Memorandum

AACOG
Alamo Area Council
Of Governments

TO: Alamo Area Council of Governments Board of Directors

FROM: Executive Committee

DATE: March 31, 2014

SUBJECT: Recommendation for Termination of Dean Danos, Executive Director

On March 24, 2014, the Executive Committee convened for a Special Executive Committee meeting in Executive Session to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee for the Executive Director and Deputy Executive Director positions.

The Executive Committee returned to Regular Session with the following recommendation to the Alamo Area Council of Governments Board of Directors:

1. Executive Director position: Recommend to the full Board of Directors to consider the termination of employment of Dean Danos as Executive Director.

Mr. Danos was provided written notice of the Special Executive Committee meeting and was in attendance (Attachment "1"). Mr. Danos elected to have the Executive Committee's deliberation in closed session. Mr. Danos had the opportunity to review the memo from Commissioner Wolff with the recommendation for termination, the supporting documents, speak on his own behalf and to respond to questions from the Executive Committee, which all serve as the basis for the Committee's recommendation. (Attachment "2").

AACOG
Alamo Area Council Of Governments

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March 21, 2014

Dean Danos
VIA HAND DELIVERY
Executive Director
Alamo Area Council of Governments
108 Agarita Circle
Cibolo, TX 78108

Dear Mr. Danos:

As you have been placed on Administrative Leave with pay since February 26, 2014, this letter is to advise you that your employment status will be further addressed next week by the Alamo Area Council of Governments (AACOG) Executive Committee and Board of Directors. The AACOG Executive Committee will meet on March 24, 2014 and the AACOG Board of Directors will meet on March 26, 2014 to consider your employment status. Both of these meetings will take place in Executive Session pursuant to Government Code Section 551.074, Personnel Matters, to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee. You have the right to attend these meetings and if you so choose, you may request that these deliberations be conducted in open session. If you choose to have the deliberations occur in open session, please advise Sherrie Huckabay at shuckabay@aacog.com no later than 1:30 pm Monday, March 24th, 2014.

If you have any questions, please direct them to AACOG's General Counsel, Charles E. Zech at (210) 227-3243.

Commissioner Kevin Wolff
Chairman of the Board
Alamo Area Council of Governments

Receipt Acknowledged:

Dean Danos

3-21-2014 4:12 PM
Date

8700 Tesoro Drive, Suite 700•San Antonio, Texas 78217•Phone (210) 362-5200•Fax (210) 225-5937•www.aacog.com•mail@aacog.com

Memorandum

AACOG
Alamo Area Council Of Governments

TO: Executive Committee

FROM: Commissioner Kevin Wolff, Chairman of the Board

DATE: March 31, 2014

SUBJECT: Recommendation for Termination of Dean Danos, Executive Director

Authority: Under the Alamo Area Council of Governments' (AACOG) Bylaws Art. V.2.a-b, the Executive Committee has the authority to review and recommend personnel action for the Executive Director to the Board of Directors, (Attachment "1").

> The Executive Committee, unless otherwise determined by the Board of Directors, shall meet as necessary, and shall be responsible for the implementation of policies established by the Board of Directors. The Vice-Chair shall preside at meetings of the Executive Committee and in the absence of the Vice-Chair, the Chair shall preside. The Executive Committee shall:
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> a. Monitor, review and make recommendations to the Board on matters concerning the Council.
> b. Conduct the Executive Director's annual performance and compensation review by May of each year and forward a recommendation to the Board of Directors.

The Executive Director serves at the pleasure of the Board pursuant to Bylaws Art. VI. 1.

Recommendation for Termination: This is a recommendation for termination of employment of Dean Danos (Danos), Executive Director, effective March 26, 2014 for violation of AACOG Procurement Policy 4.001- Approvals and AACOG Personnel Policy 3.014 - Unauthorized or Abusive Use of Official Authority and Unsatisfactory Job Performance, Incompetence or Neglect of Duty. This memorandum provides an outline and specific information for each violation to support the termination recommendation.

AACOG Procurement Policy 4.001 states, "The Agency has implemented an automated approval process with approval levels as indicated below: Executive Director $0.00 - $49,999.99, Management Committee[1] $50,000+ and Board of Directors $50,000+." (Attachment "2"). Additionally, Personnel Policy 3.014 states:

[1] Pursuant to the amended Bylaws, Management Committee was renamed Executive Committee on June 27, 2012

Employees of AACOG serve at will and, within provisions of state and federal law regarding public employment, can be discharged at any time, with or without notice, for any reason or no reason.

The prohibited conduct listed below is not an all-inclusive list. This policy is not intended to limit the executive director's right to discipline or discharge employees for any reason he or she determines appropriate. Some of the actions that may result in discharge of employment include, but are not limited to, the following to wit: unauthorized or abusive use of official authority and unsatisfactory job performance, incompetence or neglect of duty. (Attachment "3")

Violation 1 - Unauthorized Execution of Sublease Agreement with TriHM Foundation: On July 16, 2012 Danos executed a sublease agreement with TriHM Foundation, Jackqueline Cooper as Executive Director. (Attachment "4"). Furthermore, Danos entered into the lease agreement with terms that included the authority to enter into a sublease without Board authority. The terms of the sublease agreement were for twenty-four (24) months wherein AACOG, as sublessor, would receive $6,055.50 monthly from TriHM Foundation, as sublessee, for 4,037 square feet of office space located on the third floor of the AACOG main campus. The total value of the improvements for the sublease agreement with TriHM under these terms would have been $62,226.47 which exceeded Danos' approval authority and would have required approval by Executive Committee and Board of Directors as per Procurement Policy 4.001. (Attachment "2"; Attachment "31"). The execution of the sublease agreement with TriHM without authority from the Board of Directors is a violation of AACOG Personnel Policy 3.014- unauthorized or abuse of official authority.

March 6, 2014, Item #6 appeared on the Executive Committee's Agenda. (Attachment "5"). Item #6 was a memorandum from Jeri Rainey, Acting Executive Director to the Executive Committee titled "Authorization to Engage with TriHM Foundation." The purpose of this agenda item was to report the findings of an analysis of Board of Directors' meeting agendas and minutes for the two year period preceding (January 2012 to January 2014). Specifically, this analysis was to determine whether the Board of Directors authorized Danos to execute a sublease agreement with TriHM Foundation for a total amount of $145,332.00. There were four occasions in the two years preceding that the terms "TriHM Foundation", "Foundation" or "Jackqueline Cooper" appeared in the Board of Director's meeting agendas or minutes: February 12, 2012; March 28, 2012; April 18, 2012; and February 26, 2014[2]. Of these four occasions, neither the agenda items nor minutes indicated that the Board of Directors authorized Danos to execute a sublease agreement with TriHM Foundation.

Violation 2 - Permitting Execution of Sublease Agreement with an Illegal Entity: On June 29, 2012, the law firm of Denton, Navarro, Rocha and Bernal prepared a document for AACOG titled, "TriHM Foundation Memorandum" (Attachment "6"). This memorandum was prepared by Clarissa Rodriguez and was sent via email from Charles Zech to Danos and Mike Quinn (Quinn) on June 29, 2012. Mr. Zech's email stated, "We have some very serious concerns with the financial and corporate status information present in the memorandum. For example, Ms. Cooper represented that the Foundation is a non-profit entity. However, we could not locate any further federal or state filing which substantiated the existence of any such entity." (Attachment "7").

[2] Although Item #6 states analysis was for period of January 2012 – January 2014, the memorandum included February 2014 as well.

Ms. Rodriguez further stated in the memorandum and underlined for emphasis that:

> Several searches were conducted with the Office of the Secretary of State that maintains the information on the business and non-profit corporations. The search revealed the only entity registered is "Triihm, Inc." and was formed on January 19, 2011 as a domestic For-Profit Corporation. Jackqueline Cooper is listed as the registered agent and Ms. Cooper, Diana Perez and Allen French as the directors. The registered address is 10511 Cougar Chase, SA, TX 78251. The purpose of the entity is "to establish a construction company to meet the needs of others in the communities we serve."
>
> Note that there was no formation information or documentation for the "TriHM Foundation" filed with the Secretary of State.
>
> The searches specific to Jackqueline Cooper revealed several domestic For-Profit organizations with a forfeited existence. See Secretary of State Documents (pp. 2-3, Attachment "6").

Although Danos was provided accurate and timely information regarding the non-existence of a business entity named TriHM Foundation and the existence of a similarly named for-profit corporation registered to Jackqueline Cooper, a sublease agreement was fully executed between Danos and TriHM Foundation on July 16, 2012. (Attachment "4"). Additionally, Danos never reported to the Board of Directors the existence of the sublease agreement between AACOG and TriHM Foundation (refer to Attachment "5"). A subsequent search of the Secretary of State records indicates that TriHM Foundation did form as a limited liability company approximately one year after the execution of the sublease agreement with AACOG on July 12, 2013 with Jackqueline D. Cooper as registered agent and was sent to the Secretary of State via an AACOG fax. (Attachment "8").

Violation 3 – Failure to Collect Delinquent Balance Due Under TriHM Sublease Agreement: From July 2012 to present; Danos failed to collect rent due under the unauthorized sublease agreement (Attachment "4") between AACOG and TriHM Foundation. Additionally, Danos failed to collect monies owed by TriHM Foundation for renovations to the subleased space.

A review of AACOG accounting records indicates an outstanding balance of $120,253.50 for rent owed from July 2012 through March 2014 by TriHM to AACOG. (Attachment "9"). To date, we have not found any supporting evidence to show that Danos attempted to notify TriHM, the sublessee, of their default as per Section D of the sublease agreement. Additionally, Danos frustrated all attempts of the Chief Financial Officer to collect the outstanding balance owed by TriHM.

On May 7, 2013, Jeri Rainey, CFO drafted for Danos' signature, a notice letter to collect past due amount of $121,195.89 for delinquent rent, security deposit and tenant improvements owed by TriHM. This notice letter was addressed to Jackqueline Cooper. (Attachment "10"). At that time, Ms. Rainey also changed the locks on the doors to TriHM's subleased space to deny access to Jackqueline Cooper. Danos took possession of the letter but did not sign it or permit it to be delivered to

Jackqueline Cooper according to Ms. Rainey. Jackqueline Cooper was provided the key to the new locks on May 17, 2013 through Quinn (Attachment "11") although no payment was received for the delinquent rent, security deposit and tenant improvements.

Danos executed a Tenant Improvement Agreement with TriHM for an amount of $49,055.00 for tenant improvements to the subleased space. (Attachment "12")[3]. A review of AACOG accounting records indicates a delinquency of $42,923.16 for tenant improvements owed by TriHM from July 2012 through March 2014. (Attachment "9"). At the time of this memo, there is no written record of Danos attempting to collect the delinquent monies for these tenant improvements.[4]

Violation 4 – Authorizing Questionable Transactions Through Alamo Area Development Corporation's JPMorgan Chase Bank Account: In July 2013, Danos directed Ms. Rainey to open a second bank account for Alamo Area Development Corporation (AADC) at JPMorgan Chase Bank. No transactions or activity were reported by JPMorgan Chase Bank from July through October 2013. In December 2013, AACOG received a bank statement from JPMorgan Chase Bank indicating two transactions on November 20 and 21, 2013 respectively. (Attachment "13"). A wire transfer in the amount of $9,985.00 was received on November 20, 2013 from Shirley J. Walker for what was noted under "Payment Details" as a short term loan from Shirley Walker. (Attachment "14"). The November 21, 2013 transaction was a wire transfer authorized by Michael Quinn for the amount of $9,785.00 to Jackqueline Cooper from the AADC account. (Attachment "15"). According to Ms. Rainey, during December, Ann Celli, JPMorgan Chase Bank Officer, inquired with Danos and Quinn regarding the unusual activity noted in the month of November. According to Ms. Rainey, JPMorgan Chase Bank advised Danos and Quinn that if any other unusual transactions appeared on this account, JPMorgan Chase Bank would take measures to close the account.

In January 2014, AACOG received the bank statement for December 2013 from JPMorgan Chase Bank for the same AADC account. (Attachment "16"). The December bank statement shows a total of five transactions for December 5, 6 and December 17, 18 and 19, 2013 respectively. The December 5, 2013 transaction was a deposit in the amount of $8,210.00 in the form of a cashier's check. (Attachment "17"). A Wire Transfer Request on December 6, 2013 (Attachment "18") indicates that Quinn authorized the transfer of $8,110.00 to Jackqueline Cooper from the AADC account. On December 17, 2013 a wire transfer was received in the amount of $15,000.00 from Zoe Learning Academy to the AADC account. (Attachment "19"). That same day, Quinn authorized the transfer of $9,000.00 from the AADC account to Jackqueline Cooper. (Attachment "20"). Another Wire Transfer Request was authorized by Quinn the following day, December 18, 2013 in the amount of $5,000.00 to Jackqueline Cooper from the AADC account. (Attachment "21").

A review of AACOG accounting records reveals no documentation to support an AACOG or AADC business purpose for the transactions appearing on the AADC bank statements for November and December 2013. (Attachment "22"). These deposits and transfers of funds are not associated with any AADC or AACOG projects and appear to be solely for the benefit of Jackqueline Cooper.

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[3]Date of execution of the Tenant Improvement Agreement is unknown. The date field in the Tenant Improvement Agreement is blank and there is no date of signature of the parties to the agreement.

[4] It should be noted that the Tenant Improvement Agreement obligates AACOG to pay for tenant's improvements with expectation that tenant would reimburse AACOG for what was characterized in the Agreement as a "form of a loan".

Violation 5 – Breach of Fiduciary Duty in the Administration of AACOG and AADC JPMorgan Chase Bank Accounts: As stated in Violation 4 above, Bank Officer Ann Celli of JPMorgan Chase Bank advised Ms. Rainey she previously contacted Danos sometime in December and provided verbal notice to Danos that if additional suspicious transactions occurred, JPMorgan Chase Bank would take measures to close the account.

In January 2014 when the five additional unusual transactions appeared in the December 2013 bank statement, JPMorgan Chase Bank insisted that the AADC account be closed. On January 16, 2014, Danos was reminded again by Jeri Rainey, Chief Financial Officer in an email, "As per our conversation this morning, in order to reduce the risk of any further problems the Alamo Area Development Corporation bank account #XXXXXX9683 needs to be closed ASAP. Please forward this email to Ann Celli with JPMorgan at ann.celli@jpmorgan.com authorizing the closing of this account." (Attachment "23"). Danos' response to Rainey's insistence to close the account was, "I am going to wait. Dean." (Attachment "23").

On February 25, 2013 Danos received written notice from JPMorgan Chase Bank that, "for reasons we discussed, JPMorgan Chase Bank, N.A. (the "Bank") wishes Alamo Area Council of Governments (the "Company") to move its banking relationship to another financial institution." (Attachment "24"). A total of eleven AACOG/AADC accounts are affected by this notice. AACOG will be required to initiate a Request for Proposal (RFP) to acquire banking services from another banking institution prior to May 31, 2014; otherwise JPMorgan Chase will voluntarily close the accounts. (Attachment "24.").

As the administrator of all AACOG/AADC accounts, Danos owed a fiduciary duty to both AACOG and AADC. The total of seven questionable banking transactions as detailed in Violation 4 above compromised all AACOG and AADC accounts and prompted JPMorgan Chase Bank to sever the banking relationship with AACOG.

Violation 6 – Unauthorized Increase to Executive Director Salary: During the last week of December 2012, Danos instructed Sherrie Huckabay, Director of Human Resources, to apply a 3% Cost of Living Adjustment (COLA) to Danos' salary to be applied during that particular pay period beginning December 28, 2012 – January 10, 2013. Huckabay asked Danos if the Board of Directors approved the 3% increase to his (Danos') salary and Danos replied, "Yes." A review of AACOG Board of Directors' Agenda minutes shows no approval from the Board of Directors regarding a 3% (COLA) increase to Danos' salary (Attachment "25"). Huckabay prepared a Personnel Action Form (PAF) as per Danos' instructions. The PAF gave Danos a 3% COLA adjustment which increased Danos' salary from $5,769.60 bi-weekly to $5,942.70 bi-weekly, effective December 28, 2012. (Attachment "26").

During the first week of January 2013, Danos instructed Huckabay to change the PAF dated December 28, 2012 to January 1, 2013. (Attachment "27"). Huckabay pointed out to Danos that the change from December 28th to January 1st made no real impact to the adjusted salary since the change was occurring within the same pay period. Danos insisted that the PAF be changed to reflect the 3% COLA adjustment to appear in the year 2013.

In March 2013, Danos instructed Huckabay to prepare an "Executive Director Salary Survey" (Attachment "28") for his review. In this original draft of the survey, Huckabay noted the 3% COLA

adjustment occurring in 2012 as Danos had originally instructed in December 2012. Danos instructed Huckabay to change the survey to show no salary increase for the year 2012 and to show the 3% COLA adjustment as a 2013 increase. (Attachment "29"). The revised survey was then presented to the Executive Committee for consideration when making salary recommendations to the Board of Directors for Danos' performance and salary review for 2013. On April 24, 2013, the Board of Directors approved a salary increase for Danos. Danos' salary increase went from $5,942.70 bi-weekly to $6,538.50 bi-weekly which became effective May 3, 2013. (Attachment "30").

Attachments:

Attachment 1:	AACOG Bylaws
Attachment 2:	AACOG Procurement Policy 4.001
Attachment 3:	AACOG Personnel Policy 3.014
Attachment 4:	Sublease Agreement between AACOG and TriHM
Attachment 5:	Executive Committee Agenda Item #6
Attachment 6:	TriHM Foundation Memorandum
Attachment 7:	Email dated June 29, 2012 from Charles Zech to Dean Danos and Mike Quinn
Attachment 8:	Secretary of State Certificate of Formation TriHM Foundation
Attachment 9:	Email dated February 26, 2014 showing rent owed by TriHM
Attachment 10:	Letter to Jackqueline Cooper prepared by Jeri Rainey, CFO
Attachment 11:	Emails from May 16-17, 2013 from Julie Sakelakos to Lisy Velazquez
Attachment 12:	Tenant Improvement Agreement
Attachment 3:	November 2013 AADC Bank Statement
Attachment 14:	Shirley J. Walker fund transfer to AADC account dated November 20, 2013
Attachment 15:	Wire Transfer Request dated November 21, 2013
Attachment 16:	December 2013 AADC Bank Statement
Attachment 17:	Deposit slip dated December 5, 2013
Attachment 18:	Wire Transfer Request dated December 6, 2013
Attachment 19:	Zoe Learning Academy fund transfer to AADC account dated December 17, 2013
Attachment 20:	Wire Transfer Request dated December 17, 2013
Attachment 21:	Wire Transfer Request dated December 18, 2013
Attachment 22:	Email from Blanca Tapia to Jeri Rainey dated January 10, 2014
Attachment 23:	Email from Jeri Rainey dated January 16, 2014
Attachment 24:	JPMorgan Chase Bank letter dated February 25, 2014
Attachment 25:	December 5, 2012 Board of Directors Board Meeting Minutes
Attachment 26:	Personnel Action Form dated December 28, 2012
Attachment 27:	Personnel Action Form dated January 1, 2013
Attachment 28:	Executive Director Salary Survey Original Version
Attachment 29:	Executive Director Salary Survey Revised Version
Attachment 30:	Personnel Action Form dated May 3, 2013
Attachment 31:	Invoice 14336