



HOUSING AUTHORITY OF FRANKFORT
Frankfort, Kentucky

CORRECTIVE ACTION PLAN

Finding 2025-001 – Lack of Financial Control Procedures – Material Weakness & Noncompliance

• **Corrective Action Plan:**

Immediately:

- *Stopped retaining laundry proceeds in unsecured containers for extended periods*
- *Checks are deposited in 24 hours of receipt*
- *Explore options for outsourcing Payroll and CPA functions*
- *Begin procuring a new Fee Accountant*
- *Discontinue unrestricted use of the Executive Director's electronic signature;*
- *Require documented Executive Director or designated reviewer approval before payments are released*
- *Review each check register before release*

Establish:

- *Segregation of Duties Matrix*
- *Approval Matrix*
- *Spending Authority Matrix*
- *Signature Authority Matrix*
- *Documented payment collection schedules*
- *Establish a year-end closing and review process update*

Define and Categorize Preventive Controls and Detective Controls

- *Document when due to staff size compensating controls will be utilized*
- *Include frequency of reviews*
- *Review methodology*
- *Specify retention of evidence control operating*



Assets and Inventory

- *Complete a physical inventory of nonexpendable equipment;*
- *Identify assets no longer in service;*
- *Correct the fixed-asset schedule;*
- *Review the \$500 capitalization threshold;*

Person Responsible: *Executive Director, with oversight and approval by the Board of Commissioners, where applicable.*

Anticipated Completion Date: *End of October 2026*

Finding 2025-002 – Policies and Procedures Require Review and Update – ALN 14.871 Housing Choice Voucher Program, ALN 14.850 Low Rent Public Housing, ALN 14.872 Capital Fund Program – Significant Deficiency

Corrective Action Plan: *Strengthening Board governance, ethical expectations, policy ownership, accountability, and delegated authority.*

Initial Deliverables

- *Code of Ethics;*
- *Conflict-of-Interest Policy;*
- *Whistleblower and Reporting Policy;*
- *Delegation of Authority Matrix;*
- *Spending and Approval Authority Matrix;*
- *Signature Authority Matrix;*
- *Policy Development and Review Policy;*
- *Board Governance Framework;*
- *Annual policy acknowledgment process; and*
- *Governance training plan.*

Standardize the Housing Authority's major operating processes and reduce reliance on undocumented institutional knowledge.

Initial Deliverables

- *Standard Operating Procedure framework;*
- *Priority SOP inventory;*
- *Housing Choice Voucher processing SOPs;*
- *Public housing occupancy and recertification SOPs;*
- *Waiting-list administration SOPs;*
- *Inspection scheduling and tracking procedures;*
- *Intake and communication procedures;*
- *Position-responsibility matrix;*
- *Updated job descriptions;*



- *Workload assessment;*
- *Staff onboarding procedures; and*
- *Cross-training plan.*

Improve financial accuracy, safeguarding of assets, segregation of duties, reconciliations, reporting, and management review.

Initial Deliverables

- *Financial Policies and Procedures Manual;*
- *Accounts-payable controls;*
- *Check-run and payment-review procedures;*
- *Payroll approval procedures;*
- *Cash-handling procedures;*
- *Laundry-revenue procedures;*
- *Bank and general-ledger reconciliation procedures;*
- *Monthly and annual financial-review checklist;*
- *Audit-adjustment reconciliation procedures;*
- *Fixed-asset and nonexpendable-equipment inventory procedures;*
- *Capitalization policy update;*
- *Investment policy update;*
- *Creative Housing financial-accounting review;*
- *Inter-entity transaction policy;*
- *Corrective-action plan for questioned costs;*
- *Financial close calendar;*
- *CFO and Executive Director review responsibilities; and*
- *Board financial dashboard.*

Person Responsible: *Executive Director, with oversight and approval by the Board of Commissioners, where applicable.*

Anticipated Completion Date:

- *Phase 1: Target Date of completion: End of November 2026*
 - *Implementation and Communication about the Red Flags Ethics Hotline*
 - *Identification and creation of needed policies and structural tools*
 - *Updating of current policies as needed*
- *Phase 2: Target Date of Completion: End of April 2027*
 - *Training on new policies/expectations and accountability standards.*



Finding 2025-003 – Public Housing Advance to Creative Housing Limited Partnership – ALN 14.850 Low Rent Public Housing Program – Noncompliance and Material Weakness

Corrective Action Plan:

- *Determine the status and appropriate repayment plan for the questioned public housing advance;*
- *Obtain and reconcile mortgage-note statements;*
- *Determine the correct accounting and financial-statement presentation;*
- *Obtain missing prior-year financial and tax records;*
- *review inter-entity transactions; and*
- *Establish written approval requirements for future advances, loans, or transfers.*

Person Responsible: *Executive Director, with oversight and approval by the Board of Commissioners, where applicable.*

Anticipated Completion Date:

End of November 2026

Finding 2025-004 – Procurement Deficiencies – Procurement and Suspension and Debarment – ALN 14.850 Low Rent Public Housing, ALN 14.872 Capital Fund Program – Noncompliance and Material Weakness

Corrective Action Plan: *Adopt the Local Public Agency provisions of the Kentucky Model Procurement Code contained in KRS 45A.345 through KRS 45A.460 as the Housing Authority's in conjunction with applicable federal requirements and HUD regulations as our procurement framework.*

Immediate Corrective Actions:

- *Require written procurement planning before major purchases;*
- *Verify the correct procurement method based on the total anticipated contract value;*
- *Require complete documentation of competition;*
- *Document sole-source determinations when applicable;*
- *Require Board approval for major procurements as established by revised policy;*
- *Preserve bids, quotes, evaluations, approvals, contracts, and payment records;*
- *Review pending procurements before award.*



Create a Procurement and Contract Administration Manual to include:

- *Procurement thresholds and approval requirements;*
- *Board-approval requirements for major procurements;*
- *Independent Cost Estimate procedures;*
- *Cost and price analysis procedures;*
- *Small-purchase procedures;*
- *Sealed-bid procedures;*
- *Competitive-proposal procedures;*
- *Sole-source and noncompetitive procurement procedures;*
- *Emergency procurement procedures;*
- *Procurement planning checklist;*
- *Solicitation templates;*
- *Evaluation and scoring forms;*
- *Conflict-of-interest certifications;*
- *Procurement-file checklist;*
- *Contract monitoring procedures;*
- *Change-order procedures;*
- *Invoice-review procedures;*
- *Contract-closeout checklist; and Procurement training.*

Person Responsible: *Executive Director, with oversight and approval by the Board of Commissioners, where applicable.*

Anticipated Completion Date: *October 30, 2026*

Finding 2025-005 & 2025-006 – Tenant Files – Eligibility – ALN 14.871 Housing Choice Voucher Program (2025-005) ALN 14.850 Low Rent Public Housing Program (2025-006) – Noncompliance and Material Weakness

Corrective Action Plan: Immediate Corrective Actions are:

- *Begin targeted quality-control reviews of HCV and public housing files;*
- *Correct missing or incomplete documentation;*
- *Verify income calculations and deductions;*
- *Confirm citizenship and identity documentation;*
- *Confirm HAP contracts and EIV reports;*
- *Confirm inspections and annual recertifications;*
- *Review lead-based paint disclosures; and document corrective actions.*



Following the adoption of updated formal policies and procedures – implement long term corrective actions.

Long Term:

- *Establish a formalized, organization-wide QA/QC and Monitoring Framework that includes:*
 - *File Reviews*
 - *Wait List QC Checklists & Wait List Archive Requirements*
 - *IMS/PIC Reporting Controls*
 - *Procurement Reviews*
 - *Financial Reviews*
 - *Internal Audit Checklists*
 - *Internal Monitoring Schedule*
 - *Corrective Action Tracking*
- *Create a structured monitoring schedule to verify that internal controls continue to operate exactly as designed.*
- *Develop a standardized reporting template to log control exceptions, track communication protocols, and document the successful remediation of identified deficiencies.*
- *Develop standardized onboarding program that incorporates training on core organizational policies, ethical expectations and foundational internal control responsibilities.*
- *Develop Agency-Wide Training Calendar and CE Requirements and Annual Policy Certifications and employ a system to track and archive all.*

Person Responsible: *Executive Director, with oversight and approval by the Board of Commissioners, where applicable.*

Anticipated Completion Date: *February 26, 2027*

Finding 2025-007 –Waiting List – Eligibility – Internal Control over Waiting Lists – ALN 14.871 Housing Choice Voucher Program, ALN 14.850 Low Rent Public Housing Program – Noncompliance and Material Weakness



Corrective Action Plan:

- *Preserve a dated copy or system extract of each waiting list at material selection and offer points;*
- *Retain applicant rank and preference information;*
- *Document selections;*
- *Establish a sufficient audit trail;*
- *Reconcile written procedures with the Administrative Plan and ACOP; and*
- *Include waiting-list records in the formal retention schedule.*

Person Responsible: *Executive Director, with oversight and approval by the Board of Commissioners, where applicable.*

Anticipated Completion Date: *October 30, 2026*

