



Housing Authority of the City of Freeport

December 18, 2019

Mr. John Kraft
Edgar County Watchdogs, Inc.

Mr. Kraft:

I would like to take the time to thank the Edgar County Watchdog group for its concern for the financial health and stability of the Housing Authority of the City of Freeport. Exercising your civic responsibility to inform the community certainly has not gone unnoticed. There are certain characteristics carried by civic responsibility and my greatest hope is that your recent feature story titled, ***“HUD issued scathing report of Freeport Housing Authority; Designated as “Troubled”***” and our follow-up response together, will serve to exemplify:

- Active citizenship and civility
- Informing, educating and transparency
- Valuing the human dignity of all people

Transparency is one of the most valuable assets of a public entity; and that entity should be available to respond to questions and concerns from the public. Please know the Board of Commissioners of HACF and myself are willing and available to answer any questions related to the current administration. We will begin with offering background and an update to the letter dated October 17, 2019.

Troubled PHA Performer

Public Housing Authorities are scored annually through the Public Housing Assessment System (PHAS). The system focuses on (1) physical (40 points) (the ability to provide safe, decent sanitary housing) (2) Management (25 points) (occupancy, accounts payables and accounts receivables) (3) financial condition (25 points) and capital fund program (10 points). Given where the PHA falls within the composite scoring system, a PHA will fall into one of 4 categories:

- High Performer
- Standard Performer

- Substandard Performer
- Troubled Performer

HACF was scored as a substandard performer from fiscal years 2015-2018. According to HUD's PHAS Scoring Explanation, "*The HUD office with jurisdiction over the PHA shall require a Corrective Action Plan if the deficiencies have not already been addressed in the current Corrective Action Plan.*" No records have been identified internally showing that previous deficiencies were addressed.

In mid-September of 2017, I walked into an organization with reports of a stolen computer, shredded documents, deleted electronic documents and passwords, incomplete audits, a tax credit renovation project that was far behind the leasing schedule, 45 vacant PHA dwelling units, 3 vacant positions, and 2 resignations. Needless to say, the PHA was headed toward a downward spiral from Substandard to Troubled.

Response to Findings

The October 17, 2019 Public Housing Assessment Recovery Sustainability (PHARS) letter was the result of a one week visit from HUD's field office staff, August 19-23, 2019. Given all of the challenges and restructuring efforts put in place, finally, sound technical assistance the PHA had been asking for since December 2017.

The PHARS model focuses on three areas: sound financial management, effective governance and long-term sustainability. The October 17th letter came with 7 findings. As of December 11, 2019, here's the status of those findings:

- Finding 1: Accounts Receivable/Cash Receipts (Regulatory citation: 24 CFR 902.43 and 24 CFR 966.4) Resolved with Monitoring.
- Finding 2: Banking (Regulatory citation: 2CFR 200.305 and PIH Notice 96-33). Resolved with Monitoring.
- Finding 3: Financials Regulatory citation: 2CFR 200.405. Resolved
- Finding 4: Financial Policies and Procedures Regulatory citation: 24CFR 990.310. Resolved
- Finding 5: Unallowable Costs (Regulatory citation: 24 CFR 200.410). Resolved
- Finding 6: Tenant File #3262 Regulatory citation: 24 CFR 5.611, 24 CFR 5.508 and HACF ACOP. Pending and awaiting additional information
- Finding 7: Environmental Review Regulatory Citation: 24 CFR Part 58.10 and Part 58.22. Open until review is completed by the HUD Field Office.

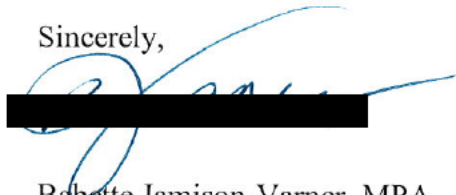
From a "Scathing Report" to HACF Recovery Plan

As an organization we have 2 choices: (1) to take the HUD PHARS letter as an attack on HACF's current leadership and as a failure, or (2) take it for what it is: ***an organizational assessment that should have happened long before August 2019*** ~ a process that would have served to benefit the organization today if it had been rooted in 2015. An earlier assessment would have served the organization well if had been completed before initiating the Rental Assistance Demonstration (RAD) of Brewster/Hosmer Apartments. The same level of assessing the challenges of an organization also would have been helpful to date, if conducted in 2016 as an effective means of investigating reports from Commissioners, contractors and constituents regarding potential fraud or mismanagement of funds; or even in 2017 after the departure of an entire leadership team within a very short timeframe.

HACF has responded to the report findings, some of which stem from years prior. HACF ends 2019 with an approved Recovery Agreement with HUD. This agreement takes the PHA through the proper course of corrective actions, moving from a troubled performer to a standard performer with efficacy.

HACF's Recovery Agreement, its November 27, 2019 response to the HUD PHARS letter and all updates moving forward will be on HACF's website, www.freeporthousing.org in January 2020.

Sincerely,



Babette Jamison-Varner, MPA
Chief Executive Officer
Housing Authority of the City of Freeport

Cc: Greta Harrell, Chair
Jennifer Smith-Norman, Vice Chair