

PHA Recovery Plan: Progress Report



The following provides a summary of PHA's Recovery Plan progress through April 26, 2013. The Recovery Plan defines the required actions that must be completed in order to transition PHA back to local control. The Recovery Plan subtasks will be expanded as needed to include additional actions resulting from the Administrative Receiver's assessment of PHA operations.

| ORGANIZATIONAL CHALLENGES | SUBTASKS | COMMENTS | TARGET | STATUS |
|--|--|--|---------|-------------|
| Task Area 1: Restructure PHA senior management team to promote accountability and oversight of all operational areas. | Designate Acting Directors for key operational areas (OGC, OAC, HR) | Acting Directors were appointed for the Office of General Counsel, Human Resources and Office of Audit and Compliance | Q1 2011 | Complete |
| | Finalize restructuring plan based on completed operational assessments | A draft plan was developed and reviewed with the Board. Restructuring recommendations were presented to the Board as part of the Recovery Plan submission in June 2011. | Q3 2011 | Complete |
| | HUD Board review and approval of restructuring plan | Board review occurred in June 2011 as part of the Recovery Plan review and approval process. | Q3 2011 | Complete |
| | Begin recruitment activities for key positions | Recruitment activities are ongoing for key positions. Additional recruitment will be conducted as needed based on final restructuring plan. As noted below, the General Counsel, Director of OAC and Deputy Executive Director for Finance positions have been filled. | Q1 2011 | Complete |
| | Finalize senior team assignments | The Administrative Receiver/Executive Director has made permanent or interim appointments for key positions. Additional recruitment efforts are ongoing. | Q4 2011 | On schedule |
| Task Area 2: Implement standards to minimize use of | Designate Acting General Counsel | An Acting General Counsel was appointed to oversee the Office of General Counsel | Q1 2011 | Complete |



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| outside legal counsel; restructure and staff internal Legal Department. | | until the appointment of a permanent General Counsel. | | |
| | Enhance oversight on use of outside counsel | Year to date expenditures for outside counsel reflect a substantial decrease compared to prior year expenditures. Procedures have been put in place to enhance monitoring and oversight of all outside counsel activities. | Q1 2011 | Complete |
| | Conduct assessment of legal department staffing, needs, procedures | An independent expert (Gordon Cavanaugh, Esquire) was engaged to conduct an assessment. | Q2 2011 | Complete |
| | Findings and recommendations report | A report of findings and recommendations was submitted. | Q2 2011 | Complete |
| | Review findings and recommendations with HUD Board | The report on findings and recommendations was reviewed by the Administrative Receiver and the Board. Corrective actions will be incorporated as appropriate into the Management Action Plan. | Q2 2011 | Complete |
| | Develop action plan | A plan to complete restructuring of the Office of General Counsel was included in the assessment, and was finalized with some modifications by the General Counsel. | Q3 2011 | Complete |
| | Implement action plan | Barbara Adams was appointed General Counsel in July 2011. Deputy General Counsel positions were filled in Q4 2011. Enhanced monitoring of outside counsel activities and expenditures is ongoing. | Q4 2011 | Complete |



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| | | Additional recruitment and other related activities are ongoing and will be included in the Management Action Plan. | | |
| Task Area 3: Establish rigorous ethics, Equal Employment Opportunity policies and workplace standards; revise and implement HR policies and procedures and provide agency-wide training. | Revise policies and procedures related to ethics, EEO, sexual harassment, and gift giving | Revised policies and procedures were developed and approved by the Board for the following areas: EEO, Ethical Standards including prohibited conduct, Gifts and Gratuities, Whistleblower Protection, Outside Employment standards, Political Activity, Fraud, Drug Free Workplace, Computer Use, Employment of Relatives | Q1 2011 | Complete |
| | Conduct training for all staff on revised sexual harassment, ethics, grievance policies, and procedures | A training contractor was hired to conduct training on all above-referenced policy areas. Training materials were developed, and staff training was conducted in Q4 2011. Additional training sessions for new employees and absentees were conducted in January 2012. | Q4 2011 (REV) | Complete |
| | Designate Ethics Officer | The Acting General Counsel was assigned to serve as Ethics Officer on an interim basis. Effective August 1, 2011, on an ongoing basis the role will be filled by the permanent General Counsel. | Q1 2011 | Complete |
| | Terminate policy that required landlord paid IREM training | Section 8 landlords are no longer required to participate in IREM training. PHA developed a new, no-cost landlord training program that was implemented beginning in July 2011. | Q1 2011 | Complete |
| | Develop employee handbook | An employee handbook was developed and | Q2 2012 | Complete |



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| | | approved by the Board in Q2 2012. Handbooks have been distributed to employees. | (REV) | |
| | Assess all remaining HR policies and procedures | An independent expert (Paulette Campbell) was engaged to work with the Acting Human Resources Director to review and revise all HR policies and procedures. | Q3 2011 | Complete |
| | Revise all other HR policies and procedures | The revision of HR policies and procedures is underway. | Q4 2012 (REV) | Complete |
| | HUD Board review and approval of HR policies | Board review and approval of the Employee Handbook which defines PHA's HR policies occurred in June 2012. | Q4 2012 (REV) | Complete |
| | Implement agencywide training on revised HR Manual | A training plan for additional HR policy areas will be finalized upon completion of the revised HR policies and procedures. | Q1 2013 (REV) | Complete |
| Task Area 4: Implement industry best practices in Human Resources through establishment of fully-functioning Human Resources Department. | Designate Acting HR Director | An Acting Director of Human Resources was appointed to oversee all HR activities until appointment of a permanent Director. A permanent Director of Human Resources was appointed in June 2012. | Q1 2011 | Complete |
| | Negotiate changes to pension system | New union contracts incorporated significant changes to pension benefits, helping to stabilize agency finances in the future. | Q3 2011 | Complete |
| | Conduct assessment of HR Department staffing and procedures | An independent expert (Paulette Campbell) was engaged to work with the Acting Human Resources Director to review and revise HR Department staffing and procedures. | Q2 2011 | Complete |

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| | Findings and recommendations report | A report of findings and recommendations was submitted. | Q2 2011 | Complete |
| | Review findings and recommendations with HUD Board | The report was reviewed by the Administrative Receiver and Board. Corrective actions will be incorporated as appropriate into the Management Action Plan. | Q2 2011 | Complete |
| | Develop action plan | A draft action plan was submitted to address key findings and recommendations. The action plan is subject to modification upon designation of a permanent Director of Human Resources. | Q2 2011 | Complete |
| | Implement action plan | Other recommendations from assessment will be incorporated into Management Action Plan. | Q2 2013 (REV) | Complete |
| Task Area 5: Prevent and rout out fraud, waste and abuse; improve internal accountability and Board oversight by establishing Office of Audit and Compliance (OAC). | Establish Office of Audit and Compliance (OAC) including merger of PHA IG and Quality Control functions | The Office of Audit and Compliance was established in Q1 2011. | Q1 2011 | Complete |
| | Assign Acting OAC Director | An Acting Director was assigned to oversee the Office of Audit and Compliance. | Q1 2011 | Complete |
| | Recruit and orient Director of Audit and Investigations | Kelvin Jeremiah was appointed Director of Audit and Compliance in August 2011. Mr. Jeremiah was subsequently appointed Interim Executive Director of PHA. Janea Jordan was appointed Acting Director of OAC in June 2012. | Q3 2011 | Complete |
| | Conduct assessment of internal audit and compliance staffing, | An independent expert (Bronner Group) was engaged to conduct the OAC | Q2 2011 | Complete |



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| | needs and procedures | assessment. They have worked with OAC staff to define, develop and communicate the structure, functions and mission of the OAC. | | |
| | Findings and recommendations report | A report of findings and recommendations was submitted. | Q2 2011 | Complete |
| | Review findings and recommendations with HUD Board | The report on findings and recommendations was reviewed by the Administrative Receiver and the Board. Corrective actions will be incorporated as appropriate into the Management Action Plan. | Q2 2011 | Complete |
| | Conduct a risk assessment and develop an initial risk-based audit plan | OAC has completed the risk assessment and has developed a comprehensive risk-based audit plan which is currently being implemented. | Q3 2011 | Complete |
| | Develop comprehensive policy and procedures for OAC operations | Based on assessment, policies and operating procedures have been established and implemented for OAC functions. OAC has developed policies and procedures for internal audits and its investigations department. Additionally, OAC developed corruption prevention guidebooks for employees and contractors. | Q4 2011 | Complete |
| Task Area 6: Assess and make modifications, as needed, to PHA's construction management and development | Complete draft of Physical Needs Assessments | Draft PNAs have been prepared. A portfolio-wide real estate assessment will also be conducted as part of the Management Action Plan. | Q4 2011 | Complete |

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| operations to ensure appropriate cost controls and compliance with all federal requirements. | Conduct initial assessment of issues, risks, compliance | An independent expert (TAG Associates) was engaged to conduct an assessment of PHA's Construction and Development activities. | Q2 2011 | Complete |
| | Review and finalize recommendations | A report of findings and recommendations was submitted. | Q2 2011 | Complete |
| | Review recommendations with HUD Board | The report was reviewed by the Administrative Receiver and Board. Corrective actions will be incorporated as appropriate into the Management Action Plan. | Q2 2011 | Complete |
| | Implement revised construction change authorization process | Based on assessment, a revised process has been established to ensure that construction field changes related to scope and budget are reviewed, approved and incorporated into formal change orders. | Q3 2011 | Complete |
| | Modify Construction Manager evaluation criteria and selection process | Based on assessment, changes have been made to evaluation criteria to focus on past performance and team capacity in the award of project specific construction task orders. The composition of the evaluation panels has also been modified to ensure impartiality and fairness in the evaluation and selection process. | Q4 2011 | Complete |
| Task Area 7: Assess and make modifications, as needed, to PHA's financial management and budget policies and procedures to promote transparency, | Restructure spending priorities for FY12 budget | The Administrative Receiver submitted and obtained Board approval for the FY12 budget. The budget reflects significant changes to PHA priorities in the areas of legal spending, HCV voucher utilization, | Q2 2011 | Complete |



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| implement industry best practices, and ensure compliance with all federal requirements. | | and front-line maintenance services. | | |
| | Conduct initial assessment of issues, risks, compliance | Independent experts including Grant Thornton, Blosky and Associates and Bronner Group were engaged to conduct an assessment of PHA's financial management and budget operations. | Q3 2011 | Complete |
| | Review and finalize recommendations | Findings and recommendations were submitted. | Q4 2011 (REV) | Complete |
| | Review recommendations with HUD Board | Findings and recommendations were reviewed with the Board in Q4 and will be refined over time by new CFO. Corrective actions will be incorporated as appropriate into the Management Action Plan. | Q4 2011 (REV) | Complete |
| | Establish and implement an allocation plan to allocate costs to appropriate programs and entities in compliance with OMB Circular A-87 | Allocation plan has been established. Implementation of the allocation plan will occur over a multi-year period. | Q4 2011 | Complete |
| | Update accounting policies and procedures | Based on findings and recommendation, updates to policies and procedures are being made. Implementation will occur in Q1 2012 | Q4 2011 | Complete |
| | Develop and implement revised organization and staffing plan for Finance and Budget | A revised organizational plan has been developed. Elias Rosario, new Deputy Executive Director for Finance/CFO, started work at PHA on November 21, 2011. | Q4 2011 | Complete |
| | Implement other corrective actions | Other initiatives and corrective actions will be incorporated into the Management Action Plan. | Q1 2012 | Complete |



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| Task Area 8: Assess and make modifications, as needed, to PHA's contracting, procurement, and material management policies and procedures to ensure appropriate cost controls and compliance with all federal requirements. | Conduct assessment of procurement and contracting processes | A prior assessment of contracts administration and procurement conducted by Calyptus Consulting was reviewed by senior staff. | Q3 2011 | Complete |
| | Review and finalize recommendations | Recommendations from the Calyptus assessment were reviewed and updated as needed. | Q4 2011 | Complete |
| | Review recommendations with HUD Board | Report and recommendations were submitted to Board in September 2011. | Q4 2011 | Complete |
| | Develop corrective action plan based on approved recommendations | A plan was developed and is underway to update policies and procedures. Additional actions will be incorporated as appropriate into the Management Action Plan. | Q4 2011 | Complete |
| | Implement corrective actions | Work plan activities are underway involving Contracts and Procurement staff with assistance of Calyptus Consulting. A revised Procurement Policy was adopted by the Board in Q2 2012. Additional tasks will be incorporated as appropriate into the Management Action Plan. | Q2 2012 (REV) | Complete |
| Task Area 9: Assess and make modifications, as needed, to ensure that PHA subsidiary operations operate in support of PHA's mission, comply with applicable federal requirements, and operate in a transparent and accountable | Discontinue PIAHP subsidiary operations | The Administrative Receiver discontinued all PIAHP operations and ordered the refund of all employee contributions. | Q2 2011 | Complete |
| | Conduct initial assessment of issues, risks, compliance for TSSI, PHADC, PAPMC | An independent expert (TAG Associates) was engaged to conduct an assessment of PHA's PHADC and PAPMC subsidiaries. An independent expert (Kroll) was engaged | Q2 2011 | Complete |

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| manner. | | to conduct an assessment of TSSI. | | |
| | Review and finalize recommendations | Reports of findings and recommendations were submitted by each firm. | Q2 2011 | Complete |
| | Review recommendations with HUD Board | The reports were reviewed by the Administrative Receiver and Board. Corrective actions will be incorporated as appropriate into the Management Action Plan. | Q2 2011 | Complete |
| | Develop corrective action plan | Draft action plans were submitted to address key findings and recommendations. In addition to corrective actions noted below, other actions will be incorporated as needed into Management Action Plan. | Q3 2011 | Complete |
| | Review and update appointments to Boards of HDCs | All HDC Board appointments were reviewed and are now updated. | Q3 2011 | Complete |
| | Review and compile past PHADC transactions for period prior to 2005 and present for audit confirmation by independent audit firm | Completed in September 2011. | Q3 2011 | Complete |
| | Establish and implement shared services agreement for PHADC and update agreement with PAPMC | Based on assessment, a shared services agreement with PHADC and updates to the PAPMC agreement were presented to and approved by the Board. | Q3 2011 | Complete |
| | Implement other approved corrective actions | The Administrative Receiver announced that PHA would not continue to fund TSSI activities, and that PHA would take over | Q4 2011 | Complete |



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| | | grant activities currently administered by TSSI. Other recommendations will be incorporated as appropriate into the Management Action Plan. | | |
| Task Area 10: Address and resolve all outstanding and pending findings from OIG and other external reviewers. | Respond to and address findings of the HUD OIG audit of PHA legal services | HUD has issued a letter confirming closure of 8 of the 10 findings of the HUD OIG. Legal services invoices were submitted in June 2012 to enable HUD to consider findings 1B and 1C. HUD has determined that approximately \$7.9 million was “unsupported, not necessary or reasonable.” Accordingly, PHA is expected to reimburse HUD’s program for the unsupported/disallowed cost. | Q2 2013 (REV) | Partially complete |
| | Respond to and address findings of the HUD OIG audit of PHA Housing Choice Voucher program | PHA submitted responses to the 2010 audit. File audit findings were successfully addressed and closed out. PHA implemented a new Quality Control procedure to address ongoing issues related to participant files. In September 2011, HUD notified PHA that this matter has been closed out. | Q3 2011 | Complete |
| | Respond to and address findings of the HUD OIG audit of PHA scattered site rehabilitation | <p>PHA submitted responses to the audit findings in July 2011, and will continue to work with HUD to resolve all findings and recommendations.</p> <p>On July 19, 2012, HUD informed PHA that the remaining 2 findings have been closed.</p> | Q2 2012 | Complete |



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| | Prepare corrective action plans as required to address findings of pending OIG, KPMG reviews | <p>The HUD OIG submitted its conflict of interest audit findings in September 2011. In January 2012, PHA submitted its formal response to HUD. In May 2012, HUD approved PHA's response, closing out all audit findings. Also, as a proactive measure, on July 28, 2011, the Administrative Receiver presented and obtained Board approval for a formal policy and procedures related to Financial Disclosure Statements. As of December 2012, there are no outstanding OIG matters requiring follow up, other than the legal services issue noted above.</p> <p>KPMG's forensic audit is completed and the report is under review by HUD. PHA will respond to and develop an appropriate corrective action plan to address any findings or deficiencies cited by KPMG.</p> | Q2 2013 (REV) | Partially complete; PHA will promptly follow up and respond to the KPMG findings. |
| Task Area 11: Work with HUD, Mayor, and Controller to return PHA to local governance. | Finalize plan/timetable for return to local governance | <p>The Recovery Plan was approved by the Board on June 30, 2011. The Recovery Plan defines the actions needed to return PHA to local governance. A monthly progress report has been developed to report to the Board on progress in meeting all milestones.</p> <p>The Mayor of Philadelphia filed legislation</p> | Q3 2011 | Complete |



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| Organizational Challenges | | to reconstitute the PHA Board into a nine-member Board appointed by the Mayor. See also status note below regarding Pennsylvania legislature's approval of new PHA Board structure. | | |
| | Revise PHA bylaws to reflect best practices | In June 2012, the Pennsylvania legislature approved amendments to the PA Housing Authorities law to change the composition of the PHA Board to one containing nine members appointed by the Mayor of Philadelphia and approved by the City Council. The Governor signed this provision in July. Draft by-laws have been prepared which reflect this new statute and generally modernize the PHA bylaws. | Q3 2012 (REV) | Complete |
| | HUD Board review and approval of bylaw changes | PHA's General Counsel has advised that, pursuant to PHA's existing bylaws, the revised bylaws will need to be adopted by the newly appointed Board members upon PHA's return to local control. The HUD-appointed board has adopted the revised bylaws pending the appointment and assumption of office of the new Board. | Q4 2012 (REV) | Complete |
| | Develop Board orientation and training program | In March 2012, the Cooperative Endeavor Agreement (CEA) was extended until approval by HUD and the Mayor of Philadelphia of the return of PHA to local control. A new Board has been appointed by the Mayor and approved by the City Council. Board training/orientation has | Q2 2013 (REV) | Complete |

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| | | been completed. The new Board will take office and assume the board governance of PHA . Accordingly, the CEA will be terminated and PHA will return to local control on April 26, 2013. | | |
| | New Board appointments made | In December 2012, the Mayor submitted a list of proposed appointments to the new PHA Board for City Council approval. The City Council has approved the Mayor’s nominees on January 24, 2013. | Q1 2013 | Complete |
| | Commence recruitment of Executive Director | The Board appointed Michael Kelly as the PHA Executive Director commencing on August 8, 2011. Michael Kelly has vacated the position on June 15, 2012. Kelvin Jeremiah has been appointed President & Chief Executive Office on March 14, 2013. | Q1 2013 | Complete |
| | Hire Executive Director | The Board appointed Michael Kelly as the PHA Executive Director commencing on August 8, 2011. Kelvin Jeremiah was subsequently appointed President & Chief Executive Officer (CEO) on March 14, 2013. | Q4 2011 | Complete |
| Task Area 12: Provide a roadmap for PHA operations through development of comprehensive Management Action Plan which incorporates recommendations from Administrative Receiver’s | Organize internal working groups to develop MAP draft | The MAP process began in September 2011. Working groups are continuing to meet through Q2 2012 to develop MAP strategies and recommendations. | Q3 2011 (REV) | Complete |
| | Prepare draft and final plans | As appropriate, MAP-related activities were incorporated into the FY13 MTW Annual Plan. | Q2 2013 (REV) | Complete |

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| assessments of PHA operational areas. | Review and obtain HUD Board approval for MAP | A final MAP document will be presented as part of the Administrative Receiver's petition to end the Cooperative Endeavor Agreement and return PHA to local control. | Q2 2013 (REV) | On schedule |
| | Implement agreed upon activities | | Ongoing through 2013 | On schedule |