



Then and Now

A PROGRESS REPORT ON THE OPERATIONAL ASSESSMENT OF THE HOUSING AUTHORITY OF NEW ORLEANS



Presented to:

The U.S. Department of Housing and Urban Development
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Housing

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**HANO
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*Careful the things you say,
Children will listen.
Careful the things you do,
Children will see – and learn.
-Stephen Sondheim*

These words are part of lyrics written by one of the most brilliant and prolific creators of musical theater in our generation and perhaps of all time, for his show, *Into the Woods*. I'm sure he didn't have this in mind when he wrote them but they regularly remind me that in this endeavor, we labor not only to create a decent living environment in the present but for the future for our children. The words speak to us as role models and as the caretakers of their futures. For, indeed, we are both.

INTRODUCTION

Oh, no! Another progress report from HANO? Sorry—yes. But this one will be worth reading as well, because it differs from the others in an important way. What you are accustomed to seeing every six months is a report detailing the progress we're making in achieving the objectives, tasks, and time schedules we set out in our work plan published in 2010. I'm pleased to remind everyone that, as of last December, we had successfully accomplished over 90% of what we set out to complete. So, in that regard, HANO is a very different organization than it was two years ago.

This report takes us back to the operational assessment we completed between November, 2009 and February, 2010 and updates HANO's current condition as measured against the findings in that assessment. It's another way of judging the relative success we've achieved in restoring HANO to a state of good health and stability. In some ways, it's a more accurate barometer in that, if our assessment was an accurate snapshot of all the elements of HANO's operation then, a similar snapshot of each element two years later is an important way of judging how far we've come, and how far we still need to go.

Organized in the same format as the assessment – enumerated findings by operational area – this report details the current status of each. The finding is repeated in bold print followed by a brief descriptive paragraph. Then in a paragraph marked **Resolution**, the current status of each is detailed. In addition, there's a separate section at the conclusion that lists those elements of the original assessment that require the most significant additional work.

In most organizations with which I'm familiar two operational areas stand out as bell weathers of appropriate functionality or trouble - finance and personnel. Examine any troubled large organization and you will inevitably find severe shortcomings in both areas. HANO is no exception and may even be the proof of the pudding. In the **financial** arena evidence of fiscal responsibility was undetectable. Fiscal controls were hard to find, accounting records were a mess, multiple computer systems containing financial records did not interface and reflected often contradictory information, audits were not completed in a timely fashion and reflected myriad findings, accounts were not regularly reconciled, and accounts payables were poorly controlled. These are but a few of the many findings of poor financial management at HANO.

Even a financial layperson could see that these inadequacies rendered the authority ripe for embezzlement. And in several notorious cases, that's exactly what happened. Today, by contrast,

- The finance department is now staffed by highly experienced, competent staff,
- a set of comprehensive fiscal controls has been installed,
- new financial policies and procedures are in place,
- audits are completed in a timely manner and will likely be clean this current year for the first time in many.

As a result of these and other actions reflected in this report, HANO is able to account for every penny of its fiscal resources. Not only were operating budgets submitted on time in FY2011 and 2012, each reflected a small operating surplus.

In the area of **human resources**, it would not be too dramatic to characterize HANO's system for attracting and keeping the best and the brightest as chaotic, inconsistent, and in most cases, unrecognizable. Appropriate staffing patterns did not exist, nor did consistent salary scales, performance evaluations, recruitment and retention policies, or training programs in skills improvement and ethical behavior. We encountered an organization with a severed connection to the Louisiana civil service system but no corresponding internal mechanisms to compensate. This was a system exposed to patronage on a regular basis and rife with incompetence at many of the most critically important staff levels. To say that most rank and file HANO employees felt unprotected is an understatement. Today, HANO's personnel system has been completely turned around.

- Many new and very talented people have been recruited;
- personnel policies are clear and afford employees access to much needed rights;
- a pay and classification study was completed;
- consistent wage scales have been put in place assuring similar pay for similar work;
- job descriptions have been rewritten;
- a grievance procedure has been instituted;
- a "paid time off" system has replaced the old leave accumulation practice;
- ethics training is conducted regularly;
- and the final element, an employee self-driven performance evaluation system is about to be implemented.

While the Housing Choice Voucher program remains a "troubled" operational area within HANO, many significant strides have been made toward stabilization. In the past year more than 4600 new vouchers have been put into use. HANO is now one of the largest HCV programs in the country providing housing rental assistance to more than 17500 families. At the time of the assessment the program was managed by outside consultants. That is no longer the case. The department is now operated entirely by HANO personnel who perform all of the complex administrative functions associated with the program. Once relegated to an "outpost" office in a location of the city not easily accessible to applicants, residents, and landlords, the

staff will return to renovated space at HANO's headquarters. While there continue to be occasional performance lapses, including inconsistent customer service and backlogged annual recertifications, the average time required to complete "lease up" for new clients has been reduced to 10 days. Many are completed in 3 to 5 days. This is a significant, almost staggering improvement. Inspections are now done by appointment and clients' service complaints have diminished markedly. HANO has been excused from participation in the annual federal performance review, SEMAP, until this year. Later in 2012 HANO will participate in the SEMAP review process along with most other housing authorities in the nation. I won't predict a passing score this year but, if we do not pass, we will come quite close to passing, an accomplishment of note for a program assessed as performing so dismally in 2009.

In the pages that follow, you will learn in much greater detail that status of HANO's operation as measured against the assessment performed in late 2009 and early 2010. Here are highlights from each of HANO's operational areas:

ORGANIZATION, STAFFING AND HUMAN RESOURCES

The Gilmore Kean team quickly set about to establish departmental organizational structures to achieve functional accountability, define efficient/adequate staffing patterns, identify and fill critical vacancies and phase out contractors. Additionally, the team conducted a comprehensive compensation and classification review to establish a competitive compensation system, address internal salary inequities, establish a compensation philosophy; and designed pay structures to facilitate fair and equitable salary and wage determinations. Finally, a comprehensive training needs assessment was conducted and training programs have been implemented.

FINANCE

Gilmore Kean team implemented a new financial system to ensure appropriate segregation of duties, thereby mitigating opportunities for malfeasance, fraud, and mismanagement. HANO now has the ability to produce income statements, balance sheets, budget- to- actual comparisons, depreciation schedules and consolidated financial statements.

AUDIT AND COMPLIANCE

Considering the audit and compliance function at HANO as essential to rebuilding the public trust in the financial integrity of the agency, the Administrative Receiver established the Office of Internal Compliance (OIC) to coordinate and perform all internal audit and compliance activities of HANO.

HOUSING CHOICE VOUCHER PROGRAM

Utilization of tenant-based vouchers increased from 63% in 2009 to 99.8% by the end of CY 2011. Approximately 4000 additional households were served by the end of 2011 compared to the 2009 leasing level. The team eliminated the third-party contracted service. HANO administers the program in-house, has staffed it appropriately and completely reorganized the

manner in which HCVP operations are conducted. Recently, the HCVP program was relocated back to the HANO headquarters ending a period in which the HCVP program was located in extremely expensive space in a section of the city far remote and inaccessible by most program participants and applicants.

DEVELOPMENT AND CAPITAL PLANNING ACTIVITIES

The Gilmore Kean team, in collaboration with HANO's Real Estate Planning and Development Department completed the Strategic Plan for Development, Modernization and Homeownership programs. The Plan provides a framework that details HANO's mission in providing and encouraging the development of quality, affordable housing and the preservation of healthy, vibrant neighborhoods for the citizens of New Orleans in a manner that promotes self-sufficiency and economic opportunity. HANO hired a new REPD Director with substantial real estate development experience whose goal is to reduce even further reliance on contractors and to hire experienced in-house staff. HANO met the ARRA obligation deadline (by March 17, 2010) and the expenditure deadline (by March 17, 2012).

The Administrative Receiver made a strategic decision to pursue a Choice Neighborhood Grant (CNI) to improve the living conditions and quality of life for all in the Iberville community. HANO has now been awarded a CNI grant that will revitalize the entire Iberville community providing one-for-one replacement of all 821 units at Iberville, making more affordable units available in the City. The entire project will include 2,446 mixed income units of which one-third will be affordable.

HOUSING MANAGEMENT

Standard operating procedures, consistent with compliance requirements under HUD's Asset Model, governing all asset management activities of the agency have been developed and implemented. The procedures include required activities to effectively manage HANO-owned properties from an operational and financial management standpoint. HANO has restructured the entire Asset Management Department, hiring staff with relevant experience to oversee the management of privately-managed and mixed-finance properties.

HOUSING MAINTENANCE

HANO has implemented the HUD required asset management model. As a result, maintenance and other staff were reassigned to ensure appropriate staffing at the AMP level and all staff report to AMP managers. We provided critical training to all maintenance staff and developed and implemented Standard Operating Procedures and a Maintenance Plan identifying requirements in all areas of maintenance operations.

RESIDENT SERVICES

Relationships with resident leaders have been completely turned around. New levels of cooperative work have been forged and mistrust has been replaced by trust and confidence in the agency. HANO has successfully developed a Human Capital Plan with input from a range of

stakeholders. Site-specific plans are underway (or being developed) for key developments including Iberville, River Gardens, Desire, CJ Peete, Columbia Parc, Lafitte and BW Cooper.

SAFETY AND SECURITY

HANO has reorganized its public safety division and now has adequate staff positions to support operations. Under the new structure, the number of officers has increased from 10 to 26. Our efforts to establish a police department culminated on June 21, 2011, when Governor Jindal signed into law Act 117 which authorized HANO to commission “peace officers” to patrol HANO properties. These officers shall exercise regular police powers of the state granted to law enforcement officers.

CONTRACTING AND PROCUREMENT

HANO implemented a Procurement Policy to cover all procurement activities of the agency. The Procurement and Contracts Department has implemented comprehensive Procurement Procedures and developed a procurement user guide for user departments to ensure understanding of and compliance with all procurement policies and ensure consistency with HANO's transition to Asset Management.

MANAGEMENT INFORMATION SYSTEMS

HANO procured and implemented Oracle’s J.D Edwards ERP system for financial, procurement and grants systems. For HCV, Public Housing and Tax Credit applications the Emphasys Computers Elite application is being implemented. In both cases, conversion to new software systems was required because the system previously purchased simply did not work.

COMMUNICATIONS

Gilmore Kean has worked to repair relationships with individual members of the media and has cultivated several productive working relationships. An E-newsletter was created to provide information about HANO activities over the course of the fiscal year, including feature stories on development activities, information on internal HANO initiatives for employees, and a focus on accomplishments of residents and resident leaders. HANO has worked to foster more positive relationships with the media by being more timely and responsive to media requests as well keeping the media informed through media advisories related to key HANO initiatives and activities. The agency web site has been completely redesigned, with a new home page.

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Just as in the case of the original assessment we performed in late 2009, this report, and much of the work at HANO leading to the accomplishments it heralds, represents the work of the best recovery team with which I have ever worked. Not only are they consummate professionals but caring people who regularly apply their considerable talents to the work of making life better for poor people. They are:

Patrick Kean, Gilmore Kean, LLC
Benjamin Gilmore, Gilmore Kean, LLC
Keith Pettigrew, Gilmore Kean, LLC
Leslie Dews, Gilmore Kean, LLC
Paulette Campbell, Gilmore Kean, LLC
Ann Dunn, Gilmore Kean, LLC

John Washek, Edgemere Consulting Corporation
Jane Schenkel, Edgemere Consulting Corporation
Elizabeth Durgin, Edgemere Consulting Corporation
Ben Applegate, Edgemere Consulting Corporation
Rebecca O'Brien, Edgemere Consulting Corporation
Jesse Kanson-Benanav, Edgemere Consulting Corporation
Cheryl Cohen, Edgemere Consulting Corporation

Gayle Epp, EJP Consulting Group, LLC
Scott Jepsen, EJP Consulting Group, LLC
Rhae Parkes, EJP Consulting Group, LLC

Joni Brooks, Duvernay + Brooks LLC
Brian Heeger, Duvernay + Brooks LLC
Emily Allison, Duvernay + Brooks LLC
Olusegun Obasanjo, Duvernay + Brooks LLC

Brian Alten, Asher PHA Finance, LLC

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HANO is a very different organization than what it was. Not only has it improved functionally, its reputation for competence and integrity has been radically altered for the better. That said, it would be irresponsible of me if I didn't point out that the foundation upon which these improvements rests is still not fully cured and dry. It will need some additional time and some further work before it can sustain the forces of change that inevitably accompany a post-recovery transition. If HANO is to be sustained as a highly functioning, independent Housing Authority as the enabling state legislation that created it intended, those responsible for its future must be mindful that it will need continued nurturing and careful stewardship to assure that the stability and competence we have restored endures permanently.



David Gilmore, Administrative Receiver
April, 2012

ORGANIZATION, STAFFING AND HUMAN RESOURCES

At the time of the Assessment, Gilmore Kean found an organizational structure at HANO that was mostly adequate. However, once the Assessment measured the effectiveness of each department, the failure of this organization became evident. Indicators of failure at the time of the Assessment included: the number of key staff positions that were vacant or filled by contractors; compensation and benefits packages that were out of step with comparable agencies, resulting in significant staff turnover; and the absence of an ethics program, which contributed to the well-documented fraudulent use of resources intended for low-income families, to name just a few. The primary focus of Gilmore Kean's effort has been to design and implement an organizational structure that best supports HANO's strategic initiatives, one that promotes functional interaction and reporting relationships for higher levels of efficiency.

The findings from the Operational Assessment, as presented to the U.S. Department of Housing and Urban Development (HUD) on February 4, 2010, are listed below, along with a description of the steps taken toward their resolution.

Finding 1: Many departments within HANO were understaffed, resulting in an agency overly dependent on contractors.

While the Assessment found an organizational structure that worked on paper and was generally consistent with a well-functioning public housing authority, the failure of this structure was in its execution. It was clear, for example, that rather than go through the steps necessary to attract and retain qualified employees invested in the outcome of the agency over the long-term, HANO took short cuts to hire a significant number of contractors, resulting in an imbalanced workforce and an overreliance on contractors. This was particularly true for the Housing Choice Voucher Program, Real Estate Management, and Real Estate Planning and Development departments.

Resolution: The Gilmore Kean team quickly set about to establish departmental organizational structures to achieve functional accountability, define efficient/adequate staffing patterns, identify and fill critical vacancies and phase out contractors. The Human Resources Department has continued to prioritize recruitment efforts. One particular area where capacity was built is the Real Estate Planning and Development Department, where high-caliber candidates were recruited for the positions of Director and Redevelopment Project Manager. The Housing Choice Voucher Program also complemented its staff with a Program Manager, and a Family Self Sufficiency Coordinator was hired for the Client Services Department. The Section 3 Coordinator, Contract Administrator, and the Compliance Specialist positions were also filled during this period.

Finding 2: Those departments that were not understaffed still suffered from inappropriate staffing and improper or missing job descriptions.

At the time of the assessment, there were a significant number of employees who were in positions for which they lacked adequate training or experience, a condition that was

exacerbated by the failure of the agency to utilize clear and consistent job descriptions. Where they existed, job descriptions were inadequate, inconsistent and often failed to contain the appropriate responsibilities for a given function. It was clear from the descriptions reviewed that there was misunderstanding of what constitutes Job Responsibilities, Essential Job Duties, and Qualification/Requirements and Competencies. The same performance statements were repeated in position descriptions at progressive levels, essentially creating a diffusion of responsibility. In many cases the position titles were inconsistent with the duties and responsibilities that were outlined in the position description.

Job descriptions did not exist for numerous positions (*e.g.*, the job descriptions for at least 11 positions within the Housing Choice Voucher Program department did not exist, including the HCVP Director). For those job descriptions provided, some were obsolete and/or did not accurately reflect the actual or appropriate roles and responsibilities for the respective positions. In other cases, position titles did not reflect actual assignments and responsibilities (*e.g.*, Asset Managers performing property management assistant functions).

Resolution: Employee competence is a critical factor in the overall performance level of the organization. The Human Resources Department conducted a skills assessment of staff to determine job competencies for positions that were encumbered and placed individuals in positions only for which they qualified. The results of this exercise were discussed with managers and decisions were made to replace individuals whose knowledge, skills and ability did not meet the job competence level. Employees who were removed through this assessment were either placed in another position for which they were qualified or they were separated.

In order to ensure that employees know and understand what is expected in terms of their job duties and responsibilities, HRD has worked closely with managers and employees to revise all position descriptions to accurately document assigned duties and responsibilities. Job and behavioral competencies were also included in the revised position descriptions.

Finding 3: HANO lacked a credible salary scale. Pay bands appeared to have been created to reflect what existed at the time, not what is appropriate.

A significant challenge that had to be addressed before undertaking a large-scale hiring effort was reworking the flawed, and seemingly arbitrary, compensation system. Research into how compensation was determined prior to receivership found there was no discernible basis for how each position was compensated. Prior to the Administrative Receivership, there was no policy or procedure on salary determination and staffing, nor were positions classified into occupational series or grades, providing no pay factors to determine salary. The absence of an objective methodology for determining pay for individual positions lead to real and perceived inequities across the agency. Further, a policy was in place at the time that provided for merit increase for employees who achieved at least a satisfactory rating in their annual performance reviews, thereby removing a significant incentive for an employee to perform at a higher level than simply satisfactory.

Resolution: HANO conducted a comprehensive compensation and classification review to establish a competitive compensation system, address internal salary inequities, establish a compensation philosophy; and designed pay structures to facilitate fair and equitable salary and wage determinations. The process included position audits to ensure that duties and responsibilities are accurately described and appropriately recorded, administration of the Position Description Questionnaire (PDQ), interviews with employees, supervisor validation and work product review. Based on the results of this review, salary inequities were addressed and structured pay plans were implemented. Pay schedules now include a step system, which allows for more transparency, consistency and fairness in wage and salary administration.

Finding 4: HANO lacked a position control system.

At the time of the assessment, HANO lacked a position control system, which is the foundation of oversight of personnel operations by tracking positions that are created, filled, vacant, or abolished. An effective position control system allows an agency to accurately report on personnel activity, determine the financial position of an agency's personnel budget, and make informed management decisions concerning organizational and staffing changes.

Resolution: The Human Resources Department developed the *Human Resource Position Requisition System* and provided training to management staff prior to its implementation. This system catalogues every position within the agency, providing an at-a-glance tool for tracking the status of each position.

Finding 5: HANO's performance evaluation system was outdated, cumbersome, and inapposite in many respects, resulting in cursory, unhelpful evaluations.

Where HANO had used the Louisiana State Civil Service Performance Planning and Review System for evaluating employees, at 10 pages the system itself is overly cumbersome and resulted in fairly generic evaluations of employees. This provided no value to the Authority or the employee.

Resolution: A new Performance Management System has been designed and implemented. Initially, the plan was to conduct a pilot program. However, based on the comprehensive nature of the system developed, the decision was made to fully implement the system in all departments. The first step in the process is the Annual Performance Plan, which begins the formal performance dialogue between the supervisor and the employee as they collaborate on performance goals for the performance period. Other components of the system include continuous informal feedback, a mid-year review, self-assessment and a final annual review at the end of the performance period.

HANO also developed a wide-ranging, structured employee recognition program, including components such as employee of the month, quarterly customer service awards based on the new culture of the organization, and leadership awards. The full implementation of both the retention plan and the employee incentive plan commenced in January 2012.

Finding 6: The Human Resources Department suffered from a severe management deficit.

A top notch Human Resources Department is the backbone of any well-functioning agency, so the troubled state of HANO's organization was an obvious indication that HANO lacked basic competency in this area. Prior to Receivership, the two employees assigned to the department lacked the appropriate knowledge, skills and abilities to provide the required level of human resources support to the organization. The supervision of HR practice did not receive adequate attention and management.

Resolution: Given the important role Human Resources was to play in the Recovery Plan for the entire organization, it was essential to focus immediately on building the capacity of this department. The Gilmore Kean team has filled key positions in this department, including the position of Human Resources Manager. As evidenced by the accomplishments outlined in the rest of this section, the Human Resources function is operating at the highest level, and is key to organizational improvements realized since the publishing of the Assessment.

Finding 7: HANO suffered from a lack of ethics training.

Given the high profile ethical and criminal allegations against various former HANO officials, the impact of the absence of ethics education and training is clear and well documented.

Resolution: The Human Resources Department established the role of Ethics Officer with systems of communicating HANO's commitment to Standards of Ethical Conduct internally and externally. HRD also redesigned the employee orientation program to include an extended component on ethical conduct. HRD also worked closely with HANO's new Office of Internal Compliance to develop mandatory ethics training for all staff. The training was conducted by the Office of Internal Compliance with assistance from the Office of the General Counsel and HRD staff.

Finding 8: The policies and procedures outlined in HANO's Personnel Manual were generally adequate, but could have been improved. Compliance with the Manual, on the other hand, was lacking.

In the absence of Civil Service rules and any collective bargaining agreements, HANO's personnel practices have operated mainly under the rules outlined in its Personnel Manual. The policies and procedures outlined in this document were generally adequate, covering important compliance issues such as Equal Employment Opportunity, Family Medical Leave and Immigration Reform. However, throughout the Personnel Manual, reference was made to, and significant responsibility is placed on, "Human Resources" and the "Human Resources Coordinator" as the enforcer and the advisor. There was no "Coordinator" position in the HR structure and neither of the two HR specialists possessed the requisite skill or authority to provide policy interpretation, guidance and enforcement. Interviews with personnel indicate that the organizational practices had not yet caught up with the provisions of the Personnel Manual, which was written recently.

The Personnel Manual serves as an important communication tool between the Agency and the employees. It sets forth expectations for the employees and describes what the employees should expect from the Agency. However, HANO's non-compliance with its own policy could place the organization in an untenable situation with regard to employee relations.

Resolution: A comprehensive review and revision of HANO's Personnel Manual was conducted, ensuring human resources practices are now in compliance with new and revised regulations.

Finding 9: HANO's hiring procedures were unacceptably *ad hoc*.

Prior to Gilmore Kean's tenure, the Human Resources Department did not play a central or consistent role in hiring of HANO staff. In many instances, efforts were made to intentionally circumvent the HR department. There was no compelling recruitment/marketing strategy or targeted recruitment to find qualified candidates for positions that are traditionally difficult to fill. In addition to the disjointed and ineffective result of this practice, it left HANO vulnerable to claims of Equal Employment Opportunity failures, due to the absence of sufficient documentation to demonstrate compliance with applicable laws.

Resolution: All hiring is now conducted by the Human Resources Department. Having completed several related tasks, including ensuring that job descriptions include appropriate qualifications and capabilities statements and clearly articulate the requirements of the individual job, HANO now continues to approach hiring in a consistent manner across the agency. Recruitment efforts are married with retention efforts. To this end, HRD developed a comprehensive employee retention plan to attract and retain quality professionals. The retention plan includes a salary survey to create a market-driven pay structure to attract and retain employees, functional training to keep employees abreast of developments in their functional areas of operation, information technology enhancements to foster greater productivity, efficiency, and improved workflow in operations, enhanced roles for employees such as attaining authorization for full police powers for HANO's police department, and a benefits survey to determine the level employee satisfaction with the benefits provided by the organization. In addition to administering the benefits survey, the agency acquired a benefits consultant to assist in the procurement of employee benefits.

Finding 10. HANO had no plans for internal teambuilding and interdependence among departments.

Prior to Gilmore Kean's tenure, each department functioned somewhat independently, without recognition of the overarching mission of the agency and need of each department to work cooperatively and productively as they could with other departments to fulfill that mission.

Resolution: The current Administrative Receiver initiated weekly senior staff meetings, comprised of department heads and other key staff, to provide a forum to discuss all high-level issues facing the agency. This provides an opportunity for senior staff to collaborate in resolving matters by coordinating solutions across departments.

In November, 2010, the Gilmore Kean team collaborated with HANO senior staff to produce HANO's Recovery Work Plan, a roadmap that, when all tasks are completed, will lead HANO to full functionality and local control.

Finding 11: HANO lacked any formal training program or succession planning.

HANO previously expected its employees to learn on-the-job and did not provide opportunities for employees to develop skills required for anything beyond basic job functions. Likewise, no preparation was made for advancing employees through a logical career progression.

Resolution: Under the current Administrative Receivership, there has been a coordinated effort to build the capacity of HANO staff in a graduated process, either to better succeed at their current position or to be ready to make career advancements within the organization. A comprehensive training needs assessment was conducted and training programs have been implemented.

Finding 12: HANO's HR records management practices were unnecessarily burdensome and were observed more often in the breach. Recent attempts to reform the system had only worsened conditions.

At the time the Assessment was completed, HANO was undergoing a process of revamping its system for maintaining employee records. However, the proposed system suggested by an outside firm would have proved too burdensome and costly to maintain. As a result, it was considered critical that a streamlined approach be designed and implemented, particularly in light of the fact that thorough records are often critical to an organization's ability to prevail in litigation and employee relations issues. Conversely, failing to maintain the records can turn a simple instance of discipline into expensive litigation.

Resolution: The HR Records Management System was revised to ensure employment records are maintained in an appropriate manner on all employees and are in compliance with regulations. The new system provides for efficiently maintaining complete, accurate and relevant records.

FINANCE

At the time of the Assessment, the Finance Department, headed by a Chief Financial Officer, had a budgeted staff of 11 (with nine positions filled) divided into three areas: General Accounting; Mixed Finance Accounting; and Internal Audit (this position was vacant during the assessment period).

Prior to mid-2009, the CFO position was held by a consultant. The consultant staffed the Finance Department with HANO and non-HANO employees. Most of the core functions in the department were performed by the non-HANO employees with little dissemination of information to the HANO employees. In mid-2009, HANO hired a CFO and began staffing the department. During the transition period between the consultant CFO and the newly hired HANO CFO, two defalcations were alleged. The first involved the consultant CFO. He was charged with embezzling approximately \$900,000 of HANO funds between 2008 and 2009 through invoicing for services that had not been performed. He subsequently pleaded guilty. The second alleged defalcation involved the billing for services not rendered through collusion between HANO employees in the Procurement and Finance Departments. This alleged defalcation was about \$700,000 between 2008 and 2009.

At the time the Administrative Receivership team took control of HANO in November 2009, the Finance Department was in a state of chaos:

- The FY2009 accounting records were not complete and held in multiple computer applications that did not interface; the FY2010 Budgets were not complete.
- The implementation of HANO's enterprise software at the time was incomplete and flawed, with some areas impacting the ability to process invoices for payment.
- Almost all invoice payments were late, including payments to vendors for operations, modernization activities and development projects.
- Proper due diligence was not being performed on invoice payments.
- Monthly HAP payments were sent out on the 5th of the month or were late, and payments were made during the entire month in small payouts and in a mid-month run that did not consistently go out on the 15th of the month,
- There were no reconciliations of HAP Payments to vouchers being performed despite the fact that the HAP payment run did not match the amounts to be paid according to the voucher reports sent over by the HCVP Department.
- HANO had not collected large amounts of equity payments nor completed compliance on various projects resulting in pending defaults from investors.
- HANO had not tracked its financial commitments so that it could determine whether it had adequate funding.

- Many entities were requesting/demanding funds from HANO for various matters that were not considered in any HANO spending plan

Finding 1: HANO's overall financial management was poor, with significant operating losses in its Public Housing program.

HANO had routinely increased its financial commitments for individual real estate development projects without consideration of its ability to complete the development program as a whole. HANO began the process of opening a Section 8 waiting list without consideration of the amount of funding required.

Resolution: The primary means for addressing this issue was the development of a comprehensive annual operating budget reflective of the true financial commitments of the organization. Finance management and staff worked closely with program managers to plan and reserve funding for major projects and initiatives planned by the administration to support operations and program initiatives for the upcoming fiscal year. Simultaneous to the budget process, finance staff, program managers and procurement staff participated in the procurement planning process. Participation among various staff ensured managers could gauge workload and financial requirements for non-personnel services. As a result of this processes, HANO produced a \$311 million comprehensive FY 2012 operating budget, reflective of operational needs and strategic priorities of the organization in achieving its mission. HANO also eliminated the need to use multiple computer applications for financial management by implementing a new financial management system to integrate all financial activities of the agency. HANO now has the ability to produce income statements, balance sheets, budget- to-actual comparisons, depreciation schedules and consolidated financial statements. Each of these reports is critical for prudent financial management and decision making.

The HCV program had accumulated excess net restricted assets and maintained low leasing levels. The HCV program is now utilizing net restricted assets and tracking to maximize leasing towards 100% utilization. Furthermore, the VMS is being submitted timely and accurately. The Finance Department has made tremendous accomplishments to coordinate efforts with the HCV program to accomplish this task. Additionally, through this cooperative effort, landlords are regaining the confidence to participate in the program to house the HCV residents.

HANO was in complete disarray from an accounting perspective as well as a program perspective. HANO was able to reengineer their business model to comply with not only GAAP and GASB requirements, but HUD's Asset Management requirements as well. This included training at all levels, a new cost allocation plan and a new financial accounting and reporting process to analyze activity at the AMP and program level.

Prior to the implementation of its new financial software system, HANO experienced difficulties completing both the monthly and year end close processes consisting of bank reconciliations, financial statements, budget reports, etc. The preceding financial management system was inadequate to generate consistent and reliable financial data and many of the aforementioned functions were performed manually. Additionally, HANO had to acquire addition resources

(consultants and temporary employees) to perform this critical task. As a result, this process was cost ineffective, cumbersome and prone to human error. As a consequence, in prior years, HANO was unable to meet established timelines for completion of the end close in accordance with HUD and state requirements.

The Finance Department now has a documented comprehensive monthly and annual closing schedule and process that will allow for the production of financial statements by AMP while incorporating information necessary for REAC and MASS reporting and other requirements of HUD and the state. As a result, HANO successfully presented its REAC financial submission on time to HUD for the first time in many years.

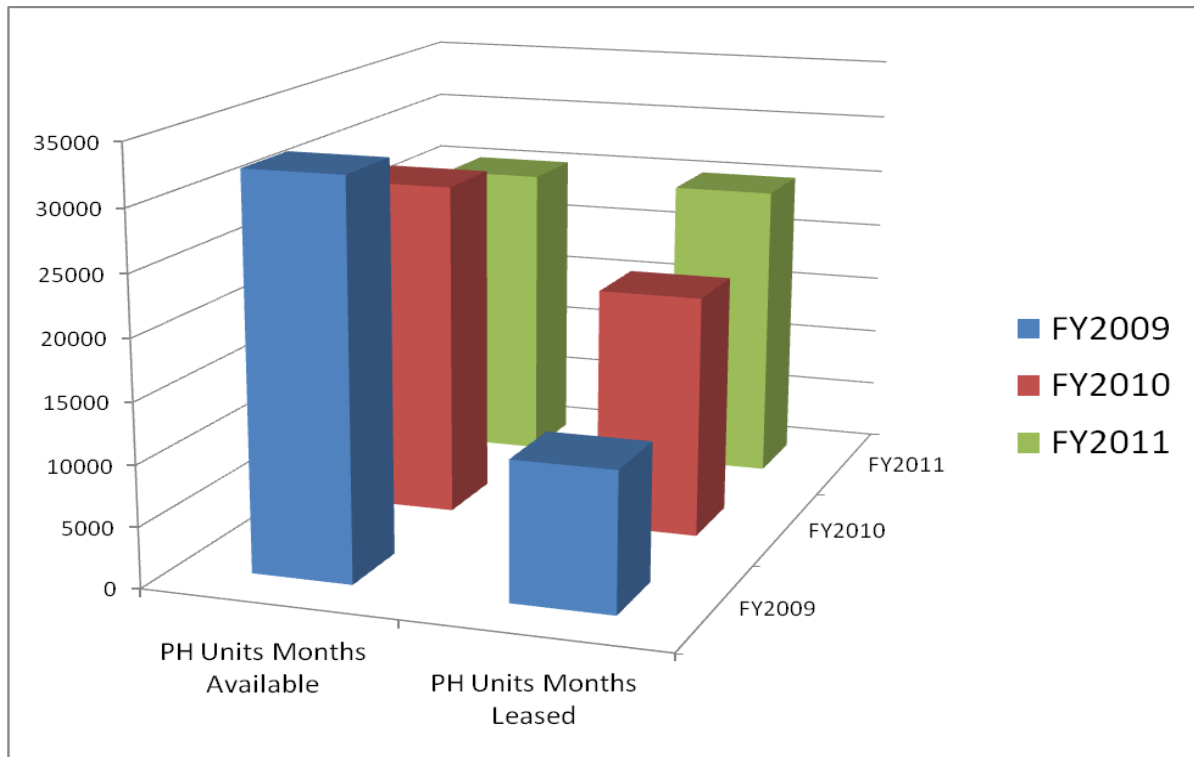
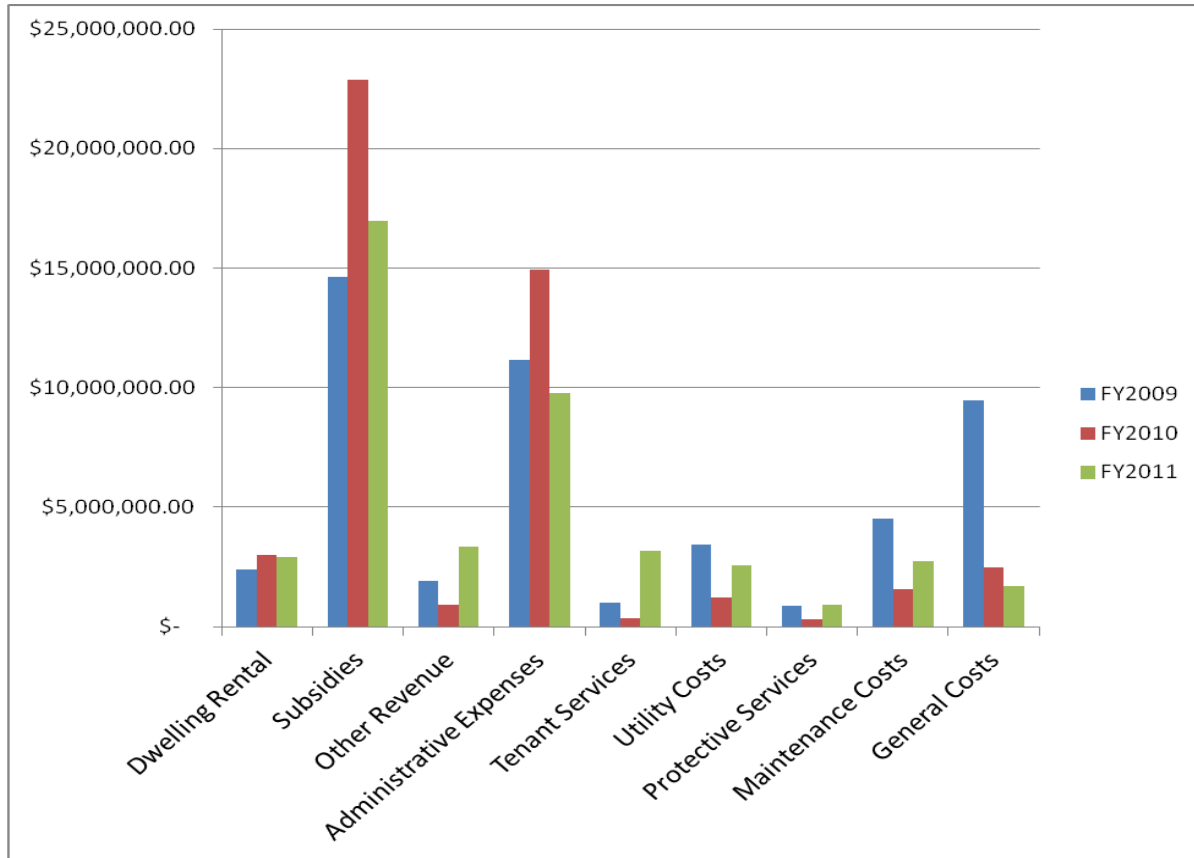
While not directly related to operating losses, HANO was able to procure a new bank that provided competitive fees and meets the requirements of HANO’s needs. Additionally, the bank works closely with residents of HANO and tries to ensure all residents are provided some sort of checking/savings account.

The following chart and graphs illustrate aspects of HANO’s new financial health:

Housing Authority of New Orleans – PH Budget

	FY2009	FY2010	FY2011
Dwelling Rental	\$ 2,380,021.00	\$ 3,011,308.00	\$ 2,922,841.00
Subsidies	\$ 14,650,357.00	\$ 22,881,214.00	\$ 16,991,247.00
Other Revenue	\$ 1,919,614.00	\$ 898,939.00	\$ 3,332,423.00
Administrative Expenses	\$ 11,162,676.00	\$ 14,936,457.00	\$ 9,777,080.00
Tenant Services	\$ 1,002,968.00	\$ 333,194.00	\$ 3,179,461.00
Utility Costs	\$ 3,434,421.00	\$ 1,228,196.00	\$ 2,584,983.00
Protective Services	\$ 888,105.00	\$ 291,243.00	\$ 905,824.00
Maintenance Costs	\$ 4,526,645.00	\$ 1,581,828.00	\$ 2,756,199.00
General Costs	\$ 9,451,215.00	\$ 2,462,255.00	\$ 1,678,940.00
	\$ 30,466,030.00	\$ 20,833,173.00	\$ 20,882,487.00

	FY2009	FY2010	FY2011
PH Units Months Available	32352	27840	25257
PH Units Months Leased	11472	20074	25057



Finding 2: HANO's public housing program (including Central Office) did not adopt asset based budgeting and accounting until FY2010.

HANO had not adopted Asset Management accounting principles until FY2010. In prior years, although HANO coded invoices to different projects or central office areas, the information in the computer databases could not be distributed in a manner to separate Central Office costs from Low Income Public Housing. Therefore all costs that would be considered Central Office costs were combined with Low Income Public Housing transactions. As a result, HANO may not have been able to diagnose its operating expenses appropriately to compare the budget to asset based Project Expense Levels (PELs).

Resolution: The FY 2011 and 2012 operating budget were submitted on time and were produced in compliance with asset management requirements. In addition, the current financial management system allows accountable managers to have access to real-time budget information to monitor program expenditures, as required under asset management. HANO is now operating full scale in the Asset Management Module reporting function for all entities. Each HANO entity is self-supported and reported as required by the Department of Housing and Urban Development.

The Finance department also developed a standard process for budget revisions that require departmental and executive approval. Designated finance staff has been assigned to monitor budgets and to meet with managers to examine budget to actual and discuss variances.

Although the Finance Department has made considerable progress in improving the financial operation of the agency, given the financial position of HANO, the department must continue its efforts to enhance revenue and decrease costs to ensure HANO's long-term financial viability. As reported previously, the Finance Department has significantly reduced its reliance on consultants and temporary staff, which resulted in cost savings of approximately \$4 million. Further, with the implementation of a budget compliant with asset management requirements, HANO has been able to allocate revenues and expenses to each site, which allows for more detailed analysis and accountability for revenue and expenditure patterns. Managers now have access to individual budgets to make decisions and are accountable for ensuring fiscal responsibility for their site/program. The implementation of the asset management model also allowed HANO to allocate staff salaries to individual sites/programs which decreases expenses to the central office cost center (COCC) and maximizes revenue to the COCC to support operations such as legal expenses, utilities, supplies, and other central office costs. During the annual procurement process, HANO also examined all existing contracts and identified opportunities for cost reduction and compliance with HUD regulations. HANO identified considerable cost reductions in consulting in the development area (approximately \$400,000) as well took advantage of discounts via GSA and cooperative agreements offered by the state. All new contracts undergo financial review by the finance department and all contractor invoices are reviewed and approved by the finance department. The Finance Department is consistently exploring revenue enhancement opportunities for the agency.

Finding 3: Public Housing (including Central Office) was accumulating operating losses.

In Fiscal Years 2007-2009, HANO Public Housing (including the Central Office area) incurred operating expenses in excess of operating revenue as follows:

FY2007 (audited)	FY2008 (audited)	FY2009 (audited)	FY 2010 (audited)	FY 2011 (unaudited)	FY 2012 (unaudited)
(\$7.7 million)	(\$2.3 million)	(\$2.7 million)	\$796,000	\$435,000	\$40,600

Resolution: To address longstanding operating losses and ensure efficient and cost-effective operations, Gilmore Kean restructured the organizational structure and staffing of the agency by identifying appropriate staffing levels and mix in each department with the primary focus on building in-house capacity and reducing reliance on consultants, particularly in the area of finance. The reduction in consulting services in the finance area and has yielded a net savings for the agency of approximately, \$2.2 million. Further, we implemented a new budget development process inclusive of all planned revenue and expenses for the agency and produced realistic, balanced budgets over all operations for fiscal years 2010 through 2012. HANO is no longer accumulating operating losses. HANO also implemented more stringent contract administration protocol to ensure all contracts, particularly those for professional services, were monitored more closely by accountable contract monitors assigned by the Administrative Receiver, these efforts also produced cost savings in the amount of \$600,000 between FY 2010 and FY 2011.

Finding 4: Public Housing (including Central Office) had a dwindling cash balance available for operations.

It was difficult to determine HANO's true cash position because HANO did not pay bills on time nor consistently pay bills with the planned source of funds. HANO also does not draw down funds from HUD consistently, sometimes drawing down before the invoice is paid, sometimes after the invoice is paid and sometimes when a staff member realizes that the drawdown has not been done. At that time, HANO had a commitment of over \$16 million of Operating Funds to the 2006 901 Program. At least \$5 million was expected to come from the Modernization account, although with the multiple transactions and inter-fund transfers, it was difficult to determine if the Modernization bank account has enough funds to cover the 901 commitment. With continuing operating losses, it appeared HANO would not have enough cash set aside for emergencies and could eventually find itself in default on vendor commitments or unable to obtain key goods and services needed to run the properties or maintain the Central Office. HANO's cash position available for operating was masked since all 901 funding commitments were not moved to the 901 bank accounts as the HCVP 901 funding commitments were.

Under Asset Based Accounting principles, HANO is required to divide its cash among the AMPs and the Central Office. It was anticipated then that once HANO completed this division of cash,

it would find itself even further cash-constrained particularly at the Central Office level because of the potential expected uses of operating cash at that time.

Resolution: All 82 bank accounts for the agency were fully reconciled and an analysis of all outstanding commitments by program was conducted. HANO Finance Department was able to determine the true cash position of the agency. Additionally, the Board approved new finance policies and procedures with a commitment to pay vendors within the established 30-day pay standard set forth in the policy. The Finance Department also reconciled the 901 funds to ensure all dollars were accounted for and expenditures classified appropriately. HANO then submitted a revision to HUD to reduce the \$16 million of Operating Funds committed to the 2006 901 funds to ensure the agency is in a position to fund agency commitments and maintain the Central Office.

Finding 5: Public Housing (including Central Office) had additional potential non-operating uses for operating cash.

By 2010, many of the mixed finance developments that were completed and occupied had appealed to HANO for additional funding for their properties. During the time of the Assessment, HANO had yet to determine whether these were actual responsibilities under the mixed-finance agreements. At that time, it appeared that HANO had not only failed to address these long-standing issues, it did not have documentation available to assist in the resolution of issues and it had not prepared for any contingencies for possible payment.

Resolution: Gilmore Kean reviewed regulatory and operating agreements and other management agreements with third party vendors and conducted a detailed financial analysis of each property to determine if there were any outstanding obligations due to them and to identify subsidy and other funding obligations going forward. As a result of these activities, HANO has settled all outstanding funding issues at the individual properties, required sites to build budgets based on realistic funding projections, and replaced a management company at a troubled site to ensure more compliant, cost-effective operations.

Finding 6: Public Housing (including Central Office) had many problems that negatively impacted operating performance and cash.

At the time Gilmore Kean was completing its assessment, the deadline for completing the FY2010 Budget had passed without its having been completed. Although that FY2010 budget was organized for Asset Based Budgeting, no analysis of the budget had been done to determine the reasons for the operating losses, how expenses should be redistributed between the AMPs and the Central Office or cost-saving/revenue producing measures.

Complicating the matter is that some costs (*e.g.*, the payment of claims incurred from a period when HANO was self-insured) needed to be absorbed by the Central Office without funding because the development where the loss was sustained was no longer owned or under the control of HANO. HANO had not set aside reserves and therefore had to use then current cash for payment.

Highlights of the problems with the Operating Budget and Cash were:

- There were no reserves or cash set asides for development related costs that were not yet reimbursable from a project budget.
- HANO had large sums of funding that were still outstanding (e.g., equity draws) or may never materialize as offsets for development costs in the operating budget (e.g., Program Income reallocated to another project).
- HANO had not appropriately staffed the Finance Department, requiring the agency to rely heavily on consultants.
- For years, HANO used two different computer systems for financial transactions, did not process all transactions through the Accounts Payable subsystem so that vendor payments could be tracked and did not process transactions consistently through the systems. This made an analysis of budget to actual information extremely difficult.
- There had been excessive payments for claims incurred for periods when HANO was self-insured that were still being paid.
- HANO incurred high legal costs for pending claims.
- Funds that HANO holds from insurance proceeds were used for development activities and not to pay insurance claims.
- HANO had documented fraud and theft by former staff and contractors.
- HANO had an over-reliance on sole-source contracts versus competitively procuring goods and services to get the best price.
- HANO did not view financial information in the business context of profit/loss and data had been reported in a commingled and confused fashion.
- HANO routinely did not pay bills on time making it difficult to determine or analyze cash position. For example, in the month between the announcement of a new administrative receivership team and the on-site presence of the team, HANO processed almost \$1million of non-current invoices.
- HANO had been sustaining operating losses and several of their occupied mixed-finance projects have been experiencing losses. It appeared PEL calculations may need to be reviewed and a subsidy appeal to HUD may be needed.

Resolution: The Finance Department now monitors HANO operations in order to effectively maintain an overall budget process that complies with the regulations of HUD and other internal and external entities. The Finance Department engaged in a comprehensive budget planning and development process for fiscal year 2012. Budget development procedures had to

be revised, as many previously manual functions could now be carried out in the software system. Activities included developing a budget revision process and determining the approval process for budget revision submission, establishing a monthly finance executive team review, and establishing a monthly time schedule for providing executive staff with budget to actual reports.

Finding 7: Development initiatives at HANO were not managed as a strategic redevelopment program but as isolated projects or funding sources. HANO could not produce a Master Budget of its development program or the then-current status of the funding.

Attention was paid to financial matters that related to the obligation/expenditure deadline of the moment. Tracking of Plan to Actual was not consistently maintained, and funding gaps were not addressed but allowed to linger. As projects closed, some cash was placed in separate bank accounts to fund the project. However, the non-federal dollars were not segregated or tracked in this manner. Complicating this situation, several of the equity draws had not been received and developer fees that were needed to complete a project or roll into another project as a funding source were in jeopardy of not being paid. There were no reserves or contingencies in place.

Resolution: HANO conducted a reconciliation of all development activities and corresponding funding sources to ensure all current development initiatives were fully funded and fund accounts fully reconciled.

Finding 8: The development program as a whole may have had financing gaps.

Many of the development projects had required HANO funding in excess of that originally planned. As a result, HANO continued to roll costs of the projects into next year's funding sources without regard for the entire Program. This failure to consider the funding requirements of the entire Program put the later phases of individual projects at risk as additional, unanticipated funding is required to sustain the earlier phases.

Resolution: The Finance Department, in collaboration with the Real Estate Planning and Development Department, conducted a reconciliation of all planned development activities and corresponding funding sources to ensure all development initiatives were funded and fund accounts fully reconciled. HANO also successfully addressed financing gaps for all Big Four development projects. Finance and Real Estate Planning and Development managers continue to work closely with the Administrative Receiver to identify both strategy and funding sources for all redevelopment initiatives.

Finding 9: The development program had cash gaps.

HANO had not set aside sufficient operating funds for the 2006 901 commitment and it appeared therefore that it might end up spending development funds on operating or other costs.

Resolution: The Finance Department, in collaboration with the Real Estate Planning and Development Department, conducted a reconciliation of all planned development activities and corresponding funding sources to ensure all development initiatives were funded and fund accounts fully reconciled. As previously reported, HANO reduced the amount of 2006 901 funds by \$16 million in Operating funds to address the cash gap. The \$11 million in equity draws remain outstanding due to past deficiencies in the management of several properties. However, HANO is working closely with the investor to implement budgetary measures sufficient for properties to be profitable and thus trigger equity release.

Finding 10: The development program had other potential payouts from development cash.

As with Public Housing, there were other potential payouts from cash for development projects that were not planned, such as a payment to the developer for Lafitte of \$1.3 million for a ground lease for which the developer seeks reimbursement.

Resolution: The Finance Department, in collaboration with the Real Estate Planning and Development Department, conducted a reconciliation of all planned development activities and corresponding funding sources to ensure all current development initiatives were funded and fund accounts fully reconciled.

Finding 11: The development program had project investments in jeopardy.

As discussed in the Development and Capital Planning Activities section of the report, HANO with HUD approval did early starts on two projects. These projects needed an extension of the PIS date and the GO Credits otherwise the investments in each would be lost unless additional funding could be obtained or another planned use for the sites developed.

Resolution: The Finance Department, in collaboration with the Real Estate Planning and Development Department, conducted a reconciliation of all planned development activities and corresponding funding sources to ensure all current development initiatives were funded and fund accounts fully reconciled.

Finding 12: Housing Choice Voucher Program (HCVP) payments were not reconciled with vouchers within the Voucher Management System (VMS), which resulted in inaccurate VMS reporting to HUD. HANO did not track its cash flow. HANO did not have an accurate Net Restricted Assets balance and staff had not reconciled the amounts carried by HUD.

Although HANO has multiple voucher programs, none of these programs was reconciled monthly. HANO HCVP passed a report to the Finance Department (for the first and the mid-month run) outlining the vouchers to be paid for, but Finance did not understand or reconcile the difference between the reported amount for processing to the amount of dollars that would be actually spent on the voucher run. HANO HCVP would also submit vouchers for payment outside the two scheduled (1st of the month and midmonth) HAP runs and Finance would pay these vouchers outside the two scheduled processes. HANO HCVP would submit data for VMS without reporting all of the prior month adjustments. As a result, the VMS counts

were incorrect resulting in an incorrect projection at the end of the period of net available vouchers for the waiting list, net cash flow for the period and net restricted assets at the end of the period.

Complicating matters during the last year (2009) is that the number of authorized vouchers more than doubled, thousands of families were moved from one voucher program to another (i.e. the DHAP to HCV Conversion), and the terminations of families in the programs along with the lease-up of the vouchers was not timely.

After the Administrative Receivership Team identified the problems within VMS in January, the VMS numbers that had been reported were corrected. The margin of difference was large enough that if HUD calculated the CY2010 funding on the incorrect numbers, HANO would have received millions of dollars less than what it would get using the correct VMS numbers.

Resolution: HANO Finance Department fully tracks all financial activities of the Housing Choice Voucher Program. We have reconciled all VMS data and are meeting monthly reporting requirements with timely and accurate financial data for the program. In addition, procedures over the HAP payment process were implemented to ensure reconciliation of the HAP account prior to release of funds. Net Restricted Assets and available cash are reconciled monthly.

Finding 13: HCVP 901 financial commitments for CY2009 may have been overstated.

The amount of money allowed to be set aside for 901 each year is the projected excess of funding received over funding spent on vouchers. HUD uses VMS to formulate the estimate. A new estimate of 901 availability for CY2009 will be required as a result of the VMS corrections.

Resolution: The funding set aside for 2009 901 was derived through excess HAP related to the Katrina disaster. All financial accounts related to the Section 8 program were reconciled and corrected in VMS to obtain a more realistic picture as to how much money was available for 2009 fungibility. HANO submitted a proposal which was subsequently approved by HUD for \$13.5 million for 2009 901 funds, which reflects accurately the amount of funding available.

Finding 14: There was a lack of financial partnerships with business partners.

HANO's partnerships with Mixed-Finance Developers depended heavily on HANO for financial assistance. Yet when a problem occurred, HANO did not attempt to reach a resolution in a timely manner, allowing relationships to deteriorate and financial conditions to worsen.

The FY2008 audit opinion of the Guste Resident Management Corporation (RMC) for FY2008 was qualified as a result of an inability to determine the accuracy of accounts receivables claimed by the RMC to be owed by HANO. Through the years, a reconciliation of the two sets of books had not been completed. Budgets prepared by the RMC were incomplete, information was not forthcoming from HANO and the two entities did not work together to complete the budget so that monthly reporting could be provided. As a result, it was difficult to resolve the accounts receivable problem or to determine whether the RMC was compliant financially. There had been various long-standing issues between the two entities. Yet as each

side blamed the other, an attempt to identify the prior period Guste transactions using HANO books and records disclosed that HANO had a difficult time in appropriately identifying and classifying the Guste transactions that HANO had tracked and paid.

Resident Service Councils had requested resident participation funds for their communities, yet HANO has not responded.

Resolution: HANO has developed productive partnerships with all third party management entities, including both Resident Management Corporations. Budgets prepared by the third party managers are submitted on an annual basis and reviewed and approved by finance staff to determine appropriateness for operational efficiency and cost-effectiveness. HANO finance staff work closely with RMC, in particular, in the budget development process to ensure realistic budgets that reflect the operational needs of the property. The financial performance of the properties is reviewed monthly and as issues arise that are resolved promptly.

Finding 15: Audits had not been completed in a timely manner.

As of December 2009, HANO had several audits and tax returns that were at least 9 months overdue to various authorities. In one case, the audit had been issued (FY2008 Guste 1) and HANO had to have the audit redone because of an error found in the Accounts Receivable that was identified by HANO subsequent to audit issuance. In another case, the FY2008 HANO audit was issued and the Louisiana State Auditor would not accept the audit because of the long-standing audit opinion qualification relating to the Guste accounts receivable. Late audits caused HANO possible default penalties by investor groups. These late audits had been one of the causes of HANO not being able to collect equity payouts and diminished HANO's ability to borrow or leverage funds for future development work.

Resolution: HANO has submitted its annual financial audit to the Louisiana Legislative Auditor in accordance with statutory requirements for three consecutive years. Likewise, HANO has timely filed its federal audit report for three consecutive years. REAC Reports, both audited and unaudited have been timely filed for the past two consecutive years. In addition, HANO has completed four ARRA audits and three DHAP audits.

Finding 16: There was a lack of organization and employee capacity.

HANO employees did not demonstrate an understanding of managing finances, an understanding of HANO's finances nor their role in protecting the assets of HANO. HANO Departments worked in silos when it came to finance matters. The operating departments spent the money and the Finance Department paid the bills. There had been little sustained coordination between the departments, in particular between the Real Estate Planning Development Department and the Finance Department. REPD would define a project budget without detailed funding sources, in particular for non-Federal funding sources, and the Finance Department did not provide any additional detail. Neither department took responsibility for tracking funding and payments.

The Finance Department did not have an adequate number of employees to perform all of the tasks required nor did it have enough of the appropriate skills to effectively participate in finance activities. There were gaps in bank reconciliation preparation, accounts receivable and accounts payable segregation of duties, HCVP accounting reconciliation, budget preparation, year-end closeout and audit preparation, software system implementation, financial analysis, development accounting and general ledger postings. Many of these tasks were being performed by outside consultants with minimal cross training of HANO staff.

Resolution: Organizationally, the Finance Department has maintained efforts to recruit and retain qualified accountants and finance personnel. In prior years, staff did not have the appropriate skill set or experience to perform core accounting and finance functions such as bank reconciliations, general accounting, year-end close, and budget development and preparation. To date, the department staff consists of certified public accountants, staff with advanced degrees, and other staff with significant, relevant work experience. Staff has been trained on new systems and policies and procedures of the department. HANO has reduced its expenditures on consultants within the Finance Department from \$3.8 million to \$0. Key accomplishments resulting from a more qualified staff and other organizational improvements include:

- Completion of the year-end financial close in accordance with HUD requirements. This submission was not completed timely in prior years.
- Successful conversion to the asset management model of accounting and reporting. Again this requirement had not been met in prior years and was subject of repeated financial audit findings.
- Successful implementation of a new financial management system to enhance the efficiency and effectiveness of financial management and reporting, a feat that could not be accomplished without qualified staff given HANO's aggressive implementation schedule.
- Development of a comprehensive annual operating budget reflective of true financial commitments of the organization.
- Performance of core finance functions consistent with HANO's finance and accounting policies and procedures such as timely performance of bank reconciliations, recording of financial information accurately and completely, and adherence to the vendor payment schedule.

Finding 17: There were inadequate computerized application tools, and the Yardi implementation was flawed.

As has been noted elsewhere in this report, at the time the Gilmore Kean team conducted the 90-day Assessment, HANO was experiencing the frustration of a failed computer software system implementation.

Resolution: The software package, as implemented, proved incapable of providing accurate accounting or financial reporting. There was a major lack of consistency in the data. HANO procured a new financial software package from JD Edwards, called the Enterprise One system, and was able to have it successfully implemented and meet the requirements of asset management. The software can also provide budget vs. actual reports directly from the system, a first for HANO in several years.

In August 2011, HANO implemented the Enterprise One system as the new financial management system of record for the organization. The new system was an essential component in establishing management systems to accurately record and report financial data in a timely manner. Prior to implementation, Finance Department staff collaborated with the IT Director and consultants were engaged to implement the system to perform a comprehensive needs assessment in order to determine how best to address deficiencies in financial reporting and recordkeeping.

The implementation of the new system resulted in the following benefits:

- Adequate Internal Controls — system controls have been set up to ensure appropriate segregation of duties, thereby mitigating opportunities for malfeasance, fraud, and mismanagement.
- Comprehensive Financial Reporting – HANO now has the ability to produce income statements, balance sheets, budget- to- actual comparisons, depreciation schedules and consolidated financial statements. Each of these reports is critical for prudent financial management and decision making.
- Asset Management Reporting – HANO is now operating full scale in the Asset Management Module reporting function for all entities. Each HANO entity is self-supported and reported as required by the Department of Housing and Urban Development.
- Real Time Accounts Payable Reporting – HANO can view aging information and generate reports to ensure commitment to paying vendors on time is realized.
- Efficiency in Operations – the functionality of the system has allowed for the elimination of many time consuming manual processes. Accountants no longer have to use spreadsheets to perform account reconciliations and to produce financial reports and bank reconciliations are now performed in the system.
- Year-End Closing – HANO has developed a comprehensive monthly and year end closing schedule that will allow for the production of financial statements by AMP while incorporating information necessary for REAC and MASS reporting.
- Data Integrity – System enhancements allow several layers of review and approval in an effort to reject erroneous invoices, inaccurate journal entries, and duplication of

payment applications and to address many other longstanding issues that have plagued the organization.

Finding 18: HANO did not have reserves and contingencies.

HANO routinely had to disburse more cash than initially planned. Yet there were no financial contingencies or reserves set up to fund these items. This perpetuated the cycle of constant funding source changes, which increased the complexity of planning and tracking the Development Program in particular.

Resolution: While HANO is still in the process of building cash reserves which were depleted by past management practices, for the past three fiscal years, HANO has developed balanced budgets and is no longer disbursing more cash than is received.

Finding 19: HANO allowed the same audit findings to persist for years. Audit findings from the year-end auditors, Inspector General and HUD were not compiled and organized so they could be corrected and cleared.

HANO had no database or tool to track and monitor the findings so that they can be resolved.

Resolution: Prior to the engagement of the Gilmore Kean team, the annual financial audit consisted of 14 findings. HANO has reduced the number of annual audit findings to five. This is due to the training of the staff as well as the new policies and procedures. As the Gilmore Kean team implemented their methodologies and worked with HANO staff, they were able to remediate findings from HUD and other regulatory agencies. HANO has nine months to submit their audited financial statements to HUD. Due to the improved accounting policies and procedures, HANO successfully completed the audit in six months and comply with Louisiana state requirements

Finding 20: HANO overpaid vendors for service.

Failing to follow standard accounts payable protocols for data input, paying invoice copies versus invoice originals and late payments all contributed to this condition.

Resolution: Prior to the Gilmore Kean team, vendors were being paid sporadically and amounts were inaccurate. Payables are now being paid accurately and on a weekly basis.

Finding 21: HANO routinely paid vendors late.

In the past, if there was an issue with an invoice, the issue would not be resolved and the invoice would not get paid unless and until the vendor complained loudly enough. The invoice would then get rushed through the process to be paid. This contributed to the difficulty in identifying HANO's actual cash position. At times these late payments were made from accounts other than the appropriate ones, with a subsequent transfer to reimburse the paying account. This transfer, however, did not necessarily take place right away.

Resolution: Prior to the Gilmore Kean team's tenure, vendors were being paid sporadically and amounts were inaccurate. Vendors are now being paid accurately and on a weekly basis. Additionally, cash receipts are being deposited on time. Policies and procedures have been adopted regarding accounts payable, accounts receivable, fixed assets, and general accounting. The accounts payable policy mandates a 30-day payment cycle for vendors. Appropriate internal controls are in place to deter fraud and to improve the efficiency and effectiveness of operations.

Finding 22: HANO had not monitored its activities in relation to 901 Compliance

HANO must demonstrate that 901 funds are used only for designated purposes and that only families that meet the 901 criteria receive the benefit of these funds. Although these were the known criteria, according to the Inspector General's review, HANO withdrew funds from the 2006 901 accounts incorrectly. Additionally, HANO had not provided HUD with a list of families for which 901 funds could be used. Although the Master Developer agreements for the mixed finance projects have priority given to 901 eligible families, HANO was not monitoring the lease-up of units that were funded with 901 funds to ensure the lease-ups were compliant.

Resolution: HANO reconciled the 901 funds to ensure all that dollars were accounted for and expenditures classified appropriately. In addition, HANO submitted a revision to HUD to reduce the \$16 million of Operating Funds committed to the 2006 901 funds to ensure the agency is in a position to fund agency commitments and maintain the Central Office.

AUDIT AND COMPLIANCE

Some of the more egregious failures of HANO prior to the arrival of Gilmore Kean, and those most widely reported – a former staff member allegedly leading an effort to direct more than \$700,000 to unauthorized vendors, and a former consultant who was convicted of misappropriating more than \$900,000 from HANO – can be traced, at least in significant part, to the absence of an internal audit function during that time.

Finding 1: There was no existing staff within HANO designated for audit and compliance.

While there had been an audit and compliance unit prior to Hurricane Katrina, it was disbanded following the hurricane. At that time, the only compliance work within HANO was being performed by the Contracting and Compliance Department and was primarily related to Section 3 compliance.

Resolution: Considering the audit and compliance function at HANO as essential to rebuilding the public trust in the financial integrity of the agency, the Administrative Receiver, in October 2010, established the Office of Internal Compliance (OIC) to coordinate and perform all internal audit and compliance activities of HANO. As a result, many of the activities associated with rebuilding public trust and confidence in HANO's financial integrity have been transferred to the OIC. There are currently two staff positions dedicated to this function. The Finance Department works collaboratively with OIC in achieving many of the stated objectives. The development of a long-range audit plan is an important task in restoring public confidence and ensuring internal controls are sufficient to protect HANO assets.

Finding 2: The agency was adversely affected by weak internal controls and was vulnerable to fraud, waste and abuse.

The areas where weak or no oversight had left HANO most vulnerable included: poor management of the HCV program; insufficient documentation to support the use of federal funds; payments being made to vendors without appropriate documentation or vendor-related information; circumvention of the procurement process by HANO staff; deficiencies in the implementation of the new ERP system; and a lack of documented procedures for key areas of operation.

Resolution: One of the first tasks of the Chief Internal Compliance Officer (CICO) was to develop the long-range audit plan, which was completed in June 2011. This document identifies the internal audits, reviews, and examinations of HANO operations that are conducted by the Office of Internal Compliance annually. The document further identifies areas of risk by department and the corresponding review/audits to be undertaken and their frequency. Because Finance is considered a high-risk area, many of the reviews identified in the plan are conducted in the financial arena such as capital fund, accounts payable, fixed, accounts receivable, petty cash, and general accounting.

In addition, the CICO developed policies and procedures for conducting internal audit and

compliance reviews. The long-range audit plan coupled with the policies and procedures established the structure for all internal audit and compliance activities. This included updating Board policies and procedures to comply with changing regulations, the development of work flows to document controls, establishing an annual review of all policies to ensure consistency with changing regulations and current systems, ensuring policies and procedures exist for compliance review, developing a work plan to review compliance with financial policies and procedures, and performing compliance reviews. Board-approved policies and procedures have been adopted in both the finance (accounts payable, accounts receivable, fixed assets, general accounting) and procurement areas. Procedures contain internal controls to mitigate fraud, waste, and abuse.

A new Enterprise Resource Planning system has been implemented including financial management and procurement modules. The new system has appropriate controls to ensure a segregation of duties and other internal controls to safeguard the assets of the organization.

Finding 3: It had been reported that the agency has not been particularly responsive to requests from the HUD OIG.

Prior to the start of the current receivership, the HUD OIG reported that responsiveness of the agency to requests related to audits and investigations was not adequate. Gilmore Kean received similar feedback from independent auditors and consultants.

Resolution: The CICO assisted HUD in successfully closing out the majority of long-standing audit findings that were outstanding at the beginning of Gilmore Kean's tenure. The only open item is an OIG audit related to the recapture of American Recovery and Reinvestment Act (ARRA) funds, which should be moot, as HANO has met the expenditure and obligation deadlines.

Additionally, HANO implemented an electronic database used by the CICO to monitor progress in closing out internal and external audit findings. The CICO is able to assign responsibility for corrective action to a particular program director, establish a deadline for completion, review and return for comment any issues with actions reported by program directors, and attach documentation to demonstrate closing of an audit finding.

HOUSING CHOICE VOUCHER PROGRAM

The conditions found during the Operational Assessment, included a Housing Choice Voucher Program that lacked oversight and management. More than any other department, HCVP had both an overreliance on contractors and a significant number of vacant positions. Of the total 119 budgeted positions at that time, 66 were filled by HANO employees, 22 by employees of a third-party vendor, 16 by independent contractors (HQS inspectors), and 15 were vacant.

As outlined in the findings below, HCVP lacked the capacity to perform its most basic functions, resulting in extreme dissatisfaction by both clients and landlords. As noted under Human Resources, many of the employees lacked job descriptions. It was clear that staff required significant training in order to improve their ability to conform to HCV regulatory requirements. Further, the organizational structure needed to be revised in order to sharpen the focus on key programmatic areas, improve accountability and implement effective quality control and performance standards.

Finding 1: The HCVP Department was seriously troubled and out of compliance with HUD regulatory requirements.

For the Fiscal Year ending September 30, 2009, HANO self-reported a score of 40 out of a possible 145 points, which equates to a “troubled” agency rating under HUD’s Section Eight Management Assessment Program (SEMAP). The low SEMAP score at that time underscored the fact that the HCVP Department lacked effective management, well-trained staff, written policies and procedures that were compliant with HUD regulations, and a systemic approach to ensuring that program transactions are subject to quality control reviews.

Resolution: Since the arrival of the Gilmore Kean team, the Housing Choice Voucher Program (HCVP) has undergone many changes to ensure that its operations are more efficient and in compliance with HUD regulatory requirements. HCVP has developed and implemented a staffing plan, filled vacant positions, and continues to advertise for potential candidates when vacancies arise.

Consistent with the training needs identified in Gilmore Kean’s Assessment, all current staff and new hires have received HCV Specialist Training. Additional training is planned for HCV Specialists, Family Self-Sufficiency, and HQS Inspections.

Utility allowances have been updated in accordance with regulatory requirements. Previously, HANO had not updated its utility allowances for a five-year period. Internal controls over HAP payment processing have been strengthened including Finance Department oversight of check production, and the HCV Administrative Plan has been updated to reflect current HUD regulations and HANO policies.

In addition, HANO has recruited and hired a qualified SEMAP Coordinator to track and monitor monthly performance indicators under SEMAP.

Finding 2: HANO lacked the capacity and systems needed to ensure full utilization of HCVP resources.

For calendar year 2009, HANO's utilization rate for tenant-based vouchers was 63%.

Resolution: Utilization of tenant-based vouchers increased to 99.8% by the end of CY 2011. Approximately 4000 additional households were served by the end of 2011 compared to the 2009 leasing level.

The conversion of all families receiving Disaster Housing Assistance Payment (DHAP) to the Housing Choice Voucher has been successfully completed.

Finding 3: Effective and stable management of the HCVP Department is essential to correcting operational problems and achieving full utilization of available resources.

At the time of the Operational Assessment in February 2010, oversight and management of the HCV program was contracted out via an interim "letter of agreement" (LOA) to a third party contractor, MFR P.C. Since the \$600,000 time and materials contract appeared to have been issued with no procurement process, and oversight of the department by a third-party contractor wasn't perceived to be in HANO's best interest, the immediate effort at that time was to put in place a stable and qualified management team to address the findings of the Operational Assessment and other third party reports.

Resolution: Management of the HCV Department has been restructured. The contractors responsible for overall management of the HCV Department and for management of the HCV Inspections unit have been replaced by HANO employees. All core HCV services are now performed in-house by trained HANO employees, including the department director.

Finding 4: HQS inspections were not conducted in compliance with HUD requirements, including the requirement to conduct timely annual HQS inspections.

HANO's HQS inspection activities have been substantially out of compliance with HUD regulations. For example, in the HUD OIG Report 2009-AO-0001 dated December 12, 2008 the IG cited HANO for housing eight of ten randomly selected households in units that did not meet HQS standards. A limited number of random inspections conducted in November 2009 confirmed that this problem still existed. PIC data indicated that 33% of annual inspections were overdue. The MTCS HQS inspection report for the Fiscal Year ending September 30, 2009 indicated that 39% of annual inspections were conducted late. Further, the assessment confirmed that HANO operated without written inspection procedures.

Resolution: After it was determined that annual Housing Quality Standards (HQS) inspections were not being conducted timely in accordance with HUD regulations, the inspections function, which was previously conducted by a third-party contractor, was brought in-house. Performance of the HQS Inspections has stabilized since that action. The majority of the inspectors are HQS certified, and additional training for the new hires will be scheduled for

early next year. Additionally, HCVP is working with the Information Technology Department to review available reports and create additional reports to track inspections data.

Substantial improvements have been made in performing timely annual HQS inspections. The percentage of late inspections has been reduced from 33% in 2009 to approximately 7% as of December 2011.

Finding 5: Annual reexaminations were not conducted on a timely basis.

The backlog of late re-examinations was 8.6% in 2009.

Resolution: The Administrative Receiver commenced an initiative targeting all overdue recertifications. The backlog of late re-examinations is less than 1% as of December 2011. Annual re-examinations are being conducted on a timely basis.

Finding 6: Rent reasonableness had not been determined for most units under lease, and high numbers of program participants had Total Tenant Payments (TTP) in excess of 30% of adjusted income.

HUD regulations require that rent reasonableness be determined prior to initial lease up and before approving rent increases. Still, a review of a sample of rents approved after March 2009 indicated that more than 80% of rent reasonableness determinations were not completed until after the HAP/Lease effective date. Prior to the current receivership, HANO lacked a uniform process to ensure that rent reasonableness is determined prior to HAP contracts and rent increases.

Resolution: HCVP contracted with a vendor to design a rent reasonableness system that better reflects the current market conditions of this area. The system was finalized and implemented in October 2011. Staff training has been conducted, and procedures are now in place to ensure that initial rent determinations and rent increase requests are based on a formal rent reasonableness determination.

Finding 7: A majority of participant files had multiple irregularities related to non-compliance with income and/or rent calculation regulations.

An August 2009 limited review of 8,193 HCV participant files conducted by HCV's third party manager and a consulting firm detailed extensive, systemic problems related to correct income and rent calculations. For example, the review found that over 30% of files did not have proper documentation/verification of household income sources; 52% of files had discrepancies in the HAP due to owner; 51% of files had discrepancies in the amount of tenant rent due to owner; etc. Numerous required documents were missing from files. These results were consistent with the observations made by Gilmore Kean and with comments made by advocates who were working with owners and program participants at that time. HANO paid approximately \$1.4 million for that file review; however, no file errors were corrected as part of the scope of the 2009 contract.

Resolution: The availability and quality of HCV transaction data and management reports has improved. HANO's HCV automation systems have been replaced with the new Emphasys Elite system. All HCV staff users have been trained on utilization of the new system. In parallel, a substantial data clean-up and verification effort has been completed.

Finding 8: Project-based voucher administration did not conform to the requirements of the Final Rule.

At the time of the Assessment in 2010, a limited number of files reviewed by the Team indicated that the PBV program was not being uniformly administered in conformance with regulations. The review identified examples of incorrect rent calculations (i.e. participants paying higher than 30% of income as Total Tenant Payment) and contract rents in excess of the maximum allowed.

Resolution: HANO has revised and amended its Administrative Plan and enhanced the chapter on Project-Based Voucher (PBV) assistance to comply with HUD regulations and HERA requirements. HANO has also developed and implemented written PBV procedures.

HANO has addressed three areas of concern in order to ensure correct tenant rents and contract rent payments for PBV units. First, HANO conducted training sessions to minimize staff errors on income and rent calculation including: a) Verification Training b) Administrative Plan Training and c) Continued Occupancy Training. HANO also monitors staff compliance by utilizing quality control reviews of a sampling of PBV reexaminations completed. Where deficiencies are noted, one-on-one training is utilized. Second, procedures have been put in place to ensure that families occupy unit sizes consistent with the Administrative Plan occupancy standards. Finally, HANO has since discontinued the practice of applying a "payment standard" for PBV units. Rents to owners for PBV units are determined in compliance with 24 CFR 983 subpart G.

It should be noted that in light of the numerous historical problems associated with HANO's past administration of the PBV program, problems remain with the master file documentation for some PBV projects and long-standing tenant PBV tenant files. However, HANO has since taken active measures to ensure that newly processed PBV owner and tenant files are properly documented.

Finding 9: Utility allowances were not updated in accordance with HUD regulations.

HUD regulations require that utility allowances be reviewed annually and adjusted if there has been a change of 10% or more in any utility rate category. Documentation of the annual review must be retained by the agency. At the time of the Assessment in 2010, HANO had last updated its utility allowances in 2004, and no documentation was provided to indicate that the required annual review was conducted.

Resolution: Utility allowances have been updated in accordance with regulatory requirements and procedures are in place to document annual review compliance.

Finding 10: HCVP Finance operations were not appropriately staffed, resulting in inadequate utilization planning, recurring payment problems and delays in VMS reporting.

At the time of the Assessment, only one HANO staff member was assigned full-time to the “finance” function within the HCVP Department. In addition to overseeing the HAP/UAP payment process, this person was also responsible for entering updated data into the VMS system. The scale of the HCVP operation, which was then responsible for over \$100 million in annual payments, mandates the involvement of additional staff resources to ensure that vendors are appropriately vetted, and that payments are properly documented and processed. Also, the assessment indicated a high level of reported owner dissatisfaction with HANO’s payment processing, a factor which negatively impacts HANO’s ability to attract and retain quality property owners to HCVP and inhibits voucher holders’ ability to find and secure decent housing.

Resolution: HANO has completely reorganized the manner in which HCVP finance operations are conducted. A team of four staff members is dedicated to this function and standard operating policies and procedures for vetting landlords, processing HAP/UAP payments (including a reconciliation process), and VMS reporting have been implemented. HANO also recently implemented a new financial management system and a new information system for HCVP that are integrated and have more appropriate controls to ensure the accuracy of landlord and tenant information captured and reported. The system also allows for more robust reporting to perform quality control activities, verify the accuracy and appropriateness of information used for the VMS submission, and ensures more efficient and effective monthly HAP processing. Additionally, HANO implemented a mandatory supervisory review and authorization of the monthly HAP run and VMS submission by the Director of Finance. Although there have been improvements in the timeliness of HAP processing and the accuracy of VMS reporting, significant work remains. HANO and HCVP staff continue to work closely to refine operations to address challenges faced by the implementation of two new systems and to develop and implement more effective customer service initiatives to improve the experience of stakeholders (applicants, tenants and landlords) in the HCV program, thereby changing the perception of HANO’s administration of the program and ultimately attracting and retaining more participants. In addition, HANO has recouped approximately \$1.8 million in landlord overpayments that were made prior to the current administrative receivership.

Finding 11: Automation support for HCVP operations was seriously deficient, and PIC reported data did not match HANO’s internal records.

The Public and Indian Housing (PIH) Information Center (PIC) is the HUD database of property and client data. HANO is required to report family composition data, as well as timely information regarding move ins and move outs. At the time of the Assessment, HANO had recently converted to the Yardi computer system with the goal of automating HCV, Finance, Procurement, Public Housing and all other operational areas; however, at that time, there were significant deficiencies in the new system. Additionally, it was discovered that HANO’s data in the Yardi system had significant inconsistencies from PIC and that the two systems needed to be reconciled.

Resolution: Once it became clear that Yardi, as implemented, would never meet HANO's needs, HANO procured and implemented Oracle's J.D Edwards ERP system for financial, procurement and grants systems. For HCV, Public Housing and Tax Credit applications, Yardi has been replaced with the Emphasys Computers Elite application. HANO has a 100% PIC reporting rate based on the December 2011 HUD SEMAP Indicators report.

Finding 12: The Family Self Sufficiency Program was not being administered as required by HUD regulations.

At the time of the Assessment, PIC reported only 12 families were enrolled in the Family Self Sufficiency Program, compared to the minimum program size of 573; however, HANO staff records indicated that approximately 100 families were enrolled. The VMS system reflected \$0 in FSS escrow deposits.

Resolution: Monitoring of activities in the Family Self-Sufficiency (FSS) Program has been delayed due to the previous software system not being fully operational. HANO has implemented a new software system that will allow us to track enrollment and escrow information accurately. In addition a new FSS Coordinator has been recruited and hired. We are working with the Communications department to develop a recruitment campaign, including brochures and fliers.

Finding 13: The HCVP Department lacked well-defined job descriptions, job-related performance standards and written procedures.

The findings contained in the Assessment reflect the absence of basic systems that are essential to a well-run HCVP operation. At the time, job descriptions lacked clear and understandable job requirements and performance standards. A standard training program including required training certifications and training on agency-specific written procedures had yet to be developed and implemented.

Resolution: At least 11 positions within the Housing Choice Voucher Programs department did not have job descriptions, including the HCVP Director. Job descriptions, including clear standards and performance requirements, have been created or revised as necessary, and HCVP has benefitted from the agency-wide effort to implement a clear performance evaluation system.

Finding 14: Dissatisfaction with HCVP administration inhibited the ability of voucher holders to secure decent housing.

Prior to the start of the current Administrative Receivership, reports of landlord dissatisfaction with the HCV program were widespread, primarily due to processing and payment delays. The Greater New Orleans Fair Housing Action Center published a report in 2009 that included the results of a telephone survey of one hundred property owners. The results found that, "Landlords denied voucher holders the opportunity to rent units eighty-two percent (82%) of the time, either by outright refusal to accept voucher holders or by the addition of

insurmountable requirements...” Seventy-five percent of landlords surveyed refused to accept vouchers at all. Note that state and local law do not prohibit discrimination on the basis of income source. At that time, HANO had insufficient processing abilities, which would be required in order to increase the number of landlords prepared to accept vouchers.

Resolution: Increasing landlord participation in the HCV Program has been a primary focus of the current Administrative Receivership. As we continue to improve our relationship with participating landlords, we have revised our owner briefing materials. We have created a landlord video and training booklet that was implemented in January 2012. We have held a landlord fair to assist current and new landlords with registering to utilize the Housing Choice Connect site. With the implementation of our new software system, landlords will have access to more information regarding their participation in the HCV Program.

To improve the clients’ experience, we also revised and implemented the participant’s leasing packet, and those participants in the move process are assisted with registering to use the Housing Choice Connect site. The quality of briefings and housing search assistance made available to voucher holders has been substantially improved. A housing search website has been established to facilitate the matching of voucher holders with appropriately sized, available housing units.

Partnerships have been established with local social service providers to improve coordination and support to HCV voucher holders who are disabled and/or homeless. HCVP continues to work with the Information Technology Department to develop a system that will allow waiting list applicants to be able to access information regarding their status via telephone and the HANO website.

DEVELOPMENT AND CAPITAL PLANNING ACTIVITIES

At the time of the Assessment, the Real Estate Planning and Development (REPD) Department was headed by a Chief Operating Officer (COO), who had been with HANO for many years. The COO was supported by 11 employee positions, six project-level staff, one finance specialist, and one administrative position for Modernization and Development, and three full-time staff positions for the Homeownership Division. The majority of the work in REPD was contracted out to two consulting firms. One observation during the time of the Assessment was that HANO was so reliant on contractors that operations in REPD would be substantially halted should they fail to fulfill their obligations to the Authority.

HANO's portfolio, comprised of 10 large sites and several hundred scattered sites, was in the process of a major transformation. Prior to Hurricane Katrina, HANO had a public housing inventory of 7,379 units, of which 5,146 were available for occupancy and 1,001 were approved for demolition. HANO already had started the process of demolishing outdated and obsolete units and replacing them with mixed-income communities using HUD's mixed-finance approach to public housing development. Post Katrina, flooding completely destroyed the Desire and Florida sites and rendered St. Bernard, Lafitte, CJ Peete, BW Cooper, and the majority of the scattered sites uninhabitable. Slow progress had been made by the date of the Assessment – more than four years after the hurricane – in redeveloping these sites.

In 2010, HANO's portfolio count was 3,517 total units, of which just over 3,000 units were affordable rentals. HANO's 2008 Strategic Plan called for redeveloping all 10 public housing sites over a multi-year period, ending up with a final unit count of 7,652 including public housing units, project-based units, tax credit units, market-rate rentals, and affordable and market-rate homeownership opportunities. The Big Four sites received substantial Gulf Opportunity (GO) Zone tax credit allocations after Katrina and were in various stages of predevelopment through construction. Desire was being rebuilt; River Garden and Fischer were nearing completion. The remaining HANO properties (Iberville, Guste, and Florida), however, then lacked approved redevelopment plans.

Finding 1: There was no common vision shared by HANO staff and contractors to guide their day-to-day activities and decisions regarding development, modernization, and capital planning.

HANO's 2008 Strategic Plan was outdated and did not reflect current and future needs, housing market conditions, staff capacities, and realistic financing approaches. A capital planning spreadsheet, dated January 26, 2010, roughly estimated that the cost of developing the remaining number of public housing units per the 2008 Strategic Plan was double the amount of development funds currently available to HANO. A clearly articulated and shared sense of mission was needed to ensure that Authority staff work in concert to provide quality housing that is financially sustainable in the long-term.

Resolution: After several months of research, analysis and stakeholder meetings, the Real Estate Planning and Development Department, with assistance from several other HANO

Departments, completed the Strategic Plan for Development, Modernization and Homeownership programs and submitted it to HUD on June 30, 2011. The Plan provides a framework that details HANO's mission in providing and encouraging the development of quality, affordable housing and the preservation of healthy, vibrant neighborhoods for the citizens of New Orleans in a manner that promotes self-sufficiency and economic opportunity.

This Plan was developed based on extensive data collection and analysis of the current state of affordable housing in New Orleans. We collaborated with HANO residents, City and State officials, various housing advocacy groups, housing policy experts and other stakeholders to gather the data and develop key objectives to address current affordable housing needs. HANO posted drafts of the Plan on the HANO website to allow interested parties to comment. Finally, on June 28, 2011 HANO held an open Public Hearing to receive any remaining comments on the final draft.

The Strategic Plan was prepared in conjunction with HANO's Five-Year Action Plan. To accomplish this, REPD reviewed existing resources and needs in order to prioritize the utilization of limited capital improvement funding.

The Real Estate Planning and Development Department has also prepared a detailed Implementation Plan to support the Strategic Plan. The Implementation Plan was prepared based on the needs and projects targeted in HANO's latest physical needs assessments and Five-Year Action Plan.

This Implementation Plan provides a tangible approach to accomplishing HANO's mission and meeting our Strategic Planning objectives. The Plan includes an overview of HANO's existing portfolio, a description of current projects planned and in development, milestones for completing development projects, descriptions of Modernization work for existing public housing units, project staffing and projected sources and uses of funding necessary to implement these programs.

Finding 2: HANO's Real Estate Planning and Development Department substantially relied on contractors rather than staff to provide the requisite skills to plan and implement HANO's development and modernization activities.

At the time of the assessment, HANO's REPD development staff, many of whom worked in other HANO departments before being assigned to REPD, generally lacked modernization knowledge and development experience. The majority of the technical work and project management was performed by contractors. During that time, information was only shared by the department on an as-needed basis and there appeared to be a lack of sophisticated financial understanding and ability to problem-solve on the part of contracted project managers overseeing complex mixed-finance deals.

Resolution: HANO continues to recruit qualified staff to fill key positions throughout the Agency. In the Real Estate Planning and Development Department, HANO has recruited and hired a highly qualified and experienced Director with the capabilities to successfully lead the

Department through this extremely important period of redevelopment and through the transition of the agency to self-governance. In addition to the Director of REPD, HANO has hired a highly qualified Project Manager and Senior Project Manager. REPD has prepared a training plan that addresses the various functions of the Department and will be a tool to ensuring the new staff maintain competency and the work is performed following standardized policies and procedures.

HANO's reliance on outside contractors has diminished in the past two years. The HUD-funded contract (CVR) has ended. Some CVR staff and IMS-Falcon staff are under contract directly to HANO for modernization and development assistance but the number of contractors is being reduced as HANO hires new staff.

Finding 3: There was inadequate HANO senior oversight of strategic decision-making, staff and contractors.

At the time of the Assessment, REPD lacked a middle management structure, which left the Chief Operating Officer of REPD to directly supervise all department staff and provide direct oversight of the contractors. Project managers reviewed all project-level decisions with the COO before reporting to contractors, developers, consultants, or other HANO staff. As a result of such centralized decision-making, project schedules were often delayed.

Resolution: HANO has recently hired a new REPD Director with substantial real estate development experience whose goal is to reduce even further reliance on contractors and to hire experienced in-house staff. Within the past year, REPD has hired a Senior Project Manager, a Project Manager and, most recently, a Choice Neighborhoods Program Manager.

Finding 4: There was limited effective interdepartmental cooperation to support development activities.

Prior to Gilmore Kean's tenure, HANO lacked an effective interdepartmental communication strategy to make decisions around modernization and development activities that impact almost all HANO departments. In addition to the necessary coordination for successful communication, there was no one individual who had clear decision making authority on issues that span across departments. Negotiations with developers affect the entire agency – such as developer fees collected by HANO; reserves set in place; amount of operating subsidy given to the owner; etc. These decisions affect the future performance of the agency, not just the ability to create units, but also the ability to operate them long-term.

Resolution: To coordinate development activities with other HANO departments, REPD holds weekly Development Team meetings with contractors, consultants and HANO departments including Finance, Asset Management, and Client Services. For two years these weekly meetings have significantly improved interdepartmental cooperation and timely decision-making.

Finding 5: The lack of an integrated management information system for development activities contributed to poor decision making that is not informed by real-time data.

At the start of the Receivership, HANO lacked a central database to document the status of various development-related processes, schedules, and budgets, and instead relied on spreadsheets created and maintained by individuals, resulting in vacuum of information necessary for shared understanding and informed decision-making. This led to an environment where decisions were not data-driven – either because the data did not exist or was difficult to access because someone had to manually produce it. In the absence of good, accessible data HANO has developed a culture that was comfortable with uninformed decision-making.

Resolution: REPD has significantly improved its information management systems, particularly around obligation and expenditure requirements. These systems have allowed HANO to prepare for and meet key deadlines for expenditures and reporting for a wide variety of agencies including HUD, FEMA, City of New Orleans, etc.

REPD has continued to work closely with the IT and Finance Departments to implement the new JD Edwards software system that will improve processes for the implementation, monitoring and administration of all modernization and development projects.

Finding 6: HANO met ARRA’s obligation and will meet the expenditure deadlines, but not without substantial effort that could have been avoided with more careful planning.

The Operational Assessment in 2010 coincided with the period during which the substantial focus of the REPD was meeting the March 17, 2010 obligation deadline for \$34.5 million in ARRA formula funds. These funds must also be fully expended two years later or the funds will be recaptured. Based on the results of an assessment by the HUD Office of the Inspector General (OIG) of the Authority’s capacity to administer ARRA funds in May 2009, it was questionable as to whether HANO had the capacity to meet that critical deadline.

Resolution: HANO met the ARRA obligation deadline (by March 17, 2010) and the expenditure deadline (by March 17, 2012).

Finding 7: HANO did not have a comprehensive plan for meeting other funding deadlines, resulting in inadequate time for planning and programming obligations and expenditures.

At the start of the current receivership, REPD was operating in crisis management mode, focusing only on meeting the most pressing obligation deadline and so moving from one impending deadline to the next. There was no overall management plan to guide the planning efforts associated with projects potentially targeted for funding in the near – or distant – future.

Resolution: REPD has significantly improved its information management systems, particularly around obligation and expenditure requirements. These systems have allowed HANO to prepare for and meet key deadlines for expenditures and reporting for a wide variety of agencies including HUD, FEMA, City of New Orleans, etc.

Finding 8: HANO's scattered site portfolio had been distressed for years and is a management and maintenance challenge.

Prior to Katrina, HANO had an inventory of 773 scattered public housing units, many of which were in serious state of disrepair and vacant. This inventory sustained substantial flood damage after Katrina; as a result, in early 2009, only 144 scattered sites had been reoccupied. HANO's previous administration started the process of disposing of more than 500 units, with the goal of retaining 208 scattered units. The Physical Needs Assessment (PNA) recommended that many of the 208 units be removed from rehab designation, calling for demolition instead because of their deteriorated state. There was no agreement between departments at that time regarding which scattered site units should be rehabilitated vs. demolished.

Resolution: HANO has prepared a detailed Scattered Site Plan, which is currently being implemented, with the goal of demolishing or disposing of the majority of the scattered site portfolio by the end of 2012.

Finding 9: Two of HANO's Big Four mixed-income deals were in jeopardy.

At the start of the Receivership, Lafitte and BW Cooper were in jeopardy of not closing due to tax credit deadlines.

Resolution: Lafitte and BW Cooper both have successfully moved forward with financial restructuring.

- BW Cooper – 410 units – Closed on overall 410-unit development in June 2011. Development subsequently split into two phases due to expiration of GO ZONE LIHTC. Phase 1A contains 250 units; Phase 1B contains 160 units.
- BW Cooper Phase IA –250 units. Financed with HANO funds, OCD funds and 9% GO ZONE LIHTC equity. Construction is now 64% complete. 175 LIHTC units completed by 9% LIHTC placed-in-service deadline of 12/31/11.
- BW Cooper IB – 160 units. HANO funds, OCD funds and 4% tax-exempt bonds and LIHTC equity. LIHTC and tax-exempt bonds awarded in 2011. Closing projected 2012.
- Lafitte Phase I – 134 units. HANO funds, OCD funds and 9% GO ZONE LIHTC equity. Closed April 2010. Completed and fully leased.
- Lafitte Phase II -- 142 units. HANO funds, OCD funds and 9% GO ZONE LIHTC equity. Closed March 2011. Completed Dec. 2011. Lease-up has begun.
- Lafitte Phase III – 100 units. HANO funds and FEMA funds. In predevelopment. Closing projected 2012.

Other closings accomplished in last two years include:

- St Bernard Phase IIA – 49 units. HANO funds and LHFA Exchange funds. Closed June 2010. Completed and fully leased.
- St. Bernard Phase IIB – 48 units. HANO funds and 9% LIHTC equity. Closed Sept. 2011. Construction is 25% complete.
- St. Bernard Phase III – 120 units. HANO and FEMA funds. HUD approval received. Closed in March 2012.
- Guste Phase III – 155 units. HANO funds, Tax-Exempt bonds, 4% LIHTC equity. In predevelopment. LIHTC, Tax Exempt Bond and Volume Cap Applications submitted. Closing projected April 2012.

Finding 10: HANO had an effective homeownership program.

The Operational Assessment found that HANO's homeownership program was a success, with staff having reported closing on 119 HANO homes for HANO families (90 vouchers and 29 public housing units). In this instance the concern was not about staff capacity but the significant change in the housing market from when these plans were developed. With the homeownership market suffering from the credit crunch, and with limited new homeownership products being developed by HANO or its partners, the Authority needed to rethink what level of resources should be targeted for this program in the next few years.

Resolution: HANO developed 2 soft mortgage loan programs with its own resources in 2011- one for Crescent Estates units and one for homes purchased in the Harmony Oaks area to help stabilize the Harmony Oaks neighborhood. The Harmony Oaks program is being revised to require that clients use these funds as a last resort and apply for City soft second funds first. When we started these programs the City had no funds but now that they do we are requiring all our applicants to first seek their funds. The City of New Orleans announced a \$52M program late last year that includes soft second mortgages so we refer our clients to that program and rely on our own programs for gap assistance as a third soft mortgage whenever possible. The Lafitte developer has a soft second mortgage program for families purchasing in that program that we refer clients to as well. We have found that resources is not the major hurdle for our families but loan approval is the major obstacle as our families need much work with credit repair and income building. This department will partner with the FSS programs and HANO and other partners to do more to assist in that area in this year.

Finding 11: The expenditure of HANO development resources on community facilities rather than increasing the number of affordable housing units at this time may not be fiscally sound.

At the time of the Assessment, the expenditure of capital funds for community facilities was under discussion for Desire, Fischer, Iberville and Pecan Grove. At Desire, the original plan called for building a new 28,000 square foot community center on site but it is unclear what the

long-term operating plan is for this large-scale building. In addition, two local service providers had expressed an interest in operating a newly constructed community facility at Desire and Fischer, contingent upon HANO providing a commitment of operating support during the initial 3-5 years after construction. Pecan Grove is a stand-alone community building in New Orleans East for use by households in scattered site units (which will substantially decrease in number due to proposed demolition). This HANO-owned building has been vacant since it was flooded in the aftermath of Katrina; it has been the target of vandalism and is in need of substantial rehabilitation. There have been no firm commitments from service organizations to cover the ongoing operating costs of any new community facility, and even if operating commitments were in place, HANO would need to determine the best use of its limited resources.

Resolution: The Pecan Grove facility remains closed. HANO has disposed or is in the process of disposing the majority of its scattered site units, so the need for such a facility is in doubt. As noted in the Resident Services section of this Report, Desire Street Ministries is currently administering Afterschool Programs for youth at the former Desire development. In addition, The Desire Resident Council uses the original trailer for programs and activities during the day and on Saturdays for job training. The Resident Council also collaborates with the property management team to provide GED/Adult Literacy classes, computer literacy, Empowerment Workshops, Legal Aid services, parenting classes, girl scouts, referrals services, etc., in a small community room on the property. New modular trailers are currently onsite and are scheduled to be occupied by April 1st. HANO intends to build a small community center on-site.

No community facility is scheduled to be built at Fischer; residents can use the community room in the elderly building.

A community facility at Guste will be built on Resident Management Corporation-owned property and operated by the RMC; financing will be made available through the use of bonds.

Given the uncertainty of future federal funding, and given the need to strengthen HANO's financial condition, we believe that HANO is currently striking the appropriate balance between preserving and augmenting the supply of affordable housing on one hand, while still delivering the supportive services that the community wants and needs.

Finding 12: HANO did not closely coordinate its housing redevelopment activities with the City of New Orleans and its neighborhood investment strategies.

At the time of the Assessment, the City had recently completed the New Orleans Citywide Master Plan and Comprehensive Zoning Ordinance, which had undergone substantial review prior to its adoption. It described in detail the policies and strategies to be used by the City to guide its physical development for the next 20 years. It also describes the 17 targeted redevelopment areas that the City identified post-Katrina for substantial investment and collateral improvements, which included neighborhoods associated with HANO's Big Four sites. It was noted as critical that HANO align its redevelopment activities with the city's priorities and investments.

Resolution: HANO has developed a close working relationship with the City's new administration and is working collaboratively with them, particularly around the Choice Neighborhoods redevelopment of Iberville and the surrounding neighborhood.

HOUSING MANAGEMENT

At the start of the Gilmore Kean tenure, HANO managed 1,029 public housing units including 821 public housing units at Iberville, of which 539 were occupied as of January 26, 2010, and 208 scattered sites units in three properties, of which 142 were occupied as of January 26, 2010. An additional 2,183 units were under private management, of which 1,716 were occupied.

Where a contractor previously served as Chief Operating Officer (COO) of Real Estate Management, the position was vacant at the start of the Receivership. In the housing management area, reporting to the COO was a Vice President, two Senior Asset Managers, and four Asset Managers. The department also had a clerk position.

While there was an asset management function on paper, with the specific duty to oversee the privately-managed and mixed-finance properties, in practice, the three Asset Managers spent a significant amount of time at the property management office at Iberville assisting with clerical tasks and basic property management functions such as recertifications.

Finding 1: There was a lack of written policies and procedures related to real estate management.

While an effort had previously been made to develop written policies and procedures related to real estate management, these existed only in draft form.

Resolution: Standard operating procedures, consistent with compliance requirements under HUD's Asset Model, governing all asset management activities of the agency have been developed and implemented. The procedures include required activities to effectively manage HANO-owned properties from an operational and financial management standpoint. Procedures for rent collection, budgeting, unit turn-around time, inspections, and quarterly and monthly reviews of each property are conducted based on PHAS indicators. Moreover, the revisions to the ACOP were made and approved by the Board in October 2011 to reflect the modified policies and procedures.

HANO also developed Management Plans for each property managed by third parties. The management plans identify requirements related to admissions, eligibility, and day-to-day operations. Performance metrics for key PHAS indicators are also identified in this document. HANO staff conducts site visits and monthly meetings with all third party managers to evaluate performance against management plan requirements to ensure compliance. The management plans are consistent with the ACOP and HUD Asset Management Model.

Finding 2: There was little to no in-house unit turnover prior to the Assessment.

Prior to the current receivership, HANO routinely failed to repair and reoccupy units as they are vacated, and HANO staff indicated at that time that there was no stock of materials to facilitate the re-occupancy of units. Prior HANO administrations had announced HANO's intention to moderately rehabilitate several units at Iberville to use as temporary housing for residents of

scattered sites under renovation. However, no such units had been rehabilitated. In addition to reducing the citywide stock of affordable housing, this approach increased Iberville's security costs (the security grates used on units were rented at considerable cost) while decreasing revenue in the form of rent and subsidy. In addition, the failure to reoccupy units at Iberville had exacerbated maintenance issues, due to heating/cooling disparities between occupied and unoccupied units.

Resolution: Given the lack of activity in the rehabilitation of units in the Iberville development, HANO made the decision to allocate a portion of the \$34.5 million in ARRA stimulus funds to renovate the units. Initially, rehabilitation efforts were focused on making improvements to existing units to improve the living conditions of current residents. The next phase was to renovate units that had been unoccupied for a long period of time in preparation for making more affordable housing units available. While extensive renovations to occupied units were completed, living conditions for residents at Iberville were still substandard given the age of the property and the lack of effective upkeep and management by HANO in the past. The Administrative Receiver made a strategic decision to pursue a Choice Neighborhood Grant (CNI) to improve the living conditions and quality of life for all in the Iberville community. HANO has now been awarded a CNI grant that will revitalize the entire Iberville community providing one-for-one replacement of all 821 units at Iberville, making more affordable units available in the City. The entire project will include 2,446 mixed income units of which one-third will be affordable.

Finding 3: In-house public housing waiting list administration did not reflect a city in need of decent affordable housing.

According to HANO staff, the pre-Katrina waiting lists were comprised of approximately 14,000 individuals, with approximately 9,000 unduplicated names (there were separate waiting lists for public housing and HCVP and people were encouraged to sign up for both). The waiting list had since been purged and closed. HANO's ACOP was modified in 2008 to provide for site-based waiting lists, with approximately 134 individuals on the Iberville list and a little more than 100 on the scattered-site list. By way of example, Guste and Fischer each had between 10 and 30 names on their waiting lists. At Fischer no families were being selected from the list; instead, families then occupying scattered site properties slated for renovation were sent to Fischer when vacancies arose. At Guste, the number of vacancies exceeded the number of those on the waiting list. Staff from Guste's resident management company had indicated at the time that marketing efforts were underway, but the property had proven difficult to market.

Resolution: In accordance with the ACOP, HANO continues to maintain site-based waiting lists. Based on the revised standard operating procedures, HANO's Asset Management Department reviews waitlist activity for HANO-owned and third party managed properties on a monthly basis. Specifically, waitlist numbers are compared to vacancies at each property to make a determination as to whether site managers are actively pulling individuals from the waitlist to fill vacancies in a manner compliant with policies and procedures and the ACOP or if the waitlist should be reopened based on the volume of activity.

The wait list at the Iberville development has 129 individuals, however, this waitlist has been closed due to redevelopment. HANO used the site-based waitlists for scattered sites (Uptown, Downtown, and Westbank) to fill the 85 units that were recently under modernization. The current wait list contains 1039 individuals and is sufficient to fill future vacancies.

The waitlists at Guste High Rise and Guste I were opened to ensure adequate number of individuals to fill vacant units. Currently, there are 83 individuals on the Guste High Rise with 14 vacancies and 245 on the waitlist for Guste I with no vacancies.

HANO changed the third-party manager at the Fischer site because of significant management deficiencies. Currently, there are 49 individuals on the Senior Village waitlist with 11 vacancies and Fischer I&III have 342 individuals on the waitlist with no vacancies.

Wait lists are current, properly maintained, and reflect a city in need of decent affordable housing.

Finding 4: Oversight of privately-managed and mixed-finance properties was weak.

As noted above, while HANO had an asset management function on paper, in practice there was little to no oversight of the privately managed and mixed-finance properties. Interviews with staff at several privately-managed and mixed-finance properties at the time of the Assessment revealed that oversight on the part of HANO's Asset Managers typically involved a site visit once per month and the receipt of the property's monthly report. Indeed, several staff members at one property could not recall ever having seen HANO's Asset Manager on site.

The failure of this function could largely be attributed to the fact that these staff members were often called upon to perform management-assistant-type duties for the in-house properties, taking attention away from their actual duties. Additionally, when HANO converted its software to Yardi, it was envisioned that private managers would have access to it and enter information to be available in real-time to HANO staff. This did not happen, for a variety of reasons, leaving the asset management staff without easy access to property data.

Resolution: HANO has restructured the entire Asset Management Department, hiring staff with relevant experience to oversee the management of privately-managed and mixed-finance properties. There is now a Director of Asset Management responsible for compliance, reporting and general oversight; a Deputy Manager of Asset Management responsible for all quality controls activities; and two Asset Managers responsible for overseeing all properties managed by a third-party.

Asset managers are required to conduct weekly site visits to observe daily operations, review work order reports, identify capital needs improvements, and provide assistance with HANO reporting requirements, and conduct a review of 3% of resident files to ensure compliance with admissions and eligibility requirements. Further, Asset Managers meet with property management staff to discuss overall management of the property and issues/concerns.

The Department has established and implemented an asset monitoring tool consisting of a Monthly Performance Evaluation and Quarterly Review for each property. These tools evaluate HUD required managerial and financial benchmarks under asset management. They also capture property data with respect to unit turnover timelines, rent collection efforts, completion of work orders, and inspections of housing units and community common areas. For the monthly performance review, HANO established a standard report to be used by each property to report the outcome of specific performance criteria defined in both the Management Plan for each property and HANO standard operating procedures. The performance criteria are consistent with requirements under the HUD asset management model and PHAS. During the regularly scheduled monthly meetings, Asset Managers meet with third-party managers to discuss progress and deficiencies in performance. This report is formally documented by the Asset Manager and provided to site managers. The Quarterly Reviews are much more extensive as Asset Managers not only meet with property management staff they also meet with maintenance staff, leasing agents, and other staff to discuss marketing strategies, capital needs (REAC inspections), and rent collections.

HANO is also in the process of implementing the public housing module of the Emphasis system to collect, record and monitor all property management activities. The system purchased under the prior administration was unable to adequately capture, monitor and report on key operational and financial indicators to demonstrate compliance with asset management, status of the agency related to PHAS indicators and the status of performance of third party managed sites in core operational areas. The new system will be used to collect data from in-house and third-party managers to monitor operations in areas such as recertifications, inspections, and work orders.

HOUSING MAINTENANCE

The Organizational Chart dated November 2009 identified the Vice President of Asset Management as responsible for oversight of the maintenance delivery function. The Senior Maintenance Repairer Specialist provided day-to-day operational oversight of all services. An additional Senior Maintenance Repairer Specialist and Senior Maintenance Specialist supervised sixteen maintenance specialists. Although the site-based maintenance staff were assigned to the Asset Management Project groupings (AMPs), they report up through the chain of command to the Senior Maintenance Repairer Specialist and ultimately to the Vice President of Asset Management.

At the time of the Assessment, the Gilmore Kean Team considered the overall maintenance staff/unit ratios to be appropriate at HANO, particularly in light of the physical condition of HANO's properties. However, the maintenance staff/unit ratio was high in the scattered sites program, due to an official allocation of staff that did not reflect reality. In our opinion, the ratio of units to maintenance staff in a distressed Public Housing Authority should be in the range of 40:1 to 60:1 until such time as PHAS physical scores have achieved a rating of 70 or better.

Finding 1: HANO's maintenance structure did not promote the concept of strategic maintenance management planning or operations.

Although HANO was committed to a decentralized property management and maintenance organization within the asset management structure, HANO maintenance staffing was not organized in a way that established overall maintenance accountability and responsibility at an appropriate level. Maintenance staff reported directly to supervisors outside of the AMP and did not report directly to the Senior Asset Managers.

Resolution: HANO has implemented the HUD required asset management model. As a result, maintenance and other staff were reassigned to ensure appropriate staffing at the AMP level and all staff report to AMP managers. The ratio of maintenance staff to units is 50:1 at Iberville and 85:1 at the scattered sites. Staff has been trained on requirements under asset management and is held accountable for performance in each AMP. Further, HANO has developed and implemented a Maintenance Plan identifying unit turnaround and work order requirements. Each maintenance staff member is held accountable by AMP managers for compliance with the stated requirements of the Maintenance Plan.

Finding 2: There was an apparent lack of accountability and maintenance management skills at all levels in the maintenance organization.

The managers and supervisors demonstrated a lack of awareness of top management direction (explained in part by the changes in top management personnel) and of ability to direct their work groups to achieve high levels of performance. The workers, by their comments, suggested that the skill levels vary widely among the work force and indicated that additional skills training was needed.

Resolution: As previously mentioned, HANO has implemented the Asset Management Model and training on its requirements have been provided to all maintenance staff. Additionally, all maintenance staff has been provided UPCS training to ensure the annual inspection of properties is carried out in an effective and compliant manner. HANO has also implemented a Maintenance Plan to guide maintenance staff in daily operations and to hold them accountable for performance.

HANO has also made the strategic decision to continue to outsource for certain maintenance services (e.g., plumbing, electrical, etc.) where the agency has had difficulty in recruiting qualified individuals and skill sets of existing staff are lacking, or where the cost of maintaining the skill in house was prohibitive.

Finding 3: Position descriptions existed for all maintenance staff, but position titles did not match those descriptions.

The three most common job descriptions (Senior Maintenance Repairer Specialist, Senior Maintenance Specialist and Maintenance Specialist) were reviewed to determine their relevance to the work done at HANO. As described in the Human Resources Assessment Section, in most instances specific job duties and quantifiable performance standards were not clearly defined, leaving supervisors without adequate tools to monitor staff performance. Additionally, staff reported that the work they were asked to do was inconsistent with their job descriptions or titles.

Resolution: During the implementation of the Asset Management Model, new position descriptions for the entire Asset Management Department were developed. The Director of Asset Management worked collaboratively with the Human Resources department to ensure position titles were reflective of actual responsibilities identified in the position descriptions. Some maintenance positions were eliminated completely to address the oversupply of maintenance personnel under asset management, and because some individuals were not performing maintenance functions. Currently, position descriptions that match duties and responsibilities exist for all maintenance staff. In addition, they are consistent with current titles.

Finding 4: Basic standardized systems and procedures required to properly plan, direct, control and document the workload of the in-house maintenance workforce were not being used or did not exist.

Although the management and maintenance functions and procedures were well documented in the Draft Asset Management Standard Operating Procedures Manual and the Maintenance Plan, HANO had not implemented them consistently. Maintenance staff interviewed evidenced a clear and consistent understanding of what constitutes an emergency but there was no written definition and a review of the work order report found some inconsistencies with how and when the definition was applied. As a result, HANO likely wasn't properly classifying work orders and therefore underreporting the number of emergencies corrected or abated within 24 hours.

Although HANO had published written policies or procedures related to maintenance functions, they were not consistently followed. HANO had not implemented its preventive maintenance plan based on an assessment of the physical needs of the properties or building systems.

Resolution: HANO developed and implemented Standard Operating Procedures and a Maintenance Plan identifying requirements in all areas of maintenance operations. For example, the documents clearly identify what constitutes an emergency, and established a 24-hour turnaround to complete or abate the condition. Additionally, as a part of the agency's quality assurance activities, the Deputy Director of Asset Management reviews a work order report identifying the status of all work orders at HANO owned and third-party managed sites to ensure maintenance issues are appropriately addressed. Additionally, Asset Managers confirm the status of work orders and compliance with Standard Operating Procedures and the Maintenance Plan during their weekly site visits.

The Asset Management Department uses various vehicles to ensure that capital needs are identified and addressed timely. For example, department staff meets with staff from the modernization department on a weekly basis to discuss preventive maintenance by site, identify funding sources and a timeline for completion of the activity. Information obtained during weekly site visits and monthly meetings with property managers is also used to identify preventive maintenance activities. The Asset Management department is working with the Modernization Department to enhance its preventive maintenance plan.

Finding 5: HANO's maintenance staff utilized the automated work order system to generate work orders but did not fully utilize the tools available through the system to organize and manage the work, such as reports for tracking open work orders, completion time and productivity.

At the time of the Assessment, the then-existing automated system appeared to provide an adequate foundation for organizing maintenance work, but staff did not utilize the system to its full potential.

Resolution: Because of the noted issues with the Yardi system implementation and the lack of its use among all third-party managers, HANO staff utilizes both the Yardi system and information from third-party management systems, to generate daily work order reports for open and completed work orders, to measure productivity among staff and compliance with the standard operating procedures and Maintenance Plan. As mentioned previously, the Deputy Director of Asset Management uses these reports to evaluate the performance of all maintenance staff at HANO-owned and third-party-managed sites.

With the implementation of the public housing module, expected to go live this month, all sites will be required to transmit work order data into the new system to improve upon the monitoring and reporting of maintenance activities and determining compliance with established standards for work order completion.

Finding 6: There was concern regarding the validity and accuracy of work order data. Work orders were not entered when the original deficiency was discovered or when residents notified HANO; outstanding work orders were voided and reestablished when they exceeded turnaround time thresholds and there was little monitoring or supervisory review of hours reported and material costs.

An analysis of work order reports in 2010 found the data to be of questionable integrity. Findings included work orders that were generated long after the actual fact, leading the reviewer to conclude that the relatively short average completion times for work orders were suspect. Further, it was reported to the reviewer that when a work order remains outstanding beyond a 30-day period, it was voided and re-issued with a new request date. Additionally, work items identified during UPCS inspections are not entered immediately but are issued and closed when the work is performed resulting in a reduced turnaround time for these work requests. At that time, nearly ten percent of emergencies took greater than 24 hours to complete, some of which remained outstanding.

Questionable reports, possible data errors or miscalculations suggested that the PHAS supporting documentation was not accurate and that HANO couldn't validate agency performance. Productive labor hours were not consistently or accurately reported. There were no re-inspections completed on a regular basis to ensure quality control of the work performed. Material costs were not captured on completed work orders.

Resolution: HANO's public housing portfolio has steadily decreased in size and third-party managers are using their own systems to track data. The Yardi system contained little data regarding HANO's portfolio. The implementation of the new software system allows HANO to collect, record, report and monitor all activities related to work orders, UPCS inspections and other operational activities. It improves the capacity of Asset Managers and property managers to monitor the accuracy of work order documentation and to capture key data such as hours reported and materials costs. All third parties are required to collect and transmit data into the new system of record.

In addition to the acquisition of a new system, HANO has implemented other operational requirements to enhance monitoring of activities at each property. HANO Standard Operating Procedures require emergency work orders to be completed or abated within 24 hours and all other work orders be completed within 20 days. Under Asset Management, the AMP manager is responsible for enforcement of the procedures and for the conduct of various quality assurance activities to ensure the accuracy of the data. The effectiveness of the activities of the AMP manager is evaluated by Asset Managers during weekly and monthly site visits. Also, the Deputy Director of Asset Management conducts various quality assurance activities to validate the accuracy and completeness of work order data and to alert property managers of issues related to open work orders.

Finding 7: There was an acute absence of work/production control at the property, AMP and Headquarters level.

At the time of the assessment, aside from signing in and out at the beginning and end of the day, there was no system in place to measure how maintenance staff spent their work day, and no tools to measure worker productivity. Further, the assignment of the work was not systematized, but instead was reactionary, ensuring inefficiencies as work was prioritized on a day-to-day basis. Labor hours were not recorded in the computer system and those that were recorded on the printed work order were highly suspect and no attempt was made during that time to reconcile actual labor hours consumed against those that were available. Labor rates recorded on the printed completed work order were not properly recorded in the computer system.

The Senior Maintenance Repairer Specialist and Asset Managers had no performance measurement tools to assess the effectiveness of their staff in providing quality service to the resident population.

Resolution: The revision of the standard operating policies and procedures has strengthened the requirements at all levels for work/production control. As reported, HANO's Asset Management Department has established asset monitoring tools, which include standard monthly reporting requirements for all properties, a monthly Performance Evaluation conducted by Asset Managers against those standards based on specific performance criteria, and a rigorous Quarterly Review of all operational and financial activities by property. The existence of clear performance standards and knowledge of pending reviews has assisted in improving management at all levels.

Strengthened procedures and monitoring activities alone will not resolve the problem. The implementation of the new system will also enhance the ability of managers to more effectively monitor the maintenance workforce. Information such as labor hours consumed in performing various services in conjunction with a work order will be captured and reported. Managers in turn can use this information to monitor effectiveness. In addition, Asset Managers require housing managers to conduct quality control reinspections of work orders.

Finding 8: There were concerns regarding the HANO's ability to renovate and reoccupy vacant units in a timely manner.

While there was little unit turnaround activity during the period the Assessment was conducted, it was still noted that HANO was unable to adequately track worker performance, or analyze vacant unit productivity and costs, through the work order system.

Resolution: The current system still requires HANO to manually calculate unit turnaround time and other critical data necessary for analyzing maintenance operations. The implementation of the new system anticipated this month will resolve this issue.

Finding 9: HANO staff required training in several areas.

It was noted that Asset Managers and the Senior Maintenance Repairer Specialist generally lacked the skills and training necessary for successful execution of an in-house maintenance work plan.

Resolution: As of today HANO staff has been trained in UPCS Inspections, Tax Credit Certification, and HUD's Asset Management model. The Human Resources Department worked with the Director of Asset Management to define training requirements for the department. Trainings for supervisors in managing operations are slated for the current fiscal year as well as other trainings to improve the overall maintenance program at HANO.

Finding 10: There was no program in place to re-inspect units, building systems, common areas, building exteriors or the site for quality control. Additionally, HANO did not maintain an effective or efficient inspection and repair system to maintain their portfolio.

Uniform Physical Condition Standards (UPCS) inspections did not result in work order generation, as they should have. The results of unit inspections that identified various deficiencies in varying levels of severity, including non-operable smoke detectors, had not been entered into the work order system.

Resolution: HANO has implemented a procedure wherein a designated staff member performs re-inspections after a unit has been cited for a deficiency based on a UPCS inspection. Property managers at HANO sites and mixed-income sites are responsible for coordinating all UPCS inspections and conducting all follow up inspections based on identified deficiencies. The Asset Management Department reviews 10% of all inspections to ensure deficiencies are corrected.

HANO now uses the HUD UPCS inspection form to conduct all UPCS inspections.

Finding 11: It was clear from interviews with staff that HUD requirements for systems inspections were not understood and that, as a result, required inspections were not performed.

Contractors and staff inspected major systems annually but since no major system inventory existed at the time of the Assessment, it was impossible to determine whether all systems were inspected as required. Formal site inspections were not conducted on a schedule that is appropriate to the individual systems.

Resolution: Training has been provided to all staff on UPCS inspection requirements. Inspections are now being performed in compliance with HUD regulations. Staff conducted an inventory of all systems requiring inspection and performs those inspections on a routine basis.

Finding 12: No formal inventory control and management system existed at HANO. It was reported that a full warehouse inventory was performed in September 2009 and previously in May 2008. Annual fixed asset inventories on some items were conducted but not fully reconciled against existing records.

During the Assessment it was noted there was insufficient stock and stock/material control at the properties. Local material inventory control was also unsatisfactory. Managers maintained unquantified material storage levels with no standing inventory, no established reorder points, and only marginal security in place.

Resolution: With the implementation of asset management, HANO no longer requires stock piling fixed assets to support operations. The inventory is managed at the site level. As a result, the majority of properties compile inventory on an as needed basis. Annual fixed asset inventories are performed at all HANO-owned sites.

RESIDENT SERVICES

At the time the Operational Assessment was conducted, the Client Services Division was a function of the Real Estate Management Department. It was inadequately staffed and provided little in the way of services to its clients. It was then led by a Vice President, and supported by a single case manager and two additional staff who had responsibilities outside of this division. Assistance was also provided by graduate student interns from Southern University of New Orleans (SUNO). At that time, the division's scope was limited to assisting with relocation services, providing limited oversight to the services provided by the developer or other third-party to clients of the HOPE VI and other mixed-finance sites, and providing oversight of HANO-funded contracts with the resident associations and/or individual residents. In the latter, the review found there was generally a loose scope of work, ill-defined outcomes and minimal tracking.

Overall, the provision of supportive services under this model and the quality of the services available was weak, fragmented, and with no clear indication that the services or the approach met the needs of residents. For residents not affected by HOPE VI, or living in Section 8 housing, their access to ongoing case management and supportive services was limited or non-existent.

Finding 1: HANO lacked a strong, coordinated, high quality, needs-based and outcome-oriented human services program capable of meeting the needs of residents.

The service delivery model at HANO was fragmented and wholly contingent on availability of HOPE VI funding. Developments with HOPE VI grant funding have some level of case management assistance and those without have little to no case management support.

Resolution: HANO has successfully developed a Human Capital Plan with input from a range of stakeholders. Site-specifics plans are underway (or being developed) for key developments including Iberville, River Gardens, Desire, CJ Peete, Columbia Parc, Lafitte and BW Cooper.

Based on data analysis and stakeholder input HANO identified four key priorities and objectives to guide the resident quality of life implementation strategy and future investments: (1) sustainability, resource development and leverage; (2) workforce development, (3) youth development and early learning; and, (4) case management services.

HANO has been focused on developing and enhancing site-specific sustainability plans to ensure that previous and current investments are sustained over the long-term. While many of HANO's sites have existing supportive services programs, comprehensive sustainability planning across all of the developments will ensure that program funding is not exhausted. A range of current and emerging partnership opportunities exist and Client Services continues to have monthly meetings with third-party service providers and community partners to building upon the existing infrastructure of agencies. HANO will continue to explore ways of expanding these partnerships to leverage existing programs and resources, identify service gaps, and address

the needs of residents in underserved areas. HANO is working aggressively with local partners to improve partner prioritization of HANO clients.

Finding 2: HANO's Client Services Division was ill equipped to successfully oversee a strong human services program as envisioned in the previous finding.

The staffing arrangement in 2010 was weak and inadequate to meet the needs of HANO's resident population, and the division was underfunded. There was only a single case manager to coordinate case management for a majority of the traditional public housing sites, whereas families living in Section 8 units had no access case management services. Except at Fischer, where there is a HOPE VI CSS Endowment Trust, ongoing case management services for families living at sites under redevelopment were in jeopardy. There was no long-term strategic plan to sustain the investment beyond the life of the HOPE VI grant.

Resolution: A Director of Client services was hired 2011 to oversee the implementation of all human services and related issues. However, this position is vacant and HANO is once again seeking to fill this role. Client Services has helped to coordinate resident capacity building and leadership development through the Good Work Network; the department has spearheaded new elections of resident council leaders. HANO, in collaboration with local partners, has successfully secured direct and leveraged funding for supportive services including ROSS, FSS, Subsidized Employment and Choice Neighborhoods. Current staff capacity is augmented by a Gilmore Kean subject matter expert.

HANO's Master Partnership Local Service Provider meetings continue to be held on a monthly basis. These meetings were originally encouraged by the Secretary of Housing and Urban Development to foster a coordinated service and delivery approach. Each member is asked to make a commitment to the Master Partnership Agreement that includes a service to HANO residents. Partner agencies have identified representatives from their respective fields to serve as a member of the planning team, and a point of service entry to ensure that HANO residents are linked to community services, tracked and followed. Through these partnerships HANO seeks to increase access to case management services to residents who have limited or no access to services currently. For residents who do not live at a mixed income site, it will be essential to increase access to case management services that will develop strong family based action plans and assist residents to remain connected to a range of opportunities that are available in the community, such as health and wellness programs and a range of supportive services.

HANO's strategies to improve case management services for residents with limited or no access include: (1) for sites with no access to case management currently, expand enrollment into the FSS program (HCV and PH) by expanding outreach and enrollment via annual recertification process; (2) identify and secure funding to increase the number of FSS case managers to work with families in HCV and scattered sites, primarily; (3) partner with service providers to expand case managements services to residents in the HCV program; and, (4) for sites with current case management programs, develop site-specific plans to sustain case management levels, and/or realign case management ratios where appropriate.

Finding 3: There was little to no agency-wide coordination internally and with other initiatives across the city.

While HANO had in place memoranda of understanding with several local service providers for projects focused on specific developments, there was no coordinated agency-wide approach to providing services. There was also a noticeable lack of coordination with the city and other local government entities that fund direct services programs, and a lack of engagement of local and national foundations that provided significant funding resources during the aftermath of Hurricane Katrina. Internally, there was inadequate cross-agency coordination, particularly regarding activities at properties undergoing redevelopment.

Resolution: HANO has developed a closer working relationship with range of stakeholders including the City's new administration. For example, HANO is working collaboratively with the City around the Choice Neighborhoods Initiative redevelopment of Iberville and the surrounding neighborhood. HANO and the City were co-applicants for that grant application. HANO actively participates in NewCity working group, which includes key stakeholders focused on redevelopment of the neighborhood surrounding Iberville and Lafitte developments. HANO was also selected to participate in the Administration's Strong Cities, Strong Communities Initiative. HANO has participated in the Central City Funders Collaborative meetings (this group, headed by the Annie E. Casey Foundation, provides funding to CJ Peete). HANO has executed Memoranda of Understanding with a range of local partners including The Urban League, Total Community Action, the Workforce Investment Board, Job1, and many others.

HANO has been focused on developing and enhancing site-specific sustainability plans to ensure that previous and current investments are sustained over the long-term. While many of HANO's sites have existing supportive services programs, comprehensive sustainability planning across all of the developments will ensure that program funding is not exhausted. A range of current and emerging partnership opportunities exist and Client Services continues to have monthly meetings with third-party service providers and community partners to building upon the existing infrastructure of agencies. HANO will continue to explore ways of expanding these partnerships to leverage existing programs and resources, identify service gaps, and address the needs of residents in underserved areas. HANO is working aggressively with local partners to improve partner prioritization of HANO clients.

Finding 4: HANO redevelopment efforts underway and in the pipeline create employment opportunities that could have been better exploited on behalf of residents.

At the time of the Assessment, it was noted that HANO did not make sufficient effort to position residents to take advantage of the employment and Section 3 opportunities available as the result of the construction and property management of the 'Big Four' and ARRA projects. HANO lacked a clear and integrated Section 3 strategy that articulated the agency's vision and goals, strategies for meeting goals, and penalties for lack of compliance. The communication around Section 3 opportunity was not well coordinated, nor were there any agency-wide employment training initiatives that linked employment and training opportunities. There was

also little to no connection to citywide employment and training initiatives that could directly benefit HANO job seekers.

Resolution: HANO revamped its Section 3 plan and program to more aggressively track Section 3 compliance, better integrate internal project monitoring and compliance functions, and leverage HANO contracts to maximize benefits to residents. This included hiring a dedicated Section 3 Coordinator to manage the implementation of the plan.

HANO is developing a citywide workforce development strategy in collaboration with key partners including local and federal agencies, such as the City of New Orleans, the Workforce Investment Board, and the local HUD Fair Housing and Equal Opportunity Office. The goal will be to ensure that HANO clients seeking employment gain access to training and “wraparound” services that will support job placement, employment retention, advancement, and an increase in household income. This strategy will also seek to maximize Section 3 opportunities created by HANO investments.

HANO’s Employment and Contracting Plan was revised to enhance Section 3 resident employment and contracting opportunities for Disadvantaged Business Enterprises (DBEs), Women-owned Business Enterprises (WBEs) and Section 3 Businesses. The proposed revisions will strengthen the current policy and improve compliance. The proposed changes were reviewed by HUD, the Resident Advisory Board, and community stakeholders prior to putting the final updated plan in place in December 2011.

HANO’s efforts to raise the level of Section 3 awareness and compliance have sparked national discussion to explore innovative ways to address strengthening federal compliance regulations. HANO recruited and hired a qualified Section 3 Coordinator, who attends all pre-bid meetings hosted by HANO’s procurement department to educate vendors, general contractors and developers on HANO’s Section 3 / DBE hiring and contracting requirements, policies and procedures. On a weekly, monthly, and quarterly basis HANO’s Section 3 Coordinator monitors Section 3 and DBE reports to ensure compliance. In addition, the Section 3 Coordinator engages HANO staff members on a weekly basis during Development Team conferences to discuss HANO construction projects and all Section 3/DBE concerns and updates.

HANO continues its ongoing outreach efforts to inform and educate individuals and firms about how to become a DBE, WBE or Section 3 Business Concern. Additionally, HANO has facilitated meetings with various city stakeholders to improve citywide compliance and tracking aimed at improving employment and training opportunities for HANO clients through a seamless employment referral system. To further this effort, HANO is providing technical assistance to the City to develop and implement a Section 3 plan that is compatible with HANO’s Section 3 plan and processes. In addition, HANO is taking the following course of action to improve upon its Workforce Development plans: (1) during monthly community meetings, encouraging resident enrollment in programs that provide employment training, job placement, job retention programs at every site; (2) improving resident access to soft-skills training programs for employment readiness through direct referrals with partnering agencies; (3) providing technical assistance to the number of resident-owned businesses that participate in HANO

contracting opportunities (DBE/WBE/MBE); (4) seeking out partnerships with local economic development entities to provide technical assistance in the development of small business enterprises; (5) encouraging collaborative endeavors between workforce development partners aimed at eliminating duplication across all sites; and (6) facilitating Section 3 planning meetings with the City to create a clear path for HANO residents to access City contracts beyond HANO Section 3 opportunities.

HANO has partnered with the Industrial Development Board to match job seekers with local employers. Those providing services to HANO under contract can use the Crescent City Job Match to assist them in meeting DBE/MWBE/Section 3 Requirements. In addition, Section 3 residents can register and find HANO open positions there. The IDB will place kiosks throughout the City so that even those without home computers have access. The technology matches job applicants to employers in a personalized method: job coaches act as intermediaries and employers only see job ready applicant information that fit designated key areas.

Finding 5: The implications of the Desire Consent Decree are unclear.

Based on the absence of specific compliance reports on HANO's performance under the Desire Consent Decree it was unclear to Administrative Receivership Team whether HANO had met its obligations under the terms of this settlement, particularly with regard to the status of the Resource Center (refer to Development Assessment Section for a discussion of community facilities). While redevelopment plans called for a community center to be built at Desire, the terms of the consent decree appeared at the time to impact programming and operations, particularly HANO's ability to attract a capable third-party operator willing to assume long-term operations of this facility.

Resolution: Desire Street Ministries is currently administering Afterschool Programs for youth. In addition, The Desire Resident Council uses the original trailer for programs and activities during the day and on Saturdays for job training. The Resident Council also collaborates with the property management team to provide GED/Adult Literacy classes, computer literacy, Empowerment Workshops, Legal Aid services, parenting classes, girl scouts, referrals services, etc., in a small community room on the property. New modular trailers are currently onsite are scheduled to be occupied this month.

HUD approved a Community Supportive Services Plan for HANO to use the remaining HOPE VI funds by the end of 2013. As a result, In February 2012, HANO issued an RFP for CSS for the Desire Community. Three proposals were received and HANO expects the award of the contract in March 2012. All existing services will continue with additional programs, activities and case management once the Community Supportive Service (CSS) provider has been selected.

Finding 6: The lack of good data hindered the ability of the Receiver Team to make definitive statements about programming and performance.

Aside from HUD quarterly reports for HOPE VI-funded sites, there was no mechanism in place to track resident needs and outcomes to date, nor even basic information about the profile of families living in public housing and Section 8 at this time, except for those living in redeveloped sites.

Resolution: In order to monitor the effectiveness of existing programming, HANO utilizes Tracking-at-a-Glance (TAAG), a centralized case management database to track services provided to residents. Initially, this program was only used to monitor and report on HOPE VI sites. Currently, the system has been expanded to include Public Housing Family Self Sufficiency (FSS), Housing Choice Voucher FSS (HCV-FSS) and most of the HANO developments. Currently, Columbia Parc, Faubourg Lafitte, River Gardens, Harmony Oaks, The Estates, Fischer, and Scattered Sites are being monitored through this system. The future plans for Iberville and B.W. Cooper are to monitor CSS through TAAG. Utilizing this system, service providers and case managers will conduct needs assessments for 100% of all public housing heads of households for each of the communities. Section 8 FSS is also included in this new data system.

The Client Services Department continues to promote, establish, and implement programs to empower residents to become self-sufficient. Resident needs assessment and demographic data has been examined for the purpose of developing a comprehensive, results-oriented strategy for implementing self-sufficiency programs that will improve resident quality of life and are directed according to greatest need. HANO is collaborating with residents, community stakeholders, and third party service providers to refine priorities as needed based upon evolving resident demographics and needs.

Data collection by case management staff is ongoing and is being updated in HANO's centralized system for supportive services. The following data sources are used to set priorities and develop implementation strategies: (1) HANO occupancy data, including 50058 data for public housing (PH) and Section 8/Housing Choice Voucher Program (HCV); (2) Resident needs assessments (802) from Harmony Oaks, Columbia Park, The Estates, Fischer, and Faubourg Lafitte as of August 2011. This data represents approximately 36% of households living in public housing units; (3) the HANO centralized case management tracking database, supplemented by monthly Community Supportive Services (CSS) reports submitted by third-party contractors; and, (4) the Iberville Choice Neighborhoods Initiative Resident Survey data.

SAFETY AND SECURITY

In 2010, the HANO Police consisted of a special police operation commissioned by the New Orleans Police Department (NOPD), with one Chief, one Lieutenant, one Sergeant and six Officers. Its members were uniformed and armed. Their jurisdiction was limited to HANO properties. By arrangement with the NOPD, they had arrest powers on those properties but did not prepare official incident, offense or arrest reports. Its members did prepare internal reports of activity and were called upon to provide court testimony on arrests they make or when they provide assistance to NOPD officers.

At that time, HANO employed three types of security personnel at its developments: unarmed contract security at two senior developments, HANO police, and contracted NOPD officers at the Iberville and Fischer developments.

Finding 1: HANO did not have a sufficient fixed or consistent number of public safety positions.

Each time a position becomes vacant, the Director must seek approval to have the position filled.

Resolution: HANO has reorganized its public safety division and now has adequate staff positions to support operations. Under the new structure, the number of officers has increased from 10 to 26. Ten positions are currently filled and the goal is to reach 26 by the end of 2013. In the organizational restructuring, the number of Sergeants has increased from one to three. This allows for the coverage of multiple 24-hour shifts, ensuring proper supervisory coverage over the police officers.

The six new officers are certified through the Peace Officers Standards of Training Council (POST). One of those officers is a Crime Prevention Specialist. He will be instrumental in garnering support for the Neighborhood Watch and other community-based programs at various HANO sites

Finding 2: HANO officers were not sworn police officers, yet they often provided patrols and engaged in contacts that are normally reserved for sworn officers.

In Louisiana, sworn police officers are Police Officer Standards and Training (POST) certified. This certification requires formalized, documented initial training and yearly in-service training. In 2010, and previously, HANO hired experienced law enforcement professionals as officers and provided yearly weapons qualification. While this limited training met the established standard for armed security officers, it heightened the potential civil liability for the actions of its officers, especially in use of force, false arrest and citizen complaint situations.

Resolution: The efforts to establish a police department by the Housing Authority of New Orleans culminated on June 21, 2011, when Governor Bobby Jindal signed into law Act 117. Act 117 authorized HANO to commission “peace officers” to patrol HANO properties. These officers shall exercise regular police powers of the state granted to law enforcement officers, including

but not limited to, enforcement of municipal and traffic laws, issuance of municipal summons and citations with respect to criminal and other offenses affecting the protection of persons, properties, or interests relating to HANO. The law also requires that HANO's peace officers be certified in accordance to the Peace Officers Standard and Training Law (POST). The passage of this legislation provides a great opportunity for HANOPD to take a more significant role in the agency's effort to improve the quality of life for the residents of public housing.

Several meetings were held with NOPD's Superintendent of Police concerning the formation of an MOU between HANO and the NOPD. HANO's Staff Attorney and a member of the City Attorney's Office also attended the meetings to provide legal advice. The MOU will define the parameters for HANOPD as it transitions to a police department and takes a more active role in the overall security of HANO sites. During the meetings several areas of concern were discussed, e.g., maintenance of baseline services by NOPD, training, communications, response to Part I UCR incidents, etc. HANOPD and NOPD will have concurrent jurisdiction at all HANO sites. HANOPD will respond to calls for service and provide enhanced patrol coverage. However, as the first responders, NOPD will be responsible for investigating and documenting all Part I crimes that occur at HANO sites.

HANO hired six new officers that are certified through the Peace Officers Standards of Training Council (POST). In addition, HANO is also ensuring that current staff is certified. One staff member has graduated from the POST Academy and another in the program currently.

Finding 3: Public Safety equipment needed replacement.

At the time of the Assessment, staff used vehicles, weapons and bullet proof vests secured in a one-time purchase by the then HUD Receiver in 2004. The vehicles, while well maintained by security personnel, were near the end of their useful lives. The vests that remained had exceeded their warranties and were in need of replacement.

Resolution: An assessment of equipment was conducted and the process to upgrade the equipment has begun. Seven new police vehicles have been purchased. The police vehicles are equipped with sirens, blue lights and prisoners cages. New uniforms and duty rigs (e.g., gun belt, holder, and radio holder) have also been purchased. A new radio system is now in use which enables members of HANOPD the ability to communicate with other law enforcement agencies in the region. This is crucial during regular and emergency situations.

Finding 4: Crime Data available to HANO was not timely.

At the time of the Assessment, the NOPD provided crime data to the HANO Director of Security on a quarterly basis for each HANO development. The data consisted of both a quarterly and year to date comparison with the previous year of FBI Uniform Crime Reporting (UCR) incidents occurring in and around HANO properties. While the report provided to HANO senior staff through the Director of Security accurately reflected crime occurring in and around HANO properties, and was sufficient to meet reporting requirements to HUD, the infrequent nature of the report was insufficient in providing timely data that would be useful in short term planning

and the immediate measurement of security personnel deployment and other security measures employed.

Resolution: In addition to receiving quarterly crime statistics from NOPD, HANO staff attends a weekly COMSTAT meeting at the NOPD's 1st, 4th, 5th, 6th and 7th Districts to discuss strategies for crime and other issues affecting the districts. Some of those issues impact HANO developments or neighborhoods where HCVP voucher-holders reside. Those meetings have been very successful venues for gathering information regarding HANO tenants and criminal activity that occurs in and around HANO sites or HCVP properties. These meetings are also used to obtain police reports in a more efficient and timely manner.

Finding 5: It appeared that current property maintenance and redevelopment were conducted without significant concern for Crime Prevention through Environmental Design (CPTED) concepts.

The Director of Security indicated in 2010 that security features were not incorporated into the planning for property modernization. With the exception of lighting – which is generally regarded as insufficient – physical security measures were absent from both the traditional and redeveloped housing. Even in redeveloped properties, the differentiation between public, semi-public, semi-private and private space is minimal. An exception to the lack of physical security was the securing of vacant dwellings. These dwellings were secured by a private contractor with a metal grating system that appeared highly effective, although very expensive.

Resolution: HANO now incorporates CPTED concepts at all HANO developments and is working with resident groups currently engaged in redevelopment efforts to further improve security through physical improvements. Further, one of the recently hired officers is a Crime Prevention Specialist. He will be instrumental in garnering support for Neighborhood Watch and other programs at various HANO sites.

Finding 6: The camera systems employed at Iberville and contemplated for Fischer are costly to install, maintain and operate.

At the time of the Assessment, the system at Iberville employed more than 40 cameras and was hard-wired to a monitoring station at the Iberville management office. The coverage, functionality and clarity of this system were considered excellent and a highly effective tool in crime suppression and detection. The cost of the camera installation at Iberville was approximately \$600,000. A similar system was planned for Fischer at a cost of \$1,000,000. It was uncertain at that time whether the cameras would be operated actively or passively. Totally active operation (24 hours X 365 days) by HANO police officers would require 10 FTE's and was estimated at \$600,000 per year. Totally passive operation (record and playback without monitoring) would incur no labor cost. An alternative proposed by HANO's Asset Management department at that time would have outsourced the monitoring at \$18/hour and monitor only 8 hours/day at a cost of slightly more than \$100,000 per year.

Resolution: Cameras were installed at the Fischer community at anticipated price levels.

Although HANO originally wanted to pursue a monitoring program alternative to having officers on-site full time, there has been increased gang activity in this community. HANO has outsourced the security monitoring at this site at a cost considerably less than the estimated \$600,000. Given the gains that have been made over the past year, the cost is anticipated to be reduced in 2012. HANO has entered into an annual maintenance agreement for the security cameras at the Fischer site.

CONTRACTING AND PROCUREMENT

At the time of the Assessment in 2010, the level of activity for the department had increased tremendously as a result of the need to obligate and expend funds related to the American Recovery and Reinvestment Act (ARRA), the Capital Fund Program, FEMA, and other programs. Because of limited staffing resources, the department had obtained some assistance and support from asset management and modernization and development staff and consultants to procure goods and services. Even with that outside support, staffing resources appeared inadequate given the existing and anticipated level of activity.

Overall, there was a need for greater transparency in the process to ensure efficiency and to hold individuals accountable. The actual implementation and coordination of procurement activities required significant improvement to ensure compliance with applicable laws and regulations and that goods and services were acquired in a manner that was in the best interest of the agency.

Finding 1: Internal controls over the procurement function were insufficient.

Information obtained during the assessment period from various sources (interviews, document review, review of prior audits/examinations, etc.) provided sufficient evidence that the controls over procurement activities in 2010 were ineffective. There was no system of “checks and balances” to detect and prevent fraud, waste, and abuse. Even with the lax procurement standards were in place at that time, staff routinely circumvented the procurement process. Further, when HANO implemented the purchasing module of its then new computer system in October 2007, the purchasing module was implemented without issues related to controls, policies and procedures, and training being adequately addressed.

Resolution: HANO implemented a Procurement Policy to cover all procurement activities of the agency. The policy is consistent with HUD procurement regulations, established acceptable limits of approval authority of Director of Procurement and Contracts, Department Heads and Executive staff and segregation of duties to deter procurement fraud, addresses non-standard procurements such as credit cards, petty cash, and direct payments.

Finding 2: Procurement files were inadequate to demonstrate compliance with laws and regulations and internal procurement policies.

The Administrative Receivership Team reviewed 40 procurement files from fiscal years 2007 through 2009, covering a range of solicitation methods (e.g., micro purchase, small purchase, sealed bids, RFPs, sole source, etc.) to determine compliance with federal and state regulations and the HANO procurement policy. The sample was selected from contract logs and a complete list of vendor payments made in the respective fiscal years. Overall, the review found that the Housing Authority failed to maintain adequate records to demonstrate compliance with state and federal laws and regulations, as well as internal HANO procurement policy.

Resolution: The Procurement and Contracts Department has implemented comprehensive Procurement Procedures and developed a procurement user guide for user departments to ensure understanding of and compliance with all procurement policies and ensure consistency with HANO's transition to Asset Management. HANO also reviewed and modified as necessary standard solicitation documents, forms and contract clauses and conditions to ensure conformance with updated Procurement Policy and alignment with improved processes. Additionally, an electronic repository of all standard procurement and contract documents was created in a digital format that provides ability to quickly sort and search data.

Finding 3: Monitoring of procurement activities was inadequate.

HANO managers failed to actively review and analyze data related to the overall activities of the agency in acquiring goods and services. Key findings included: Procurement managers failed to routinely track or monitor purchases (through financial or other management reports) to determine irregularities, violations of policy or procedures, or compliance with contract terms; contract monitors were not sufficiently trained; vendor information is not sufficiently maintained; the agency engaged in contracts with several vendors with prior criminal convictions (specifically, public corruption charges) or that had been previously debarred; communication between the Contracting and Compliance and Finance Departments was inadequate to prevent vendor overpayments or payments not in accordance with contract terms.

Resolution: In July 2011, a Contract Administrator was hired to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. The Contract Administrator is responsible for activities performed by HANO after a contract/purchase order has been awarded to determine how well HANO and the contractors/vendors have performed to meet the requirements of the contract. The process of contract administration encompasses all dealings between HANO and the contractor/vendor from the time the contract/purchase order is awarded until the work has been completed and accepted or the contract terminated, payment has been made, and disputes have been resolved.

The Contract Administrator also provides technical assistance and oversight to the designated Contract Monitors, Department Directors and other staff ensuring that contracts are being properly administered and monitored, and are in compliance with HUD requirements and HANO's Procurement Policy. The new policy ensures that every executed contract has been assigned a designated Contract Monitor by the Contracting Officer.

In October 2011, Procurement and Contract Administration training was conducted to train Directors, Contract Monitors and other agency staff who have direct oversight of any contracts or purchase orders in their department. Procurement provided information on how to identify and understand procurement methods and thresholds and how to initiate procurement requests. In addition, attendees received training on the new contract administration procedures and were provided with all forms that can be used to effectively administer and

monitor their contracts. These forms will provide a consistent format for Vendor Management, Contractor/Vendor Evaluation and for identification and notification of complaints.

Finding 4: Existing procurement processes were highly inefficient.

While HANO had formal procedures for purchasing activities that required various levels of approval depending on the procurement method, in response to the past issues related to misconduct and misappropriation of funds, the former administrator made the decision to review and approve all requisitions and sign all checks. While well-intended, given HANO's propensity for small procurements, this process meant the flow of the entire procurement function relied on a single individual. Other examples of inefficient practices observed during the Assessment included separate requisitions prepared for office supplies for each department for every single acquisition, or individual solicitations for all properties requiring grass cutting services, instead of bundling them all into a single contract.

Resolution: HANO developed a Standard Operating Procedures Manual for use by staff. In July 2011, HANO completed the implementation of the J.D. Edwards Enterprise One software, achieving another goal of the Work Plan. Departments now have the ability to access standard reports that provide them with the data needed to effectively manage and monitor their procurement activities. With the use of the new system, Procurement is able to perform tasks more efficiently, thereby allowing us to streamline the procurement process and provide expeditious service to user departments. With the implementation of the new ERP system, procurement activity can be tracked from the requisition stage through the issuance of a purchase order.

Finding 5: There was no formal procurement planning process at HANO.

HANO leadership failed to establish a formal process or produce an annual plan to guide annual procurement activities. In accordance with HUD Handbook No. 7460.8 Rev 2, Chapter 3.1, a PHA should engage in advanced procurement planning to maximize competition, decrease procurement costs, reduce administrative cost, and to ensure that all supplies and materials are obtained without the need for re-procurement.

Resolution: In accordance with HUD procurement policy, HANO has engaged in formal procurement planning for fiscal years 2010 through 2012. This process is simultaneous to the annual budget development process. Finance and procurement professionals meet with directors of all major programs to identify all known acquisitions for goods and services for the coming fiscal year. As a basis for the formulation of the plan, trend data on prior year activity is provided. During this process, procurement staff identifies type of goods and services to be provided, the procurement method (e.g., small purchase, RFP, sealed bid, etc.), estimated cost of the good or service, and a timeframe for completion of the procurement. This process also includes an analysis of procurement needs to identify economies of scales and other cost cutting and/or more efficiency measures such as the use of cooperative agreements and volume purchasing. The annual procurement plan is presented to the Administrative Receiver

and the executive team along with the annual budget. The plan is tracked and modified, where necessary, throughout the fiscal year by the Procurement Department.

Finding 6: Ineffective communication and training existed among departments with procurement-related responsibilities.

Under the asset management model, the purchasing process requires participation on the part of staff at the developments and the central office. During interviews of staff with responsibilities related to the purchasing function, there was great concern expressed regarding the lack of effective communication among Asset Managers, central office managers, purchasing agents, and accounts payable staff related to the process for acquiring goods and services and the payment for such services. Some of the major issues identified included individuals purchasing goods prior to having an authorized purchase order, individuals not “receiving” goods and services in a timely manner to acknowledge delivery or facilitate payment, and missing or incomplete documentation to support payment of invoices.

While staff within the procurement department had received some training in 2010, given the highly regulated nature of the work, the level of training was insufficient to ensure staff consistently followed federal procurement requirements.

Resolution: HANO developed and implemented procurement user guide for User Departments to ensure understanding of and compliance with new procurement policies and procedures and ensure consistency with HANO’s transition to Asset Management. The user guide also provides technical assistance to User Departments in initiating and completing procurement requests that clearly define needs and that are within established budgets.

To address capacity issues within the department, staff members have joined the National Institute of Governmental Purchasing (NIGP). As members of the NIGP, the Procurement and Contracts staff have attended and participated in educational opportunities through webinars and seminars offered by NIGP. In addition, procurement staff has received training in continuing education courses, which include software training, public procurement law, solicitation/contract development and contract administration. Staff training courses were received in-house and through webinars online. The Director of Procurement and Contracts recently completed the Certified Professional Public Buyer (CPPB) Certification course and exam. The Procurement and Contracts staff are also scheduled to take this certification course in the coming months.

MANAGEMENT INFORMATION SYSTEMS

HANO's Information Technology Department has primary responsibility for maintaining the agency's network including workstations, servers, software, and telecommunications. At the time of the Assessment in 2010, there were approximately 250 staff and contractors using HANO's system. Locations included the main office at Touro, the West Bank Housing Choice Voucher Program (HCVP) office and individual housing development sites (BW Cooper, Columbia, Estates, Fischer, Guste, Harmony Oaks, River Garden, Iberville); however, there was no physical connectivity among these locations, and instead users connected via the Internet to HANO's Virtual Private Network (VPN).

HANO was then in the process of consolidating its servers and implementing Storage Area Network (SAN) technology. The SAN will involve two servers located in the main office that will back each other up for redundancy. A third SAN server will be located in an off-site location in Dallas, TX. The off-site server is a key part of HANO's planned disaster recovery solution.

A significant focus of the Assessment revolved around the then recent implementation of a third-party software package. It was intended to automate all financial/procurement, public housing management and HCV program functions. However, after years of frustration with the implementation of this system, HANO resolved to replace it. HANO procured and implemented Oracle's J.D Edwards ERP system for financial, procurement and grants systems. For HCV, Public Housing and Tax Credit applications, Yardi has been replaced with the Emphasys Computers Elite application.

Finding 1: HANO did not provide effective oversight of the Yardi implementation.

Finding 2: Conversion of data to the Yardi system was not properly planned or executed.

Finding 3: HANO's business needs and functional requirements were not being fully met by the system as configured.

Since it was ultimately decided that the Yardi system be replaced, this report does not address the original findings regarding its implementation.

HANO procured and implemented Oracle's J.D Edwards ERP system for financial, procurement and grants systems.

For HCV, Public Housing and Tax Credit applications, Yardi has been replaced with the Emphasys Computers Elite application.

Finding 4: HANO did not have internal staff capacity to manage/administer the Yardi system on an ongoing basis.

Regardless of which system HANO uses, its reliance on software vendors to support implementation had rendered HANO unable to efficiently manage and maximize utilization of the system.

Resolution: As noted above, Yardi is being replaced. However, to better serve HANO's end-users, the IT Department has increased from two staff members to six. The current staff handles the areas of Network Administration, Programming, Help Desk Support, Desktop Support and Software Training, eliminating the reliance of outside vendors to support the agency.

Finding 5: HANO did not have an effective process to manage and control software licenses and system access.

HANO did not have a clearly defined system in place to manage staff and contractor access to its computer systems. Thus, for example, there was no updated source to determine whether all licenses assigned by the software vendor (and paid for by HANO) were actually in use. Standard industry practices require a structured sign off process for all add/delete/changes to user access.

Resolution: HANO now tightly controls access to its systems, with a structured sign-off process to add/modify/delete user access. All software licenses are now tracked.

Finding 6: HANO did not have an operational disaster recovery strategy for its MIS operations.

At the time of the Assessment, HANO was in the process of installing a Storage Area Network that will include a remote, off-site location containing a near real-time copy of all HANO data. Completion of this project, along with publication of a detailed procedure to ensure continuity of operations in the event of another disaster, was long overdue.

Resolution: In a relatively short period of time, the IT Department has fully developed its disaster recovery site located in Texas. The agency's servers and data are replicated in real time to the disaster site. Laptops, portable printers and satellite phones have been procured and configured for use and connection to the DIS site.

COMMUNICATIONS

When the Administrative Receivership Team conducted an examination of the HANO Communications Department, it was during a period when the agency was much maligned in the media and criticized by clients and other stakeholders, who had witnessed the exit of a number of employees and contractors under a cloud of suspicion, including several criminal convictions. This would have been challenging for even the best communications team, but HANO's staff lacked the capacity to adequately manage this situation. As a result, the general perception of HANO was somewhat imbalanced, and generally negative, even though HANO, for example, had successful redevelopment projects underway. HANO had also failed to make use of basic communication tools, like its website, to keep internal and external audiences up to date on its activities and accomplishments.

Finding 1: There was no concise Mission Statement or Statement of Guiding Principles.

HANO lacked a clear and consistent mission statement.

Resolution: As part of its Strategic Planning process, HANO, with the guidance of Gilmore Kean, developed the following Mission Statement:

“As the Legislature of the State of Louisiana has determined that the availability of decent, safe, affordable housing for low to moderate income citizens is a fundamental state value that creates economic and ethnic diversity and is an essential public function, it is therefore the Mission of the Housing Authority of New Orleans to provide and encourage the development of quality, affordable housing and the preservation of healthy, vibrant neighborhoods for the citizens of New Orleans in a manner that promotes self-sufficiency and economic opportunity.”

Finding 2: HANO lacked adequate communications staff.

At the time of the Assessment, HANO was dependent upon employees lacking sufficient skills and/or training to disseminate critical external and internal messages.

Resolution: Since the publication of Gilmore Kean's Assessment, HANO's entire communications staff has been replaced with better skilled and trained personnel. Currently, HANO's Communications Department consists of a Public Information Officer and a Communications Specialist.

Finding 3: There was inadequate rapid response capability.

Not all department heads understood the need to provide accurate, documented information in a timely manner. The Communications Department was not then qualified or empowered to provide the kind of training and strong leadership that might have alleviated this problem, providing balance in negative media reports that currently do not include HANO's best information.

Resolution: A strategy to utilize social media tools, such as Facebook and Twitter, was completed in order to share real-time information about the agency and connect with HANO's residents, stakeholders and other government entities. The use of social media has introduced direct communication channels, as well as the ability to measure the effectiveness of information shared. The strategy includes the immediate posting of news stories, press releases, and HANO-focused or -partnered events. These tools can also be used to communicate emergency alerts during hurricane season and/or any emergency that may occur. These tools will also allow HANO administration to respond to media reports and/or comments received from the public.

Finding 4: HANO had an unnecessarily negative relationship with news media.

The relationship between HANO and news media was largely adversarial before Gilmore Kean's engagement, rather than one where HANO could expect fair treatment by the media.

Resolution: Gilmore Kean has worked to repair relationships with individual members of the media and has cultivated several productive working relationships. For example, a "Media Day" strategy was developed to improve the relationship between the media industry and HANO. These events, consisting of a set of pre-arranged face-to-face meetings, are designed to promote positive stories and a dialogue with media groups. Examples of past media days include the Administrative Receiver's monthly update with WBOK 1230 am, and the Choice Neighborhoods Initiative grant award press announcement hosted by HUD. The department can utilize this tool when the agency has a specific message to disseminate to the news media and/or the general public. HANO will also implement this strategy when scheduling press conferences to announce all major projects and programs, such as groundbreaking ceremonies. HANO also hosts media tours upon completion of each new community.

Finding 5: There was inadequate management of Freedom of Information Act (FOIA) requests.

The system for addressing FOIA requests did not follow an appropriate flow. Such requests were sent directly to the General Counsel, with responses sometimes dispensed without the knowledge of the Communications Department.

Resolution: A procedure to deal with all public records requests was prepared by HANO's Legal Department and implemented in December 2010. These requests are now closely coordinated with all relevant departments, including Communications.

Finding 6: HANO lacked an adequate community outreach plan.

At the time of the Assessment, HANO had no effective plan for re-building and strengthening relationships with organizations and civic leaders who shape public opinion and policy.

Resolution: An E-newsletter was created to provide information about HANO activities over the course of the fiscal year, including feature stories on development activities, information on

internal HANO initiatives for employees, and a focus on accomplishments of residents and resident leaders. This e-newsletter has been widely distributed to staff and other stakeholders.

HANO has worked to foster more positive relationships with the media by being more timely and responsive to media requests as well keeping the media informed through the issuance various media advisories related to key HANO initiatives and activities.

The Communications Department staff has worked closely with the Senior Advisor to the Administrative Receiver (who is responsible for all intergovernmental relations) to provide responses to frequently asked questions (FAQ). This FAQ sheet is distributed to public officials and used to respond to information requests from local government officials, when appropriate.

The Communications department also worked with the Senior Advisor to develop a newsletter for the Iberville Renaissance related to the Choice Neighborhoods Initiative Implementation Grant Application. The newsletter serves as a vehicle to communicate to residents the status of the CNI Grant, related community meetings and other planned activities and pertinent information critical keeping Iberville residents informed of the redevelopment efforts.

The Communications Department updated the HANO website on a regular basis to ensure employees and the public access to information about HANO's activities in mixed-finance development, departmental initiatives, partnerships, procurement activities, etc.

HANO staff worked with the Chief Internal Compliance Officer to produce an Ethics E-Newsletter to introduce the CICO as the Ethics Officer of the agency and to communicate to staff, vendors, private and nonpublic partners and other concerned parties about the ethics policy and other related activities such as training.

Finding 7: HANO's web site lacked required functionality.

The site is antiquated and does not allow for easy self-publishing, streaming videos or interactive applications. This is particularly important to decrease pressures on the HCV call center and public housing phone system.

Resolution: The web site has been completely redesigned, with a new home page. The Communications department worked closely with the Information Technology Department in developing a new, more attractive design with updated content on programs and the mission of the agency, community activities and events, and real time press releases on agency accomplishments. Scheduled Board meetings and the agenda for each are located on the home page on the site.

The department continues to work on a concept for video posted on the site as an alternative to utilizing a splash page. Communications will evaluate observed technical challenges for site viewers to determine next steps and will include a video tab on the new website for all recorded events in the interim.

Of particular interest is Housing Choice Connect (HCC), a system developed by HANO to allow landlords to post available properties on-line and enable residents seeking a place to live to search the site. Activities to support the roll out of HCC included several public service announcements and paid radio spots, use of inexpensive media, such as flyers announcing the HCC, and an on-line tutorial for landlords and residents.

An Intranet/Employee Portal was redesigned for employees to easily access, navigate, upload and print forms and manuals, and to allow immediate access to financial and database systems. The portal also hosts an internal newsletter that will feature stories, announcements, and emergency alerts for employees to peruse.

WORK REMAINING TO BE DONE

In November of 2010, the Gilmore Kean team and HANO senior staff collaborated on a Recovery Work Plan, the successful completion of which will restore HANO to full functionality and render HANO ready for local control. The objectives and tasks outlined in the Recovery Work Plan were developed with both the Gilmore Kean Assessment and the experiences of HANO senior staff in mind. HANO and Gilmore Kean have published regular six-month updates in order to keep the public apprised of HANO's progress, but it is important to note that significant work remains.

In addition to the ongoing work of maintaining the progress that has already been achieved, the following is a compilation of tasks still outstanding in our quest to transform HANO into a well performing agency:

ORGANIZATION, STAFFING AND HUMAN RESOURCES:

- The Employee Pension Plan must be restated, and additional employee benefits are being explored.
- A plan for HANO's transition back to local control must be formulated, amended bylaws passed, and a new Board selected and trained.

AUDIT AND COMPLIANCE

- Clean audits, either annual or other agency-required audits, must be consistently submitted.

HOUSING CHOICE VOUCHER PROGRAM

- By the fourth quarter of this year, HANO will consistently process more than 98% of authorized Housing Assistance Payments and Utility Assistance Payments by the 5th of each month.
- Also by the fourth quarter of this year, HANO will consistently pay more than 98% of HAP payments for new contracts within 15 days of contract execution.
- HANO has yet to achieve the targets of 80% of FSS mandatory enrollment, more than 30% of FSS enrollees having escrow account balances, or the consistent mailing of annual statements to FSS participants.

DEVELOPMENT AND CAPITAL PLANNING ACTIVITIES

- HANO must prepare an extension for HANO's Elderly-Only Designated Housing Plan (DHP) and incorporate revisions to reflect changes in the agency's priorities, if any.

RESIDENT SERVICES

- In order to ensure that HANO residents have access to a wider range of services in the community, HANO will continue to reach out and identify new potential partnerships and funding to secure those partnerships.

SAFETY AND SECURITY

- The objective of having 24-hour patrols of HANO's sites was set in the Recovery Work Plan. Due to shortage of personnel, this task has not been completed. HANO has established 10 - 18 hours patrol coverage with current staffing, and HANO anticipates increasing the manpower strength from 16 to 26 officers by the end of the 2013 budget year. At that time HANO will conduct a needs assessment to determine if 24-hour patrols are necessary and feasible.
- Incident reporting must be automated.

Contracting and Procurement

- In an effort to promote transparency in procurement, HANO must increase efforts to publicize its procurement process, including hosting an annual Opportunities Seminar and training potential vendors in the use of HANO's online procurement system.
- In order to fully maximize the use of technology to streamline the procurement process, HANO is in the process of implementing a system that integrates all steps, from vendor registration to invoice payment, to the identification of Section 3 Resident Employment Opportunities for Disadvantaged Business Enterprises (DBEs), Women Business Enterprises (WBEs) and Section 3-Owned Businesses, HANO must complete.

Management Information Systems

- HANO must design and implement a new Human Resources/Payroll software system.
- The new enterprise software system must be fully implemented, with a new portal and report-generating system in place.
- A document imaging system must be implemented.
- A new software system for the Housing Choice Voucher Program must be procured and implemented.

Communications

- HANO still must develop and implement an outreach plan to engage HANO's neighbors in becoming active participants in HANO community life.

- In addition, HANO must complete the marketing, outreach and automation processes for its waiting lists, including the creation of an automated hotline and the promotion of online list monitoring capabilities.