

PHILADELPHIA HOUSING AUTHORITY

FOREWORD

In 1992, the Authority was on a fast track to disaster. Deplorable housing conditions, lack of a maintenance program, wasteful spending, slow modernization, political patronage, and procurement irregularities were just a few of the problems noted in our May 1992 audit report.

Those conditions, together with media attention and congressional hearings, led to a HUD take-over by appointment of a "Special Master". Unfortunately, the technical assistance and financial aid provided by HUD was viewed by local officials, in a highly political environment, as an attempt by the opposing party to intervene in the City's patronage haven. As a result, 16 months of reorganization efforts and many dollars were wasted.

When the national political Administration changed after the 1992 election, the Mayor and City Council saw a partner and financial provider in HUD and made an agreement with the Secretary to become more active and responsible for the administration of the Authority. The Mayor appointed himself the Chairman of the Board, and hired the well respected former City Councilman and State official, John White, as Executive Director. A 24-Month Operational Improvement Plan was adopted.

The Executive Director was given the latitude to hire a cadre of top managers with public housing experience and respected credentials. The strides made to turn around 20 years of decline have been impressive. Some highlights include:

- Gaining the trust, confidence, support and patience of Authority residents.
- Being responsive to residents' concerns for emergencies, safety and security, and the need for a voice in management.
- Staffing, training, and operating a procurement office that is in full compliance with applicable Federal, State and local laws.

- Holding Authority directors and managers accountable for their areas of operations.
- Establishing a highly qualified Inspector General's office, and a system to follow up on prior audit recommendations.
- Working with HUD technical assistance and funding to demolish obsolete high-rise buildings.

The progress made to date has not been easy or without problems. The Authority is a large organization of over 2,100 employees, and 43 developments. Organizational change from the foundation up and overhauling basic operational systems is a long-term process.

Unfortunately, this time consuming foundation-building and the recovery steps taken so far are not yet reflected in the quality of life for most residents. Many units remain vacant, routine maintenance is still a goal, security and safety issues are real, and modernization and replacement efforts slow. Developing a highly trained and qualified staff takes time. Old habits die hard and management has a difficult task ahead, but we believe they are on the right path.

In addition to providing over \$1 billion in financial assistance over the last four years, HUD has also made technical assistance contracts available and performed a comprehensive Modernization review and PHMAP confirmatory review, and also scheduled a Section 8 review to assist the Authority.

The problems facing the Authority are complex and have developed over a period of 20 years. They will not go away overnight, and management needs to assure that the operational foundation, or roots of recovery, are firmly planted and well-monitored as rebuilding occurs.

In our opinion, the present management has made improvements, is working in that direction, and needs to remain committed to a well planned and quality process.

We have identified several areas where we believe the Authority needs to continue to concentrate their efforts at management improvement so that the recovery process can move forward.

- While the Authority has made a record number of vacant units available for occupancy, its strategic plan should be expanded to account for and assess the viability of all 7,000 occupied

and vacant scattered site units. Over the years, the maintenance and repair attempts on these 100 year old units has been extremely costly. In areas where the average market price is less than \$50,000 the Authority has, in some cases, spent in excess of \$150,000 per unit for renovation.

- The Authority needs to coordinate renovation and modernization with the City Office of Housing and Community Development and other City services in neighborhoods scheduled for revitalization.
- Pilot programs like ART and other resident job training programs have proved too costly and/or slow to make any timely progress in putting vacant units back on line. Better methods must be explored.
- More emphasis needs to be placed on hiring and training qualified construction managers, inspectors, and mid-level managers and supervisors.

This report details the problems confronting the Authority today, steps they have taken to address the problems, and the progress made to date. We have also provided recommendations to assist HUD staff and Authority management in continuing to improve operations and the quality of living conditions for the residents.

Executive Summary

We completed a review of selected operations of the Philadelphia Housing Authority (Authority). The purpose of the review was to determine the progress of the Authority in improving operations, living conditions, and correcting deficiencies cited in our May 1992 audit report. We also examined the Authority's progress in meeting the 24-Month Operational Improvement Plan initiated in December 1993 as part of a partnership agreement with HUD, after the Authority's default and breach of the Annual Contribution Contract. The 24-Month Operational Improvement Plan was a road map for change and prioritized modernization activity, resident services and improving day-to-day operations.

At the end of the two years not all parts of the plan were completed. However, significant accomplishments made included: the implementation of a new lease; the rehabilitation, repair and rent-up of over 2,400 units; various training provided to employees; Voluntary Vendor Payment Program to increase rent collections; and, a consultant hired to develop and help implement standard operating procedures. Additional accomplishments are listed in Chapter 7.

The problems that confront the Authority developed over a long period of time. Since 1993 the Authority has received over \$1 billion from HUD, with approximately \$470 million related to modernization and replacement of units. In its 1992 Five Year Plan the Authority anticipated a need of over \$1 billion in capital improvements for the various developments and scattered site units. We have been advised by HUD staff that the estimate provided by the Authority at that time was low and the amount needed could be much higher. HUD staff feels strongly that the Authority's improvements will be directly tied to the modernization of its units.

Although the Authority has shown great improvement in its operations, it still needs to try to accelerate improvements in the following areas.

Vacancy Reduction

Although the Authority has made great strides in renovating and repairing vacant units, it should expand its strategic plan to account for and assess the viability of all 7,000

occupied and vacant scattered site units, to address: the high cost of renovation versus conventional units; coordinating with City agencies so that only units in stable or revitalized areas are renovated; and, the slow progress in putting scattered site units back in line. The Authority should also set realistic rehabilitation goals and include them in the Memorandum of Agreement.

Inspections

The Authority's yearly HQS inspections of units did not include timeframes to bring failed units up to HQS. The Authority should establish a mechanism to evaluate, on a yearly basis, its progress in bringing a certain percentage of its failed units up to HQS, and assure that it hires and trains qualified construction managers, inspectors, and mid-level supervisors and managers.

Maintenance and Work Orders

The Authority did not ensure that work orders generated from HQS inspections were timely recorded into its system, and that all work orders are completed before they are removed from the system. In addition, the Authority did not paint units after repair and/or replacement of ceilings and walls. The Authority should ensure work orders are prepared for all repairs identified on HQS reports, and all repairs are completed. Also, units should be repainted after repairs are made to walls and ceilings.

Admissions and Occupancy

The Authority did not maintain sufficient screened applicants on its waiting list, timely reassign ready units or have a HUD-approved Admission and Occupancy policy in effect. The Authority should maintain sufficient screened applicants on its waiting lists, assure managers timely report the status of assigned units,

periodically update applicants' files and implement an approved Admission and Occupancy policy.

Tenants Accounts Receivable

Tenants accounts receivable are still excessive. The Authority should implement its proposed tenant repayment agreement, strictly enforce its lease requirements, fully develop the other proposed strategies and implement a system to ensure resident employees are current with their rent and delinquent resident employees' balances are brought current. Also, the eviction process must be improved using the strategies previously proposed.

Administration

The Authority should ensure that the management information system and the standard operating procedures which are being developed provide: meaningful reports, accessibility to all departments, appropriate training, and comply with all applicable requirements.

Agreements with HUD

The Authority's 24-Month Operational Improvement Plan for Phase II does not include a definitive PHMAP baseline and timeline. The Authority should develop and implement a Memorandum of Agreement which includes a definitive PHMAP baseline and timeline.

Other Matters

The continuing rise in legal costs incurred by the Authority, the expenditure of Drug Elimination Grant funds by a Tenant Management Corporation, and the lack of progress in getting rehabilitation done on the Southwark Plaza development are matters which require Authority and HUD attention. Review and evaluation of

the Authority's plans to control its legal costs is needed, and guidance should be provided; monitoring should be initiated with regard to the use of Drug Elimination Grant funds by the Abbotsford Homes Tenant Management Corporation; and, review and any necessary revision of the plans and proposals recently submitted for the Southwark Plaza rehabilitation should be expedited.

Authority's Comments

Our observations were discussed with Authority staff during the review. We also met with Authority officials and obtained their oral and written comments on the preliminary draft report summarizing the results. We followed up on the additional/updated information which the Authority provided and revised our report as appropriate. The Authority's letter of December 5, 1996 (Appendix C) noted that our draft report accurately depicted the Authority's current situation and placed it in its proper context. The Authority also offered comments to clarify certain areas, and outlined the measures taken to address the issues raised in our draft report. Specifically, the Authority commented on Chapters 1 thru 8, except for Chapters 2 and 3; we summarized the Authority's comments in each chapter.

Recommendations Controlled

Appendix B contains a listing of all the recommendations included in this report. Because implementation of the recommendations is a critical element in the Authority's ongoing management improvements, the recommendations will be controlled in accordance with HUD Handbook 2000.6 REV-2, Audits Management System.

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Abbreviations

ACC	Annual Contributions Contract
ART	Apartment Renovation Team
CIAP	Comprehensive Improvement Assistance Program
CDBG	Community Development Block Grant
CDC	Community Development Corporation
CGP	Comprehensive Grant Program
HQS	Housing Quality Standards
HUD	Department of Housing and Urban Development
JOC	Job Order Contracting
MIS	Management Information System
MOA	Memorandum of Agreement
MROP	Major Reconstruction of Obsolete Public Housing
OIG	Office of Inspector General
PHMAP	Public Housing Management Assessment Program
TAR	Tenants Accounts Receivable
URD	Urban Revitalization Demonstration
VVPP	Voluntary Vendor Payment Program

Introduction

The Philadelphia Housing Authority (Authority) was organized in 1937 under the laws of the Commonwealth of Pennsylvania to develop, acquire, and operate low rent housing programs. The Authority's public housing inventory includes approximately 15,000 dwelling units in 43 conventional developments and 7,000 scattered site units. In addition, the Authority's Section 8 Program consists of approximately 10,000 certificates, vouchers, and moderate rehabilitation units.

The Authority administers public housing through an Annual Contributions Contract (ACC) with HUD, whereby the Authority receives financial assistance from HUD for the following primary activities:

- annual operating subsidies to operate and maintain its housing developments;
- modernization/comprehensive grant funds to upgrade units;
- drug elimination grant funds primarily for eliminating drug-related crime and problems associated with it;
- Hope VI funding for grants to revitalize severely distressed public housing and expand assisted housing opportunities;
- development grants for constructing new units; and,
- vacancy reduction funds for rehabilitation of units.

The Authority also manages a separate Section 8 program under which private landlords provide housing to low income tenants.

From 1993 to 1996 HUD provided over \$ 1 billion to the Authority for various programs. It should be noted that although the Authority has received a significant amount of funds over the past four years for capital improvements, the amount received is not enough. In its 1992 Five Year Plan the Authority anticipated a need of over \$1 billion in capital improvements for the various developments and scattered site units.

The Authority has a five member Board of Directors. Mayor Edward G. Rendell is the Chairman. The Executive Director is John F. White, Jr. The Authority's main office is located at 2012 Chestnut Street, Philadelphia, Pennsylvania.

The Authority has been designated "troubled" by HUD because of its inability to correct the long standing problems in its operations. The Authority has been troubled since December 1984. In 1992 HUD initiated a new program called the Public Housing Management Assessment Program (PHMAP) to evaluate public housing authorities performance. Since the inception of PHMAP the Authority has made significant improvements each year.

Since 1993 the Authority has increased its PHMAP score 190 percent.

A public housing authority with a total weighted PHMAP score of less than 60 percent is designated as troubled. Because the Authority's most recent PHMAP score was less than 60 percent, it is still designated a troubled agency.

As a result of the improvements shown in 1994 for its modernization program, the Authority was no longer considered troubled with regard to its modernization activities, and received an additional \$5,591,299 in Comprehensive Grant funds. In 1995 the amount increased to \$8,296,458.

The objective of the review was to assess the progress made by the Authority in implementing the strategies detailed in its 24-Month Operational Improvement Plan and to evaluate the improvements made since our last audit report dated May 26, 1992. The review was performed between March 1995 and November 1996, and covered the period December 1, 1993 through March 31, 1996. The period was extended as necessary to include data made available in November 1996, so that our report would reflect current conditions and status. We reviewed pertinent records at the HUD office and at the Authority's offices, interviewed HUD and Authority staff, and performed site inspections at various properties.

Our review included a review of the following:

- HUD monitoring reports and other correspondence
- Consultant studies
- Independent Public Accountants reports
- Draft Memorandum of Agreement dated September 5, 1996
- Twenty-four Month Operational Improvement Plans and Quarterly Status Reports
- Public Housing Management Assessment Program records
- Inspection reports, work orders, tenant accounts receivable reports, Voluntary Vendor Payment Program status reports, vacant units reports, ready units reports, unit turnover reports and production reports for units rehabilitated
- Draft Admissions and Occupancy Policy
- OIG audit report dated May 26, 1992
- Comprehensive Grant Program - Five Year Plan, 1992 - 1997

We provided a copy of this report to the Executive Director of the Philadelphia Housing Authority.

VACANCY REDUCTION

The OIG audit report dated May 26, 1992 stated the Authority had 4,538 vacant units as of August 31, 1991. The Authority attributed its growing vacancy problem to its scheduled modernization program. However, the audit disclosed that the Authority was unable to: manage its funds, control maintenance staff, plan for long-term vacancy, and measure performance.

One of the specific areas addressed in the 24-Month Operational Improvement Plan was vacancy reduction. The Authority characterized the problems causing its excessive vacancies as "maintenance problems", due to inadequate maintenance staff, no action plan to address the backlog of on-demand maintenance of occupied units, considerable delay in scattered sites obtaining contracts to resolve heating problems, and unhealthy and unsafe grounds.

Vacancy Trends

For the three fiscal years since the OIG audit report was issued, the number of vacant units and the vacancy rates were as follows:

		<u>1994</u>
	<u>1995</u>	
<u>1996</u>		
Number of	Vacant Units	
4,940	5,084 5,511	
	Vacancy	
	Rate	21.9%
22.4% 24.4%		

Observations

Although the number of vacant units has increased by 571 units since 1994, it appears that the Authority has stabilized the vacancy rate. Also, because of the HUD proposed Final Rule for PHMAP, the Authority has reduced its vacancy rate to an adjusted vacancy rate of 4.23 percent for the year ended March 31, 1996 by excluding certain units. For example, included in the 5,511 vacant units for the year ending March 31, 1996 were 3,825 vacant units under modernization and 796 vacant units that were approved for demolition or disposition, as well as units that were abandoned by tenants but property was left in the units. In addition, the Authority

Authority Strategies

excluded fire-damaged and casualty units, and units awaiting HUD approval for demolition or disposition.

The Authority developed the following strategies to reduce the number of vacancies:

- The pace of the Apartment Renovation Teams (ART) work would be stepped up and scattered site vacancies would be addressed at a quicker rate, and at a decreased cost.
- Agreements would be entered into with the City of Philadelphia which would enable City agencies to rehabilitate seriously-impaired occupied and vacant scattered site units.
- The Job Order Contracting (JOC) System would be implemented, allowing the Authority to contract with multiple contractors to rehabilitate a large number of scattered site units.
- With the advent of the Comprehensive Grant Program, the Authority adopted a new approach to modernization that should significantly reduce vacancies in conventional sites. Entire sites would be completed and work would no longer be piecemeal.
- A great many long-term vacancies are in developments which are designated for comprehensive modernization and have funding assigned to them under the Comprehensive Grant Program (CGP), Comprehensive Improvement Assistance Program (CIAP), Major Reconstruction of Obsolete Public Housing (MROP), and the Urban Revitalization Demonstration Program (URD). Most of the developments are entering the design phase and construction will be on the way within the two year time period.

- PHA will also renovate vacancies throughout the Authority's sites using the operating budget.

UNIT REHABILITATION

Progress Made

From April 1, 1994 to March 31, 1996, the Authority renovated and repaired 2,452 units that were vacant for a year or more. The Authority also implemented several of the above noted vacancy reduction programs to renovate long -

term vacant units. The vacancy reduction programs included the Apartment Renovation Team (ART), Job Order Contract (JOC), independent contractors contracted by City agencies, maintenance staff and force account labor. In this regard, a separate review of the ART program found that it was too costly and did not meet resident training expectations, as detailed in our report dated February 29, 1996.

Costs

The ART and JOC programs primarily targeted scattered site units. These two programs proved to be very expensive. The Authority rehabilitated 379 scattered site units under these programs over a two-year period at a cost of \$44.4 million, or an average cost of \$117,258 per unit. In comparison, under the JOC program the Authority rehabilitated 123 conventional site units at a cost of \$2.19 million, or an average cost of \$17,857 per unit.

Housing Stock Characteristics

The age of the housing stock has contributed to the cost to rehabilitate units. The scattered site units are 80 to 100 years old, and are scattered throughout the City. On the other hand, the majority of conventional units range from 24 to 58 years old. Also, it is not uncommon to find the Authority rehabilitated a scattered site unit that is surrounded by boarded and vacant property that is not owned by the Authority.

Recommendation

The Authority should expand its strategic plan to account for and assess the viability of all 7,000 occupied and vacant scattered site units. The plan should address: the high cost of renovations versus conventional developments; coordinating with City agencies so that only units in stable or revitalized areas are renovated; and, the slow progress in putting scattered site units back on line.

Coordinated Efforts

The Authority contracted with local City agencies (Philadelphia Redevelopment Authority and Philadelphia Housing Development Corporation) to rehabilitate 58 units. The maintenance staff has repaired 1,720 long-term vacant units, and force account labor rehabilitated 172 units. Over a two-year period the Authority has rehabilitated or repaired an average of 102 units per month.

Recommendation

While significant progress in rehabilitation has been made, we recommend the Authority establish realistic goals on the number of units to be rehabilitated or repaired on a monthly basis, and include the goals in the Memorandum of Agreement.

Suggested Method

One method the Authority can use to establish goals for unit rehabilitation is to use the number of units scheduled for modernization. For example, as of March 31, 1996 the Authority had 3,825 units scheduled for modernization. The Authority can establish monthly and yearly goals related to that number within the established time periods, and establish similar goals for vacant units to be repaired by the maintenance staff.

Authority's Comments

The Authority indicated that the comprehensive plan to deal with the scattered site inventory, which was provided to our staff, sets forth a four-pronged planning approach for dealing with the vacancy issues throughout its inventory, including privatization, demolition, disposition and rehabilitation of both vacant and occupied properties. Since the Authority can now make decisions about whether scattered site units are rehabilitated versus demolished, rehabilitation costs should be more reasonable.

The Authority has also been working closely with several neighborhood organizations and Community Development Corporations (CDCs) that are receiving Community Development Block Grants from the City. The Authority and the CDCs often rehabilitate several properties on the same block or in the same neighborhood in order to facilitate

comprehensive community development goals.

The Authority also stated that its policy, in place for about one year, mandates that all of its scattered site properties on a particular block may be rehabilitated only when the block is at least 85 percent occupied.

OIG Evaluation of
Authority's Comments

The Authority's "Comprehensive Vacancy Reduction Plan for Scattered Site Properties" which we reviewed is based only on the 1,860 scattered site units that are vacant. The plan shows that 1,276 of the 1,860 vacant scattered site units are scheduled and/or proposed for modernization, rehabilitation, demolition, or for private management. However, 584 vacant units were not addressed in the Authority's vacancy reduction plan.

Although, the plan does not address the 5,140 scattered site units that are occupied, a significant number of these units are in need of major rehabilitation. As noted in this report, 85 percent of the scattered site units inspected by the Authority staff failed HQS.

The Authority's policy, that in blocks which are at least 85 percent occupied, they may rehabilitate all of the scattered site properties on that block, does not address the condition of the non-PHA properties that are occupied. Are these properties in need of repair or rehabilitation? Can the Authority request that City agencies provide the private homeowners the necessary funds to repair or rehabilitate these properties? During our inspections we noted properties that were occupied by non-Authority residents that needed major rehabilitation.

It is also our concern that, even if the Authority could rehabilitate all of the scattered site units, its ability to

maintain units scattered throughout the
City is questionable.

INSPECTIONS

The previous OIG audit report dated May 26, 1992 showed the Authority did not provide units that were in good repair and condition for its residents. Specifically, 99 percent of units inspected by OIG did not meet HUD Housing Quality Standards (HQS) because the Authority failed to hire, mobilize, equip and properly deploy its maintenance staff.

Planned Improvements

The Authority's 24-Month Operational Improvement Plan stated the Authority would adopt HUD HQS as the standard for its units, and would inspect all units twice every year (one preventive and one management). In addition, all major systems were to be inspected and a plan developed for all systems requiring repairs. The Authority would provide both in-house and/or outside training to management staff in the use of HQS inspection procedures. Each Housing Manager was to complete HQS training by June 30, 1994 and all units were to be inspected using HQS, starting July 1, 1994.

Observations

The Authority has vastly improved its inspections of units since the inception of the 24-Month Operational Improvement Plan. The Authority has adopted and implemented HUD Section 8 HQS requirements as the standard for its public housing units, and as of March 31, 1996, the Authority's reports showed it had inspected 99 percent of its units using the new standards.

Accomplishments

The Authority staff inspected 19,407 units, and 9,129 units, or 47 percent failed to meet HQS. A majority of the failed units are in the Authority's scattered sites inventory (7,196 of the 19,407 units inspected by Authority staff were scattered site units, with 6,157, or 85 percent failed, whereas only 24 percent of the conventional site units failed). The scattered site units, which are generally row homes, are from 80 to 100 years old and in need of major

rehabilitation. Although the Authority has implemented new programs, such as the Apartment Renovation Team (ART) and Job Order Contract (JOC), to rehabilitate these units, the number of units rehabbed on a yearly basis has not made a significant dent in the inventory. For example, from April 1, 1994 through March 31, 1996 the Authority rehabilitated 379 scattered site units under the ART and JOC programs.

OIG Opinion

It is our opinion that the Authority will not be able to bring a significant number of scattered site units up to HQS within the next two to three years, because they are in need of major rehabilitation. Specifically, in the Authority's Five Year Comprehensive Grant Plan that was submitted to HUD in 1992, the Authority estimated that it would take upwards of 14 years to modernize all of its housing stock and bring it up to HQS.

Recommendation

We recommend that the Authority establish a mechanism to evaluate, on a yearly basis, its progress in bringing a certain percentage of its failed scattered site units up to HQS.

PHMAP Evaluation of Training

The HUD Public Housing Management Assessment Program (PHMAP) confirmatory report dated September 30, 1996 showed the Authority has significantly improved its inspection of units. However, the report indicates the Authority still needs to provide additional training to some of its inspectors in the areas of properly completing the inspection reports, and determining whether the units pass or fail HQS.

Recommendation

We recommend HUD assure that the Authority hires and trains qualified construction managers, inspectors and the necessary mid-level managers and supervisors, so that units comply with

HQS and inspection reports are properly completed.

Lead-Based Paint

The Authority's inspection reports did not identify whether units were free of peeling, chipping or loose paint, which is an indication of lead-based paint. We inspected 11 units and found peeling, chipping or loose paint in all 11 units; also, this item was not filled in on the Authority's inspection reports. The PHMAP confirmatory review team also cited this problem during their review; they found that the lead-based paint section of the inspection reports was not addressed in 172 of 336 inspections reviewed.

Recommendation

We recommend HUD require the Authority to fill in the lead-based paint section of its inspection reports, and remove all peeling, chipping and loose paint found in its units, with priority given to units with small children.

Handheld Computers

The Authority stated in its 24-Month Operational Improvement Plan that it would purchase handheld computers to record and track HQS inspections of its units. The Authority has contracted with a supplier to provide the handheld computers. The contractor has passed the acceptance tests, and training in using the equipment is being planned for the administrative personnel. In addition, the Authority has trained its managers in how to perform HUD Section 8 HQS inspections.

Evaluation and Opinion

The Authority has been proceeding in a manner that indicates it will accomplish the goals set in its 24-Month Operational Improvement Plan in the near future. Specifically, it is expected that all units will be inspected for the current

fiscal year and the inspections will be recorded and tracked using the handheld computers.

MAINTENANCE AND WORK ORDERS

The OIG audit report dated May 26, 1992 showed the Authority was not performing repairs to its occupied units in a timely manner. Specifically, the report stated that approximately 50 percent of the Authority's work orders were not completed on time due to insufficient staffing and vehicles, inability to get supplies, lack of access to units, and low productivity from staff.

Planned Improvements

The Authority's assessment of its maintenance management in the 24 Month Operational Improvement Plan stated the following:

" The unfortunate state of PHA's maintenance program is that occupied units suffer from a history of deferred maintenance so extensive that many people who can ill afford to go elsewhere are forced to move out of Public Housing. Units newly vacated are left unattended and simply become part of PHA's huge inventory of long term vacancies. During this twenty-four month period, PHA will insure that site managers have staff in sufficient number and with appropriate skills to assure that occupied units are serviced for preventive, routine and emergency maintenance; that newly vacated units are quickly discovered, inspected and prepared for leasing; and the vacant units which have major physical needs are assessed, assigned funding and placed in the operating system which deals with major rehabilitation work. We believe that the requirements for maintenance and rehabilitation over the next two years are unusual and must be aggressively addressed. By the end of the twenty four months we intend to have a maintenance system in place which operates in a normal manner meeting the ongoing needs of the sites".

Specific Problems and Solutions

MAINTENANCE

The Authority identified specific problems within its maintenance system and proposed specific actions to correct them, as follows:

Problems

- Procedures need to be rewritten and streamlined.
- Staffing is inadequate and improperly trained.
- Lack of an adequate computer system to handle the workload.

Solutions

- Codes will be set up to identify work orders for preventive maintenance, annual HQS inspections, daily and scheduled maintenance activities.
- Work plans to be developed by June 30, 1994 for the completion of preventive maintenance and inspection work orders.
- Standard operating procedures for the work order system to be completed by August 31, 1994.

Staffing

- Work assignments will be developed for each staff member.
- An evaluation system identifying rewards and consequences related to performance to be established by June 30, 1994.
- Housing Management staff will design and implement the maintenance workflow so that modernization, in-house activities and contracted work will provide the widest possible area of coverage, to provide safe, decent housing and a high quality of life for current residents and an improved unit turn around to house people who are currently on the waiting list.

Purchasing and Materials

- The Standardization Committee will conduct an inventory of the warehouse, rewrite the specifications in the supply catalog and expand its contents. In addition, more trucks will be purchased for the scattered sites, and trucks will be stocked with supplies daily.

Consultant Evaluation

An evaluation of the Authority's maintenance department was commissioned and completed by an outside consultant, who provided recommendations to correct the cited problems. The consultant is currently helping the Authority to implement the recommendations.

Accomplishments

In addition, the Authority has: created a combustion unit to handle its heating problems; equipped its sites with computer terminals and printers; created a Department of Environmental Services to handle its lead-based paint problems; hired additional maintenance personnel; and, equipped its maintenance department with additional vehicles to help with its operations. Also, the Authority has recently provided training for its staff in recording work orders in its system.

WORK ORDERS

Work Orders Outstanding

The Authority has steadily reduced both the number of outstanding work orders and the elapsed time for completing both emergency and other work orders. We reviewed the Authority's outstanding work orders as of September 30, 1995 and found 55,632 outstanding work orders, which included 3,246 emergency work orders that required attention within 24 hours.

Number Reduced

By March 31, 1996, the Authority had reduced the number of outstanding work orders to 12,710, and abated or corrected 97 percent of its emergency work orders within 24 hours. This was

accomplished by removing completed, duplicate, and abated emergency work orders from the system, along with a massive campaign to complete work orders. The March 31, 1996 figures were verified by HUD's PHMAP confirmatory review team.

HQS Inspections and Work Orders

Although the Authority has significantly reduced its outstanding work orders, it should strive to further improve its timely preparation of work orders generated by HQS inspections, and ensure that all units are repaired timely and meet HQS.

Work Orders Not Prepared

We initially reviewed 23 failed inspection reports in April 1996, for reports prepared as of March 31, 1996, and found work orders were not prepared for 21 of the 23 reports. After providing the results of our inspections of selected units (Appendix A) we followed up on the reports and found the Authority subsequently prepared some work orders on each of the inspection reports, but work orders were not prepared for all repairs identified on the reports.

PHMAP Assessment

HUD's review of the Authority's 1995/96 PHMAP report indicated that the practice of not preparing timely work orders for HQS inspections still exists. The HUD team reviewed 336 annual inspections and found that work orders were prepared for only 52 percent of their sample, and in only 22 percent of those inspections were work orders prepared for all repair items.

Recommendation

We recommend HUD ensure that the Authority timely prepares work orders for all repair items identified on annual HQS inspection reports.

Work Orders Closed
Out

We inspected eight scattered site units and three conventional units selected from the Authority's work order reports. Five of the units had major repair items that had been completed, but we found work orders closed out for repairs that were not performed (Appendix A). The residents at these units said the Authority maintenance staff would visit the units with a promise to return and complete the repairs, but they never returned. Some of the conditions found were detrimental to the residents' health and safety. We were accompanied on these inspections by the Authority's staff.

PHMAP Assessment

The HUD PHMAP confirmatory review team also found that the Authority was closing out work orders before the deficiencies were corrected for units they were not able to enter after three unsuccessful attempts, and for work orders that were referred to Central Maintenance.

Overall the conventional sites units were in better condition than the scattered site units.

Recommendation

We recommend HUD require the Authority ensure all work orders are completed prior to being closed out.

Painting Units

The Authority's Maintenance Department did not paint occupied units. Most of the units' walls were filthy, and even when walls and/or ceilings were repaired or replaced, they were not repainted, leaving large, unpainted patches. A Superintendent at one site said the Authority did not paint units, even after repairing or replacing walls and ceiling. This practice made even units that were repaired look shoddy and not up to standards expected of public housing units.

Recommendation

We recommend HUD ensure that the Authority implements procedures to repaint units after repair and/or replacement of ceilings and walls.

ADMISSIONS AND OCCUPANCY

The Authority has implemented a new system to screen and place applicants from its waiting lists. Applicants are now informed timely when vacant units become available for rental, and Authority staff are making efforts to obtain necessary police reports faster to enhance screening of applicants. In addition, the Authority implemented its new lease in July 1994, and all tenants are under the new lease, except for those who are in litigation.

We reviewed the Authority's leasing process and management of its waiting lists for the period March 1994 to May 31, 1995. In addition, the Authority later provided a report dated April 2, 1996 for review showing the units that were ready for rental and their status as of that date.

Reassigning Units

From March 1994 to May 1995, the Authority had an average of 199 units ready for rental each month, and placed an average of 117 new and transferred tenants each month. The Authority placed 1,763 tenants during the period, of which 885, or 50 percent, were tenants transferred from other Authority units. As of April 2, 1996 the Authority had 158 conventional units ready for rental, of which 116 had been previously assigned. However, 70 of the 116 assignments have expired without the units being rented, or reassigned.

Authority personnel said the high number of expired assignments was due to site managers not reporting the status of the current assignment to the Admissions Department so that they could make adjustments.

Recommendation

We recommend HUD assure that the Authority reassigns expired assigned units timely so that ready units are leased quickly. Also, the Authority should require its site managers to timely report the status of assigned units to the Admissions Department.

Screening Applicants

The Authority did not have a sufficient number of screened applicants on its waiting lists to ensure quick leasing of its ready units. The Authority personnel said they sometimes had to call 20 applicants from the waiting lists before they found someone with all the required information to be placed in a unit. The Authority had in excess of 10,000 applicants on its waiting lists. However, the screening process is long because of the time required to obtain police reports.

Because of the long wait to obtain units, applicants' situations sometimes change, and they are either no longer in the market for a unit or need a different unit size, which appears to be one of the reasons why so many assignments expire without the units being rented or reassigned.

Recommendation

We recommend HUD assure that the Authority maintains a sufficient number of screened applicants on its waiting lists to ensure quick leasing and assignment of its units. The Authority should also update applicants' files periodically, to ensure the applicants are still in the market for a unit, whether the applicants still qualify for a unit, and to change the applicants' personal information and status, if necessary.

Admission and
Occupancy Policy

The Authority does not have an approved Admission and Occupancy policy in effect. Authority personnel provided a draft Admission and Occupancy policy which had been approved by its Board of Commissioners, and indicated changes had been made to the draft and a copy submitted to HUD for approval.

Recommendation

We recommend HUD ensure the Authority's Admission and Occupancy policy is approved and implemented.

Authority's Comments

The Authority acknowledged the difficulties with its Admissions Policy and has taken several steps to improve it within statutory regulations. The Authority indicated that they have implemented changes in the policy, such as multiple assignments, and are awaiting approval of other changes, such as local preferences and neighborhood-based waiting lists.

TENANTS ACCOUNTS RECEIVABLE

The previous OIG audit report dated May 26, 1992 showed that the Authority's residents owed \$6.5 million in rent. The report also showed that, although the Authority had implemented a revised rent collection policy, the uncollected rents had increased by approximately \$2 million over the previous three years. The report also indicated the Authority was slow in enforcing the lease requirements and repayment agreements.

Problems

The Authority identified the following problems with the Tenants Accounts Receivable (TAR):

- Rent collection;
 - Tenant delinquency;
 - Evictions;
 - Tenant repayment agreements; and,
 - Under-utilization of both the Voluntary Vendor Payment Program and resident services.

Strategies

The Authority developed the following strategies in its 24-Month Operational Improvement Plan to address the problems:

- The adoption of a new dwelling lease.
 - The current rent collection system would be reviewed and adjustments made accordingly.
 - A delinquent rent collection system that is both firm and responsive to the residents would be developed.
 - The Authority legal/site management process for evictions would be reviewed and changes made.

- Repayment agreements would be made more realistic.
- An attempt would be made to expand the Voluntary Vendor Payment Program Authority-wide.
- Expand the role of Resident Support in the rent collection process. Currently, Resident Support provides pre-eviction counseling. However, this counseling occurs too late in the rent collection process. These services would be reviewed and changed accordingly.
- Staffing levels may also be a contributor to the various problems listed. After a review, process staff would be transferred and/or new staff hired in order to implement these recommendations.

Observations

Tenants accounts receivable balances are still excessive. The Public Housing Management Assessment Program (PHMAP) dictates zero points for tenants in possession accounts receivables that are over 10 percent. The measurement excludes tenants covered by formal, up-to-date repayment agreements.

The Authority's tenants accounts receivable balances for fiscal years 1994/95 and 1995/96 are as follows:

	<u>1994/95</u>	<u>1995/96</u>
Tenants in Possession	\$5,073,614	\$5,197,794
Vacated Tenants	<u>\$2,089,799</u>	<u>\$3,409,822</u>
Total TAR	<u>\$7,163,413</u>	<u>\$8,607,616</u>

The Authority's TAR reports submitted to HUD showed the percentage of delinquent tenants accounts receivable to tenants in

possession at March 31 of the following years were:

<u>Year</u>	<u>Percent of Receivables</u>
1993	44.69
1994	45.31
1995	47.43
1996	47.86

Although the TAR balances have been increasing, they are increasing at a slower rate than in previous years.

The Authority has implemented procedures to reduce its tenants accounts receivable balances, as follows:

New Lease

The Authority implemented a new lease during 1994. All current tenants who are not under a court proceeding are now covered by the new lease, which provides stricter payment requirements and collection guidelines. If the Authority holds its tenants to the new lease requirements, we believe it should result in lower tenants accounts receivable balances.

Voluntary Vendor Payment Program

The Authority has also expanded its Voluntary Vendor Payment Program (VVPP). The VVPP allows the Authority to collect residents' rent directly from their participation in the State's social programs. Since the VVPP was implemented, the number of tenants participating has increased to 1,310, with monthly collections of \$139,197. This program is projected to provide rent collections of \$1,670,364 over the next 12 months.

Collection Services

The Authority has contracted with an agency to provide collection services for its vacated tenant balances, and is in the process of entering into an agreement

with the State to match vacated delinquent tenants' social security numbers with their database.

OIG Opinion

Based on the above, it is clear that the Authority is implementing effective procedures to reduce its tenants accounts receivable. It is recognized, however, that it will take more than a two year period to achieve the desired results.

Recommendation

We recommend that the Authority implement the proposed tenants repayment agreement, strictly enforce the lease, and fully develop the other strategies proposed to reduce tenants accounts receivables.

Resident Employees

The Authority tenants accounts receivable for the period ending March 31, 1996 included resident employees whose balances totaled \$119,818. The amount included 31 full-time employees owing \$42,982 and 69 temporary and former employees owing \$76,836. The Authority staff said that, although it is against the law in Pennsylvania to garnish employees' salaries except for child support, they were trying to get the current employees with receivable balances to volunteer to sign an agreement and implement salary deductions.

Recommendation

We recommend HUD assist the Authority to implement a system to ensure resident employees are current with their rents and delinquent resident employees' balances are collected.

Evictions

The Authority did not make significant improvements in its evictions process during 1995. We reviewed the Authority evictions information for its fiscal years 1994 and 1995, and although the Authority increased its court filings between 1994 and 1995, the number of

scheduled and actual evictions decreased during the period, as follows:

<u>Years</u>	<u>Court Filings</u>	<u>Scheduled Evictions</u>	<u>Actual Evictions</u>
1994	1234	397	118
1995	1266	327	115

The Authority indicated in its 24-Month Operational Improvement Plan it would:

- review and make changes to its eviction process, and,
- recommend more legal staff to carry out the eviction process.

It appears that the above strategies were not implemented.

The Authority staff said the reason fewer evictions are scheduled than court filings are due to tenants:

- filing bankruptcy to avoid eviction;
- paying their balance in full; and,
- informing the Court that the unit does not meet HQS, so that the Court allows the tenant to escrow the rents.

The Authority also did not assign additional legal staff to the eviction process.

Recommendation

We recommend HUD ensure the Authority immediately implements the strategies included in its 24-Month Operational Improvement Plan to address its eviction problems.

Authority's Comments

The Authority stated that it has worked very hard to find solutions to this very difficult problem. The Authority has enrolled 26 percent of the residents in the VPP and has a goal to increase enrollment to 30 percent, which will improve current collections and prevent

future TARs. The Authority has also contracted with a debt collection firm. The firm started in early November, and has already made some collections.

The Authority has over \$3 million in TARs under repayment agreements and is developing strategies to collect TARs from tenant/employees through payroll deductions and repayment agreements, and has instituted hiring agreements to prevent future employee TARs.

ADMINISTRATION

Management Information System

The Authority, in its 24-Month Operational Improvement Plan, indicated its Management Information System (MIS) needed improvement, and planned to hire a new Director of Management Information System, purchase a new mainframe computer, and purchase terminals and printers. The Plan also noted the absence of standard operating procedures.

Problems

The Authority listed the following problems as affecting its management information system:

- Obsolete hardware and operating systems. The current hardware was not able to support off-the-shelf software and lacked the capacity for an Authority-wide network.
- Lack of access to information. Citing reasons of security, the MIS Department had limited access to information, since many departments did not use certain information contained in the database. Access to certain information was limited, based on a "need-to-know" rationale.
- Difficulty accessing information which was made available to users. Reports and user-friendly menus were not immediately available.
- Low level of automation. Many functions which should be automated were performed manually.
- Lack of staff training. Very few employees were computer literate. Most employees could not use either PCs or system terminals.

- Little centralization of MIS functions. No strategy governed the purchase of PCs and software, and development of an agency-wide and departmental network.
- No systems analysis function. Employees with questions or problems did not have timely access to MIS staff.

Problems Addressed

The Authority indicated the new MIS Director would have the responsibility of restructuring the MIS department so that it can more effectively serve the needs of its users. Several issues which were addressed included:

- training - both mainframe and PC
- systems analysis - analyzing and figuring out how to meet the needs of Authority departments and operations
- successfully converting current data to the new system
- maintaining the system and all of the Authority's personal computers.

Observations

Our review of the Authority management information system reaffirmed some of the problems identified in the 24-Month Operational Improvement Plan. Specifically, we found that some reports were not reliable in providing required information, and some departments were not able to gain access to needed information.

The Authority, however, has been making progress in overhauling its management information system. It hired a new Director of Management Information System and is now in the process of installing the new system, which should be completed by February 1997.

Recommendation

We recommend HUD ensure the Authority's new management information system, when installed, provides: meaningful reports and information; accessibility to all operating departments; and, appropriate training to staff in accessing and inputting data and obtaining reports.

Standard Operating Procedures

The 24-Month Operational Improvement Plan noted the absence of standard operating procedures resulted in lack of uniformity in operations, and that a committee should be formed consisting of representatives of different operations with considerable experience and expertise to put it together.

Observations

Our review found the Authority still does not have standard operating procedures for its operations, but it is making progress towards developing and implementing them for its operations. Specifically, the Authority has issued a contract to PRWT Services to: develop and implement standard operating procedures for all departments; and, provide training for the staff after the procedures are complete. The contractor is currently in the process of developing the procedures.

Recommendation

We recommend HUD review the standard operating procedures to ensure they comply with both Authority and HUD requirements and applicable directives covering the Authority's programs.

Authority's Comments

The Authority stated that the new computer system is being implemented and staff training is scheduled to begin in January 1997. Also, the new standard operating procedures are expected to be in place by March 1997.

AGREEMENTS WITH HUD

Previous OIG and other reviews repeatedly identified serious problems with the Authority's operations that have existed for many years. The Authority has been designated "Troubled" by HUD since December 1984 because of its inability to correct the long standing problems in its operations.

On May 20, 1992, with the agreement of the Authority Board, HUD appointed a "Special Master" to manage and operate the Authority for a one-year period. On April 28, 1993 HUD approved a Memorandum of Agreement (MOA) covering the period April 1, 1993 through March 31, 1994. The MOA, a binding contractual agreement, delineated strategies and goals that the Authority had to accomplish over the term of the agreement.

Breach of the Annual
Contributions Contract

On August 27, 1993, HUD notified the Authority that it was in substantial default and breach of the Annual Contributions Contract because it had flagrantly failed to: operate its housing projects for the purpose of providing decent, safe, and sanitary housing; maintain the low-rent character of its projects in an efficient and economic manner; and, maintain its housing projects in good repair, order, and condition. What led HUD to this action was a decade of decline and deterioration in performance by the Authority. Specifically, the delivery of maintenance was inadequate, as evidenced by the unacceptable physical condition of the projects, as well as the stacks of unfilled work orders; the Authority's vacancy rate increased over the years; and, eligible low-income persons and families were ill-housed or not provided with needed housing.

Board of Commissioners
Restructured

As a result of this action, the Mayor appointed himself and the President of City Council to the Board of Commissioners. A new

Executive Director was hired effective October 1, 1993. The Authority was directed to develop a 24-month Operational Improvement Plan, which would supersede the Memorandum of Agreement reporting process. In the past, HUD and the Authority had executed Memorandums of Agreement which resulted in only temporary improvements. During the 24-month period HUD would provide on-site and participatory presence at the Authority.

24-Month Operational Improvement Plan

To address the long-standing problems and return the Authority to a non-troubled designation, HUD and the Authority entered into an agreement to develop a 24-Month Operational Improvement Plan, which would enable the Authority to meet its basic mission to provide decent, safe and sanitary housing for eligible families. The Plan was a road map to change and prioritize modernization activity, police and public safety activities, resident services, and improving day-to-day operations.

Areas for Improvement

The initial 24-Month Operational Improvement Plan, for the period December 1993 through November 1995, was presented to HUD in November 1993, revised on February 3, 1994, and addressed the following areas for improvement:

- Site Management
- Maintenance Management
- Tenant Accounts Receivables/Rent Collection
- Long-Term Vacancy Reduction
- Modernization/Contracting and Procurement
- Security
- Resident Affairs

Significant Accomplishments

The Authority issued a 12-Months Status Report in December 1994, and provided HUD with quarterly status reports for the periods ending March 31 and June 30, 1995. At the end of the two years all plan requirements were not completed. However, we noted significant accomplishments in certain areas which include:

- the implementation of a new lease;
- a mission statement for the Authority;
- the rehabilitation and repair of over 2,400 units;
- various training provided to employees, including HQS training;
- creation of a combustion unit to handle heating problems at the various developments;
- a Department of Environmental Services created to handle lead-based paint problems;
- additional maintenance personnel hired;
- Maintenance Department equipped with additional vehicles to help with operations;
- Voluntary Vendor Payment Program implemented to increase rent collections;
- a consultant hired to develop and help implement standard operating procedures for operations.

Also, the Authority established a series of interactive forums with residents in order to include residents in the Authority's decision-making process.

OIG Opinion

It is our opinion that the implementation and accomplishments of the 24-Month Operational Improvement Plan were a good beginning in correcting the long standing problems at the Authority, and indicated that the current management of the Authority is committed to making the changes and improvements needed in the Authority's operations.

PHMAP Assessment

On October 30, 1995 the Authority submitted a 24-Month Operational Improvement Plan for Phase II to HUD to address the Public Housing Management Assessment Program (PHMAP) indicators and include quantifiable standards for measurement of the Authority's performance. On March 26, 1996, HUD advised the Authority that the Plan for Phase II was well thought-out and all-encompassing, but it lacked definitive PHMAP baselines and a timeline projecting the Authority's recovery to a score of 60 percent or better. HUD tentatively approved the Plan, subject to an independent management assessment and advised the Authority that, upon completion of the independent management assessment, they would work together to develop a revised Memorandum of Agreement reflecting definitive baselines and timelines. Meanwhile, the Authority has submitted a draft Memorandum of Agreement for HUD review.

On July 15 and August 2, 1996 the Authority submitted to HUD quarterly status reports on the 24-Month Plan, Phase II, for the quarters ended March 31, and June 30, 1996, respectively.

Recommendation

We recommend that a Memorandum of Agreement reflecting definitive baselines and timelines be executed and implemented.

Authority's Comments

The Authority stated that it is in the process of developing a Memorandum of Agreement with HUD which addresses all of our recommendations, including PHMAP baselines and timelines. Numerical goals and specific schedules are being set and regular meetings are being held with HUD staff in order to finalize the agreement.

OTHER MATTERS

During our review we noted other matters that should be followed up on related to legal costs, the Drug Elimination Grant Program, and Southwark Plaza. Specifically, the Authority needs to control the ever increasing cost of legal services, and should determine whether it would be more economical and cost effective to hire additional attorneys to perform legal services versus the current practice of hiring outside legal firms. In addition, the Authority should monitor a Tenant Management Corporation which has received significant Drug Elimination Grant funds. Also, actions should be expedited to get the rehabilitation of the Southwark Plaza development under way. Southwark Plaza has been an ongoing concern and the lack of progress in its rehabilitation was addressed in our May 1992 audit report.

LEGAL COSTS

The Authority needs to analyze the costs of using outside legal firms. From April 1990 to March 1996 the Authority expended \$8.5 million for outside legal firms. In addition, \$14.9 million has been expended for settlement-related costs. A significant portion of the funds expended for outside legal firms was related to the Authority's self-insurance program, which is for personal injury claims made against the Authority. Of the \$8.5 million expended for outside legal firms, \$4.8 million, or 56 percent, relates to the services provided for the self-insurance program. The amounts paid to outside legal firms under the self-insurance program have grown steadily, as follows:

F i s c a l	Y e a r			
E n d i n g	Amount Paid To			
<u>March</u>	<u>3</u>	<u>1</u>	<u>,</u>	
<u>Outside Legal Firms</u>				
	1	9	9	1
\$ 527,711				
	1	9	9	2
	652,521			
	1	9	9	3
	802,081			
	1	9	9	4
	850,398			

1	9	9	5
900,245			
1	9	9	6
		1,112,60	9

T o t a l
\$4,845,565

Self-Insurance
Settlements

Over a period of approximately four years, five legal firms received \$3.2 million from the Authority, with three of the five firms receiving over \$700,000 each.

Of the \$14.9 million expended for settlement-related costs, \$12.8 million, or 86 percent, was for self-insurance settlement claims. The amount paid for settlement claims has also grown steadily, except for fiscal year 1995, as follows:

Fiscal Year	Amount Paid for
Ending March 31,	<u>Settlement Claims</u>
1991	\$ 565,661
1992	1,210,657
1993	2,511,540
1994	3,318,078
1995	2,042,811
1996	3,181,983
	<u>T o t a l</u> <u>\$12,830,730</u>

As of March 31, 1996 the Authority had 1,036 open claims, with 431 of these open claims assigned to 13 legal firms. The

Other Services

Authority has estimated a reserve amount, or estimated claim amount, of \$7 million for these 431 open claims, with amounts ranging from \$250 to \$850,000 for the 431 open claims.

In addition to the self-insurance program, the Authority has used outside legal firms for services related to employees' collective bargaining work, and litigation matters which include class action suits involving lead-based paint and de facto demolition. The Authority also used outside legal firms for suits involving two former Authority employees. Of the \$8.5 million expended for outside legal firms, \$3.7 million, or 44 percent, was for employees' collective bargaining work and litigation matters.

The litigation matters included the lawsuits brought by the two former Authority employees, specifically, the former Auditor and Inspector General.

The amount paid to outside legal firms for employees' collective bargaining work and litigation matters has increased over 500 percent since fiscal year 1991, as follows:

Fiscal Year	Amounts Paid To
Ending March 31,	Outside Legal Firms
1991	\$ 117,422
1992	294,051
1993	790,086
1994	765,950
1995	948,280
1996	755,089
Total	<u>\$3,670,878</u>

We were advised that costs to outside legal firms increased because of the two suits brought against the Authority by the two former employees. The Authority incurred legal costs of over \$1 million related to the two suits by the former Auditor and Inspector General. Also the final settlements of these two cases resulted in payments of \$1.37 million. In addition, there were two class action suits involving lead-based paint and de facto demolition, and six suits related to the termination of employees.

Authority's Legal Staff

The Authority's Legal Department currently has six attorneys, with salaries budgeted for the six attorneys for fiscal years ending March 31, 1995 and 1996 totaling \$326,976 and 348,829, respectively. Salaries for the six attorneys ranged from \$43,351 to \$69,808 as of March 31, 1996. We were advised by the Authority staff that the six attorneys do work related to tenant evictions, grievance and arbitration, reviewing contracts, work related to bankruptcy, labor relations, civil rights and general advice to Authority staff concerning program areas. In addition, the attorneys supervised the work done by outside legal firms. We were advised by Authority staff that there has been a small attempt to handle personal injury cases with in-house legal staff. However, using outside legal firms is worthwhile because of their relationship with the courts.

OIG Opinion

It is our opinion that the Authority should include in its planned assessment of its handling of self-insurance cases, an evaluation of the cost effectiveness of hiring additional legal staff to perform some of the services provided by outside legal firms, particularly the personal injury cases. Based on the review of outside legal costs over a period of six years, it appears that the costs will continue to go up. We were advised by Authority staff that the would need 10 additional attorneys to handle the workload related to personal

injury cases. In addition the Authority's law library would have to be upgraded.

Recommendation

We recommend HUD review and evaluate the Authority's plans for controlling its legal costs, and provide guidance as to the strategies which should be implemented.

Authority's Comments

The Authority stated that the volume and severity of legal issues varies and is impossible to predict. A staff large enough to handle the last few years' cases would be excessive for more normal periods.

The Authority stated that it is taking the following actions to help mitigate legal costs in the future:

- The draft Memorandum of Agreement contains a plan for an assessment of the handling of self-insurance cases.
- The Authority is exploring the possibility of controlling costs by placing basic liability cases with an insurance carrier.

OIG Evaluation of Authority's Comments

We revised our recommendation to reflect the Authority's comments.

DRUG ELIMINATION GRANTS

Since 1993 the Authority has received two Drug Elimination Grants. In 1993 the Authority received a grant for \$3,317,900 and in 1995 the Authority received a grant for \$5,282,250.

Costs Incurred

For the 1993 Drug Elimination Grant, the Authority incurred costs of \$3,070,154 as of December 30, 1995. Approximately \$2,572,880, or 84 percent of the costs incurred, was used for salaries, employee benefits, and labor-related costs for the Drug Elimination Task Force, which is a unit of the Authority's Police Department. As of December 30, 1995, the

Authority had incurred costs of \$222,334 for the 1995 Drug Elimination Grant.

OIG Opinion

Our review of the Authority's Drug Elimination Grant Program indicates that the Authority is carrying out the program as intended. The Authority has a Future Investment Program which is for children at the developments, with activities such as after-school tutorial, and workshops in communication, drugs, health, arts and crafts.

Improvements Noted

A report issued in 1994 prepared by Christopher Cooper, Ph.D., entitled "An Analysis of the Public Housing Drug Elimination Program: A Guide for Policymakers for Reducing Violent Crime in Public Housing" was a study which evaluated how the Drug Elimination Grant Program was being utilized by public housing authorities and what effect the Drug Elimination Grant Program had on violent crime. It suggested policy alternatives for reducing violent crime in public housing, based on research findings and conclusions in the report. The Authority was one of the four public housing authorities included in this study. According to this report, the Drug Elimination Grant-funded police unit at the Authority greatly contributed to a decrease in violent crime at certain developments. The study also noted that the residents at two of the Authority's housing developments which were targeted with Drug Elimination Grant funds believe that they are less likely to become the victims of violent crime, and felt safer in their developments.

Monitoring Needed

However, the Authority needs to monitor the activities of the Abbotsford Homes Tenant Management Corporation, which received \$105,000 of the 1993 Drug Elimination Grant. Most of the funds allocated were used for salaries, \$26,000, and security services, \$71,900, at the development. The Authority submitted quarterly reports to HUD on the Authority activities, but reported no activities for Abbotsford Homes Tenant Management Corporation, although it

appears that there were activities . Based on correspondence submitted by Abbottsford Homes Tenant Management Corporation, the \$26,000 paid in salaries was for the hiring of a part-time staff person for \$20,800 to provide services to residents and youths, and the allocation of \$5,200 of the salary of the social service director. The \$71,900 was for the partial costs paid to a security firm.

No Monitoring

The Authority staff provided no evidence that they had monitored Abbottsford Homes Tenant Management Corporation activities to ensure that they are complying with program requirements. We were also advised by Authority staff that no monitoring of Abbottsford Home Tenant Management Corporation had been done . The Abbottsford Home Tenant Management Corporation is scheduled to receive an

additional \$110,000 from the 1995 Drug Elimination Grant.

Recommendation

We recommend that you advise the Authority to monitor the Abbottsford Homes Tenant Management Corporation to ensure that funds are being used properly and that residents are benefiting from the Drug Elimination Grant Program.

Authority's Comments

The Authority stated that it is developing a strategy to monitor the expenditure of Drug Elimination Grant funds by the Abbottsford Homes Tenant Management Corporation.

SOUTHWARK PLAZA

Southwark Plaza continues to show little, if any, activity with regard to the planned rehabilitation. The last report submitted by the Authority which showed some activity was for the period ending September 30, 1994. At that time the Authority reported that the total cost of work was \$9.3 million, with hard costs of \$5.14 million and soft costs of \$4.16 million. We were advised by Authority staff that, since this report, an additional \$61,111 had been spent for repairs in 1994 related to a leaking pipe.

Funding Provided

Southwark Plaza is an 886-unit development. Funding provided to the Southwark Plaza reconstruction totals \$48.2 million. HUD provided \$42.8 million and the City of Philadelphia committed an additional \$5.4 million from its CDBG program.

Recent Events

We were advised by Authority staff that American Community Housing Associates is no longer the consultant for Southwark Development Corporation, a non-profit corporation which represents the residents of Southwark Plaza. We were further advised that Michael's Development was the consultant, but as of May 1996, the new consultant was National Housing Partnership. We were recently advised by HUD staff that in October 1996 the Authority submitted Disposition and Demolition Plans for Southwark Plaza to HUD for approval. HUD staff also indicated that the Authority will be submitting a redevelopment proposal to HUD. The Authority also submitted a funding package to the Pennsylvania Housing Finance Agency for approval in November 1996.

Ongoing Problems

The Authority, along with the Southwark Development Corporation, needs to make a determination as to what they are going to do with this development in the immediate future. HUD provided initial funding for this development for reconstruction in 1987. As of June 1996, nine years later, HUD is still waiting for a viable proposal to be submitted. This 886-unit development has approximately 70 percent of the units vacant and is in poor condition. As long as these units go vacant the costs will continue to increase and rental income that could have been earned, if the development was rehabilitated, will be lost.

Already it appears that the \$9.3 million expended for this development was wasted.

Recommendation

We recommend that HUD expedite its review of the Southwark rehabilitation plans and

proposals submitted by the Authority, and assist the Authority in making whatever revisions are needed to get the Southwark rehabilitation underway.

Authority's Comments

The Authority stated that a comprehensive redevelopment plan has been submitted to HUD and awaits final approval. The Authority has also assembled a transition team consisting of Authority and Philadelphia Redevelopment Authority staff, consultants, utilities and the Southwark Plaza Limited Partnership.

1451 N. Hollywood Street

The unit inspection report dated December 21, 1995 showed 38 HQ S
violations. No work orders for repairs were generated from thi s
report. Our visit on March 21, 1996 showed all the repair item s
identified on the inspection report were still evident, including
such items as:

- all windows were deteriorated and needed replacing (photo),
- all flooring in unit was badly damaged,
- bathroom was in bad condition , the Authority did some repairs,
but they were not complete and shoddy (photo),
- kitchen floor was weak and needed to be replaced,
- living and dining room ceilings were buckling, and cracked.
Some repairs were done to the dining room ceiling, but they
were shoddy and not complete and,
- entrance door had large gap allowing cold air to enter unit.

This unit inspection report dated September 19, 1995 showed 5 HQS violations. A work order prepared for the collapsing bathroom ceiling showed the work was completed. However, during our visit on March 13, 1996 we found the ceiling was not fixed and the following additional violations:

- kitchen cabinets need to be replaced,
- living room floor needs to be repaired,
- large hole in hallway ceiling (photo),
- large holes in unit walls,
- interior doors off hinges,
- basement flooded with live electric wires in water,
- no handrails on basement stairs and,
- deteriorated front doors.

Appendix B

Recommendations

Following is a consolidated list of recommendations to HUD. HUD needs to aggressively follow the Authority's progress in correcting its problems and:

Vacancy Reduction

- 1A. Assure the Authority expands its strategic plan to account for and assess the viability of all 7,000 scattered site units, so that it can address: the high cost of renovations versus conventional developments; coordinating with City agencies so that only units in stable or revitalized areas are renovated; and, the slow progress in putting scattered site units back on line.
- 1B. Assure the Authority establishes realistic goals on the number of units to be rehabilitated or repaired on a monthly basis, and include the goals in the Memorandum of Agreement.

Inspections

- 2A. Assure the Authority establishes a mechanism to evaluate, on a yearly basis, its progress in bringing a certain percentage of its failed scattered site units up to HQS.
- 2B. Assure that the Authority hires and trains qualified construction managers, inspectors and the necessary mid-level managers and supervisors, so that units comply with HQS and inspection reports are properly completed.
- 2C. Require the Authority to fill in the lead-based paint section of the inspection reports, and remove all the peeling, chipping and loose paint found in its units, with priority given to units with small children.

Maintenance and Work Orders

- 3A. Ensure the Authority timely prepares work orders for all repair items identified on annual HQS inspection reports.
- 3B. Require the Authority ensures all work orders are completed prior to being closed out.
- 3C. Ensure the Authority implements procedures to repair units after repair and/or replacement of ceilings and walls.

Admissions and Occupancy

- 4A. Assure that the Authority reassigns expired assigned units timely so that ready units are leased quickly. Also, the Authority should require its site managers to timely report the status of assigned units to the Admissions Department.
- 4B. Assure the Authority maintains a sufficient number of screened applicants on its waiting lists to ensure quick leasing and assignment of its units. Also, the Authority should update applicants' files periodically, to ensure the applicants are still in the market for a unit, whether the applicant still qualify for a unit, and to change the applicants' personal information and status if necessary.
- 4C. Ensure the Authority's Admissions and Occupancy policy is approved and implemented.

Tenants Accounts Receivable

- 5A. Ensure the Authority implements the proposed tenant repayment agreement, strictly enforces the lease, and fully develops the other strategies proposed to reduce tenants accounts receivable.
- 5B. Assist the Authority to implement a system to ensure resident employees are current with their rents and delinquent resident employee balances are collected.

5C. Ensure the Authority immediately implements the strategies included in its 24-Month Operational Improvement Plan to address its eviction problems.

Administration

6A. Ensure the Authority's new management information system, when installed, provides : meaningful reports and information; accessibility to all operating departments; and , appropriate training to staff in accessing and inputting data and obtaining reports.

6B. Review the standard operating procedures to ensure they comply with Authority and HUD requirements and applicable directives covering the Authority's programs.

Agreements with HUD

7A. Execute and implement a Memorandum of Agreement reflecting definitive baselines and timelines.

Other Matters

8A. Review and evaluate the Authority's plans for controlling its legal costs, and provide guidance as to the strategies which should be implemented.

8B. Advise the Authority to monitor the Abbotsford Homes Tenant Management Corporation to ensure that funds are used properly and that residents are benefiting from the Drug Elimination Grant Program.

8C. Expedite review of the Southwark rehabilitation plans and proposals submitted by the Authority, and assist the Authority in making whatever revisions are needed to get the Southwark rehabilitation underway.

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