Performance Based Contract Administration Focus Group
October 24, 2001

Welcome and Update

Following greetings by Deborah Lear (Acting Deputy Director of the Office of Housing Assistance Contract Administration Oversight), Cyndy Zemitis (Acting Director, Office of Housing Assistance and Contract Administration Oversight) told participants that focus groups provide HUD with an opportunity to identify issues and to find out what is working and what is not. Moreover, they give participants an opportunity to have a more active role in the policymaking process.

Ms. Zemitis said that HUD has recently added four new Performance Based Contract Administrators (PBCAs) to the roster—the Arizona Department of Commerce, the Cheyenne Housing Authority, the North Carolina Housing Finance Agency, and the Kansas Department of Commerce and Housing—and that since June, 2001, 20 compliance reviews have been held, with 13 pending for the remainder of the year. These reviews and those that are done internally by HACAO staff are useful as HUD works toward consistency between the States in the administration of Section 8 contracts and ensures that everyone plays by the same set of rules.

Ms. Zemitis encouraged participants to visit HACAO's web site, in particular the "what's new" and "frequently asked questions" pages to keep up-to-date with the latest information and policy directives.

She also said that HACAO is aware that there continues to be misunderstanding around the role PBCAs play regarding fair housing and equal opportunity and the management and occupancy reviews. As a result, HACAO and FHEO will be revisiting their protocol in this area, and will let PBCAs know of any resulting changes. In other news, Ms. Zemitis told participants that additional contracts would be assigned in December 2001.

A participant asked if there could be more flexibility in the scheduling of annual management reviews—could the policy be relaxed to require this review within 15 months of the contract anniversary date rather than the current 12 months? Sometimes there are logistical problems that make meeting the 12-month requirement difficult. Ms. Zemitis said that she was aware of the problem and that HUD will look into the request.

Ms. Lear discussed the results of voting for a PBCA logo and showed participants samples of the contending logos, including the winner (imprinted on focus group materials).

REMS Briefing

Steve Martin (Director of the Office of Program Management and Oversight) said that the topics to be discussed during the session included REMS and more generally, the frustration participants were experiencing with HUD's automated systems, particularly

the lack of reporting capacity. HUD now has the capacity to create pre-canned reports and needs volunteers to help define what data PBCAs need in reports, which can then be pulled down from the web. There is also now the capacity for PBCAs to receive large batches of data from HUD and feed it into their own systems, and for PBCAs to send batches of data back to HUD, as well.

In addition, TRACS is preparing to change from SprintMail to TRACSMail, with a goal of beginning the transition in early November. That means that some owners could be ready to start transmitting by TRACSMail soon, placing PBCAs in a difficult situation as they try to manage their business through two e-mail systems. Moreover, following the transition from SprintMail to TRACSMail, a new format for TRACS—201B—will be released and phased in as a replacement for 201A. Mr. Martin said that HUD would have to work out an orderly process with PBCAs to make sure that everyone is on the same page. The deadlines for these transitions will be determined within the next couple of days by Mr. Tombar, scheduling problems will be worked out in a larger industry meeting next week.

Wes McAfee (ATS) discussed the development of standardized reports. HUD intends to use a software package called Actuate—a web-based report viewing system and server-based report creation system. There is a free browser plug in.

To devise the reports, HUD needs to know what data PBCAs need; how many records they will be drawing on; and how often they will need that particular report. To participate, PBCAs should e-mail chousing@hud.gov.

Actuate features include the ability to save the report as a pdf file, search capabilities, and the ability to abstract data off the report and direct it to programs such as Microsoft Excel. In response to a question from a participant, Mr. McAfee said that the data contained in reports requested by individual PBCAs would be restricted to information from the contracts under their jurisdiction. He also said that criteria could be added to the report request form posted on the web to tailor the reports to the PBCAs requirements, such as the ability to limit reports to contracts expiring within a particular time frame.

XML language will be used for the application—it has become the industry standard for business-to-business and government-to-business communications.   It is similar to HTML. There is a lot of free software that will parse XML data into a variety of useable formats, and there are free application program interfaces.   For the REMS December release, HUD will create an XML file for each contract administrator; PBCAs will just need to punch the "download my XML file" button on the REMS welcome screen to download the file onto their PCs.

One participant commented that XML files are 50 to 500 times larger than ASCI files; how can log jams for getting into the system be avoided?   Messrs. McAfee and Martin responded that some of the technical issues would have to be further investigated; one solution to the problem of large files, however, would be to compress the data. HUD

would appreciate hearing from developers and IT staff on areas that concern them to facilitate resolution of the technical issues.

Another participant inquired about REMS's reliability and access—how will that effect the data being pulled out into reports? Mr. Martin said that HUD is aware of the problems PBCAs have had with REMS. He said that it is critical that users report performance problems to the Help Desk as they occur. Mr. McAfee described recent technical problems encountered in REMS; in one case, due to hardware failure, users weren't being passed on from HUD's main web site to REMS. In addition, Internet Explorer users sometimes encounter problems because the Java script developed for the REMS site supports Netscape. As a result, the browser back button may not function on some pages and the system sometimes seems to lock up when Explorer users try to access REMS. New script is being written to accommodate a variety of software packages, but the development of the script is a long-term process.

A participant asked if every field within REMS would be converted to XML data. Mr. McAfee responded that PBCAs would need to indicate to HUD which of the fields they will need incorporated into their reports. Mr. Martin said that there is both a performance issue and an issue with the volume of data. How large a package will PBCAs need? Requirements will have to be prioritized and conceivably, there will have to be different data dumps to handle the volume of data.

Another participant commented that States have different requirements for data to be entered into particular fields and that will affect the reports. Another problem is the methodology for processing inquiries—a multiple action entry has to be made for each step taken in the course of handling an incident. Currently REMS has no way of attaching these records together into a history. Other participants agreed: one participant said that all were looking towards enhancing tracking ability; a second suggested creating a project action menu for incident reporting. Mr. Martin said that HUD will look into a way of solving that problem and encouraged participants to report frustrations in using REMS and problems in the applications themselves to the Help Desk (800-767-7588). A HUD staff member said that PBCAs should be sure to listen to the selections on the automatic answering system and direct themselves to the PBCA link.

A participant said that to avoid problems in communicating with REMS, users sometimes transmit during off hours; will it be possible to allow automatic data dumps, for example, in the middle of the night? Mr. Martin said that HUD is working on enhancing the ability of users to make large data transfers, but from the standpoint of systems, a number of internal transactions are done at 3:00 a.m., so that can be a busy time for computers. Mr. McAfee said that six systems feed into REMS and that some of the updates PBCAs submit contain data that does not overlay REMS fields, but is fed into other systems.

A participant asked if, vis-à-vis the reports, it might be a good idea to have CAOMS included, with everyone working off the same system. Mr. Martin responded that whatever formats for the reports are devised, they will also be usable by HUD staff and that the CAOMs are an essential link in defining the parameters for the reports.

Another participant commented that there is an important policy decision to be made regarding the changeover from SprintMail to TRACSMail; some of the sites don't have the Internet and others don't read their SprintMail and may miss the new TRACSMail addresses and passwords when they are sent out. The PBCAs should be given site addresses and passwords so they can provide customer service in this area. Mr. Martin said that, while there may be problems with doing that, it is something to consider. Distributing the addresses and passwords are part of the larger issue of ensuring a smooth transition from SprintMail to TRACSMail.

One of the participants asked if HUD had addressed problems with a report developed for the CAOMs that had fields incorrectly linking to produce an unusable report. She also asked if the problem of tardy owner submission in advance of contract expiration could be integrated into database and report development to allow PBCAs to enter the date when materials were received from the owner, and other milestones, so that CAOMs can better review PBCA performance. Mr. Martin, in response to the first question, said that the report is a prototype that was prepared on short notice; subsequent reports will not repeat its errors. To help with this process and the problem with tracking owner submission, it might be helpful to plan a requirements session for PBCAs and CAOMs. HUD also needs to give more extensive training to PBCA staff on the REMS application, as well as in other areas; training needs will have to be discussed and prioritized.

Discussion Group Breakouts

Ms. Zemitis introduced the group breakouts. She said that the purpose of the session was to both flesh out the issues and to develop options for their resolution. While final resolution is unlikely here, dialogue might continue between participants via e-mail and through other means. Most important among the goals of the dialogue is to work toward consistency in contract administration between the States and to ensure that everyone plays by the same set of rules. HUD will make final decisions on policy matters.

She asked participants to break into five groups to discuss the following IBPS topics and provided some examples of issues raised in previous meetings and discussions with CAOMs and PBCAs:

1. *IBPS 4 and 5⸺owner opt out notices/contract termination/tenant data*

Issues to consider:

- Timing of the last voucher paid
- Processing of special claims after the owner opts out
- Type of information required by HUD for the submission of resident data

2. *IBPS 6 and 7⸺review/verify/authorize monthly payments and corrective actions*

Issues to consider:

- How do we define corrective actions?
- What is the methodology for payment? Do you pay only approved amounts; all amounts and follow up to ensure that corrective actions have been made; or do you pay nothing until all the corrective actions have been made?
- What supporting documents are required for corrective actions?

3. Consistency and uniformity

Issues to consider:

- REMS input—not consistent at a national level
- Follow up with owner on various IBPS tasks
- Different documentation required by different HUD offices for the same IBPS task

4. Acceptable quality/quantity

Issues to consider:

- Is a submission considered acceptable if it's submitted on time?
- What are acceptable quality definitions, in accordance with HUD rules?

5. ACC revision

Issues to consider:

- Are there any tasks that should be redefined, eliminated, or added?
- Is there any language that should be redefined, eliminated, or added?

Discussion Group Report Out

Consistency and uniformity

The group identified as an issue the need to communicate to HUD concerns that are national; they suggested that PBCAs submit "hot" topics to HUD with their invoices, with HUD desk officers being tasked with reviewing them. They thought that there should be better use of the FAQs on the contract administration web site and that a listserv would be useful; questions posed on the listserv could be answered in the FAQs. The group also wanted important questions to be addressed directly by HUD staff working on the contract administration initiative.

The group also suggested that handbooks for contract administrators be developed that offer specific instructions on how entries are to be made into REMS, for example, which would greatly aid consistency and uniformity. Working groups on issues that have been identified through communication to HUD and on the listserv would also be effective. Many in the group felt that raising issues with the CAOM first has helped solve many

problems, but details must also be provided to the person the PBCA has contacted to resolve the problem.

The group recommended that unresolved issues are the focus of future PBCA meetings, and that PBCAs and HUD use focus groups to identify instances where requirements and processes differ. An industry-working group is also needed to update the users guide.

Ms. Zemitis said that HUD would need to know who would be willing to work on the guide. Others in the audience agreed that it did need to be updated and that it needs to be more specific in its instructions on REMS and other matters. There was also support among participants for the working groups, the listserv, and a rolling agenda for focus groups that meet four to six times a year.

Acceptable quality/quantity

A major issue for the group was uniformity and consistency, and they felt that uniform standards should be adopted nationwide for both HUD and PBCAs. Members of the group also wanted to be allowed input into the revision of the management review form HUD-9834 and Handbook 4350.3.

Piggybacking with the revision of the ACC, they felt that HUD should revisit acceptable quality levels, taking time frames into consideration. A major focus of the group's discussion was management reviews and inconsistencies between PBCAs, as well as the quality level for management reviews required by different field offices. Some PBCAs can't meet the standards set by their field offices.

PBCAs in the group were also confused about what their role should be in financial management; the field offices are inconsistent in their requests. Training on REMS and management reviews attended by PBCAs, CAOMs, and Project Managers would also be helpful. So would more consistency in the layout of REMS screens—right now, they're formatted differently between PBCAs, CAOMs, and PMs, and include different information, making intercommunication difficult. Overall, the group felt that there need to create more uniform standards for field office requirements; what, for example, is the "complete package" required for a rent adjustment and what are the time frames for processing it?

A participant commented that PBCAs are assigned additional tasks because the tasks aren't assigned elsewhere, but that they are not IBPS issues. One example would be duties related to physical inspection follow up.

Ms. Lear said that HACAO is not in charge of revising Handbooks 4350.3 and 4350.1— just the contract administrator's guidebook. Judy Lemeshewsky (HUD) invited participants to direct their comments concerning 4350.3 to her. The revision for that handbook is due for release in about a year. Karla Martinez (HUD) said that the first draft on the revised 4350.1 is due on November 1 and that the team at HUD revising the

handbook has tried to make sure that the changes encompass everyone's concerns. The draft will probably be circulated to the industry for comment by chapter.

Ms. Lear also asked for clarification from the group concerning the comments on the PBCA's role in financial management and the need for further training. The group leader responded that PBCAs are being given different direction from different HUD offices. For example, when they go out to do management reviews, some field offices are asking PBCAs for hard copies of financial statements or a review of monthly accounting. Training needs include systems training and a uniform set of standards concerning management reviews. There is a particular problem with the management review rating systems.

A participant commented that one area in which they had run into problems was in determining whose instructions take precedence in redrawing contract rents for rural development (515) projects. There is rent ceilings established by the program and there has been conflicting guidance from HUD as to who is in charge. PBCAs also need guidance on procedures to follow when the PBCA holds the project's mortgage.

Another participant raised the issue of the work plan—how it's used and how often it's updated—and said that it has become in some places a ridiculous plan because of the constant need for updating. She also said that some tasks that HUD has identified as "scheduled" really aren't, and she didn't see how it's possible to devise a work plan for tasks such as rent adjustments. In addition, monthly, quarterly, and annual reports are repetitive, to which you add the work plan, giving HUD the same information over and over. Couldn't HUD make this process more efficient?

Other participants asked how PBCAs should be addressing the issue of rating financial management when their review is so limited and whether HUD should be queuing management review ratings to other points systems already established, such as those for Drug Elimination? Others commented that too much focus has been placed on process, rather than on the end product, and that for consistency in management reviews, a centralized group should devise the standards.

IBPS 6 and 7—review/verify/authorize monthly payments and corrective actions

The group responded directly to the issues HUD posed at the beginning of the session. It decided that with regards to the payment method that PBCAs should only pay approved amounts based on what can be documented. With respect to timing of payments, how PBCAs approach owners in getting vouchers approved can depend on varying State processes and when funds are available for disbursement. Some latitude is needed here.

The group defined corrective actions as those that are not routine adjustments. They might include extraordinary events, those involving large sums of money, correction of duplicate payments, and instances where there is repayment by an owner. What supporting documentation should be required for corrective actions? The group recommended that not every piece of documentation be forwarded to HUD, but that when

HUD is onsite it should be available for review, and HUD should be kept informed of the action through e-mail. The PBCA could also submit an overall summary of corrective actions every month.

A participant asked if the group had considered what PBCAs might tell owners a reasonable amount of time for processing is to ensure timely payment. The group felt that the window of time needed for processing varies between PBCAs, but that it is most important to work with the owners and agents and make a good faith effort to get submissions in on time. Another participant commented that the time needed to get entries into LOCCS needs to be budgeted as well, and that issues such as this haven't been taken into consideration.

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Session with the Acting Deputy Assistant Secretary, Mr. Frederick Tombar, III

Frederick Tombar, III (Acting Deputy Assistant Secretary for Multifamily Housing Programs) spoke to the group about the need to gain consistency across the country in administering project-based Section 8 contracts and encouraged input from HUD's "41 partners," the PBCAs. Implementing the PBCA initiative has been a challenge, and while it has not always gone as well as HUD would like, PBCAs are an integral part of HUD's attempt to improve its performance and, by doing so, restore public trust in the agency.

Mr. Tombar followed his remarks by taking questions from the audience:

- A participant asked if on implementation of TRACSMail property owners have problems making transmissions, should PBCAs do what they think is in the best interests of ensuring that payments are made, or can they expect some direction from HUD? Mr. Tombar said that PBCAs could expect some participation from HUD. There can't be any question, however, that TRACSMail must be implemented at every site in a timely manner—SprintMail will be shutting down, and after December 31, HUD will not be sharing SprintMail with other Federal agencies and will bear the entire expense of maintaining the system. There will be a two-month period in which both mail systems will be active, but an orderly transition to TRACSMail must be ensured. Mr. Tombar was indefinite on when guidance concerning the transition will be issued. A TRACS Industry meeting is scheduled for October 29-30.

- The participant also asked about the "85 percent rule" and if there is any documentation on it, and what the PBCA's role will be in ensuring the completeness of the TRACS database. Mr. Tombar said that the certifications have to be entered, and that this area in which HUD has fallen down. Another participant followed by asking what the IG's initial assessments have been; Mr. Tombar said that they have not been completed yet.

- A participant asked whether the PBCA initiative has been successful in meeting its original objectives. Mr. Tombar replied that to the extent that more owners are in compliance, the initiative has accomplished a major goal. Moreover, HUD has improved it's performance in ensuring that the right amount of subsidy is being paid to the right family and has been building some consistency in how contract administration is performed. There is more to be done, however.

- A participant asked if expiring Section 8 contracts would be migrated to PBCAs, as originally planned. Mr. Tombar said that he wasn't sure when that will take place, but that it won't be soon. To a large extent, the delay is a result of problems with financial systems.

- A participant asked about HUD's withholding of funds pending an annual audit, saying that the policy has adverse effects on both bond issuance by housing finance agencies, and HUD's attempt to build public-private partnerships. Mr. Tombar said that the action was at the instigation of the Inspector General and Chief Financial Officer. In a related point, he said that any changes to financial systems would be delayed until the systems can be revamped.

- In response to a question relating to the appeal of performance standards, Mr. Tombar said that PBCAs have to wait until the end of the contract year to appeal evaluation of the PBCA's performance against the existing standards—appeal of the standards themselves is another issue.

- A participant asked if the process for funding a 5-year contract each year would be expedited; owners are increasingly frustrated with PBCAs over yearly funding issues. Mr. Tombar said that the purpose of the 5-year contract was to make participation in the program easier, but this has not turned out to be the case. It is a problem that HUD is aware of, and it will work on finding solutions to it.

- A participant asked who is responsible for contract renewals and rent adjustments for sites under OMHAR's jurisdiction. Ms. Lear responded that properties on the watch list would not be referred to PBCAs for contract administration. If a property goes to OMHAR and has already been assigned to a PBCA, then subsequently becomes a watch list property, the PBCA will only undertake those tasks the Senior Project Manager at HUD isn't otherwise accountable for (e.g. budgets, audits, year-end statements, voucher reviews, reporting). The Senior Project Manager hasn't been specifically tasked with contract renewals, however (just additional functions in monitoring the financial condition of the property). Mr. Tombar said the intent had been to have the PBCA continue to do as much as possible. Another participant asked what PBCAs are tasked with in the case of enforcement properties—are they supposed to do the management reviews? Mr. Tombar said that the issue hasn't been adequately clarified. Ms. Lear said that HUD is working with the DEC to establish a protocol. Until that is ironed out, PBCAs should go through the HUD office, which will serve as the conduit for the DEC.

- A participant asked, given that 4,932 properties have recently been referred to the DEC, what HUD intends to do about contract administration for those properties. Mr. Tombar responded that the properties were referred because they didn't file financial statements and enforcement relates to HUD's responsibility as an insurer.

- A participant asked how PBCAs might better coordinate with OMHAR, particularly to find out when a property has come out of restructuring. Mr. Tombar said that this is a communication issue with OMHAR that needs further attention.

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Discussion Group Report Out (con't)

ACC Revision

The group recommended several overall changes:

- New tasks, such as criminal screening or lump sum utility adjustments, should not be added without a formal amendment to the ACC.

- There needs to be greater clarification by what is meant by "other duties as assigned."

- Time frames for rent entries need to be made clear.

- Lines of authority at HUD to waive or interpret IBPS items need to be defined, as does the latitude allowed to local HUD representatives.

The group also made specific recommendations on individual IBPS items:

- IBPS 1 & 2: Fifteen months rather than 12 might be allowed to complete management reviews under certain conditions—let the CAOM issue exceptions.

- IBPS 3: Split this item into two, depending on what timeline HUD needs for processing what the PBCA sends over.

- IBPS 4 & 5: Consider what purpose the tenant data serves when an opt out is in progress and in what format it should be submitted. In addition, be more specific about what the PBCA's role is in securing tenant-based vouchers when an opt out is in progress.

- IBPS 6 & 7: Define exactly what is review and verification of tenant data. Should everything be reviewed, or only a sample? Be clearer, too, about which items are considered tenant data.

- IBPS 14: PBCAs should only be responsible for performing tasks within specified time frames after all of the information has been submitted (e.g. contract renewals).

In addition, define when a contract renewal item has been completed—at execution? Look at redefining the time frames for contract renewal.

Several participants made suggestions regarding ACC revision:

- A participant asked if PBCAs could get a summary of new contract amendments, with the summary expressed as a list of changes being made to the ACC.

- A participant asked if PBCAs could get a 9-15 month window on reviews, following the convention adopted for REAC inspections. (Another participant thought that this would be helpful, too.)

- In response to a comment on tenant criminal screening, Ms. Lear said that until further notice, PBCAs should not be working on those because their role has not been completely defined.

- A member of the ACC revision group said that the time frame allowed for reviewing rent adjustments needs to be made explicit for HUD field offices; HUD should be contractually obligated to complete reviews within a specified number of days.

IBPS 4 and 5—owner opt out notices/contract termination/tenant data

While group members felt they had a good understanding of the requirements of the IBPS in these areas, they found that there were differences in handling between PBCAs:

- When should opt outs be entered into REMS? At the one-year notice, or when there is a formal opt out notice with attachment 3A? The group did feel that entering this information when one-year notice is given could create confusion, because some owners give this notice merely to keep their options open and don't really intend to opt out at all.

- Which fields in the renewal module should PBCAs be assigned to update? PBCAs have been given conflicting instructions on this.

- When should tenant data be submitted: 90 or 120 days prior to expiration date? To meet the deadline, some PBCAs submit tenant data from their system rather than waiting for the owner to send it to them. Is this allowed?

- How long after expiration can special claims be processed? Are PBCAs responsible for processing these claims?

- If LOCCS shuts down on an expired contract and there are adjustments to be made to a voucher, how can these changes be made? While the system will continue to accept "future vouchers," there aren't any future vouchers on an opt out—how can vouchers be adjusted manually?

Eileen Walker (HUD) responded that the system would allow submission of special claims after the contract has expired, but the issue of adjustments will have to be looked at; instructions will be issued.

- What do PBCAs do when an opt out is indicated—how do PBCAs attempt to preserve a contract?

- Does the PBCA's job end after tenant data is submitted, or is the PBCA responsible for follow up on vouchers to be distributed?

- What does a PBCA do when an owner refuses to sign an extension generally because vouchers didn't come through by contract expiration?

The group also discussed what they thought might be the cause of the opt outs. They felt that in addition to the financial reasons i.e., opportunity for higher return on the open market, many owners are opting out of the bureaucracy of the program. While the PBCA initiative may help as resources are lent toward administration, increased administrative oversight may be driving some owners away, too.

A participant commented that PBCAs need to capture a sense of how many owners are intending to opt out so that other program participants can be found in the interests of preserving affordable housing. Another participant said that they had had a recent problem with special claims processing after a contract expired and they found themselves locked out of LOCCS because there was no longer a contract entered. With reference to the oversight of tenant-based voucher distribution, a participant said that coordination between the PHA and the PBCA is important to avoid an overlap in payments as tenants living in project-based units are issued tenant-based vouchers. The participant's agency asks that the PHA provide updates on the distribution of tenant-based vouchers, so they can ensure that the tenants aren't also being covered under the project-based contract.

Closing

Ms. Lear and Ms. Zemitis thanked participants for their input and asked them to come forward if they are interested in working group activities. In response to a question from a participant, Ms. Lear said that the FHEO checklist will be redone—there is a lot of confusion concerning fair housing issues and the role of the PBCA still need to be better defined. In addition, HUD is considering it as an addendum to the management review form, but it is holding the form back from public comment until it has an entire package to present. In response to a question, Ms. Lear said that year-end statements should not be submitted until the instructions for the existing form are redone. Payments will be made this year without the form being submitted, but will be recouped if the form isn't properly filled out after the instructions are issued. Another participant said that money advanced on accounts by PBCAs would have to be covered. Ms. Lear said that HUD would make that issue a priority.

To continue the dialogue, the quality control officer from Minnesota invited other quality control officers to form an e-mail group. Anyone interested can contact him at curtis.brown@state.mn.us. Another participant suggested that future focus group and task force meetings be carried through HUD's satellite training facility.