



Special Attention:
Public Housing Field Office Directors; Troubled
Agency Recovery Center Directors

Notice PIH 2001-6 (HUD)

Issued: January 24, 2001

Expires: January 31, 2002

Cross References:

24 CFR Part 985

Notice PIH 2000-34

Subject: Guidance for HUD Field Offices to Conduct Annual
Section 8 Management Assessment Program (SEMAP)
Assessments

1. Purpose This notice provides guidance for HUD field office personnel who will conduct annual assessments of PHA performance as required under the SEMAP regulation at 24 CFR 982.105.

2. Applicability This notice applies to the Section 8 tenant-based program and specifically to SEMAP. HUD field office personnel who have responsibility for conducting SEMAP assessments commencing in October 2000, initially for PHAs with a fiscal year end of September 30, 2000, must follow the guidance in this notice.

3. Implementation of the SEMAP Certification and SEMAP Ratings in PIC PIH released the PIC SEMAP module October 25, 2000. PHAs are required to send their SEMAP certifications to the Public and Indian Housing Information Center (PIC) via the Internet within 60 calendar days of fiscal year end. HUD field offices will use the PIC SEMAP module to access the PHAs' SEMAP certifications and to complete the SEMAP annual assessment and rating process. PIC has on-line help to guide users through the PIC SEMAP application.

4. Using the Guidance in this Notice HUD field office staff with SEMAP responsibility should read this entire notice to gain a basic understanding of its contents and HUD field office review responsibilities. Page 5 of the notice is a checklist to guide reviewers through the assessment process. Page 4 of the notice is the table of contents. After becoming familiar with the overall guidance, reviewers can then refer to the table of contents to easily find sections of the notice that may need to be consulted when performing the SEMAP assessment for a particular PHA, depending on the PHA's circumstances and the indicators that pertain.

5. When HUD Field Offices Must Conduct SEMAP Assessments The SEMAP rule requires that the PHA submit its SEMAP

certification within 60 calendar days of its fiscal year end and that HUD must notify the PHA in writing of its rating on each SEMAP indicator, its overall SEMAP score and its overall performance rating no later than 120 calendar days after the PHA's fiscal year end (i.e., for the 12/31/2000 FYE PHAs, by April 30, 2001). Since HUD granted a SEMAP certification submission grace period for the 9/30/2000 FYE PHAs, HUD field offices are now being given until February 23, 2001 to complete their SEMAP assessments for those PHAs and to notify the PHAs of their ratings. Headquarters does not plan to approve any grace periods after the regulatory SEMAP submission deadline for future SEMAP certification submissions.

HUD field offices were initially urged to start their SEMAP assessments when they received the certifications and preliminary ratings in PIC to try to finish reviews to the extent possible, except for the lease-up data to be supplied by the FMC in early January. After that guidance was given to field offices, Headquarters realized that the system would not let field offices save any partial work unless the lease-up data is entered. This is something the PIC programmers have been asked to fix, but it could not be accomplished quickly. As a consequence, field offices cannot save work in the system (although certifications can be viewed) until the lease-up data is supplied by the FMC for entry. The FMC supplied the 9/30/2000 lease-up data to field offices on January 11 and 12, 2001. HUD field office reviewers should proceed to promptly complete the annual assessments for the 9/30/2000 FYE PHAs by no later than February 23, 2001.

Longer term, because there will always be a delay in HUD field offices receiving fiscal year end lease-up data from the FMC that will be needed to rate the lease-up indicator, HUD field offices will not be able to complete their SEMAP assessments and issue notification letters until the beginning of the next calendar quarter after the calendar quarter in which SEMAP certifications are received. Once the PIC SEMAP module is corrected to allow partial entry of data without first entering the lease-up rate, HUD field offices are urged to begin their SEMAP assessments as soon as possible and to promptly complete them to the extent possible, except for the entry of the lease-up rate. That will help to balance the SEMAP workload and will allow sufficient time to enter the lease-up rate and complete the final ratings and notification letters within the regulatory time frame.

6. PIC SEMAP Enhancements After the initial quarter's of use of PIC SEMAP, several needed enhancements have been identified. Many PHAs experienced difficulty submitting their SEMAP certifications in PIC. PIC capacity was improved during the course of SEMAP submissions to minimize submission difficulties. Other submission difficulties were due to the configuration of PHA software which required individual

attention to resolve. HUD field offices may expect that, until all PHAs have initially established access to and used PIC for information transmission, there will be inevitable access difficulties for some initial users. New PIC users should be encouraged to submit their SEMAP certifications early in case they encounter any initial transmission problems that may require technical assistance.

Among enhancements planned for PIC SEMAP, one would give PHAs the ability to modify comments on the certification before the certification is submitted to HUD. Another will allow field office reviewers to save a partially completed rating profile before the lease-up rate is entered. The PIC development team is aware that the SEMAP PHA lists erroneously include some Public Housing-only PHAs; these will be removed. Also a few PHAs have incorrect fiscal year end data in PIC SEMAP and efforts will be made to correct those.

7. SEMAP Regulations The April 1, 2000 Government Printing Office update of the SEMAP regulations can be found on the PIH web site at <http://www.hud.gov/pih/programs/s8/semap.html>.

If you have any questions concerning this notice, you may contact Susan Loritz or Larry Tipton in the Real Estate and Housing Performance Division by email or by telephone at (202) 708-0477.

_____/s/_____
Gloria J. Cousar
Acting General Deputy Assistant
Secretary
for Public and Indian Housing

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1. Step-by-step Guide for the SEMAP Assessment	5
2. The PHA's SEMAP Certification	6
3. Accessing the PIC-Generated Preliminary Rating Profile 7	
4. Lack of Audit Opinion on PHA Financial Statements 8	
5. PHAs that Expend Less than \$300,000 a Year in Federal Awards	9
6. Rating SEMAP Indicators 1 through 7 10	
7. SEMAP Indicator 7 - Expanding Housing Opportunities	11
8. SEMAP Indicator 8 - Payment Standards	12
9. Ratings for SEMAP Indicators 9 through 11	15
10. Understanding the MTCS Reporting Rate	16
11. SEMAP Indicator 12 - Annual HQS Inspections	19
12. Entering Data for SEMAP Indicator 13 - Lease-Up	20
13. SEMAP Indicator 14 - Family Self-Sufficiency 21	
14. SEMAP Indicator 15 - Deconcentration Bonus	23
15. HUD Modification of Overall Performance Rating	25
16. Notification Letters 26	
17. State Agencies with Two PHA IDs and with Operations under Two HUD Field Office Jurisdictions 27	
18. PHAs in the Moving to Work (MTW) Demonstration	29

19. PHAs in First Year of Section 8 Tenant-Based Program Operations	30
20. SEMAP Deficiencies	31
21. Referral of Troubled PHAs to the TARC	32
22. HUD Field Office Action upon Receipt of the Annual Audit Report	33

1. Step-by-step Guide for the SEMAP Assessment

Review Item	Yes	No	N/A	Action
1. Does the latest annual audit report for the PHA lack an auditor opinion?				If yes, modify overall rating to troubled.
2. <u>If the PHA has marked that it spends less than \$300,000 in Federal awards</u> , is that accurate?				If no, see section 5.
3. Indicators 1-7: Does any rating on indicators 1-7 require modification based on a recent confirmatory review?				If yes, modify rating(s) as necessary and explain reason(s).
4. Indicator 7: <u>If the PHA has marked "not applicable"</u> , does the PHA, in fact, have jurisdiction in a nonmetropolitan area?				If no, see section 7.
5. Indicator 8 - Payment standard schedule(s). Based on your knowledge of the PHA jurisdiction, did the PHA include a PS schedule for each FMR area in which it has jurisdiction?				If no, enter zero points on the rating profile.
6. Indicator 8 - Payment standard schedule(s). Review each PS schedule submitted with the PHA certification to determine (1) that the PHA used the correct HUD published FMR and (2) that the PSs are within the basic range of the correct HUD-published FMR. Do all PS schedules comply?				If yes, enter 5 points on the rating profile (unless 5. above is no). If no, enter zero points.
7. Indicator 13 - Lease-up. Enter the lease-up rate from the print-out supplied by the FMC. (For 9/30/2000 FYE PHAs the FMC printout is expected to be supplied to field offices by early January 2001.)				See section 12.
8. Indicator 14 - FSS. <u>If the PHA has marked "not applicable" for 14a or 14b</u> , is it correct that the PHA has no FSS obligation?				If no, see section 13.
9. Indicator 14 - FSS. Enter the number of mandatory FSS slots as determined by HUD. If the PHA does not have an FSS obligation, enter 0. If applicable, also enter the number of mandatory FSS slots under a HUD-approved exception.				See section 13.

<p>10. Indicator 15 - Deconcentration bonus. <u><i>If the PHA certifies that it meets the standard for bonus points,</i></u> does the PHA, in fact, have jurisdiction in a metropolitan FMR area?</p>				<p>If no, see section 14.</p>
<p>11. Indicator 15 - Does the rating require modification based on a recent confirmatory review?</p>				<p>If yes, modify rating and explain reason.</p>

2. The PHA's SEMAP Certification

A PHA's SEMAP certification must be sent using the PIC SEMAP module via the Internet. HUD will not accept a paper certification. There will be no exceptions, as the SEMAP rating module requires an electronic certification.

PHA SEMAP certifications are due within 60 calendar days of the PHA fiscal year end. If the certification is late, the SEMAP system will automatically assign an overall performance rating of troubled and the PHA will be assigned to a Troubled Agency Recovery Center (TARC) for intervention.

Once the PHA executive director approves and submits the SEMAP certification, there is no system capability to change the certification. PHAs should be urged to ensure the certification is accurate before it is submitted to HUD. In the rare event that the PHA made an error in its certification that must be corrected, the HUD field office may accept a paper correction and then will have to manually override system entries as needed for indicators 1-7 or for the deconcentration bonus indicator. If this happens, the field office should be sure to add comments in the system to document and clarify the reason for any overrides, as the system will have received and will retain only a record of the original electronic version of the PHA's certification.

3. Accessing the PIC-Generated Preliminary Rating Profile

When the HUD field office reviewer accesses a PHA's SEMAP data in PIC, the reviewer should be aware that he will be able to view even partially completed PHA SEMAP certifications that have not yet been approved by the PHA executive director and which have not yet been submitted to HUD. If the PHA's SEMAP certification has not been completed, the submission status in PIC will be "New Certification".

If the PHA's SEMAP certification has been completed, but has not been approved by the executive director and submitted to HUD, the submission status in PIC will be "Certification to PHA Executive Director".

Once the PHA's SEMAP certification has been submitted to HUD, the submission status in PIC will be "Prelim Rating to FO". That is the point at which the HUD field office will know it is time to begin its SEMAP assessment and will be able to access and review the preliminary rating profile generated in PIC.

4. Lack of Audit Opinion on PHA Financial Statements

The SEMAP rule requires that, notwithstanding a PHA's SEMAP score, if the latest independent audit report submitted for the PHA under the Single Audit Act indicates that the auditor is unable to provide an opinion as to whether the PHA's financial statements are presented fairly in all material respects in conformity with generally accepted accounting principals, or an opinion that the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole, the PHA will automatically be given an overall performance rating of troubled.

In the event a HUD field office has a PHA where the latest annual audit report lacks an auditor opinion, the HUD field office must modify the overall SEMAP rating to troubled in accordance with this requirement.

5. PHAs that Expend Less than \$300,000 a year in Federal Awards

A PHA that expends less than \$300,000 a year in Federal awards is not subject to the Single Audit Act and is typically not audited by an independent auditor for program compliance. The PIC SEMAP module will not rate a PHA that expends less than \$300,000 a year in Federal awards on indicators 1-7, or on the deconcentration bonus indicator. These PHAs, however, are expected to comply with the SEMAP performance standards and must certify as to their performance under these indicators. The PHA's certification may then be subject to confirmatory review by the HUD field office. The 80 possible points for indicators 1-7 will be excluded from the denominator in determining the PHA's overall SEMAP score.

HUD Field Office Review: When the HUD field office reviews a PHA certification where the PHA has marked that it expends less than \$300,000 a year in Federal awards, the HUD field office should confirm, to the best of its knowledge, that that certification is accurate. If the HUD field office has information that the PHA in fact does expend more than \$300,000 in Federal awards, and the PHA erroneously marked the box, the HUD field office should enter ratings for the PHA on the first seven indicators and the deconcentration bonus if applicable. The HUD field office should add a comment to the ratings to document and clarify the reason for the ratings, notwithstanding the PHA certification that it expends less than \$300,000 a year in Federal awards.

6. Rating SEMAP Indicators 1 through 7

1. Selection from the waiting list
2. Reasonable rent
3. Determination of adjusted income
4. Utility allowance schedule
5. HQS quality control inspections
6. HQS enforcement
7. Expanding housing opportunities

Ratings Assigned by SEMAP System: The initial ratings for indicators 1 through 7 are assigned by the SEMAP system based directly on the PHA's SEMAP certification. In general, when the HUD field office completes the initial rating profile for a PHA it will not need to concern itself with the ratings on indicators 1 through 7, unless it has recently completed an on site review at the PHA which indicated that the PHA certification is not accurate.

Ratings Subject to Modification: The ratings on indicators 1 through 7 are subject to later modification by the HUD field office, upon receipt of the PHA's annual audit report for the rated PHA fiscal year, based on information in the audit report (see section 19. on the annual audit report for more detail).

A rating on any of indicators 1 through 7 may be modified by the HUD field office at any time based on an on-site confirmatory review.

PHAs that Annually Expend Less than \$300,000 in Federal Awards: A PHA that expends less than \$300,000 in federal awards will not be rated under SEMAP indicators 1 through 7. The 80 possible points attributable to indicators 1 through 7 will not be included in the denominator when determining the PHA's overall score.

7. SEMAP Indicator 7 - Expanding Housing Opportunities

Indicator 7 applies only to a PHA with jurisdiction in a metropolitan FMR area. If a PHA has jurisdiction only in a nonmetropolitan area, it will mark "not applicable" on its SEMAP certification. For any SEMAP certification where indicator 7 is marked "not applicable", the HUD field office should confirm that the PHA does not operate in a metropolitan FMR area.

If a PHA has jurisdiction in a metropolitan FMR area, but has erroneously marked "not applicable", the HUD field office must manually change the overall SEMAP score (and possibly the overall SEMAP rating) generated by PIC, since the system will have erroneously excluded the 5 points for this indicator from the denominator in determining the PHA's overall score based on the PHA certification that this indicator does not apply.

A few PHAs with jurisdiction in metropolitan FMR areas have no areas of poverty or minority concentration. Consequently, they are confused about how to respond on the certification to indicator 7 items (a), (b), (c), and (f). These PHAs should be instructed to answer these items affirmatively and to add comments explaining that the PHA has no areas that it considers areas of poverty or minority concentration.

8. SEMAP Indicator 8 - Payment standards

The Measure: Indicator 8 measures whether the PHA has adopted a payment standard schedule(s) that establishes voucher payment standard amounts by unit size for each FMR area in the PHA jurisdiction, and, if applicable, separate payment standard amounts by unit size for a PHA-designated part of an FMR area. The payment standard schedule(s) must have payment standard amounts set in the basic range from 90 percent to 110 percent of the current applicable published FMRs.

Which Payment Standards a PHA Should Submit: A PHA should send with its SEMAP certification only its latest payment standard schedule(s) that was in force at the time of the PHA's fiscal year end. It is possible that over the course of the PHA fiscal year, the PHA may have changed its payment standard schedule(s). A PHA should not send a payment standard schedule(s) that had been in force earlier in the PHA fiscal year, but that has been replaced or superseded. For the SEMAP certification, HUD requires that only the latest schedule(s) be submitted.

PHAs with 9/30 FYE: A PHA with a FYE of 9/30 is likely to send its current payment standard schedule in force just after FYE, since HUD publishes new FMRs for effect each October 1. The HUD field office may also accept these current payment standard schedules based on new 10/1 FMRs if it is obvious that the PHA has sent on its certification newly adopted payment standards based on the newly effective FMRs.

A PHA should send with its SEMAP certification only payment standard schedule(s) that are within the PHA's discretion to establish. The point of the SEMAP measure is to determine whether PHAs properly set payment standards that are within their discretion. In general, PHAs should not include any exception payment standard schedule(s) with exception payment standard amounts that were required to be approved by HUD because the amounts are either below 90 percent or above 110 percent of the FMR.

In some cases, however, it is possible that a PHA is operating its voucher program using only HUD-approved payment standard amounts (e.g., success rate payment standard amounts). If the only payment standard schedule used by the PHA is HUD-approved payment standard amounts, the PHA should

submit those amounts on the certification and add a comment explaining that those constitute the only payment standard schedule used by the PHA. In these cases, the field office should assign 5 points for the payment standard indicator after confirming that the amounts on the certification are those approved by HUD.

If the HUD field office determines that a PHA has unnecessarily sent with its SEMAP certification a payment standard schedule that is in addition to the latest schedule used during the fiscal year, or which was approved by HUD and was not in the PHA's discretion to set, the HUD field office may disregard such extra payment standard schedule(s).

HUD Field Office Review: The HUD field office must review the PHA's payment standard schedule(s) provided with the PHA's certification in three respects:

1. The field office must determine, based on its knowledge of the PHA jurisdiction, that the PHA has sent with its SEMAP certification a payment standard schedule for each FMR area in which the PHA has jurisdiction. If the PHA has failed to include a payment standard schedule for an FMR area where it has jurisdiction, the HUD field office must enter zero points for indicator 8.
2. The SEMAP system will flag in red any payment standard amount that is outside of the basic range from the PHA-reported FMR.
3. The HUD field office must manually review each payment standard schedule submitted with the SEMAP certification to determine if the PHA used the correct current HUD-published FMRs in setting its payment standard schedule(s).

Transition Provision: Note that the merger rule includes a transition provision at section 982.503(c)(7), which allows a PHA to set an exception payment standard amount up to the amount of a previous HUD-approved area exception rent that was in effect for the certificate program at the merger date. If a PHA is using this authority, it should submit its payment standard schedule and add a comment to explain that it is using a previous HUD-approved area exception rent in the FMR fields of the certification rather than the published FMR. In that case, the field office reviewer should ensure that the

PHA's payment standard amounts do not exceed the HUD-approved area exception rents.

Entering Ratings: Note that the preliminary rating profile that the field office reviewer initially views shows NA in the rating box for indicator 8, since the system does not generate a preliminary rating for this indicator. Indicator 8 requires a manual review by the field office and manual entry of a rating of zero or 5 points, depending on the outcome of the field office review. (The preliminary NA in the rating box for this indicator does not mean that the indicator does not apply.)

If the PHA has properly included payment standard schedules for each FMR area in which it has jurisdiction, has used the correct current FMRs in setting its payment standard schedule(s), and if all payment standards are within the required basic range from the FMR, then the HUD field office reviewer will enter 5 points for indicator 8. If any payment standard schedule contains a payment standard amount that is outside of the required basic range from the correct HUD-published FMR, the field office reviewer must enter zero points for indicator 8.

After the field office reviewer enters the rating for indicator 8, be sure to save the profile before moving on to other entries in the system. Otherwise, the rating for indicator 8 will revert to NA and you will have to reenter it.

9. Ratings for SEMAP Indicators 9 through 11

9. Annual reexaminations
10. Correct tenant rent calculations
11. Pre-contract HQS inspections

The initial ratings for indicators 9 through 11 are assigned by the SEMAP system based directly on data from MTCS. In general, when the HUD field office completes the initial rating profile for a PHA it will not need to concern itself with the ratings on indicators 9 through 11.

If a PHA has an MTCS reporting rate of less than 85 percent, the PIC SEMAP system will automatically assign a zero rating for each of these indicators as well as for Indicator 14, family self-sufficiency.

MTCS Data Used: In general, the MTCS data used to assign ratings for indicators 9 through 11 will come from the last available summarization of data in the current MTCS data base preceding the PHA's new fiscal year beginning date. For example, for PHA's with a 9/30/2000 fiscal year end, HUD will use data in the current MTCS data base successfully transmitted through August 2000, and summarized by MTCS in mid-September 2000. The SEMAP profile page in PIC will provide a link to the MTCS extract details showing the MTCS data used to generate the rating and the date of the extract.

10. Understanding the MTCS Reporting Rate

The MTCS reporting rate is:

$$\frac{\text{Number of Families Reported to MTCS}}{\text{Number of Families Administered}}$$

Where Number Administered =

Average number of units leased during the PHA's last completed fiscal year (from the last year-end statement (YES) recorded in HUDCAPS) (= "total occupied units" on MTCS Resident Characteristics Report)
+ Number of families who ported into the PHA's jurisdiction for whom the PHA bills the initial PHA
- Number of families who ported out of the PHA's jurisdiction for whom the PHA is being billed by the receiving PHA

The average number of units leased as reported on the last YES is an annual number that reflects the average number of families assisted during the last PHA fiscal year. This is the number that appears on the MTCS Resident Characteristics Report as "total occupied units". HUD recognizes that this is not a precise reflection of the number of families currently assisted in the PHA's program. However, this number is generally a good and close reflection of the number of families the PHA assists. Also, for most PHAs whose MTCS reporting rates are well above 85 percent, the deviation of the actual number of families assisted at any recent point in time from the average number of units leased as shown on the last year-end statement is insignificant when measuring the MTCS reporting rate to determine if the 85 percent minimum reporting rate threshold has been satisfied.

Nevertheless, there are certain PHAs where the data from the last YES no longer closely reflects the number of families actually assisted in a PHA's program, so the number administered as shown in MTCS is overstated. As a result the MTCS reporting rate is understated. For PHAs where this is an issue and the "number administered" is outdated and overstated, the PHA may submit documentation to the HUD field office which shows the actual number of families assisted. For example, the PHA could submit its supporting statement for

monthly administrative fees earned which shows the number of units under HAP contract on the first of each month, or the PHA could submit HAP register data showing the number of units for which housing assistance payments were paid on the first of the month.

If the HUD field office determines that a different number of families assisted by the PHA should appropriately be used, rather than the "number administered" as shown in MTCS, to properly determine the MTCS reporting rate, the HUD field office must obtain documentation from the PHA that supports the actual number of families assisted.

Special note concerning 9/30/00 and 12/31/00 FYE PHAs for whom PIC SEMAP assigns zero ratings for the MTCS-verified indicators due to a < 85% MTCS reporting rate: In addition to the possibility that the average number of families assisted from the last year end statement is simply outdated, many PHAs and field offices have noticed errors in recent (i.e., pre-December 2000) MTCS "occupied units" counts. In several cases, especially from July to November 2000, "total occupied units" in MTCS erroneously contained double-counted certificate and voucher units. The double-counting problem was due to MTCS use of an old HUDCAPS extract program that did not account for the effects of the certificate and voucher program merger on PHAs' year end financial statements from which data were being captured.

Headquarters has corrected the problem of double-counting "total occupied units" as of the MTCS December 2000 reports. However, the August 2000 MTCS SEMAP Indicators Report was used for 9/30/2000 FYE PHAs' SEMAP ratings, and the November 2000 MTCS SEMAP Indicators Report is being used for 12/31/2000 SEMAP ratings. These particular MTCS reports may contain occasional instances of erroneous MTCS reporting rates, due to the double-counting problem.

If a HUD field office has a PHA for whom PIC SEMAP has automatically assigned zero ratings for indicators 9, 10, 11 and 14, due to an August or November 2000 MTCS reporting rate of less than 85 percent, the field office should double-check whether or not there may have been a double-counting problem. This will normally be apparent if the MTCS-reported "number administered" exceeds the MTCS-reported "total available units" (i.e., units under ACC). If it is obvious that the MTCS reporting rate is wrong and that the actual reporting rate exceeded 85 percent, the field office reviewer can

override the system assigned ratings of zero and add comments to the rating profile to explain the adjustment. In these cases, the field office reviewer should obtain documentation of the actual number of families assisted.

If a HUD field office reviewer requires assistance with understanding the MTCS reporting rate or with apparent issues of double-counting of "occupied units", the reviewer may contact susan_m._loritz@hud.gov.

After the SEMAP annual assessments for the 12/31/2000 PHAs are completed, this MTCS reporting rate issue is no longer relevant, as the more recent HUDCAPS data now used in MTCS have eliminated the problem.

No SEMAP Relationship to Forbearance from Sanctions for Failure to Adequately Report to MTCS: Forbearance that is granted for relief from sanctions under the PIH notice on MTCS minimum reporting requirements has no bearing on the separate SEMAP standard that at least 85 percent of families must be reported to MTCS or otherwise PIC SEMAP will rate the MTCS-verified indicators at zero. The SEMAP rule provides that if the HUD verification method for the indicator relies on data in MTCS and HUD determines that those data are insufficient to verify the PHA's certification on the indicator due to the PHA's failure to adequately report family data, HUD will assign a zero rating for the indicator (24 CFR 985.3). HUD has determined that MTCS data are insufficient to verify the PHA's certification when a PHA has not reported at least 85 percent of its assisted families to MTCS.

11. SEMAP Indicator 12 - Annual HQS Inspections

Indicator 12 will not be rated initially because current MTCS data are not always accurate for every PHA due to the way HUD has traditionally collected the date of the annual HQS inspection on the Form HUD-50058. The current Form HUD-50058 does not require that each HQS inspection be reported at the time it occurs.

To correct the data collection problem for annual HQS inspections, HUD has added a new action code to the revised Form HUD-50058, that will be implemented April 2, 2001, to require a PHA to report an annual HQS inspection at the time it occurs (i.e., when the annual HQS inspection occurs at a different time than another action that is required to be reported for the family). As a result, when the revised Form HUD-50058 has been in use for one year, HUD should always have accurate and timely data concerning the date of the last HQS inspection.

HUD expects that ratings for indicator 12 will commence for PHAs with a fiscal year end of March 31, 2002. In the meantime, there will be no points assigned for this indicator and the indicator's 10 possible points are excluded from the denominator when figuring a PHA's overall score.

When ratings commence for indicator 12, the PIC SEMAP system will automatically assign a zero rating for indicator 12 if the PHA's MTCS reporting rate is less than 85 percent.

12. Entering Data for SEMAP Indicator 13 - Lease-Up

Rule Change Underway: As of the writing of this notice, a SEMAP rule change that revises the SEMAP lease-up standard is undergoing a 15-day Congressional review prior to publication. HUD is changing the SEMAP lease-up standard to measure lease-up against units under ACC as opposed to units budgeted as provided in the original SEMAP rule. The SEMAP rule change is expected to be published on or about January 22, 2001. HUD will base ratings for the 9/30/2000 FYE PHAs (and all future ratings) on the revised standard in the forthcoming rule.

Entering Data for Lease-Up: On the PIC SEMAP rating profile page, HUD field offices will be prompted to enter the 13th indicator details. A pop-up box will ask the field office user to enter the lease-up percentage. Enter the lease-up rate rounded off to the nearest whole percent.

Initially for the 9/30/2000 FYE PHAs, and until systems interfaces are built so that HUDCAPS lease-up data are systematically entered into PIC, the HUD field office must manually enter the lease-up percentage from a printout to be supplied to each field office by the FMC. For the 9/30/2000 FYE PHAs, these data will be supplied to HUD field offices by early January 2001.

The FMC will perform the lease-up analysis for the 9/30/2000 FYE PHAs using 9/30/2000 data from the PHA's Voucher for Payment and Annual Contributions and Operating Statement, Form HUD-52681, in accordance with the April 19, 2000 Federal Register notice on unit allocations as amended, and in accordance with the revised SEMAP lease-up standard. Consequently, the HUD field office may be able to complete most of its annual SEMAP assessment for a PHA, but will have to wait to complete the rating profile until the latest lease-up data are supplied by the FMC.

Note! *The MTCS SEMAP Indicators Report data on lease-up are NOT being used to rate PHA lease-up performance. The pending rule change provides for the lease-up data to be supplied by the FMC analysis as described above.*

13. SEMAP Indicator 14 - Family Self-Sufficiency

The PIC SEMAP system will automatically assign zero points for Indicator 14 if the PHA's reporting rate in MTCS is less than 85 percent.

If the PHA marked Indicator 14 "not applicable":

Indicator 14 applies only to a PHA required to administer an FSS program. If a PHA is not required to administer an FSS program because it has not received any new certificate or voucher program funding under FFY 1992 FSS incentive awards or between FFY 1993 and 10/20/1998, it will mark "not applicable" on its SEMAP certification. For any SEMAP certification where indicator 14a, FSS enrollment, or 14b, percent of FSS participants with escrow account balances, is marked "not applicable", the HUD field office should confirm that the PHA is not required to administer an FSS program.

If a PHA is required to administer a mandatory FSS program but has erroneously marked "not applicable", the HUD field office must manually change the overall SEMAP score (and possibly the overall SEMAP rating) generated by PIC, since the system will have erroneously excluded the 10 points for this indicator from the denominator in determining the PHA's overall score based on the PHA certification that the indicator does not apply. Note that the system-generated total possible points displayed at the top of the rating profile will exclude the 10 points for indicator 14 when the PHA marks not applicable on the certification. If the field office makes such a modification, it should add a comment on the rating profile explaining the adjustment and the fact that total possible points is increased by 10 by virtue of the applicability of indicator 14.

14a. Family Self-Sufficiency Enrollment

The PHA reports on its SEMAP certification its number of mandatory FSS slots. The HUD field office should independently confirm this number to the best of its ability based on its records and information known about the number of FSS families that successfully completed their contracts on or after 10/21/1998.

On the PIC SEMAP rating profile page, HUD field offices will be prompted to enter the 14th indicator details. A pop-up box will ask the field office user to enter the number of mandatory FSS slots and the number of FSS slots under a HUD-approved exception, if applicable. If indicator 14 does not apply to a PHA because the PHA has no FSS obligation, the HUD field office must enter 0 for the number of mandatory FSS slots.

The number of mandatory FSS slots is computed as follows:

- a. Number of units funded under FFY 1992 FSS incentive awards _____
- b. + Number of units funded in FFY 1993 through 10/20/1998 _____
 - Number of units in b. funded in connection with Section 8 project-based contract terminations or Section 23 project-based contract terminations _____
 - Number of units in b. funded in connection with Public Housing demolition, disposition, relocation or replacement _____
 - Number of units in b. funded in connection with HUD multifamily property sales _____
 - Number of units in b. funded in connection with prepaid or terminated mortgages under section 236 or section 221(d)(3) (i.e., preservation certificates and vouchers) _____
 - Number of units in b. for renewal of expiring certificate and voucher funding increments _____
- c. - Number of families that successfully completed their FSS contracts on or after 10/21/1998. _____
- d. = NUMBER OF MANDATORY FSS SLOTS _____

The HUD field office may accept the PHA's certification as to the number of mandatory FSS slots, unless the HUD field office has information that contradicts the PHA number.

If the HUD field office has approved an exception to the number of mandatory FSS slots, the HUD field office must also enter the number of mandatory FSS slots under the HUD-approved exception. Be sure to exclude slots representing the number of families that successfully completed their FSS contracts on or after 10/21/1998 (the field office reviewer may need to contact the PHA FSS coordinator to obtain this number).

14b. Percent of FSS participants with escrow account balances

MTCS will supply the data required to rate this aspect of the FSS indicator.

14. SEMAP Indicator 15 - Deconcentration Bonus

The Measure: A PHA with jurisdiction in a metropolitan FMR area may earn up to 5 bonus points under SEMAP, if it submits with its SEMAP certification data that show that the PHA meets one of the following three criteria:

1. Half or more of all Section 8 families with children assisted by the PHA in its principal operating area resided in low poverty census tracts at the end of the last PHA fiscal year; or
2. The percent of Section 8 mover families with children who moved to low poverty census tracts in the PHA's principal operating area during the last PHA fiscal year is at least two percentage points higher than the percent of all Section 8 families with children who resided in low poverty census tracts at the end of the last PHA fiscal year; or
3. The percent of Section 8 mover families with children who moved to low poverty census tracts in the PHA's principal operating area during the last two PHA fiscal years is at least two percentage points higher than the percent of all Section 8 families with children who resided in low poverty census tracts at the end of the second to last PHA fiscal year.

The PHA's principal operating area is the geographic entity for which the Census tabulates data (e.g., city, county, metropolitan statistical area) that most closely matches the PHA's geographic jurisdiction under State law. For the majority of PHAs which have jurisdictions that precisely match Census boundaries, the PHA's principal operating area is simply its jurisdiction. However, if a PHA has jurisdictional boundaries that do not neatly correspond to Census boundaries, the PHA's principal operating area is defined as the Census boundary that most closely matches the PHA's actual jurisdictional boundaries.

The PHA determines and names its own "principal operating area" on the SEMAP certification, and HUD expects that this determination will generally be accurate. However, should the HUD field office determine that the named "principal operating

area" is not the geographic entity for which the Census tabulates data that most closely matches the PHA's jurisdiction under State law, the HUD field office may ask the PHA to manually re-submit its deconcentration bonus addendum on paper, using data for the proper "principal operating area" in order to properly determine whether bonus points should be assigned.

Ratings Assigned by SEMAP System: The initial rating for indicator 15 is assigned by the SEMAP system based directly on the PHA's SEMAP certification.

HUD Field Office Review: If the PHA has certified that it meets the standard for bonus points, the HUD field office should confirm that the PHA, in fact, has jurisdiction in a metropolitan FMR area. If the PHA does not, then the HUD field office must override the system rating and change it to zero.

If the field office has recently completed an on site review at the PHA which indicated that the PHA certification for the deconcentration bonus is not accurate, or if the PHA has not properly determined its "principal operating area" as noted above, the field office may need to override the system rating.

Rating Subject to Modification: The rating on indicator 15 is subject to later modification by the HUD field office, upon receipt of the PHA's annual audit report for the rated PHA fiscal year, based on information in the audit report (see section xx on the annual audit report for more detail).

A rating on indicator 15 may be modified by the HUD field office at any time based on an on-site confirmatory review.

Special Requirements for a State or Regional PHA: A state or regional PHA that has jurisdiction in more than one metropolitan area and that chooses to submit data to earn points under the deconcentration bonus must submit a separate deconcentration bonus addendum for each metropolitan area (i.e., "principal operating area") where the PHA has assisted 20 or more Section 8 families with children in the last completed PHA fiscal year.

The PIC SEMAP module will rate each metropolitan area separately, will weight the separate ratings by the number of assisted families with children in each area, and then will

average the weighted ratings to determine the number of bonus points earned.

15. HUD Modification of Overall Performance Rating

The SEMAP rule provides that HUD may modify or withhold the overall performance rating when warranted by circumstances that have a bearing on the SEMAP indicators (e.g., litigation, fair housing findings, fraud) (24 CFR 985.103(e)(1)).

As a last step in assigning and approving a final rating of high, standard, or troubled, the HUD field office should consider whether there is any circumstance with bearing on the SEMAP performance standards that warrants a different overall rating. If so, the HUD field office may modify the overall rating and then must explain in writing to the PHA the reasons for the modified rating.

16. Notification Letters

After the HUD field office reviewer completes the SEMAP assessment and has entered all required data in the SEMAP module rating profile and has saved the profile, the rating profile is ready for review and approval by the HUD field office director or coordinator.

Once the director or coordinator has approved the rating profile, the HUD field office reviewer may select the "Notifications" tab in the SEMAP module to generate a boilerplate notification letter to be sent to the PHA informing it of its SEMAP ratings and any corrective action required. The notification letter is generated in Netscape, so the text must be selected and copied to a Word document to enable the HUD field office reviewer to modify the text as necessary.

17. State Agencies with Two PHA IDs and with Operations under Two HUD Field Office Jurisdictions

Need for System Override by the HUD Field Office: For any PHA with jurisdiction under more than one HUD field office, the field office with the greatest amount of funding obligated under ACCs has all responsibility for administration of SEMAP for the PHA. This field office will have to manually override some system generated data in PIC, since the PIC SEMAP module will otherwise treat the state agency as two separate PHAs under its two separate PHA IDs.

Only One SEMAP Certification and Rating Profile is Required: The state agency is required to send only one SEMAP certification, which must be sent under the PHA ID number that is associated with the portion of its program with the greatest amount of funding obligated under ACCs. The state agency's certification should cover its entire Section 8 tenant-based program operations. (Note that the PIC SEMAP module is programmed to generate an automatic rating of troubled if a certification is not sent in on time. PIC will therefore generate an automatic rating of troubled for the PHA ID number that the state agency does not use when sending its SEMAP certification. This system-generated overall rating should be ignored by the PHA and by HUD field offices.)

The SEMAP rating for the entire state agency should be done in PIC under the PHA ID that is associated with the HUD field office performing the SEMAP assessment. A general comment should be added to the PHA's rating profile indicating that the rating profile incorporates the state agency's performance under its entire tenant-based Section 8 program, including the portion of its program administered by the other HUD field office in the state.

Adjusting MTCS-based Ratings as Necessary: The HUD field office performing the SEMAP assessment must manually view the MTCS SEMAP indicators report for each PHA ID that belongs to the state agency and consider the combined results in assigning a SEMAP rating on each of indicators 9 through 11 and for indicator 14. The HUD field office should modify any system-generated rating (which was based on only one PHA ID's data) if needed to properly reflect the state agency's level of performance on the indicator when considering the state agency's operations as a whole. For any system-generated

ratings that the field office modifies to properly reflect performance for the state agency as a whole, it should add a comment on its rating for the indicator explaining the action.

The HUD field office performing the SEMAP assessment for the state agency should consult with the field office in the state that is not performing the SEMAP assessment as necessary. The HUD field office performing the SEMAP assessment should send a copy of the notification letter sent to the PHA to the other field office.

18. PHAs in the Moving to Work (MTW) Demonstration

PHAs whose entire Section 8 tenant-based programs have been converted to the MTW demonstration (i.e., that have "systemic" MTW programs) must submit a paper SEMAP certification form HUD-52648, and certify to their performance on all SEMAP indicators unless their MTW Agreement specifically states that they are exempt from reporting on all or selected SEMAP indicators. If appropriate, the PHA should explain why certain indicators do not apply based upon the components of its MTW program.

PHAs with only a limited number of Section 8 tenant-based program families participating in their MTW demonstrations, are required to comply with all regular SEMAP requirements for the non-MTW portion of their programs and must submit their SEMAP certifications electronically as usual for their regular Section 8 tenant-based program (excluding the MTW portion). These PHAs will be rated as usual under SEMAP for the non-MTW portion of their Section 8 tenant-based program which remains subject to all of the parts 982, 983 and 984 program rules. PIC SEMAP uses MTCS data, for the MTCS-verified SEMAP indicators, from form HUD-50058 family reports entered in MTCS and not marked MTW.

PHAs with only a limited number of Section 8 tenant-based program families participating in their MTW demonstrations must also submit a separate paper SEMAP certification form for the MTW portion of their program. If appropriate, the PHA should explain why certain SEMAP indicators do not apply based upon the components of its MTW program.

PHAs that have MTW programs must submit their paper SEMAP certifications for MTW to the HUD field office and must provide a copy to the Headquarters PIH Office of Policy, Program and Legislative Initiatives (OPPLI), which administers MTW. Although MTW PHAs must certify as to their performance under SEMAP, they will not be rated under SEMAP for MTW.

OPPLI plans to issue official guidance to MTW PHAs and to field offices concerning the requirements for MTW SEMAP certifications. The OPPLI contact person is Ilene Blinick who can be contacted at ilene_e._blinick@hud.gov.

How PIC SEMAP presently treats "systemic" MTW programs: When a PHA whose entire Section 8 tenant-based program has been converted to the MTW demonstration fails to send a SEMAP certification via PIC, the system will automatically assign a rating of troubled. The field office should not act on the "preliminary rating" in PIC SEMAP and the rating will never become final. We plan to make a PIC SEMAP modification in the future to remove these systemic MTW programs from PIC SEMAP.

19. PHAs in 1st Year of Section 8 Tenant-Based Program Operations

A PHA that is new to administering the Section 8 tenant-based program (e.g., a nonprofit disability organization that administers mainstream disabled vouchers) will not be rated under SEMAP until the completion of its first full PHA fiscal year of program operation. If the new PHA's fiscal year ends before the PHA has operated the voucher program for a full PHA fiscal year, it will not be rated under SEMAP for the fiscal year during which it had only a partial year of new voucher program activity.

A new PHA, however, is required to submit a SEMAP certification within 60 days of fiscal year end in accordance with the SEMAP program rule, even for its first partial year of voucher program operation.

PIC SEMAP has not been programmed to treat a new PHA any differently than a regular Section 8 PHA, so field offices should recognize this when working in PIC SEMAP and should ignore whatever system-generated ratings appear for a new PHA's first partial year of voucher program operation. Field offices should not issue any rating to a new PHA that has not operated the Section 8 tenant-based program for a full PHA fiscal year.

The next time Headquarters publishes a SEMAP rule amendment, the rule will be modified to reflect this policy for new PHAs.

20. SEMAP Deficiencies

A SEMAP deficiency is a rating of zero on any indicator (except indicator 15, the deconcentration bonus). When a PHA receives a rating of zero on any indicator, it must send a written report to the HUD field office describing the correction within 45 calendar days from the date of the HUD notification letter of SEMAP ratings and deficiencies.

In the event a PHA fails to send its written report of correction of a SEMAP deficiency within 45 days, the HUD field office must require the PHA to prepare and submit a corrective action plan for the deficiency within 30 calendar days of HUD notice asking the PHA to do so.

Upon receipt of a PHA's written report describing its correction the SEMAP deficiency, the HUD field office reviewer should determine whether the PHA's written report is acceptable. If the reviewer finds the report unacceptable for any reason, the HUD field office should require additional action by the PHA as appropriate to meet program requirements.

Tracking SEMAP deficiencies in ETS: SEMAP deficiencies, HUD receipt of PHA reports of correction, as well as any requirement for a corrective action plan and subsequent correction will be tracked in the PIC Event Tracking System (ETS).

PIC SEMAP and PIC ETS have been programmed so that PIC SEMAP will automatically create a "SEMAP" event in ETS whenever a final SEMAP rating profile has at least one indicator with a zero rating. Field office users cannot create SEMAP events on-line in ETS to prevent redundant entry by both PIC SEMAP and the user. Each SEMAP event created in ETS will be given a unique ETS sequence number. The SEMAP events created in ETS can have 14 potential "results" in ETS, each "result" named for one of the 14 SEMAP indicators. The system will automatically create a "result" in ETS for each SEMAP indicator that is rated zero. Upon HUD receipt of the PHA's written report describing the PHA's correction of the deficiency, the HUD field office is responsible for updating the event in ETS to indicate receipt of the report. The action associated with receipt of the written report is named "letter receipt date" in ETS to indicate the date the PHA's written report is received.

21. Referral of Troubled PHAs to the TARC

An overall SEMAP rating of troubled generally results in the PHA being assigned to a TARC. The PIC SEMAP-generated notification letter states that a troubled PHA is assigned to either the Cleveland or Memphis TARC and gives the TARC contact person.

In some circumstances, the HUD field office and the TARC may agree to a different administrative arrangement for oversight of the troubled PHA depending on various factors including HUD staff capacity, the reason that the PHA is troubled, or the size of the troubled PHA. If a HUD field office or a TARC have any difference of opinion about which office should properly oversee a troubled PHA, the offices should consult with the Headquarters PIH Offices of Field Operations and Troubled Agency Recovery for further guidance.

When a troubled PHA is referred to a TARC, it is necessary to also move the PHA in PIC from the HUD field office jurisdiction to the appropriate TARC. The PIC team has issued instructions on "PIC Temporary Office Assignments" that should be followed when a field office assigns a PHA to a TARC and when a TARC ends the temporary assignment of the PHA to the TARC. PIC security administrators and PIC coaches may obtain these instructions from the Headquarters PIC team.

**22. HUD Field Office Action upon Receipt of the
Annual Audit Report**

A PHA's annual audit report is required to be submitted to HUD within 9 months of the PHA fiscal year end.

Upon receipt of the PHA's annual audit report for the PHA fiscal year that was last rated under SEMAP, the HUD field office must read the audit report to determine whether there is any program compliance information in the audit report that indicates that the PHA certification as to its performance under indicators 1 through 7 and the deconcentration bonus indicator was not accurate. If the audit report shows a different level of performance than the PHA reported on its SEMAP certification, the HUD field office must modify the rating profile accordingly and notify the PHA of the modification to its rating(s), overall SEMAP score and overall performance rating based on the audit report.