

HOUSING AUTHORITY OF FRANKFORT ORGANIZATIONAL IMPROVEMENT PLAN

Prepared for:

Housing Authority of Frankfort

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1. Executive Summary

The Housing Authority of Frankfort recently completed two independent reviews of its governance, operations, policies, procedures, financial management, and internal control environment.

The first review, conducted by Dean Dorton, identified ten opportunities for organizational improvement. Dean Dorton emphasized that these matters are opportunities rather than formal findings and are not indicative of misconduct or systemic noncompliance. The assessment describes an organization with committed staff and a strong public-service mission that would benefit from more formal governance, documented procedures, clearly assigned responsibilities, improved systems, and routine monitoring.

The second review consists of preliminary comments arising from the Housing Authority's independent financial audit for the year ended December 31, 2025. Those preliminary comments identify matters involving financial controls, segregation of duties, policies, procurement, tenant-file compliance, waiting-list documentation, record retention, financial reporting, and the financial relationship between the Housing Authority and Creative Housing Limited Partnership. Because the comments remain preliminary, management will continue working with the independent auditor to confirm the final findings, required corrective actions, and management responses.

Management believes these reviews should not be treated as unrelated reports or addressed through separate and disconnected corrective actions.

Taken together, the reviews provide the Housing Authority and its Board of Commissioners with a comprehensive roadmap for strengthening:

- Governance and Board oversight;
- Policies and procedures;
- Financial management;
- Internal controls;

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- Procurement and contract administration;
- Housing program compliance;
- Records and information management;
- Staff training and accountability;
- Technology and reporting; and
- Quality assurance and ongoing monitoring.

Management proposes establishing a single **Organizational Improvement Plan** through which the recommendations, observations, and corrective actions will be prioritized, implemented, documented, and reported to the Board.

It is not intended to resolve every matter immediately or to replace the corrective-action plans, policies, manuals, and procedures that will be developed during implementation. Its purpose is to provide the Board, management, staff, auditors, HUD, and other stakeholders with a clear understanding of:

1. How the Housing Authority will respond;
2. What work will be prioritized;
3. What documents and operational improvements will be produced;
4. Who will be responsible;
5. How progress will be measured; and
6. How the Board will exercise continuing oversight.

2. Purpose of the Organizational Improvement Plan

The purpose of the Organizational Improvement Plan is to move the Housing Authority from an operating model that depends heavily on institutional knowledge and informal practices to one supported by:

- Board-approved governance;
- Clearly written policies;
- Repeatable operating procedures;
- Appropriate segregation of duties;
- Documented approvals;
- Reliable financial information;

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- Complete and accessible records;
- Effective technology;
- Quality-control reviews;
- Staff training; and
- Board-visible accountability.

The plan is intended to support day-to-day management while also creating systems that can be sustained month over month, quarter over quarter, and year over year.

3. Program Objectives

The Organizational Improvement Plan will pursue the following objectives.

- **Governance** - Establish clear expectations, decision-making authority, ethical standards, accountability, and Board oversight.
- **Operational Consistency** - Document how critical functions are performed so that operations do not depend exclusively on individual knowledge or verbal instructions.
- **Financial Stewardship** - Strengthen the accuracy, review, documentation, reconciliation, safeguarding, and reporting of the Housing Authority's financial resources.
- **Procurement Compliance** - Establish a complete and defensible procurement and contract-administration system consistent with applicable federal, HUD, state, and Housing Authority requirements.
- **Program Compliance** - Improve the completeness, accuracy, review, and retention of public housing and Housing Choice Voucher files.
- **Information Management** - Improve document retention, electronic filing, workflow, reporting, audit trails, and accessibility of organizational records.
- **Staff Capacity** - Strengthen training, onboarding, job clarity, cross-training, supervision, and professional development.

- **Quality Assurance** Establish recurring monitoring, file reviews, corrective-action tracking, performance measurement, and reporting to management and the Board.

4. Guiding Principles

Phased Implementation

The Housing Authority will not attempt to implement every recommendation simultaneously.

Work will be sequenced according to:

- Risk;
- Urgency;
- Financial exposure;
- Regulatory significance;
- Operational impact;
- Staff capacity;
- Dependency on other actions; and
- Availability of resources.

Immediate Risk Reduction

Where the reviews identify an immediate risk involving cash, payment approvals, financial reporting, procurement, questioned costs, or program compliance, management will take interim corrective action while permanent policies and procedures are being developed.

Practical Improvement

Success will require changes in:

- Daily practices;
- Approvals;
- Documentation;
- Staff responsibilities;
- Supervision;

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- technology;
- Review procedures; and
- Management reporting.

Clear Responsibility

Every corrective action will identify:

- A responsible owner;
- Required supporting parties;
- A target date;
- A required deliverable;
- A completion standard; and
- A method of verification.

Board Oversight

The Board will approve major policies, delegations, and governance documents and will monitor implementation through periodic reporting.

Management will remain responsible for day-to-day execution.

Dean Dorton's presentation similarly advises that Board oversight should focus on risk, accountability, and progress rather than daily process ownership.

Continuous Improvement

Policies, procedures, systems, and controls will be reviewed periodically and updated as requirements, programs, technology, and organizational needs change.

5. Organizational Improvement Initiatives

The Dean Dorton observations and preliminary financial-audit comments will be consolidated into six strategic initiatives.

Initiative 1 - Governance and Leadership

Objective - Strengthening Board governance, ethical expectations, policy ownership, accountability, and delegated authority.

Initial Deliverables

- Code of Ethics;

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- 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.

Initiative 2 - Operational Excellence

Objective - 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.

Initiative 3 - Financial Stewardship and Internal Controls

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Objective - 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.

Initiative 4 - Procurement and Contract Administration

Objective - Establish a compliant, transparent, documented, and consistently applied procurement and contract-management system.

Initial Deliverables

- Updated Procurement Policy;
- Procurement and Contract Administration Manual;

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- 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.

Initiative 5 - Technology, Records, and Information Management

Objective - Improve the reliability, accessibility, security, retention, and usefulness of Housing Authority information.

Initial Deliverables

- Document Management and Records Retention Policy;
- Electronic file structure;
- Naming conventions;
- Records-retention schedule;

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- Waiting-list archive requirements;
- Tenant-file document checklist;
- Procurement-file structure;
- Financial-document repository;
- Electronic approval workflow;
- ERP and housing-management system assessment;
- Audit-trail requirements;
- Data-quality standards;
- IMS/PIC reporting controls;
- Backup and cybersecurity considerations; and
- Management reporting dashboard.

Initiative 6 - Quality, Training, and Accountability

Objective - Create recurring review, training, monitoring, and corrective-action processes that sustain improvements after initial implementation.

Initial Deliverables

- Quality Assurance and Quality Control framework;
- HCV tenant-file review checklist;
- Public housing tenant-file review checklist;
- Waiting-list quality-control checklist;
- Financial-control monitoring checklist;
- Procurement-file review checklist;
- Corrective-action register;
- Staff training calendar;
- New-employee onboarding curriculum;
- Refresher training requirements;
- Quarterly management review;
- Key performance indicators;

- Internal monitoring schedule; and
- Quarterly Board implementation dashboard.

6. Audit and Assessment Crosswalk

The following table demonstrates how the Organizational Improvement Program responds to the Dean Dorton observations and the preliminary financial-audit comments.

Organizational Improvement Initiative	Dean Dorton Observation(s) Addressed	Preliminary Financial-Audit Matters Addressed	Initial Management Response
Governance and Leadership	HAOF-1: Lack of Formal Policies; portions of HAOF-3: Segregation of Duties and Internal Controls	No formal conflict-of-interest policy; incomplete financial policy framework; Board approval language in procurement policy; unclear authority and payment approvals	Adopt governance policies, ethics standards, conflict-of-interest requirements, delegation and approval matrices, and Board oversight procedures
Operational Excellence	HAOF-2: Lack of SOPs; HAOF-7: Unclear Roles, Job Descriptions, and Workload Management; HAOF-10: Communication and Intake Inefficiencies	Tenant-file deficiencies; waiting-list administration weaknesses; unclear staff responsibilities; inconsistent procedures	Develop priority SOPs, responsibility matrices, job descriptions, workflow maps, waiting-list procedures, and program checklists
Financial Stewardship and Internal Controls	HAOF-3: Inadequate Segregation of Duties and Internal Controls; portions of HAOF-4: Outdated Systems	Cash handling; unavailable invoices; missing reconciliations; inadequate general-ledger review; inventory weaknesses; outdated capitalization and	Implement interim controls immediately; develop a Financial Policies Manual; assign reviews and reconciliations; update asset, cash, investment,

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Organizational Improvement Initiative	Dean Dorton Observation(s) Addressed	Preliminary Financial-Audit Matters Addressed	Initial Management Response
		investment policies; unidentified cash account; incorrect year-end entries; limited staff financial knowledge; Creative Housing financial reporting; electronic signature controls; payroll and AP segregation; questioned costs	payment, payroll, and inter-entity controls
Procurement and Contract Administration	HAOF-9: Procurement and Contract Management Control Gaps; portions of HAOF-1 and HAOF-3	Outdated procurement policy; Board approval concerns; insufficient bidding documentation; vehicle procurement; metering contract; lack of procurement-file evidence	Update procurement policy; establish Board approval thresholds; develop complete procurement manual, templates, checklists, cost analysis, file standards, monitoring, and training
Technology, Records, and Information Management	HAOF-4: Outdated and Inefficient Systems; HAOF-6: Document Management and Record Retention Weaknesses; HAOF-10: Communication and Intake Inefficiencies	Missing invoices; limited audit trails; waiting-list records unavailable; tenant-file documentation weaknesses; financial-system reporting and knowledge limitations	Establish electronic repositories, retention standards, waiting-list archives, workflow controls, reporting standards, system assessment, and data-quality procedures
Quality, Training, and Accountability	HAOF-5: Training, Onboarding, and Professional Development Gaps;	HCV file exceptions; public housing file exceptions; inspection deficiencies; income-	Establish file-review checklists, supervisory quality control, corrective-action tracking, staff

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Organizational Improvement Initiative	Dean Dorton Observation(s) Addressed	Preliminary Financial-Audit Matters Addressed	Initial Management Response
	HAOF-8: Lack of Formal QA/QC and Monitoring Processes; portions of HAOF-7	calculation and verification errors; missing citizenship, Social Security, HAP, EIV, lead-disclosure, and occupancy documentation	training, recurring testing, dashboards, and quarterly reporting

Dean Dorton identified four high-priority foundational opportunities: formal policies, SOPs, segregation of duties/internal controls, and systems modernization.

The remaining six opportunities address: training, records, roles, QA/QC, procurement, and communication.

The preliminary financial-audit comments reinforce the need to prioritize those same foundational systems, particularly financial controls, segregation of duties, procurement documentation, tenant files, waiting-list records, and Creative Housing-related financial matters.

7. Immediate Corrective Actions

Certain preliminary financial-audit matters may require immediate action.

Cash and Laundry Revenue

- Stop retaining laundry proceeds in unsecured containers for extended periods;
- Establish documented collection schedules;
- Require dual counts;
- Use pre-numbered collection logs;
- Require timely deposits;
- Reconcile collections to machine or site records; and
- Restrict access to collected funds.

Accounts Payable and Check Approval

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- Discontinue unrestricted use of the Executive Director's electronic signature;
- Require documented Executive Director or designated reviewer approval before payments are released;
- Separate invoice entry, voucher preparation, approval, check issuance, and mailing where staffing permits;
- Establish compensating review controls where complete separation is not possible;
- Review each check register before release; and
- Retain evidence of review.

Payroll

- Require payroll review and approval by someone other than the person preparing and processing payroll;
- Document changes to rates, deductions, benefits, and employee status;
- Retain payroll-review evidence; and
- Perform periodic payroll reconciliation.

Bank and General-Ledger Controls

- Identify and resolve the cash account for which no bank statement was produced;
- Reconcile all bank accounts monthly;
- Review general-ledger and trial-balance activity monthly;
- Document review by the CFO and Executive Director;
- Reconcile prior audit adjustments to the general ledger; and
- Establish a year-end closing and review process.

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;

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- Establish inventory tags and custody records; and
- Schedule inventory verification at least biannually if required by applicable policy.

Procurement

- 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; and
- Review pending procurements before award.

Tenant Files

- 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.

Waiting Lists

- 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;

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- Reconcile written procedures with the Administrative Plan and ACOP; and
- Include waiting-list records in the formal retention schedule.

Creative Housing Financial Matters

- 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.

These immediate actions are based on preliminary audit comments and may be revised following receipt of the final financial-audit report and formal management-response requirements.

8. First 90-Day Implementation Plan**Phase 1: Stabilize and Organize**

Days TBD

Action	Responsible Party	Expected Product
Establish Organizational Improvement Program governance	Executive Director / Thornhill	Program charter and master action register
Assign a management owner to each initiative	Executive Director	Responsibility matrix
Implement interim cash, AP, payroll, and payment-review controls	Executive Director / CFO	Interim control memorandum and forms
Begin financial-audit document collection	CFO / Auditor / Executive Director	Auditor document tracker

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Action	Responsible Party	Expected Product
Begin questioned-cost review and response	Executive Director / CFO / Counsel as needed	Corrective-action memorandum
Start tenant-file corrective review	Program Managers	File-review tracker
Preserve current waiting-list reports and establish archive process	Program Managers / IT	Waiting-list archive procedure
Inventory current policies and procedures	Thornhill / HAOF	Policy and SOP inventory
Review current procurement policy and pending procurements	Thornhill / Executive Director	Procurement gap memorandum
Establish Board dashboard format	Thornhill	Board implementation dashboard

Phase 2: Build Foundational Controls**Days TBD**

Action	Responsible Party	Expected Product
Draft governance policy package	Thornhill / Executive Director / Counsel	Ethics, COI, whistleblower, delegation policies
Draft approval, spending, and signature matrices	Thornhill / Executive Director / CFO	Authority matrices
Draft financial-policy framework	Thornhill / CFO / Auditor input	Financial Policies Manual outline
Draft updated procurement policy	Thornhill / Executive Director / Counsel	Board-ready Procurement Policy
Develop procurement forms and file checklist	Thornhill	Procurement toolkit

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Action	Responsible Party	Expected Product
Develop priority SOP template and initial procedures	Thornhill / Program Staff	SOP framework and first procedures
Establish fixed-asset inventory process	CFO / Property Staff	Inventory register and certification process
Establish monthly financial review package	CFO / Executive Director	Monthly financial-close checklist and dashboard
Develop tenant-file QA/QC checklists	Thornhill / Program Managers	HCV and public housing file-review tools
Develop corrective-action tracking process	Thornhill / Executive Director	Corrective-action register

Phase 3: Approve and Implement**Days TBD**

Action	Responsible Party	Expected Product
Present governance package to Board	Executive Director / Thornhill	Board-approved governance policies
Present updated procurement policy to Board	Executive Director / Thornhill	Board-approved procurement policy
Train staff on interim financial controls	CFO / Thornhill	Training records
Launch recurring tenant-file quality reviews	Program Managers	Monthly QA/QC reports
Implement waiting-list retention and selection documentation	Program Managers	Waiting-list audit trail
Complete first quarterly management review	Executive Director / Thornhill	Quarterly implementation report

Action	Responsible Party	Expected Product
Report progress to Board	Executive Director / Thornhill	Board dashboard and next-quarter priorities
Update schedule based on final financial audit	Executive Director / Thornhill	Revised implementation plan

9. Longer-Term Implementation Sequence

Dean Dorton recommends addressing foundational governance first, followed by operational standardization, and then systems, training, records, monitoring, and sustainability.

The Housing Authority will follow:

Quarter 1

- Interim financial controls;
- Governance policies;
- Segregation-of-duties controls;
- Procurement policy;
- Initial SOP framework;
- Financial-audit response;
- Tenant-file corrective reviews; and
- Waiting-list preservation.

Quarter 2

- Procurement and Contract Administration Manual;
- Financial Policies and Procedures Manual;
- Priority SOP library;
- Job descriptions and responsibility matrices;
- Document-management standards;
- Staff training; and

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- Formal QA/QC launch.

Quarter 3

- Technology and ERP assessment;
- Electronic workflow improvements;
- Records-retention implementation;
- Expanded SOP library;
- Corrective-action monitoring;
- Cross-training;
- Board governance tools; and
- Performance dashboards.

Quarter 4 and on-going

- System implementation;
- Policy refinement;
- Annual training;
- Internal testing;
- Succession planning;
- Continuous improvement;
- Annual program evaluation; and
- Updated work plan for the following year.

10. Program Governance

Board of Commissioners

The Board will:

- Approve the Organizational Improvement Program;
- Approve major policies and authority matrices;
- Receive quarterly progress reports;
- Review material risks and delays;
- Hold management accountable for implementation; and

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- Avoid assuming day-to-day operational responsibilities.

Executive Director

The Executive Director will:

- Serve as executive sponsor;
- Assign staff responsibilities;
- Approve management procedures;
- Coordinate with the Board, auditor, HUD, and consultants;
- Resolve barriers;
- Review financial and operational reporting;
- Ensure corrective actions are implemented; and
- Report progress to the Board.

Management and Staff

Management and staff will:

- Participate in procedure development;
- Implement approved controls;
- Maintain required documentation;
- Complete training;
- Report operational issues;
- Cooperate with quality-control reviews; and
- Complete assigned corrective actions.

Thornhill Advisors

Thornhill Advisors will assist the Housing Authority by:

- Maintaining the master implementation plan;
- Cross-walking assessment and audit requirements;
- Drafting governance documents;
- Developing policies and procedures;
- Supporting procurement reform;

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- Developing SOPs, forms, and checklists;
- Assisting with financial-control frameworks;
- Developing QA/QC tools;
- Preparing Board materials;
- Tracking progress;
- Facilitating management reviews; and
- Advising the Executive Director.

Thornhill Advisors will not replace the independent auditor, legal counsel, CFO, HUD, or other licensed or regulatory professionals. Technical accounting, legal, and audit conclusions will be coordinated with the appropriate professionals.

Independent Auditor

The independent auditor will:

- Finalize the financial-audit findings;
- Clarify required corrective actions;
- Review management responses;
- Evaluate financial-statement implications;
- Review questioned costs as applicable; and
- Test corrective actions during subsequent audit activity.

Management and Board Dashboard

Management will maintain a dashboard using the following status categories:

- **Not Started**
- **In Progress**
- **At Risk**
- **Pending External Review**
- **Complete**
- **Ongoing**

Initial Dashboard

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Initiative	Initial Status	First Milestone
Governance and Leadership	In Progress	Governance policy package drafted
Operational Excellence	In Progress	Priority SOP inventory completed
Financial Stewardship and Internal Controls	Immediate Action Required	Interim controls implemented
Procurement and Contract Administration	In Progress	Updated procurement policy drafted
Technology, Records, and Information Management	Planned	Document-management assessment completed
Quality, Training, and Accountability	In Progress	Tenant-file QA/QC reviews initiated

11. Performance Measures

Progress will be measured using indicators such as:

- Number of policies approved;
- Number of SOPs completed;
- Percentage of staff trained;
- Percentage of tenant files reviewed;
- Percentage of file exceptions corrected;
- Number of procurement files reviewed;
- Percentage of monthly reconciliations completed on time;
- Percentage of financial reviews documented;
- Fixed-asset inventory completion;
- Number of outstanding audit documents;
- Questioned costs resolved or repaid;

- Waiting-list audit trails preserved;
- Corrective actions completed by target date;
- Repeat findings or exceptions;
- System and workflow improvements implemented; and
- Board reports delivered on schedule.

12. Board Action Requested

Management respectfully requests that the Board of Commissioners:

Approve the Housing Authority of Frankfort Organizational Improvement Program and Board Action and Implementation Plan as management's framework for responding to the Dean Dorton assessment and the independent financial audit;

Authorize the Executive Director, with assistance from Thornhill Advisors and other appropriate professionals, to proceed with phased implementation;

Authorize management to develop policies, procedures, manuals, matrices, forms, corrective-action plans, and other implementation documents for Board consideration or administrative approval, as appropriate;

Direct management to prioritize immediate financial, procurement, program-compliance, and record-retention risks while longer-term policies and procedures are developed;

Require quarterly implementation reporting to the Board; and

Authorize management to revise the implementation schedule as necessary following receipt of the final independent financial-audit report, provided that material changes are reported to the Board.