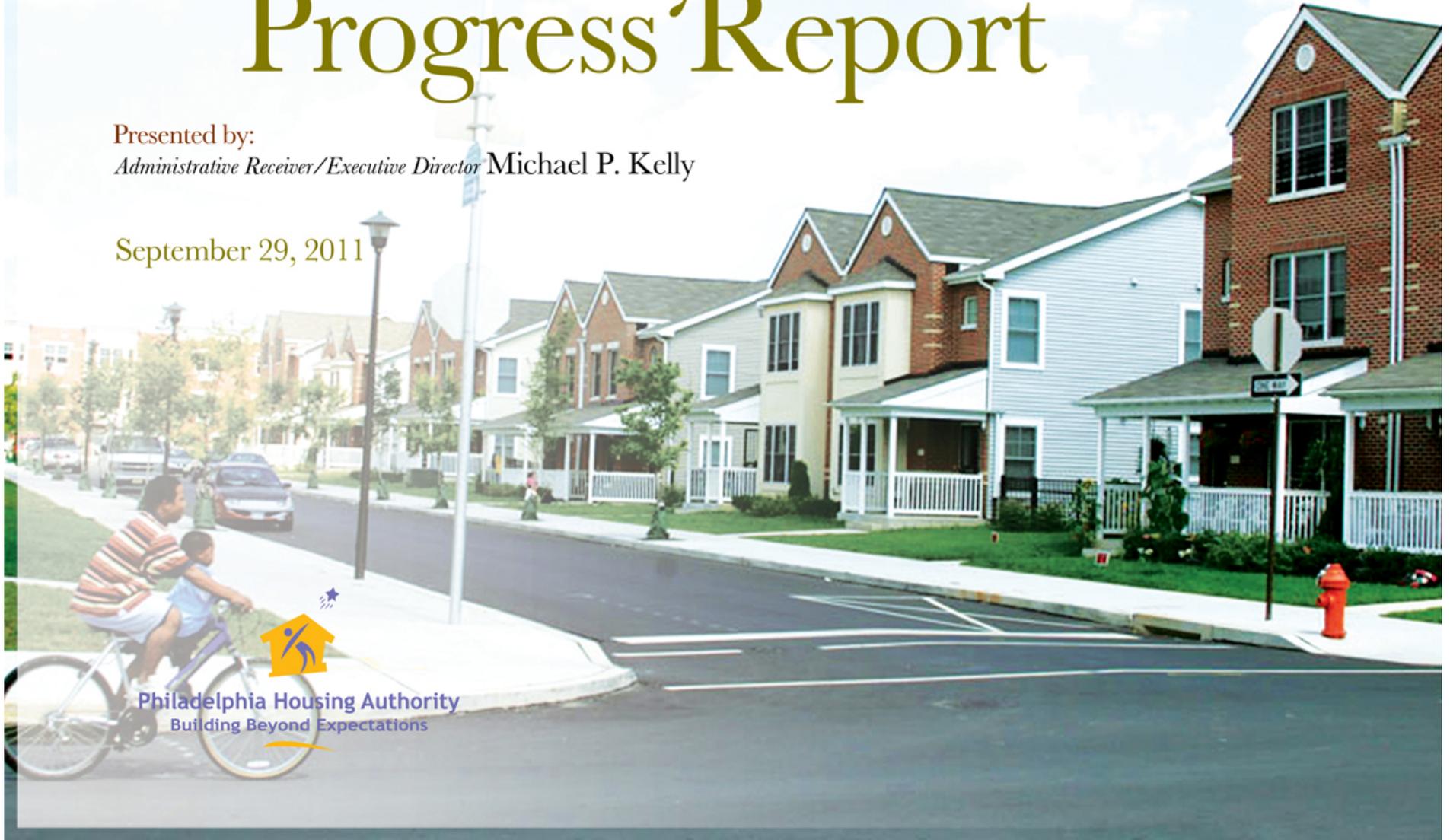


PHA Recovery Plan Progress Report

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Philadelphia Housing Authority
Building Beyond Expectations

Recovery Plan

The Cooperative Endeavor Agreement (CEA) requires the Administrative Receiver/Executive Director to develop and implement a **Recovery Plan** to address deficiencies in PHA's operations and governance:

- The Recovery Plan includes those tasks which must be completed in order to return PHA to local governance.
- Primary focus is on those problem areas which led to HUD's takeover of PHA, including addressing and resolving OIG and other external audit findings
- All Recovery Plan activities are initially scheduled for completion by March 31, 2012

Recovery Plan

- The HUD Board reviewed and approved the Recovery Plan in June 2011.
- As needed, the Recovery Plan will be modified to address changing circumstances and new information including any findings that emerge from ongoing audits and reviews.

Roadmap to Recovery

Major focus of the Recovery Plan includes:

- Reorganizing the senior management team to promote accountability and effective oversight of all operational areas
- Minimizing expenditures on outside legal counsel
- Hiring a qualified General Counsel with dotted line reporting to the Board of Commissioners
- Staffing the Office of General Counsel
- Implementing policies and procedures and agency-wide training to ensure Equal Employment Opportunity and to prevent sexual harassment and hostile workplace activities
- Appointing an Ethics Officer and establishing comprehensive, rigorous ethics policies

Roadmap to Recovery

Major focus of the Recovery Plan includes (cont.):

- Implementing a fully functioning Human Resources Department and upgrading all HR policies and procedures
- Implementing policies and procedures to prevent and rout out fraud, waste and abuse in the expenditure of federal and non-federal funds
- Creating and staffing an Office of Audit and Compliance with dotted line reporting to the Board of Commissioners
- Reviewing and making any required modifications to PHA construction management practices to ensure compliance with the ACC, MTW Agreement and other applicable regulatory requirements
- Assessing and making required modifications/ improvements to PHA financial management, budgeting, and procurement systems

Roadmap to Recovery

Major focus of the Recovery Plan includes (cont.):

- Assessing and making required modifications/improvements to PHA subsidiary operations
- Addressing and resolving outstanding and future findings from OIG and other external reviewers
- Establishing the framework for local governance including Board policies, procedures and training
- Hiring a permanent Executive Director
- Developing a comprehensive Management Action Plan to implement approved MTW initiatives and to establish performance expectations and deliverables for all operational areas

Task Area 1: Restructure PHA senior management team to promote accountability and oversight of all operational areas

Progress Highlights:

- Finalized restructuring plan based on completed operational assessments

Task Area 2: Implement standards to minimize use of outside legal counsel; restructure and staff internal Legal Department

Progress Highlights:

- Hired Barbara Adams as General Counsel
- Finalized Legal Department organizational structure based on completed assessment
- Began recruitment and hiring for other Legal Department positions
- Established new protocols to approve and oversee work of outside counsel
- Achieved substantial reduction in expenditures on outside counsel

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

Progress Highlights:

- Appointed Barbara Adams as Ethics Officer
- Established new ethics, sexual harassment, EEO and other policies
- Engaged training contractor to develop training program for staff on new policies and procedures. Training scheduled to begin in October.
- Developed draft of Employee Handbook
- Completed assessment of remaining HR policies and procedures. Started work on revising HR Manual.
- Terminated policy requiring Section 8 landlords to pay for IREM training. Replaced it with no-cost PHA training.

Task Area 4: Implement industry best practices in Human Resources through establishment of fully functioning Human Resources Department

Progress Highlights:

- Completed assessment of HR staffing and procedures
- Began process of restructuring HR Department staff and procedures

Task Area 5: Prevent and rout out fraud, waste and abuse; improve accountability and Board oversight by establishing Office of Audit and Compliance (OAC)

Progress Highlights:

- Hired Kelvin Jeremiah as Director of Audit and Compliance
- Created new Audit and Compliance Department based on completed assessment
- Started work on risk-based assessment and development of annual audit plan

Task Area 6: Assess and make modifications as needed to PHA's construction management and development operations to ensure appropriate cost controls and compliance with all federal requirements

Progress Highlights:

- Completed assessment of Construction and Development operations.
- Developed preliminary Physical Needs Assessments
- Established new policy/process to ensure appropriate review/approval of construction field changes
- Established modified Construction Manager evaluation/selection process

Task Area 7: Assess and make modifications as needed to PHA's financial management and budget policies and procedures to promote transparency, implement industry best practices and ensure compliance with all federal requirements

Progress Highlights:

- Restructured spending priorities for FY12 budget
- Assessment of Finance Department is underway
- Updating of allocation plans and Finance Department procedures is underway

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

Progress Highlights:

- Currently reviewing findings and recommendations from prior assessment of procurement and contracting processes

Task Area 9: Assess and make modifications as necessary 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 manner.

Progress Highlights:

- Completed assessments of TSSI, PHADC, PAPMC
Discontinued PIAHP subsidiary operations and refunded employee contributions
- TSSI operations suspended
Updated all HDC Board appointments
- In process of developing shared services agreement with PHADC and updating PAPMC shared services agreement

Task Area 10 : Address and resolve all outstanding and pending findings from OIG and other external reviewers

Progress Highlights:

- Worked with HUD to close out 2010 OIG audit of Section 8 program
- Prepared responses to OIG audit of legal services. Working with HUD to resolve and close out findings.
- Prepared responses to OIG audit of scattered site rehabilitation program. Working with HUD to resolve and close out findings
- HUD Conflict of Interest Audit: Audit report issued September 28, 2011. Found no conflict of interest. PHA has pro-actively implemented financial disclosure policies to address other finding.
- Continue to fully cooperate with KPMG forensic audit

Task Area 11: Work with HUD, Mayor, and Controller to return PHA to local governance

Progress Highlights:

- Finalized Recovery Plan including proposed timetable to return PHA to local governance
- Hired Executive Director

Task Area 12: Provide a roadmap for PHA operations through development of comprehensive Management Action Plan which incorporates recommendations from Administrative Receiver/ Executive Director's assessments of PHA operational areas

Progress Highlights:

- Initial activities for Management Action Plan process are underway