

Performance Based Contract Administration Focus Group

June 20, 2001

Welcome

Cyndy Zemitis (Acting Director of the Office of Housing Assistance Contract Administration Oversight) opened by saying that the performance-based contract administration initiative is now a year old, and—happily—has many successes to report. She introduced Frederick Tombar (Acting Deputy Assistant Secretary of Multifamily Housing Programs), who said that the purpose of the focus group is to provide an opportunity for HUD to meet with the stakeholders to discuss any outstanding issues and identify what has been working well and what has not. While HUD is well aware of its own position, it needs to consider the points of view of the stakeholders before making final decisions in a number of policy areas. He also said that HUD had been remiss in not inviting tenant representatives to an earlier focus group meeting; the National Alliance of HUD Tenants was invited to attend today.

Mr. Tombar said that there are some challenges ahead, including a shutdown on December 31, 2001 of the Sprint electronic mail system. HUD will implement an interim solution until a new, permanent system is installed. (Resource constraints have prevented the development of a new system, even though Housing has been aware that the Sprint system would likely be discontinued.)

Under HUD's new administration, contract administration remains a Departmental priority, and Mr. Tombar is confident that Deputy Assistant Secretary Cassidy will work actively and effectively on the Office of Housing's behalf. The Inspector General's office continues to remind Housing, however, that it needs to do a better job in monitoring and oversight. Contract administrators are an important part of that. While Mr. Tombar said he recognizes the impediments to contract administration caused by changes in policy, HUD lives and operates in a dynamic environment and needs to be flexible and respond quickly to changing priorities and requirements. He warned attendees that changes are coming in the tenant income verification process (for example), and contract administrators will have to respond quickly when they come.

Mr. Tombar said that he is pleased that HUD has now contracted 40 performance-based contract administrators (PBCAs), and that two other States will announce shortly. There is much work to be done, however; a particular challenge is in ensuring that there is consistency in performance between the States and that everyone plays by the same set of rules.

Management Review Form

Deborah Lear (Acting Deputy Director of the Office of Housing Assistance Contract Administration Oversight) discussed the development a new management review form to replace the 9834. A draft form was developed that took out the sections of the 9834 that were not applicable to performance-based contract administration, and both the draft and the 9834 were submitted for public comment in February.

The Office has been working with the Office of Asset Management to coordinate suggested changes to the forms and has met with industry representatives to develop a workable format for both Field Offices and PBCAs. Ms. Lear asked participants to continue to use the draft form until the new form is ready and approved by OMB.

Originally, the Office had planned to separate out FHA-related items and performance-based contract administration items onto two forms, but the consensus after comment was that in the interests of uniformity, only one form should be used. That form should focus on the task at hand rather than procedural questions; a high priority for the Office is to make the form as simple and as easy to understand as possible.

The revamped form will have three sections. The first section will be a desk review that can be completed prior to the PBCA going on site. Most of the information in the first section will be taken from information already contained in automated systems (such as REMS). The second section will consist of information on performance-based contract administration activities, and the third section will relate to FHA activities. The Office will be working on providing succinct instructions for the new form. In response to requests, there will be addendums to the form, including a tenant file checklist, a checklist of required documents to be made available by the owner when the reviewer goes on site, and a FHEO checklist. Ms. Lear asked participants to continue to use the FHEO checklist in 4350.1, Chapter 9 until they are asked to do otherwise. That checklist is the only Multifamily-approved FHEO checklist now available.

Questions on the new form have been reformatted to gear them toward results rather than a description of the owner's operations. In response to comments, some clarification will be provided on what responsibility PBCAs have for follow-up on physical inspections, and the ratings system will be made more objective. The form will be available in .pdf format for download from the Internet.

Questions from the audience followed:

- Gail Jones (Maryland Department of Housing and Community Development) said that the management review form issued for comment in February did not have a summary sheet attached. Will a summary sheet be included with the new form? Ms. Lear said that both summary and instruction sheets will be included.
- Bruce Tant (South Carolina State Housing Finance and Development Authority) asked if in the ratings system the category "above average" could be included so that there is a rating between "satisfactory" and "superior." The lack of a finer gradation in ratings will likely provoke an unfavorable reaction from management agents. Ms. Lear said that several others have commented on this issue, and that the change is under consideration.
- Another participant commented that he was pleased with the emphasis being placed on ratings, and said that HUD has to be careful that subcategory ratings not skew an overall score for the development. Ms. Lear said that HUD welcomes any and all comments and suggestions on this issue. Under consideration to prevent such skewing is dividing the form into two sections to consider contractual and management issues separately.
- Pillar Sanchez (Texas contract administrator) asked when the form will be ready. Ms. Lear said that the Office is aiming for the end of the summer.
- Lucie Du (Pennsylvania Housing Finance Agency) said that there are sometimes unresolved problems with REAC inspections that become evident during a management review. How should PBCAs handle these issues? Should they be noted on the report? Ms. Lear said that this issue needs to be discussed. While PBCAs shouldn't walk away from the problem, these issues aren't normally part of a management review.

- Julie Reynolds (Jefferson County Assisted Housing Corporation) asked specifically how EH&S violations should be handled if they are uncovered during the course of a management review. Ms. Lear said that HUD will have to provide guidance on this.
- La-Von Landis (Alaska Housing Finance Corporation) said that her agency had been told that they should write up health and safety violations discovered during management reviews.
- George Caruso (NAHMA) said that an additional piece needs to be put on the table—that is, the problem of window air conditioners. The current policy says that a window unit installed in a one-window bedroom is a safety violation and that the tenant should be directed to take it out. The issue is open to debate, however, and managers don't want to start a war with tenants—the policy needs to be revisited. Ms. Lear said that the Office needs to be sure that when it sets policy on matters such as this that it respects jurisdictional boundaries, including REAC's.
- George Pilla (State of Ohio) said that physical inspections are not a part of the management review process and that REAC has instructed PBCAs not to do physical inspections. If health and safety violations are noted, he suggested that they be put back into the system for follow-up rather than be included in the management review report. There might be legal implications if PBCAs overstep in this area.
- Ms. Jones said that her agency had a manager who wanted to appeal a management review based on his contention that the questions on the 9834 do not correlate with the content of 4350. She wondered if any other PBCAs had had this problem. None had. Ms. Lear said that while some of the requirements have been taken out, the 9834 was developed from 4350 and that they do correlate.

Contract Renewal Roundtable

Valerie Todaro (Georgia HAP Administrators, Inc.) began the roundtable presentation by saying that while contract renewal is a very demanding process, in most cases her agency succeeds in getting contracts renewed within the 60-day timeframe. They have found the Section 8 Renewal Guide to be particularly helpful.

She attributed much of their success in making timely renewals to an early start. Thirteen months before the contract expiration date, the agency sends owners and agents a courtesy letter noting the expiration date, reminding them to contact residents, and directing them toward the Section 8 Renewal Guide, if they don't already have a copy. Owners and agents are contacted again six months before expiration, and contact by letter, telephone, and e-mail is maintained until the owner's packet is received. While most of the owners and agents are cooperative, some owners don't submit their packets in time, causing delays in renewal.

The biggest contributor to delays, however, is the problem with reserving funds. While the work can be complete and the contract signed, the money is not always there. The reservation process is complicated, involving many staff, and coordination and cooperation at HUD is a problem. One of the biggest areas of trouble is in automatic renewals; the Georgia agency doesn't always know which contracts have automatic multiyear renewals. They are working with HUD on a database to try to track these contracts so funds can be reserved well in advance of renewal. The agency is working on developing a streamlined and effective process to make sure that the only time an owner gets late payment is because the owner himself failed to get the packet in on time.

Rae Ellen Packard (Wisconsin Housing and Economic Development Authority - WHEDA) said that of the 436 contracts assigned to the agency, about 20 percent involve some kind of contract renewal. She said that success in making timely renewals comes with the education of the owners, many of whom are confused by the changes in procedures. WHEDA sends out the renewal letter 14 months prior to the expiration date, with a second letter sent 150 days in advance of expiration, allowing owners the option of changing their minds on whether or not to renew, while still allowing enough time for required notifications.

WHEDA's asset managers were originally trained in all six renewal options to make sure that all of the managers could speak intelligently to the owners and agents about renewals. This function has since been moved to what the office calls program representatives, who are the staff assigned to processing HAP vouchers and who have access to the monthly data from TRACS, LOCCS, REMS, and other automated systems. Renewals are now assigned to staff based on option and according to staff expertise in that area. Most of WHEDA's renewals are options 4 and 5.

WHEDA has developed a quality control process. Renewal packets go to the administrative coordinators first to log in, then are given to the program representatives to begin processing. The funding request is made immediately to the HUD Field Office so the reservations can be made. The Milwaukee HUD office has been very cooperative; WHEDA has only had about a half-a-dozen delays because of funding. Owners are informed that the contract will not be executed until the funding is available; Ms. Packard said that the better the owners and agents are informed of the PBCA's exigencies (such as problems in reserving funds), the better off the PBCA will be in ensuring a smooth and timely process.

When processing is complete, the paperwork is sent to a quality control group to double check eligibility, REAC scores, and whether the paperwork is properly signed. It stays with the quality control group until the funding comes in, at which time the Director rechecks the paperwork and signs it, and the administrative coordinator logs the case out. The paperwork is tracked as it moves through the system, with dates noted as the packet is forwarded.

To help solve the problem with the reservation of funding that Ms. Todaro's agency had, WHEDA treats the multiyear automatic renewal cases as rent adjustments, rather than renewals, with owners receiving notification 150 days before the anniversary date of the contract that they may or may not be entitled to a rent increase. Response to this notification triggers a request to the Fort Worth Financial Management Center.

Rick Reich (Oklahoma Housing Finance Agency - OHFA) said that the education of the owners is key and goes a long way toward solving problems. To aid the agency in keeping owners up-to-date, it circulates a newsletter on policy and program changes. To maintain a proactive stance, OHFA sends out the renewal letters 13 months and 150 days in advance of expiration. It hasn't had any problems except with the funding issues.

All activity is tracked on an Excel spreadsheet, and the renewal team—which includes a team leader, a manager, two supervisors, and program specialists—shares tasks as needed. OHFA's relationship with their HUD office is excellent, an important key to their success.

Questions and answers followed the presentations:

- Fred Hutchins (EPS, Inc.) said that with regard to the reservation of funds, that the Field Offices need to be aware that they have a responsibility to update and maintain some of the

related systems, such as TRACS, and that such maintenance is key to a smooth process. Mr. Hutchins also asked if it is possible to expand the Section 8 Renewal Guidebook to address owner opt outs?

- Stephanie White (Maryland Department of Housing and Community Development) said that 25 percent of their contracts are stuck in LOCCS because of the contract renewal process. She also asked what the process for reserving funds should be, since the one they're using doesn't work—funds sometimes aren't available for months after the execution of a contract and owners aren't being paid. A HUD Field Office representative commented that it sounds as though there is a problem in the Fort Worth Financial Management Center—reserved funds aren't being forwarded. Mr. Reich said that his agency sends copies of the notification letters sent to the owner to the HUD Field Office to start the reservation process as early as possible. Linda Terry (Baltimore Multifamily Hub) said that HUD is having a hard time pulling Exhibit X (the funding notification letter) out of the system. A participant from the Affordable Housing Corporation said that his company's web site contains a questionnaire for owners that tells them what they're required to submit and expedites the process. Ms. Sanchez commented that expired contracts sometimes get caught between TRACS and LOCCS. PBCAs should call their HUD project managers to have the contract pushed through the system manually.
- Lisa McCarroll (Jefferson County Assisted Housing Corporation) asked for clarification on the length of time PBCAs have to process renewals—while the ACC says 60 days, the guidebook says 30. Ms. Lear said that PBCAs should not sit on renewals, and what the guidebook is providing is a timeframe for processing after the owner submits the packet. PBCAs will not be penalized because an owner hasn't submitted paperwork on time. The guidebook is currently being updated to clarify many issues and incorporate policy changes.
- Dan Brennan (Maine Housing) asked if the HUD project manager notifies the owner when a renewed contract changes the contribution level for the Reserve for Replacements. Ms. Lear said that that responsibility does lie with the HUD office. Mr. Brennan also asked if the REMS renewal screen will be updated in the near future to accommodate the new renewal guidelines. A HUD staff member said that a July release is planned for REMS, with an additional release due at the end of the fiscal year. Mr. Brennan also wanted to know how to report a mismatch on project information between LOCCS and REMS. Ms. Lear said that PBCAs should notify the CAOM.
- Cathy Rice (Vermont State Housing Authority) said that to expedite the obligation of funds, her agency immediately enters the request into REMS, and the HUD Manchester Office requests the funding right away. Mr. Reich said that entry into REMS is on the checklist and is key to receiving funds on time.
- A participant commented that the nomenclature has to be made consistent so that PBCAs always understand what is being referred to. For example, are automatic multiyear renewals being called rent adjustments or contract renewals? Another participant said that HUD directed participants in a conference call to count those as rent renewals. A HUD staff member said that of the three options—initial renewal, rent adjustment, and subsequent renewal—a rent adjustment is submitted for a multiyear contract. Ms. White asked if PBCAs go through the same process for reservation of funds with a rent adjustment as with a contract renewal. (Yes, they do.)

- Mr. Reich commented that owners and agents have every incentive to work with PBCAs, because if they don't, they don't get paid—it helps to have HUD point this out to them in the beginning.
- A participant asked if HUD Headquarters will be sending out the letter to the owners for the newly-assigned contracts for the July cycle? Ms. Lear said that it would be. Another participant said that they didn't have the list of newly-assigned contracts yet—will they be getting this list before the letter to the owners is sent out? Ms. Lear said that Headquarters will try to circulate the list beforehand.

Funding Update

Eileen Walker (Financial Operations Division) referred to the checklist for contract renewal, containing the steps PBCAs should take to ensure that the process goes smoothly. She also said that it is becoming apparent that there are disparities geographically and by office in the cooperation that PBCAs have been getting from HUD.

HUD is ahead of the curve this year as opposed to last year in having funds available to assign to contracts, with another \$140 million being allocated to Field Office within the last week. These funds are the result of recaptures, but are insufficient to get HUD through the end of the fiscal year. Cases will have to be prioritized and there is a debate over preferences—should funds be reserved according to contract expiration date, or according to when the paperwork is completed. This decision has been left to the Field Offices.

Another round of recaptures this week will make another \$500-600 million available for renewals. There are no more resources for contract amendments, however. New amendments can only be funded through an increase in apportionment from OMB. The Financial Operations Division has asked for the authority to spend recaptured funds to award utility increases and to make subsidy payments beyond September 30. In addition, PBCAs need to notify the CAOM if there are contracts with outstanding vouchers from prior years. HUD's analyses assume that payments are current, so these vouchers are not built into projections for funding needs and may be rejected for insufficient funds as they come in.

Questions and answers followed:

- A participant asked if PBCAs should place payment processing on hold until funding is available. Ms. Walker replied that they should verify with their Field Offices that existing budget authority is sufficient to cover their monthly voucher, then send the voucher on to Fort Worth.
- Another participant asked if the supplemental payments for utilities should be processed separately from the monthly voucher. Ms. Walker said that they should. The participant said that since there isn't a separate voucher, and the utility increase normally would be claimed as an adjustment on a routine voucher, how would PBCAs go about doing this? Ms. Lear interjected that in the case of the extra utility payments, the owner has to certify that there are no resources other than Section 8 to pay the extra charges—information the PBCA would be unable to verify. She said that HUD needs to work on a set of procedures for this. A participant commented that the April notice on the energy lump sum payments stated that they should be declared on the adjustment line of the regular monthly voucher. Ms. Walker said that HUD will need to reissue the instructions—the energy payments shouldn't be

claimed on the adjustment line. Mr. Caruso said that HUD had better revisit the issue quickly, because many projects need these payments and may be forced into foreclosure without them. Both Ms. Walker and Ms. Zemitis commented that HUD needs to be able to track this one-time allowance. There was also a question from the audience whether these energy payments are separate from budget-based increases to rent allowances owing to utility rises; others commented that the treatment of these payments varies between programs. Ms. Walker promised quick action on the new instructions and clarification of this last point. Mr. Caruso also asked that a point in the Mark-Up-to-Market program be clarified; that is, can an appraiser who has given an owner a RCS be eligible to work for HUD again, or has a business relationship with the owner been established?

Ms. Walker continued with a presentation on funding multiyear contracts. She said that nothing can happen until the owner submits the package and that the only contingency is the availability of funds for the rent increase. But if there are no extra funds available, can the project continue to be funded under the old rent? The answer to that is probably yes, but HUD wants to discourage having the owner come back at a later point looking for a rent increase after the contract has been renewed at the old rent. The entire process assumes that there is a REMS record; the Field Office needs to know if there's no record so it can handle the process differently. It's extremely important that REMS be kept updated. When the Field Office executes the ACC Amendment, the HAP agreement can also be executed, and (under new procedures to begin the week of June 25) it will become the trigger for obligating the funds.

Headquarters will notify Field Offices of rejected vouchers within TRACS to get the Field Offices to track the problem—it may be that documentation is missing.

More questions from the audience followed:

- Mr. Hutchins asked how problems with vouchers locked up in TRACS and other technical glitches should be routed—through the CAOM? Ms. Walker said that HUD's technical systems support needs to be upgraded. PBCAs should always let the CAOM know about technical problems, but a communication should also be sent to the Headquarters technical systems support team. Messages can also be sent to hsng_mf_financial@hud.gov. HUD is also changing how LOCCS payment rejections are managed. These rejections will no longer be sent back to TRACS (to be held for seven days), but will be warehoused within the LOCCS system, so when the situation is cured within LOCCS, the payment will be sent out immediately.
- A participant asked if the end-of-the-month report from LOCCS on what contracts will be paid could be available a day earlier? Ms. Walker said that there is an agreement with the CFO's Office to do this two or three days ahead of time—work has to be done on the accounting systems to implement this change.
- Several participants complained that there can be a problem communicating with TRACS at the end of the month—data does not seem to flow cleanly, and there are delays in payment. Some submissions seem to be accepted by the system, but the transaction isn't completed on the other end.

Ms. Walker also told participants that year-end settlement procedures this year will have to be done manually. Special payment will be made by Fort Worth. Settlements should be submitted through the CAOMs using the same forms. A set of procedures will be sent, pointing out the boxes on the form that should be filled out. Year-end statements should not be submitted until

the PB-CAs have received instructions for completion of the form. A new automated system will be available toward the end of the calendar year. A participant requested that this information be posted on the web site.

Ms. Walker also pointed out to participants that multiyear contracts carry an overall expiration date (for the entire contract) in LOCCS, whereas TRACS has the yearly anniversary date. She also said that a revised "Exhibit A" needs to be submitted with contract amendments to cover utility allowance adjustments.

TRACS Update

Judy Lemeszewsky said that the TRACS mail pilot will begin on September 1, while TRACS e-mail will be implemented on November 1 for both 201(a) and 201(b). The TRACS processing dates will be posted on the web page. Ms. Lemeszewsky said that HUD intends to standardize a number of items so that consistent procedures can be implemented. The Occupancy Handbook will be rewritten and the special claims worksheets are to be redesigned. HUD intends to change the certification from 13 to 15 months on 201(b). She asked PBCAs not to terminate owners prematurely—many of the delays are not the owner's fault. On non-performance-based contracts, certifications older than 13 months old cannot be submitted.

On another matter, differences of \$1 between rounded totals are accepted by TRACS, so PBCAs should authorize an extra dollar in cases where their totals differ from those submitted by owners.

A participant commented that a new TRACS e-mail ID will have to be assigned to users at the point the changeover from Sprint is made.

In response to a question from a participant, Ms. Lemeszewsky told the group that before the end of the year, HUD will be running tests on the database, matching certifications to vouchers, and a letter will be sent to sites where certifications are missing, with a copy sent to the PBCA. Adjustments will be made to the voucher after three months if certifications are still missing. Some participants were concerned about action being taken if compliance (certifications compared against vouchers) is less than 85 percent, as recent policy requires. One participant felt that such a level is unreasonable, given past problems with TRACS; another was concerned about what PBCAs' roles would be in ensuring compliance, and how aggressive they could be in guaranteeing the integrity of a database they haven't been involved with before this point.

Bob Wilson discussed skeleton vouchers—records that exist in TRACS that were not created from a voucher, but from a scheduled payment. It's possible to match these "skeletons" to the actual voucher when it comes in, but there is a problem with late vouchers if they're sent as a correction. The system isn't set up to accept corrections to a skeleton voucher—the correction voucher ID cannot be matched to the voucher ID that was created for the skeleton and the correction is rejected as an error. Therefore, if owners have received a scheduled payment for the period (without a voucher), PBCAs should send the voucher out as an original, not a correction.

Mr. Wilson also told participants that to participate in TRACS testing, they will need to get a TRAC V mailbox; existing TRACS mailboxes cannot be used. To obtain a new mailbox, he told participants to call the hotline at 1-800-767-7588.

Questions from the audience followed:

- At the request of Ms. Zemitis, La-Von Landis (Alaska Housing Finance Commission) reiterated an earlier comment. She said that at the end of the month, her agency has a difficult time successfully completing transmissions to TRACS, which they thought might be attributable to time zone differences and an early shut down of TRACS on the East Coast. She said that while the agency receives a receipt from Sprint saying the transmission has been accepted by the system, the transaction isn't completed on the other end—owners don't get paid, even though there is no indication from TRACS that a processing error has occurred. She also said that Alaska needs LOCCS to be kept open longer into the evening, because the system is so busy from 8 a.m. until noon Alaska time (noon until 4 p.m. eastern time) that they have a difficult time logging on. LOCCS shuts down at 3:30 p.m. Alaska time; Ms. Landis said that they are supposed to have until 4 p.m. on the system and would like to have LOCCS kept open for another hour. Ms. Lemeshefsky said that in addition to a receipt from Sprint, there should be a receipt from TRACS, as well, and users shouldn't consider a transaction complete until they have that notification. Ms. Landis said that the receipt from Sprint is all they have ever gotten; HUD staff promised to investigate the problem more thoroughly. There might be a problem with shared mailbox IDs. Another participant said that on recent occasions they hadn't gotten responses from TRACS, either, although the transmissions were successful. Ms. Lemeshefsky agreed that transmission late in the day as the system is about to close might be part of the problem, and that LOCCS should be kept open later so that Alaska has enough time on the system.
- A participant (Quadel Consulting) asked what PBCAs should do when they discover tenants residing at more than one housing complex. Ms. Lemeshefsky said that such cases should be sent to HUD Headquarters (to her). Another participant commented that TRACS didn't pick up a tenant move from one complex to another (resulting in a double payment of subsidy).
- The first participant also asked about the new field being added for "tenant unable to sign." Under what circumstances should it be used? Ms. Lemeshefsky said it is to be used by managing agents when the tenant is unavailable so vouchers can be submitted on time. It needs to be followed by a correction after the tenant signs the paperwork. Mr. Caruso pointed out that there may be problems with certifications submitted without the tenant's signature—if the tenant hasn't signed the anti-fraud provision, for example, such cases can't be pursued in court. Another participant asked if managing agents might need to submit paperwork without the tenant's signature when the tenant is in the hospital? Ms. Lemeshefsky said that she thought so.
- A participant asked if it is permissible, for a tenant who moves into a complex on May 1, 2000 (for example) to be recertified—along with the rest of the complex—on February 1, 2001. Ms. Lemeshefsky said that it is allowable; the entire project can be recertified at once, so long as less than 12 months has passed since each tenant was last certified. The tenant's lease should be changed to reflect the new recertification date.
- In response to a question asking if the dates for the changeover from Sprint to the interim e-mail system are firm, Ms. Lemeshefsky said that those were the time frames given to HUD by Sprint, but that they may be subject to change.

CA Report Round Table: What Is Working; What Is Not?

Maureen Cole (Housing Authority of the City of Reno, Nevada) said that her agency, the PBCA for Nevada, has 43 contracts in its portfolio. Most problematic for the agency are the funding issues; Ms. Cole was encouraged to hear earlier in the session that changes are on the way. Her agency also has a problem obtaining up-to-date and accurate information on their projects from the HUD Field Office and from REMS, leaving some gaps in what they have to work with. The Field Office staff is supportive however, and its small size has led to good working relationships between the contract administration and Field Office staffs.

Mary Beth Carragher (Columbus Metropolitan Housing Authority) said that her agency has 750 contracts, representing 49,000 units. The PBCA deals directly with the Hub in Columbus, where the CAOM is located, and three program centers. Ms. Carragher identified four impediments to contract administration, the first of which is the issuance of policy before the Office of Multifamily Housing reviews it. She was particularly concerned about new policies relating to physical inspections, which in her opinion assigned responsibilities to PBCAs that they hadn't previously agreed to. The second impediment is the uncertainty surrounding renewals and funding. Ms. Carragher suggested that some of the funding specialists' duties at HUD be transferred to the PBCAs to expedite paperwork. The third is a history of errors in REMS, including incorrect rent adjustments that were processed, and errors within the contract combinations in TRACS and REMS, where the surviving contract is entered into one system, while the dead contract is entered into the other. The fourth impediment is a lack of direction on what to enter into REMS. To overcome this, the office wrote its own guidebook, only to be told later that it had made errors in some REMS entries. Their CAOM is having the guidebook checked for accuracy.

To overcome these impediments, the CAOM has started a case-by-case log of problems encountered, which are referred to the appropriate project manager at HUD for resolution. The agency has also developed work flow charts, into which policy and procedural changes are incorporated as they occur. An automated system tracks due dates for each task, prints activity reports, and informs staff of the status of each project. A tracking log notes whenever information is submitted to HUD and its status. The agency also maintains one point of contact for each function to minimize confusion, while the CAOM has named one point of contact within each of the program centers for liaison with the PBCA.

Kathleen Berk (Vermont State Housing Authority) said that their transition to the performance-based system went well. Her agency assumed 47 new contracts in addition to the 75 they were already servicing. She attributes the success of the transition to several factors. First, experienced staff, rather than the new hires, were assigned to the new portfolio. The agency also spent a lot of time developing relationships with the owners, meeting with the new owners and agents and talking with them about what to expect from the PBCA. They shared copies of the occupancy and management reviews with the owners and made sure that the owners had copies of all the relevant handbooks. They also met with Field Office staff and shared information on projects, including items that might not be found in project files. As a result, a good working relationship has developed with the Field Office, although Ms. Berk felt that too much documentation has to be sent to the Field Office and the CAOM on a monthly basis, and that some of these requirements should be reviewed.

Questions from the audience followed the presentations:

- Ms. McCarroll, to follow-up on Ms. Carragher's point about guidance on data entry into REMS, asked about procedures for logging non-emergency, non-life threatening complaints, particularly when there are repeated (same-day) complaints on the same subject. Ms. Lear said that all complaints should be logged-in for date of receipt and date of response. The participant asked if there is a problem with extensive data entry into REMS detailing follow-up actions. Ms. Lear said that only the date of receipt of the complaint and the date of response need to be entered for the purposes of REMS.
- Michael Staton (New Jersey Housing and Mortgage Finance Agency) asked if, for the A133 audit, HUD wants the contract administration number separate from the CFDA number. Ms. Lear said that it did. Tom Drake (Bremerton Housing Authority) said that their auditor says that they should be combined.
- Linda Newport (Pennsylvania Housing Finance Agency) reported differences in procedures between the two Field Offices that oversee their contracts. In cases where a property receives a score higher than 60 on a physical inspection follow-up, with no EH&S violations, one Field Office directs the PBCA to close out the case even if the owner hasn't certified that deficiencies have been corrected (because the owner isn't required to certify), while the other Field Office directs the PBCA not to close out. Ms. Lear said that the CAOM should be notified of the discrepancy in handling and resolve this issue.
- Lester Kanis (Pennsylvania Housing Finance Agency) asked if, according to new policy guidelines, there has been an increase in the PBCA's responsibility at the property level for follow-up to physical inspections? How should PBCAs document their activities? Mr. Kanis said that he was having difficulty accessing REAC's physical inspection schedule, for example. Ms. Lear acknowledged that there have been problems in this area and that Multifamily would work to clarify the policy. She told PBCAs that they should be concerned with follow-up to certify that the owner has taken care of items noted in the inspection report.
- Ms. Carragher said that there are inconsistencies in the guidebook on how REAC would like PBCAs to follow-up on the findings from their report. Her agency was told, for example, that for scores below 30, the PBCA should not contact the owner and that the case would be referred directly to the Enforcement Center. The Field Office would confer with the Enforcement Center, then provide guidance to the PBCA on how to deal with the owner. Likewise, for scores between 31 and 45 and 46 and 59, it is unclear what action PBCAs should be taking.
- Another participant asked what PBCAs should do when owners don't complete their EH&S work? Ms. Lear said that HUD needs to know when owners aren't complying. The first point of contact would normally be the CAOM, but contact should come according to the protocols that have been set up with the HUD Field Office.
- A participant needed clarification on the corrected action notification to HUD and the discrepancy log; what does HUD want reported? Ms. Lear said that the discrepancies to be reported are those noted within the PBCA's review. Mr. Hutchins said that it is cumbersome to note every "corrective" action to a voucher; during the course of the month there may be as many as 800 corrections. Another participant said that there is constant back and forth between PBCAs and owners to make sure that the vouchers submitted are correct. The question is, what do PBCAs report to HUD? A fourth participant said that she thought that corrective actions consisted of correcting overpayments to owners and did not include the

internal reconciliation process needed to produce accurate vouchers. In response, Ms. Lear said that HUD would provide policy clarification on these points. She also told the group that if there are procedures that are producing excessive paperwork or documentation not needed to fulfill their function, HUD would like to hear about it so changes can be made. Another HUD staff member, following up on the points made earlier by Ms. Carragher about inconsistencies in the guidebook, said that the guidebook is currently being revised.

- A participant asked if there is any additional guidance on when PBCAs have grounds for the suspension of HAP payment to owners who have failed to respond to findings on management reviews? Ms. Lear said that according to the ACC, PBCAs are allowed to abate on grounds related to the correction of physical deficiencies. But abatement is not normally used for failure to respond to management reviews. HUD would take other actions, including compiling a file, requesting removal of a management agent, or pursuing litigation.
- A representative from the Association of Homes and Services for the Aging asked what steps owners should take to appeal a PBCA's review when discrepancies can't be resolved? Do owners have a direct line with the CAOM? Ms. Lear said that there are appeal rights to the Field Office that have been built into some areas, such as appeal of budget based rent increase. She said that owners should follow the chain of command and appeal to the PBCA first. The secondary level of appeal will be forwarded to the HUD field office for review.
- Claude Rolo (National Alliance of HUD Tenants) asked how contract administrators perceive the guidance on how they are to deal with tenants and tenant groups? From the standpoint of many tenants, there is no instruction on what the PBCA's relationship with tenant associations should be; this should be better fleshed out in future guidebooks. Ms. Lear said that the guidebook does need to be revised, but she is unsure of the extent to which it would deal with this issue. Mr. Tombar said that HUD requires contract administrators to respond to tenant complaints as they come in. While HUD encourages contract administrator attendance at tenant meetings and other activities of this nature, it is not required. He said that tenant meetings often deal with issues larger than Section 8, and go to HUD's responsibility as insurer of the property. HUD does want tenant input and tenants are encouraged to work through the local HUD office to solicit HUD attendance at meetings; tenants are also encouraged to invite contract administrators.
- Clarence Nelson (Bremerton Housing Authority) said that they do work on maintaining a relationship with tenants, and would talk to Mr. Rolo after the meeting about their efforts. He also readdressed the issue of owner compliance to management reviews, saying that his agency had been encouraged to suspend HAP payments when owners failed to comply, and he was not aware that there are other actions. Another participant agreed, saying that in cases where they could not close out because of lack of an affirmative marketing plan or failure to correct vouchers or tenant files, they were given the options (by the Hub) of delaying rent increases or adjustments or suspending the HAP payment. Ms. Lear said that if PBCAs are having trouble closing reviews out, they need to work with the HUD office to bring the owner into compliance. There are due process issues—owners can't just be cut off. HUD will provide policy clarification.

Annual Compliance Review

Delores McDaniels (Desk Officer, Monitoring and Oversight Division), a member of the Headquarters Compliance Review Development Team, discussed the Annual Compliance Review process. Based on the Section 8 Contract Administrator's Guidebook, the guidance from handbooks, the ACC, and Field Office review, the Compliance Review Development Team has created review instructions, a checklist, and templates for notification, through which each PBCA will be assessed regarding compliance with the ACC. (Other Compliance Review Development Team members included Ada Holloway and Anne Scott.)

To begin the process, eight weeks prior to the scheduled review, the operations officer—with the assistance of the CAOM and the supervisory project manager—will select a compliance review team (CRT). The CRT will consist of the operations officer, the CAOM (who will be the leader of the team), the supervisory project managers, project managers, and any other staff the team feels is necessary to conduct the review. The operations officer will designate an area of responsibility for each team member. The CAOM will be working during this time to schedule the review at a time convenient for both PBCA and HUD staff.

Four weeks prior to the review, the CAOM will send out an official notification of the review, which will include the date of the review, the time the CRT will arrive for the entrance conference, the names and titles of team members, and the names of the five properties the CRT will visit during their onsite review. The selection of five properties for each compliance review was decided upon for this first round of reviews after extensive consultation with both headquarters and the field. PBCAs will be asked to have the owners notify residents that the CRT will be there and may be available to speak to residents. PBCAs will also be asked to convey to the owners that this is not a management review, but a property visit. The team will look at resident files, look into issues the CAOMs have been reporting, and verify issues pertaining to management reviews.

The notification to PBCAs will also include the location of the web site that contains the compliance review checklist the CRT must use for their visit. The checklist will include:

1. General operations. The CRT will assess the PBCA's administrative processes—for example, is there a comprehensive training plan?
2. Financial management. Are accounting procedures in accordance with HUD requirements?
3. Certifications. Is the PBCA in compliance with EEO and conflicts of interest, and does the PBCA have adequate fidelity bond coverage?
4. Management tracking and quality control. The CRT will be looking at tracking systems to ensure the PBCA can monitor its performance tasks.
5. Systems. The CRT will ask if problems with systems have caused delays in meeting AQLs and will look at staff access levels.
6. Incentive-based performance tasks. The CRT will review 10 percent of the activities that have been performed during the year under each IBPS task.

After the review there will be an exit conference, where the CRT will meet with the PBCA staff to discuss the performance assessment and to develop a plan of action on findings. The CAOM is

responsible for the compliance review report, which will be sent to the PBCA within 30 days of the review. The PBCA has 30 days to respond to the report, and must address each area of concern. The report will include any general observations, findings, the relevant contract violations, the impact of those violations, and the corrective actions to be taken and their timeframes.

The Compliance Review Development Team will be asking the CRTs and CAOMs to get back to them to tell them how the process worked. Adjustments to the process will be made, as needed.

Questions from the audience followed:

- A participant asked if the A133 audit could be included as part of the compliance review, since it is an independent source of information about the PBCA already available to HUD? Ms. McDaniels acknowledged the request.
- Another participant asked how the CRT would handle change over time in its assessment—what they find in their review of early activity might have markedly changed over the course of the year. Ms. Lear said that HUD would look at what the PBCA initially proposed; while changes to the original plan are allowed as circumstances change, the PBCA must remain operationally effective. The participant asked how HUD would assess PBCAs in the light of policy and process changes made by HUD. Ms. Lear said that PBCAs must have complied with the requirements in place at the time. Ms. McDaniels said that problems encountered by PBCAs that prevent performance should be documented at the time, and that the CAOM should have a record of these problems.
- In response to a question concerning fidelity bond requirements, Ms. Lear said that fidelity bonds must cover one month's worth of Section 8 housing assistance payments (money received from HUD to pay owners). This applies to performance-based contracts only.
- Ms. Du asked that HUD allow time for clarification after a review, rather than PBCAs having to respond in writing. Ms. McDaniels said that this is one of the main purposes of the exit conference; everything that went on during the course of the review is open for discussion. Some matters may be taken off the table as a result. Another participant said that it is important that PBCAs also be able to respond formally to the review and document their rationale. Ms. Du asked that PBCAs be able to make clarifications during the course of the review as well; Ms. McDaniel said there will be allowance for consultation as the review is being conducted.
- A participant asked if there will be an overall rating or numerical score? Ms. McDaniels said that each item on the checklist will be rated Acceptable, Not Acceptable, or Not Applicable. There will be no overall rating this year.
- A participant asked how the 10 percent sample will be chosen; she suggested that the items reviewed be representative of the entire year's output. Ms. McDaniel said that each review team will decide how to choose the sample. The participant was concerned that process improvements made during the course of the year might not be duly rewarded; Ms. McDaniel replied that the CAOM should already be aware of these. A HUD staff member who participated in a compliance review said that the team talked to the PBCA and considered the time frame when selecting the sample.