

Auction 48: Mandatory Teleconference Call Summary

Conducted By: Reverse Auction Program

Conference Dates/Times:

August 21, 2008 @ 5:00 P.M. EST

And

August 22, 2008 @ 2:00 P.M. EST

Auction 47

As most of you know, many of the inspections awarded in Auction 47 were canceled due to a business error. HUD apologizes to all affected contractors and inspectors. We are working on further improvements in the ordering process to prevent such errors in the future.

But this was also an example to serve as a reminder to all contractors that each bid on an inspection is a unique offering to HUD that each individual inspection in a given lot will be delivered by the contractor. And that HUD reserves the right to cancel any inspection at any time. This may include cancellation of a large number of inspections due to a natural disaster, or in this case a business error.

When bidding on individual inspections, contractors should take into consideration all possible expenses and outcomes for a given inspection and bid their best price for that inspection.

If you have inspections awarded to you in Auction 47 that were not canceled, it is expected that these inspections still be scheduled and completed. If a reasonable extension of the period of performance is required, please be sure to submit a request as soon as possible. All such extension requests must be received before the period of performance ends. Any inspection not completed will be terminated for default.

Termination for Default

Contractors are cautioned not to take "termination for default" lightly. When you receive emails about possible termination for default, please attend to them immediately.

HUD expects that each inspection be completed within the period of performance. Therefore, before you bid on inspections, be sure you have inspectors available to conduct all potentially awarded inspections.

The Contracting Officer is currently in the process of reviewing the performance of several contractors, looking for patterns. There is a concern that a few contractors are "cherry picking" inspections – bidding on one inspection in the lot at a very low price with no intention of conducting that inspection. These contractors may face additional penalties, such as being barred for a given time.

Auction 48 - Public Housing Inspections using new Asset Management Configurations

The purpose of these mandatory conference calls was to inform the contractors of the changes for this and upcoming public housing auctions. Also, to make sure contractors are aware of, and understand, the additional procedures and requirements for the upcoming inspections that are a part of Auction 48.

Auction 48 is to be held on 09/06/08 from 10:00 am until 4:00 pm DST. Included in this auction are approximately 1100 public housing properties throughout the nation.

PHAs have been directed to manage their properties according to an "Asset Management" model, consistent with the management norms in the broader multi-family management industry. One of the core elements of asset management is project-based oversight/performance assessment. Previously, each PHA's development was being inspected and scored on an individual basis. However, PHAs will now have each project evaluated on its financial and management performance as well. Because of this change, PHAs have reconfigured their developments into "Asset Management Projects" or AMPs. These AMPs were designed by the PHA's to meet the goals of asset management initiative, which has resulted in consolidations and reconfigurations of the developments. Most PHAs now have fewer properties in AMPs than they did developments.

PHAs are ready for inspections based on AMPs. Most PHAs configured their sites into AMPs about a year ago.

Impacts to UPCS Inspections:

- There will be less public housing groupings of properties in AMPs.
- AMPs are larger than previous PHA "developments" in term of number of units and buildings.
- All AMPs are scattered site.
- The first inspections based on AMPs will be considered "new".

Changes to Reverse Auction Program to accommodate AMPs:

AMP is simply a new grouping of public housing properties. **There are no changes to the UPCS protocol.**

HUD Quality Assurance (QA) conducted pilot inspections on several PHAs using the new AMP configuration. The R&D team then analyzed the information and developed a new estimated duration formula. Overall, RAP will see less 1 day public housing inspections and more 1.5 and 2 day inspections. For example, in Auction 48 there are about 1100 inspections and the approximate durations are as follows:

0.5 day = none

1 day	=	3%
1.5 day	=	39%
2 day	=	43%
2.5 day	=	14%
3 day	=	2%

Most AMPs have a large number of buildings. During the pilot, QA found that the software can handle the larger number of buildings. However, QA recommends that inspectors check their DCD to see if their hardware is capable of handling the increased number of buildings and units for PHA properties. If inspectors think they may have a problem, please let HUD know ASAP. Inspectors are reminded that currently the inspection software is not supported in Windows Vista. Please check the requirements on the Training website if you are considering buying/upgrading to new hardware.

The QA pilot reinforced the need for inspectors to use good file management. QA recommends that inspectors start each inspection with a blank fresh database (if inspectors need assistance, there are instructions on the web or they can call TAC). After each inspection is successfully uploaded, it should be archived.

Bidding Considerations:

Building and unit counts will be available for the auction bid process. The building and unit counts will be based on PHA's AMP configuration as reported to HUD. Unlike past public housing inspections, contractors should keep in mind that buildings may not be adjacent (scattered site). When bidding, contractors should review the number of buildings because many AMPs have over 100 buildings and some have several hundred buildings.

In accordance with the Purchase Order Terms and Conditions, prices are not negotiable after award. Since the first inspection completed using the new AMP configuration will be considered a "new" inspection, contractors should keep in mind all possible scenarios that could result. This includes (but not limited to) longer times for rent roll and visual verification, additional time for getting through the entire site, different property representatives for different buildings/sites, and others scenarios.

Also, since these inspections are considered new, profile information will not be included in the download. The inspector will be required to build the profile in the DCD. **Inspection durations have been increased** to account for the additional time required to build the profile.

The order file for these inspections has undergone additional scrutiny and HUD has a high level of confidence in the list of inspections being ordered in Auction 48.

Scheduling Phase:

The contact information provided for these inspections will most likely be the PHA Executive Director's office, not the site manager. Ask for the primary point of contact for the AMP, as there may be more than one site manager.

When scheduling the inspection it is more important than ever to ask the PHA representative for the profile information, this includes a copy of the rent roll from each site. You should let the primary POC know that the inspector will be building the profile on site and it will take some time. Using the profile information:

- Confirm the building and unit count, rent roll, and point of contact(s)
- If the building/unit count is different, call TAC *before the actual inspection date for verification.*
- If TAC verifies the same building and unit count as the PHA, proceed with scheduling as usual. Once the inspector visually verifies the profile, TAC needs to be contacted for a profile discrepancy TAC number.
- If TAC cannot verify the profile the PHA is providing you, RU the property. If you have a tentative date scheduled with the property, include it in the comment section. In most, if not all cases, the inspection will proceed. The RU designation will alert appropriate HUD staff of the issue, so that they can review the AMP data and work with the property to define the correct profile.

**No TAC number needed if verification matches the award letter. Inspector must enter "First AMP Inspection" in the comment area.

REMINDER: Do not over schedule inspections! Use the estimated duration provided. Over scheduling leads to inspector decertification.

Inspection Download:

The first inspection completed using the new AMP configuration will not include the profile information in the download. The download will be 0/0. The inspector will be required to build the profile (refer to **Scheduling Phase**) in the DCD. This information will include, but is not limited to, owner contact information, management agent, site manager, building and unit count, and addresses.

Inspectors should follow standard protocol for entering the profile information. The recommendation is that the inspector arrives at the site the day of inspection, request the rent roll, site map, and other documentation, then visually verifies the profile, and builds the profile in the DCD.

Inspectors may choose to build the profile prior to getting on site. However, inspectors should be cautioned that most AMPs have over 100 buildings, and storing

this data on their DCD may lead to problems when conducting other inspections. Because of the large size of AMP inspections, storing too many at a time may cause the DCD to run slow or even “crash.” QA also wants to emphasize that building profiles prior to arriving on site is not as simple as in the past and may not be practical because data may be coming from different site managers and different sources.

For these reasons, **it is highly recommended that inspectors archive or back up all inspections** from the DCD before proceeding with AMP inspections.

On-site, Day of the Inspection:

If the building and unit data in the purchase order matches what the inspector visually verifies, no TAC number is required. So make sure your inspectors know the expected building and unit counts as reported in the purchase order. It is also requested that the inspector include in the comment section "**First AMP inspection**".

Summary:

UPCS Protocol has not changed. The difference is the grouping of public housing properties into Asset Management Projects that are larger and scattered.

Bid Realistically

- Properties are considered scattered
- Properties are larger than in the past
- Profiles will need to be built

Profile discrepancies:

If what the inspector verifies on-site is what was provided in the purchase order, TAC does NOT need to be contacted. Inspector should include comment, "**First AMP inspection**".

If, during scheduling, the property rep provides a different building and unit count than the one in the purchase order, call TAC for verification. This is important to make sure that all sites in the AMP are represented. TAC will provide a number for a “PIC verification.” You should provide this information to the inspector including the TAC number. After the on-site verification, call TAC, provide the earlier TAC number to them and they will research and provide a TAC number for a “Profile discrepancy.”