice. Since it paid for services when it did not have a contract, the Authority made $19,880 in ineligible payments with HUD program funds.7

CONCLUSION

The Authority did not follow Federal, State, and its own procurement requirements and lacked support to show that it made only reasonable, prudent, and necessary payments to its contractor. It also made ineligible payments before the contract was awarded and after the contractor’s resignation. These issues occurred because no one took responsibility to ensure that the Authority properly procured and paid its contractor. As a result, the Authority could not show that it properly obtained its contract or that it obtained a contract that provided the greatest value to the Authority. Therefore, it will have to repay $138,880 to its HUD program accounts, which will negatively impact its financial operations.

RECOMMENDATIONS

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

1A. Receive training on Federal procurement requirements, the State’s Open Meeting Act requirements, and its board of commissioners’ responsibilities.

5 The amount included the 17 months from contract execution to the contractor’s resignation.
7 The Authority used U.S. Department of Agriculture funds of $1,120 to pay for the December 2013 consulting services.
1B. Repay from non-Federal funds ineligible contractor costs of $19,880 to its HUD low-rent ($18,900) and Housing Choice Voucher ($980) program accounts.

1C. Repay from non-Federal funds unreasonable contractor costs of $119,000 to its HUD low-rent program account.

1D. Ensure that it follows Federal, State, and its own requirements when it obtains the services of a new executive director.
### APPENDIXES

Appendix A

#### SCHEDULE OF QUESTIONED COSTS

<table>
<thead>
<tr>
<th>Recommendation number</th>
<th>Ineligible 1/</th>
<th>Unnecessary 2/</th>
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<tbody>
<tr>
<td>1B</td>
<td>$19,880</td>
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<tr>
<td>1C</td>
<td>$119,000</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>$19,880</strong></td>
<td><strong>$119,000</strong></td>
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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/ 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**

<table>
<thead>
<tr>
<th>Ref to OIG Evaluation</th>
<th>Auditee Comments</th>
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<tbody>
<tr>
<td><strong>HOUSING AUTHORITY</strong></td>
<td></td>
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<tr>
<td>of the City of Pearsall</td>
<td></td>
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<tr>
<td>September 29, 2015</td>
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<tr>
<td>Gerald R. Kirkland</td>
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<tr>
<td>Regional Inspector General for Audit</td>
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<tr>
<td>U.S. Department of Housing and Urban Development</td>
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<tr>
<td>Re: Full Response to the Draft Audit Memorandum <em>The Housing Authority of the City of Pearsall, Texas, Improperly Procured and Paid its Interim Executive Director</em></td>
<td></td>
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<tr>
<td>Dear Sirs;</td>
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<tr>
<td>Enclosed please find the Board of Commissioners Approved Response to the Draft Audit Memorandum dated September 10, 2015 (hereafter referred to as <em>The Audit</em>). This Response is being submitted to [redacted] in both Word Document and .pdf Document form.</td>
<td></td>
</tr>
<tr>
<td>The current leadership of the Housing Authority of the City of Pearsall (hereafter referred to as <em>The Authority</em>) reviewed the findings of the Audit performed that the evidence presented to the audit team leads to the conclusion that the 2013 Board of Directors:</td>
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<tr>
<td>1. Did not follow Federal Procurement Requirements when seeking an individual to act as an Interim Executive Director for <em>The Authority</em> as outlined on page 3 and 4 of <em>The Audit</em>;</td>
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<tr>
<td>2. Did not follow the State’s Open Meeting Requirements when adjourning to executive session while discussing the selection of an Interim Director once it was established that this person would be paid as an independent contractor (hereafter referred to as <em>Contractor A</em>) and not an employee (referenced in <em>The Audit</em> on page 4);</td>
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<tr>
<td>3. Made payments to the Contracting Firm A for services rendered by <em>Contractor A</em> in the months of December 2013 and January 2014 before the contract was executed in writing by both parties (The Authority and Contractor A) and in July 2015 after the resignation of the Contractor A in June 2015 for services rendered by Contractor B (referred to in Board Meeting notes as being appointed after the resignation of Contractor A). (Referenced in <em>The Audit</em> on page 5).</td>
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<tr>
<td>The current leadership of the Housing Authority of the City of Pearsall (hereafter referred to as <em>The Authority</em>) reviewed the findings of the Audit performed and is only in partial agreement with the statement that “the Authority Lacked Support for the Reasonableness of Its Payments to Its Contractor”. (Reference <em>The Audit</em> pages 4 and 5).</td>
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*The Housing Authority does not discriminate against any person because of race, age, color, religion, sex, national origin, familial status or disability. Changes in our program's nonessential policies and practices would give you an opportunity to participate in the Authority's housing program. If you are an individual with disabilities abuse and require reasonable accommodations or need assistance completing this application please contact our office.*

501 W. Medina St. * Pearsall, TX 78061 * (830) 334-9416 * fax (830) 334-8335
The 2015-2016 Board of Commissioners agrees that the evidence presented to the audit team by those persons interviewed could lead to the conclusion stated above; however, The Authority under the 2015-2016 Board of Directors questions both the complicity and breadth of knowledge of the individuals interviewed and postulates that Contractor A most likely spent additional time, effort and work benefitting The Authority outside of the hours Contractor A (and/or Contractor B) spent physically at The Authority.

A cursory look at letters to and from the San Antonio HUD office indicate that correspondence was taking place with Contractor A and Contractor B during 2014 and 2015 and that Contractor A and Contractor B were processing Funding Draws, Budget Submissions and facilitating Environmental Reviews all of which most probably occurred during time worked from San Antonio not Pearsall.

The Audit contains the following Recommendations:

1A. [The Authority] Receive training on Federal procurement requirements, the State’s Open Meeting Act requirements, and its board of commissioners’ responsibilities.

The Authority agrees with this recommendation and has already taken steps to be in compliance.

1B. [The Authority] Repay from non-Federal funds ineligible contractor costs of $19,880 to its HUD low-rent ($18,900) and Housing Choice Voucher ($980) program accounts.

The Authority agrees with this recommendation based upon the information presented to date.

1C. [The Authority] Repay from non-Federal funds unreasonable contractor costs of $119,000 to its HUD low-rent program account.

The Authority challenges the conclusion that the total amount of $119,000 (the sum total of 17 months of payments to Contract Firm A from February 2014 through June 2015) be repaid to its low-rent account.
Comment 3

1D. Ensure that it follows Federal, State, and its own requirements when it obtains the services of a new executive director.

The Authority agrees with this recommendation and has already taken steps to be in compliance.

In conclusion, the current leadership of the Housing Authority of the City of Pearsall submits this response for your consideration and continued cooperation in seeking a full agreement on effective corrective actions and resolving the area of disputed issue regarding the value of services rendered by Contractor A for The Authority during the time frame in question as it appears that Contractor A did indeed perform services to The Authority during 2014 and 2015 and staff in the San Antonio HUD Field Office was aware of said services being performed.

If you have any questions, please do not hesitate to contact me at (830) 334-9416.

Yours sincerely,

Rene Chadick
Interim Executive Director
OIG Evaluation of Auditee Comments

Comment 1 The Authority indicated the July 2015 payment was made for services rendered by “Contractor B.” We disagree. The Authority issued the July 2015 check to the contractor. Further, the individual the Authority referred to as “Contractor B” stated at the entrance conference he was not receiving compensation and his services were voluntary.

Comment 2 The Authority said that the contractor most likely spent additional time, effort, and work benefitting the Authority outside of the hours the contractor physically spent at the Authority. It also indicated that correspondence such as funding draws, budget submissions, and environmental reviews most probably occurred during time the contractor worked from San Antonio. We disagree. The Authority did not properly procure the contract and lacked support for the reasonableness of the $119,000 paid to the contractor.

Comment 3 The Authority agreed with recommendations 1A, 1B and 1D. We acknowledge the Authority’s actions, and it will need to provide proof of its compliance to HUD’s San Antonio Office of Public Housing.
Appendix C

CRITERIA

2 CFR Part 225
Cost Principles for State, Local, and Indian Tribal Governments (OMB [Office of Management and Budget] Circular A–87)

Appendix A to Part 225—General Principles for Determining Allowable Costs
A. Purpose and Scope...

2. Policy guides.
   a. The application of these principles is based on the fundamental premises that:
      (1) Governmental units are responsible for the efficient and effective administration
          of Federal awards through the application of sound management practices…

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.
   b. Be allocable to Federal awards under the provisions of 2 CFR part 225…
   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. The question of reasonableness is
   particularly important when governmental units or components are predominately
   federally-funded. In determining reasonableness of a given cost, consideration shall be
   given to:
   a. Whether the cost is of a type generally recognized as ordinary and necessary for the
      operation of the governmental unit or the performance of the Federal award.
   b. The restraints or requirements imposed by such factors as: Sound business practices;
      arm’s-length bargaining; Federal, State 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 governmental unit, its employees, the public
      at large, and the Federal Government.

Appendix B -Selected Items of Cost
31. Pre-award costs. Pre-award costs are those incurred prior to the effective date of the
    award directly pursuant to the negotiation and in anticipation of the award where such
    costs are necessary to comply with the proposed delivery schedule or period of
    performance. Such costs are allowable only to the extent that they would have been
    allowable if incurred after the date of the award and only with the written approval of the
    awarding agency.
24 CFR Part 85
Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments
Subpart C - Post-Award Requirements
Financial Administration

Subsection 85.20 Standards for financial management systems
(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(3) **Internal control.** Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes…

(5) **Allowable cost.** Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

(6) **Source documentation.** Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Changes, Property and Subawards
Subsection 85.36 Procurement
(b) **Procurement standards**

(1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section…

(9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price…

(c) **Competition**

(1) All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of §85.36. Some of the situations considered to be restrictive of competition include but are not limited to:

(i) Placing unreasonable requirements on firms in order for them to qualify to do business,

(ii) Requiring unnecessary experience and excessive bonding,

(iii) Noncompetitive pricing practices between firms or between affiliated companies,

(iv) Noncompetitive awards to consultants that are on retainer contracts,

(v) Organizational conflicts of interest,

(vi) Specifying only a *brand name* product instead of allowing *an equal* product to be offered and describing the performance of other relevant requirements of the procurement, and

(vii) Any arbitrary action in the procurement process…

(3) Grantees will have written selection procedures for procurement transactions.
(i) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured…

(ii) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals…

(d) Methods of procurement to be followed…

(3) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

   (i) Requests for proposals will be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals shall be honored to the maximum extent practical;

   (ii) Proposals will be solicited from an adequate number of qualified sources;

   (iii) Grantees and subgrantees will have a method for conducting technical evaluations of the proposals received and for selecting awardees;

   (iv) Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered…

(f) Contract cost and price

(1) Grantees and subgrantees must perform a cost or price analysis in connection with every procurement action including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, grantees must make independent estimates before receiving bids or proposals. A cost analysis must be performed when the offeror is required to submit the elements of his estimated cost, e.g., under professional, consulting, and architectural engineering services contracts. A cost analysis will be necessary when adequate price competition is lacking, and for sole source procurements, including contract modifications or change orders, unless price reasonableness can be established on the basis of a catalog or market price of a commercial product sold in substantial quantities to the general public or based on prices set by law or regulation. A price analysis will be used in all other instances to determine the reasonableness of the proposed contract price.

Consolidated Annual Contributions Contract

11. Use of Program Receipts

   a. The HA [housing agency] must use program receipts to provide decent, safe, and sanitary housing for eligible families in compliance with the U.S. Housing Act of 1937 and all HUD requirements. Program receipts may only be used to pay program expenditures.

Texas Open Meetings Handbook

Part VII. Notice Requirements

E. Emergency Meetings: Providing and Supplementing Notice

   Special rules allow for posting notice of emergency meetings and for supplementing a posted notice with emergency items. These rules affect the timing and content of the notice but not its physical location. Section 551.045 provides:
(a) In an emergency or when there is an urgent public necessity, the notice of a meeting or the supplemental notice of a subject added as an item to the agenda for a meeting for which notice has been posted in accordance with this subchapter is sufficient if it is posted for at least two hours before the meeting is convened.

(b) An emergency or an urgent public necessity exists only if immediate action is required of a governmental body because of:
   (1) an imminent threat to public health and safety; or
   (2) a reasonably unforeseeable situation.

(c) The governmental body shall clearly identify the emergency or urgent public necessity in the notice or supplemental notice under this section.

(d) A person who is designated or authorized to post notice of a meeting by a governmental body under this subchapter shall post the notice taking at face value the governmental body’s stated reason for the emergency or urgent public necessity…

The public notice of an emergency meeting must be posted at least two hours before the meeting is scheduled to begin…

Part IX. Closed Sessions

B. Provisions Authorizing Deliberations in Closed Session
   6. Section 551.074. Personnel Matters
      (b) Closed Meetings authorized by Section 551.074 may deal only with officers and employees of the governmental body; closed deliberations about the selection of an independent contractor are not authorized.