



**U.S. Department of Housing and Urban Development**

**Contract Administration of Project-Based Section 8  
Housing Assistance Payments**

**PROPOSED MONITORING AND  
EVALUATION  
POLICIES AND PROCEDURES**

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## **I. INTRODUCTION**

### **A. BACKGROUND**

The Department of Housing and Urban Development (HUD) is outsourcing the contract administration services for project-based Housing Assistance Payments (HAP) Contracts under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) (Section 8) to qualified Public Housing Agencies who will act as Contract Administrators (CAs). This new HUD initiative applies to the majority of the Section 8 HAP contracts that are currently administered by HUD. This initiative does not apply to contract administration of Section 8 projects assisted under the Section 8 Moderate Rehabilitation Program (including the Section 8 moderate rehabilitation single room occupancy program) or the Section 8 Project-Based Certificate Program, or to contract administration of Section 8 projects to be assisted under the Section 8 project-based voucher program.

The CAs will administer HAP Contracts in accordance with HUD regulations and guidelines. The CAs' responsibilities will be governed by an Annual Contributions Contract (ACC) between the CA and HUD. After execution of the ACC, the CA will act as an agent of HUD and will enter into HAP contracts with owners who previously had contracts with HUD. The CA will administer each HAP contract and enforce owner compliance with Section 8 regulations and guidance.

### **B. OBJECTIVES**

The objective of this document is to establish HUD's Monitoring and Evaluation (M&E) plan for the Section 8 HAP Contract Administration Initiative in order to ensure CA compliance with the requirements of the ACC. The M&E plan is also designed to ensure that all payments made to CAs are accurate and justified. Specifically, HUD seeks to achieve three programmatic and three administrative objectives through this program:

#### *1. PROGRAMMATIC OBJECTIVES:*

- Calculate and pay Section 8 rental subsidies correctly
- Administer project-based Section 8 HAP Contracts consistently



- Enforce owner obligations to provide decent housing for eligible residents

*2. ADMINISTRATIVE OBJECTIVES:*

- Execute ACCs only with entities that have the qualifications, resources, and expertise necessary to oversee and manage affordable housing administration
- Get the best value for dollars spent on CA services
- Encourage the development of joint ventures and/or partnerships for contract administration services to obtain the benefit of the best practices of both public and private sectors



## **II. ORGANIZATION AND STAFFING**

### **A DELEGATIONS OF RESPONSIBILITIES BY HUD OFFICE**

The Monitoring and Evaluation Program will be administered by three offices within the HUD structure: Multifamily Headquarters, the Multifamily Hub and the Program Centers. Below is a discussion of these three offices and their respective roles.

#### *1 MULTIFAMILY HEADQUARTERS*

The Hub Directors will report to the Deputy Assistant Secretary (DAS) Multifamily office, as well as having direct communication with the Office of Subsidy Contract Administration and Oversight staff who are responsible for overseeing the Contract Administration Initiative. This office will develop and disseminate policies and procedures, coordinate with Hubs and PCs and oversee the implementation and monitoring of the CA.

#### *2 MULTIFAMILY HUB*

Primary responsibility for monitoring and oversight activities will rest with the Hub and the Program Centers. The Hub Director and Operations Director are both at the Hub level. As a deputy to the Hub Director, the Operations Director supervises the CA Oversight Monitor (CAOM). Hub Directors will have the ultimate responsibility in the field. The Hub Directors and Operations Director will have limited direct contact with the CAs.

The Hub Directors will have the ability to adopt one of four proposed organizational chart prototypes, according to the office size and number of Supervisory Project Managers (SPM). The Hub Directors have been given the flexibility to allocate Project Managers (PM) to the different teams (CA Oversight, Asset Management and Production). Therefore the lines of supervision and communication will vary, depending on the prototype adopted by the Hub, but the main players (CAOM, SPM, and PM) will still be in place.



*3 PROGRAM CENTER*

The Program Center Director will be serving as a supervisor for three Supervisory Project Managers. In some Program Centers she/he may be serving as a direct supervisor to one or two of the teams mentioned before. Much of the day to day interaction with the CAs will occur at the Program Center level.

The Program Center Director will be involved in unresolved program issues when neither the CAOM nor the SPM is able to resolve issues with the CA.



## **B. HUD POSITIONS AND RESPONSIBILITIES**

As stated above, there will be three primary HUD positions assigned under this initiative who will be responsible for oversight of CA performance. The three positions are described below.

### *1 CONTRACT ADMINISTRATOR OVERSIGHT MONITOR (CAOM)*

The Contract Administrator Oversight Monitor is located in the Multifamily Hub and reports to the Operations Director (Deputy Hub Director). The CAOM is responsible for overseeing CA performance relative to the ACC. This staff member is also responsible for ensuring overall contractual compliance and initiating corrective compliance action. The CAOM's responsibilities include:

- Enforcing contract compliance
- Providing contract assistance to the CAs
- Analyzing and approving monthly invoices
- Analyzing and approving annual work plans
- Drafting policies and procedures that impact CA oversight
- Providing guidance to the SPM
- Delegates invoice review responsibility to the SPM, if appropriate
- Oversees the work of the SPM and the PM
- Acts as a point of contact for all contract issues referred by the PC Director, CAOM and SPM
- Acts as the point of contact for Multifamily Headquarters
- Approves targeted review
- May initiate a targeted review
- Organizes annual compliance reviews
- Team leader for compliance reviews



*2 SUPERVISORY PROJECT MANAGER (SPM)*

The SPM is located in the Multifamily Hub and/or PC and reports to the Hub Director or Program Center Director. The SPM is responsible for overseeing the PM's day-to-day interaction with the CA, including communications, delegation of workload, and coordination of meetings. The SPM's responsibilities include:

- Acts as a team member for the annual CA compliance reviews
- Acts as a point of contact for CAs regarding program related issues
- Supervises the PM's day-to-day contact with the CAs
- Delegates responsibilities to the PM, as appropriate
- Notifies CAOM of potential contracting issues
- Notifies CAOM of potential CA performance problems
- Provides monthly reports to the CAOM on CA performance

*3 PROJECT MANAGER (PM)*

The Project Manager is located in the Multifamily Hub and/or PC and is responsible for the day-to-day interaction with the CA and provides general program support as needed. These Project Managers will be assigned a portfolio of Section 8 properties and will interact with the CAOM and SPM on those properties. Additionally, Project Managers serve as reference points for the CA regarding Section 8 project information. The Project Manager's responsibilities include:

- Responsible for day-to-day contact with the CA to provide program related information and guidance
- Acts as a point of contact for CA inquiries
- Provides monthly reports to the SPM
- Provides technical assistance to the CAs
- Assists with the planning and execution of compliance reviews
- Recommends targeted reviews to the SPM





- Completes quality assessment of CA during the Transitional Phase of the program

### **C. ROLES OF OTHER HUD OFFICES**

The CAs and HUD field staff will work with several departments within HUD as part of the contract administration process. Below is a list of the departments with whom HUD and/or the CA may interact and their respective responsibilities.

#### *1 REAL ESTATE ASSESSMENT CENTER (REAC)*

REAC is responsible for conducting the physical inspections of the properties within the CA's portfolio and notifying the CA of any exigent health and safety (EH&S) issues. REAC will also oversee the tenant income verification initiatives.

#### *2 ENFORCEMENT CENTER (DEC)*

The Enforcement Center in conjunction with the Hub/PC will retain responsibility for properties referred to the DEC or designated as troubled based on indicators such as physical inspection scores of 30 or below. HUD may refer projects to the DEC based on recommendations provided by the CA.

#### *3 OFFICE OF MULTIFAMILY HOUSING ASSISTANCE RESTRUCTURING (OMHAR)*

The CA will refer properties through the Hub/PC to OMHAR under the Mark-to-Market initiative.

#### *4 FAIR HOUSING AND EQUAL OPPORTUNITY OFFICE (FHEO)*

As part of the management review process, the CA will submit fair housing review reports to FHEO for all properties. FHEO will retain responsibility for following up on fair housing concerns cited in this review.

#### *5 SENIOR COMMUNITY BUILDER AND/OR SECRETARY'S REPRESENTATIVE*

The CA will work with the Senior Community Builder and/or the Secretary's Representative in the Hub/PC to handle media inquiries, political concerns and general public relations matters.

#### *6 OFFICE OF THE GENERAL COUNSEL (OGC)*

OGC will advise and provide guidance to the field staff on any legal issues related to CA performance that may impact HUD.



*7 PUBLIC AND INDIAN HOUSING (PIH)*

PIH is responsible for identifying PHAs that will administer vouchers as part of the opt-out and termination processes.



### **III RISK MANAGEMENT**

#### **A KEY PRINCIPLES**

Risk management requires HUD oversight personnel to assess the relative risk represented by individual CAs. The effectiveness of the administration of the Section 8 contracts is largely dependent upon how well the CAs comply with HUD policies and program requirements. The overall objective of risk analysis is to allocate a larger share of monitoring resources to those program areas and CAs determined to pose the greatest risk.

This section presents an approach to performance monitoring that emphasizes the quality of CA performance and services. This approach is based on four key principles:

1. Hubs/PCs will use risk analysis to determine priorities for both compliance reviews and remote monitoring;
2. Hubs/PCs will focus their oversight resources on areas where CAs are in greatest need of attention;
3. Hubs/PCs will seek a cooperative problem-solving approach with CAs; and
4. Hubs/PCs will schedule targeted reviews to improve CA performance if there is evidence showing that the CA is unable to meet the Acceptable Quality Level (AQL) in any of the core business areas.

Risk Analysis involves analyzing available data to identify the possible risks that could prevent HUD from meeting its program objectives. This analysis also assists in determining which program areas are most susceptible to fraud, waste and mismanagement. The risk analysis process determines both the entities and activities to be reviewed by program staff.

#### **Methodology**

Risk analysis includes the following: estimating the level of risk; assessing the frequency/likelihood of occurrence; considering how to best manage the risk; and determining the actions to be taken. Once risks have been analyzed, the staff must develop a strategy to manage the risk. Once an approach has been implemented, it should be monitored and tracked for effectiveness.

Hub/PC personnel will perform these tasks on an ongoing basis. They will assess the relative strengths and weaknesses of each CA using CA invoices, the Transitional Phase, quality assessments, the annual compliance reviews, and ongoing interactions with CA personnel.



The risk identification process requires involvement by staff at all levels. This allows input from those closest to the program operations, while maintaining appropriate management oversight and control. The major steps in identifying risk include:

- Identifying program missions, goals, and objectives to determine what is to be assessed. Risk is then identified and analyzed. Monitoring objectives are determined based on this analysis.
- Developing methods to assess participants, programs, and functions, based on risk, including assessing the Department's exposure to fraud, waste, and mismanagement.

Risk Analysis factors are the criteria for determining: (a) risk exposure to the Department; (b) the likelihood that a program participant has failed to comply with the program requirements; or (c) that the participant has performed unacceptably. It is essential to ensure that reporting systems provide necessary performance information regarding participants.

There are five central categories of risk that should be used in all program risk analysis:

**Financial** - The extent to which program participants account for and manage financial resources in accordance with approved financial management standards. Financial risk also assesses the amount of potential monetary exposure to the Department.

**Physical** - The extent to which HUD-funded physical assets are maintained according to established standards.

**Management** - The extent to which the CA has the capacity to carry out HUD programs according to established requirements.

**Satisfaction** - Extent to which clients express satisfaction or dissatisfaction with the delivery of program services.

**Services** - The extent to which HUD program participants effectively deliver services to intended beneficiaries/clientele.

## **B KEY INDICATORS OF RISK**

Hub/PC personnel should be alert for indicators of risks in order to effectively monitor the Contract Administrator. The following



indicators may not be reflected directly in invoice statements and should therefore be monitored on an ongoing basis by HUD personnel.

- 1 Unfavorable HUD Inspector General findings
- 2 High personnel turnover within the CA office
- 3 Owner, resident or community complaints about the CA
- 4 Indications of CA financial difficulties
- 5 Unfavorable findings by PIH in relation to other HUD programs
- 6 Negative community publicity regarding housing issues and the CA
- 7 Continuous under-performance in one or more of the business process areas of the initiative

**Data Sources:**

In addition to reports submitted by the CAs, the following sources of data may be useful in assessing and monitoring risk:

- Resident surveys
- Electronic data systems
- Public Housing Agency (PHA) annual reports
- Audits
- Previous in-house monitoring reports
- Internal data from other HUD departments
- Local knowledge

**Data Validation:**

To the extent possible, data will be tested and validated either electronically or using other supporting documentation for accuracy, completeness, and consistency. Testing and validation involves checking for missing data, ensuring that data is accurate or within established parameters and/or checking that all required data fields have valid entries. Validation of data helps ensure accuracy in conducting the risk analysis.

Using the information gathered during the ongoing risk analysis and assessment, the oversight staff will create a framework for monitoring and evaluation of the performance of the Contract Administrators.



## **IV. MAJOR PROGRAM ELEMENTS**

The Monitoring and Evaluation Program is comprised of four main elements: remote monitoring; day-to-day oversight; annual compliance reviews; and targeted reviews. These four elements are intended to provide a comprehensive examination of CA performance in overseeing the owner's compliance with Section 8 HAP contracts. Following are summaries of each of the four elements of the Monitoring and Evaluation Program. Specific aspects of each program element are discussed in Sections VI, VII and VIII of this document.

### **A. REMOTE MONITORING**

Remote monitoring is the primary method by which CAs will be monitored and evaluated. Remote monitoring provides information that can be used to alert HUD and CAs to potential problems, correct CA errors and minor problems before becoming major issues, and assure HUD that CAs are performing at an acceptable level. Remote monitoring provides some of the information that serves as the foundation for the compliance review. Remote monitoring identifies the issues, problems, concerns, and negative trends in each of the core task areas, which assists in determining the necessity of a targeted compliance review.

Review of the monthly invoice is a key tool for remote monitoring and allows HUD to stay informed of CA activities. Accompanying the monthly invoice, the CAOM will receive supporting documentation, monthly and quarterly reports. The CAOM will also use existing HUD systems to generate automated reports that detail CA performance. These reports serve as a tool for verification of information on the CA's invoices.

Following a review of the monthly invoices and systems reports, HUD will follow up with the CA on any areas where problems are identified. Follow-up activity will be documented and may result in a targeted review of the CA (see Section VIII of this document for a discussion of targeted reviews).



## **B. DAY-TO-DAY OVERSIGHT**

On an ongoing basis, the HUD will work with the Contract Administrator through day-to-day oversight to facilitate the contract administration process. This day-to-day oversight will be comprised of two phases - the Transitional Phase and the Full Implementation Phase. The phases are defined as follows:

- 1 **Transitional.** The first phase is characterized as a partnership between HUD and the CAs. HUD staff will work closely with CA staff during this phase. HUD will provide assistance to CAs needing additional guidance and monitor the quality of the CA's work.

As part of the performance assessment, the CA will submit specific core task documents on a monthly basis until such a time that the CAOM determines that the CA has met the necessary quality assessment indicators. The CA must meet all quality indicators for three consecutive months before progressing to the Full Implementation Phase. The maximum length of the transitional phase is one year.

- 2 **Full Implementation.** During the Full Implementation phase, the CA continues to operate in accordance with the requirements of the ACC and the HAP contracts. HUD assistance will be limited to monitoring, evaluation and other actions as required by the ACC. The CA may contact the appropriate HUD staff for guidance as necessary.

## **C COMPLIANCE REVIEW**

Every year, Hub/PC will perform a formal compliance review of the CA and its files and records. The annual compliance review will focus on the CA's business process areas as described in Section VI of this document as well as reviewing internal CA processes and procedures. The compliance review will include a desk review of invoices submitted during the year and a random review of the CA's project files. HUD will focus their review on any areas that have been identified as at risk or concern. The compliance review also involves reviewing the CA's business practices and procedures and will include on-site property reviews and interviews with property owners and/or management agents at selected properties within the CA's portfolio. The on-site review will involve a review of the problem area(s), an identification and analysis of the causes of the problems, the development of strategies to implement recommended solutions, and a determination as to the type and extent of assistance to be provided.



**D TARGETED REVIEW**

If at any point during the monitoring and evaluation of a CA, HUD may decide that a CA needs more oversight and guidance, a targeted review may be scheduled. A targeted review is similar in format to the compliance review. It involves a review of CA operations, including project files, processes and procedures. The intent of a targeted review is to work with the CA to resolve any areas of concern in a cooperative manner. A targeted review may be triggered by a number of events such as an excessive number of resident complaints or an excessive number of invoice deductions to the CA's basic fee due to poor performance. As the targeted review is an all-encompassing review, an annual compliance review is rendered unnecessary if a targeted review is completed within a twelve month period.





## **V PROGRAM PHASING**

As discussed in Chapter IV, the CA's participation in this program has two phases, the Transitional Phase and the Full Implementation Phase. During the Transitional Phase, HUD will work closely with the CA to provide assistance and to ensure that the work is done correctly and in accordance with HUD's guidelines and regulations. During this phase, the CA will submit core task work products to HUD on a monthly basis and the CAOM will assess the quality of the CA's work using a number of pre-determined questions that will serve as performance indicators. This information will be recorded by the SPM/PM and provided to the CAOM for administrative tracking on a monthly basis. Once the CA has achieved an acceptable level of quality for each required process for three consecutive months, it will move into the Full Implementation Phase. The three month periods do not have to occur concurrently, each task will be considered to have reached an acceptable level of quality when the indicators have been met for the three consecutive months in which the task has occurred and the reporting requirements for that specific task will be lifted. Full Implementation is reached once the quality levels have been met for all of the specified tasks. The processes to which the quality review will apply are management and occupancy reviews, documenting owner's compliance with FHEO regulations, processing rental adjustments, review, verification and authorization of Section 8 vouchers, notification of corrective actions regarding vouchers, renewals of expiring Section 8 contracts and general reporting requirements.

Many of the CA's core business processes are not regularly occurring and are considered non-scheduled and not suitable indicators for assessing the CA's ability to move into Full Implementation. Activities related to these tasks will not preclude the ability of the CA to move into the Full Implementation Phase. However, it is still necessary to monitor the CA's performance of these tasks in the early stages of the program. These tasks include contract opt-outs, contract terminations, special claims processing, monitoring physical inspection results, and monitoring tenant income verification initiative results.

The matrices below outline the performance levels to be met for scheduled tasks prior to movement into the Full Implementation phase and the oversight required on the non-scheduled tasks. For scheduled or regularly occurring tasks, HUD will review 10% of monthly submissions relating to each scheduled task until the CA has reached the required quality levels for three consecutive months for months in which each task occurs. Once the CA has met the quality goals for three consecutive months for a specific task, the CA is no longer required to submit work products for that task. When the indicators have been met for all tasks, the CA will be considered to have reached the Full Implementation Phase. Regardless of the CA's movement into the Full Implementation Phase, HUD will continue to monitor the non-scheduled task performance until all requirements have been met.



**A SCHEDULED TASKS**

<b>IBPS # &amp; AQL</b>	<b>To be Submitted by the CA</b>	<b>Performance Levels to be Met Prior to Movement to Full Implementation</b>
<p>1. <b>Management and occupancy reviews</b> – Each month, 95% of required reports and data are submitted to HUD on time (within 30 calendar days after scheduled completion of M&amp;O review)</p>	<p>For each management review requested by the CAOM:</p> <p>A copy of the CA’s letter to the owner, notifying him of the management review.</p> <p>A copy of the review.</p> <p>The post-review letter to the owner.</p> <p>(100% of all below average and unsatisfactory reviews must be submitted to HUD throughout the initiative).</p>	<p>CAOM will perform a random sample selection and request specific property reviews. The SPM/PM will review 10% of completed management reviews each month in order to assess the quality of the work. An acceptable level of quality must be reached for three consecutive months during which management reviews are performed before a CA is ready to move towards the Full Implementation Phase for this task.</p>
<p>2. <b>Document Section 8 Owner Compliance</b> – Each month, 95% of required civil rights compliance reports are submitted to HUD on time (within 30 calendar days after M&amp;O review completion).</p>	<p>For each FHEO report requested by the CAOM:</p> <p>A copy of the FHEO report.</p> <p>(A copy of every FHEO report is provided to the FHEO field office.)</p>	<p>FHEO reports will be submitted with each of the reports listed above and reviewed by the SPM/PM for work quality.</p>



<b>IBPS # &amp; AQL</b>	<b>To be Submitted by the CA</b>	<b>Performance Levels to be Met Prior to Movement to Full Implementation</b>
<p><b>3. Processing Rental Adjustments</b> – Each month, 100% of owner requests for rent adjustments and all rent adjustments are correctly processed within 30 calendar days after owner’s request for a budget-based rent adjustment, or on the anniversary date of the HAP contract for an AAF based rent adjustment.</p>	<p>For each of the rental adjustments requested by the CAOM:</p> <p>A copy of the owner’s request and all CA processing documentation</p> <p>(All budget and special rent adjustments that exceed the 5% threshold must be submitted to HUD for review and approval throughout the initiative).</p>	<p>The CAOM will perform a random sample selection and request specific rental adjustments. The SPM/PM will review 10% of rental adjustments processed each month in order to assess the quality of the work. An acceptable level of quality must be reached for three consecutive months during which rental adjustments are performed before a CA is ready to move into the Full Implementation Phase.</p>
<p><b>6. Review, verify and authorize monthly Section 8 vouchers</b> – 100% of monthly vouchers are processed so monthly payment to the owner is not earlier than the first calendar day of the month and no later than the first business day of the month.</p>	<p>N/A</p>	<p>SPM/PM reviews 10% of monthly vouchers in TRACS each month for the quality of the processing. An acceptable level of quality must be reached for three consecutive months before a CA is ready to move into the Full Implementation Phase.</p>
<p><b>7. Notice of Corrective Actions</b> –In 100% of cases requiring corrective action, CA notifies HUD of such action within 10 calendar days after CA verification and certification of voucher.</p> <p>In 100% of overpayments, CA resolves overpayment issue within 30 calendar days after CA verification and certification of voucher</p>	<p>A copy of the CA’s discrepancy action log and a narrative explaining the resolution of the discrepancies for the chosen properties.</p>	<p>The SPM/PM will review the CA’s discrepancy action log and accompanying explanatory narrative. An acceptable level of quality must be reached for three consecutive months before a CA is ready to move into the Full Implementation Phase.</p>



<b>IBPS # &amp; AQL</b>	<b>To be Submitted by the CA</b>	<b>Performance Levels to be Met Prior to Movement to Full Implementation</b>
14. <b>Renewals of Expiring Section 8 Contracts</b> – 90% of renewal HAP contracts executed and submitted to HUD 60 calendar days before contract expiration..	For each property requested by the CAOM:  A copy of the owner's 120 day notice.  A copy of the owner's letter to the residents.  A copy of attachment 4 submitted by the owner.  A copy of the renewed contract and the cover letter that went to the owner.	The CAOM will request copies of attachment 4 and the renewed contract for a random sample of renewals. SPM/PM will review 10% of renewed contracts each month.. An acceptable level of quality must be reached for three consecutive months during which renewals are conducted before a CA is ready to move towards the Full Implementation Phase.
15. <b>General Reporting Requirements</b> – 16 out of 17 required reports submitted to HUD on time.	N/A	CAOM will track receipt of monthly reports. An acceptable level of quality must be reached for three consecutive months before a CA is ready to move into the Full Implementation Phase.

**A NON-SCHEDULED TASKS**

The table below presents those tasks that are non- scheduled, yet require some review to ensure the quality of the CA's work. HUD's review of these tasks does not impact the CA's ability to move into the Full Implementation Phase.

<b>IBPS # &amp; AQL</b>	<b>Quality Reviews</b>
4. <b>Opt-Out and Contract Termination</b> – Each month, 100% of owner opt-out notices or termination are submitted to HUD within one business day after notice by owner.	The first opt out and the first termination processed by the CA will be submitted to HUD for review by the SPM/PM.
6. <b>Review, verify and authorize monthly Section 8 vouchers</b> – 100% of monthly vouchers are processed so monthly payment to the owner is sent no earlier than the first calendar day of the month or no later than the first business day of the month.	The SPM/PM will review the first five special claims that are processed by the CA.



<b>IBPS # &amp; AQL</b>	<b>Quality Reviews</b>
<p><b>8. Monitoring of owner’s follow-up efforts on discrepancies identified as a result of tenant income matching initiatives</b> – 100% of projects with households identified through tenant income matching discrepancies are monitored and reported to HUD by the tenth business day of each month.</p>	<p>CA submits to the SPM/PM written memos outlining follow-up actions taken in the first five instances of tenant income discrepancies as identified under REAC’s TIV initiative</p>
<p><b>16. Monitoring of Physical Inspection Results</b> – For 95% of projects with unacceptable physical inspection performance and compliance indicators: CA notifies owners within thirty days after receipt of inspection results from HUD and CA monitors follow-up reports to HUD by the tenth business day of every month until final resolution is reached.</p>	<p>CA submits to the SPM/PM written memos outlining follow-up actions taken in the first five instances of properties with PI scores below 60.</p>

**A QUALITY ASSESSMENT INDICATORS**

As part of the assessment of CA performance, the SPM/PM will review the information submitted by the CA and document in writing the answers to each of the following questions for the core tasks listed below.

*MANAGEMENT REVIEWS*

- 1 Was the owner given sufficient notice by the CA?
- 2 Did the letter to the owner clearly outline the owner’s rights and responsibilities as they relate to the management review process?
- 3 Have all areas been reviewed and documented?
- 4 Have all findings been clearly identified?
- 5 Do the findings clearly reference the obligations of the owner under the HAP contract or applicable HUD regulations?
- 6 Have corrective actions been identified, outlined and reasonable time frames established?
- 7 Was REMS updated accurately and within the required timeframe?
- 8 Is the rating reflective of the review?

*FHEO*

- 1 Have all areas been reviewed and documented?
2. Did the CA submit the reviews to FHEO within the required timeframe?



3. Was REMS updated accurately and within the required timeframe?

*CONTRACT RENEWALS*

1. Did the CA review the information for compliance with program requirements? This includes the rent comparability study, utility allowances and reserves for replacement and attachment 4 from Notice 99-36 as applicable.
2. Were discrepancies identified and communicated to owner?
3. Was the notice to residents in compliance with renewal requirements?
4. Did the CA receive a 120 day notice from the owner regarding owner intent to opt-out?
5. Was the contract renewed and prepared in accordance with HUD requirements?
6. Was the contract executed in a timely manner?
7. Was REMS updated accurately and in a timely manner?

*RENTAL ADJUSTMENTS*

1. Did the CA review the information in Attachment 4 for compliance with program requirements? (This includes the rent comparability study, utility allowances and reserves for replacements in the case of AAFs)
2. Were contract rents calculated in accordance with HUD requirements?
3. Was REMS updated accurately and in a timely manner?

*VOUCHER PROCESSING*

1. Do the explanations provided by the CA correlate to the discrepancy summary report in TRACS?

*REPORTING REQUIREMENTS*

1. Did all of the required reports contain the necessary information?
2. Were the reports submitted within the required timeframes?

Once these indicators have been met for three consecutive months, the CA will move into Full Implementation. If after 6 months the CA



has not met the requirements needed to move into Full Implementation, HUD may initiate a targeted review in order to determine the cause of the CA's difficulties. In no case shall the Transitional Phase last for more than one year.



## **VI. CONTINUOUS MONITORING ACTIVITIES OF MAJOR BUSINESS PROCESSES**

On an ongoing basis, Hub/PC is responsible for monitoring CA performance of the core business processes as related to the incentive based performance standards outlined in the ACC. In this section, the core business process are outlined, along with the risks and program monitoring elements associated with each process. The Hub/PC personnel's responsibilities associated with each business process are identified in a matrix at the end of this section.

### **A. BUSINESS PROCESSES: RISKS**

Specific risks associated with the core business processes may be grouped into three major areas; Contract Management Risks, Financial Management Risks and Project Servicing Risks. These risks are outlined below:

#### *CONTRACT MANAGEMENT RISKS*

- If contracts are not renewed in a timely manner or at the correct rent levels, owners may be at risk of defaulting on the mortgage and risking the physical condition of the property due to insufficient cash flow
- If CAs do not complete a thorough review of owners' past performance and management ratings, contracts may be renewed for projects currently in violation of the HAP contract;
- HUD faces risk of negative publicity if residents are displaced;
- HUD faces the risk of legal action if contracts are not renewed correctly;
- If contracts are not combined correctly, HUD risks underpayment or overpayment to owner;
- HUD may face a conflict of interest in cases where the HAP Project Based Section 8 CA is also acting as the Participating Administrative Entity (PAE) for OHMAR. This conflict could result in CAs making excessive and potentially unwarranted referrals which result in higher fee payouts from HUD;
- HUD faces the risk that CAs may not conduct a thorough review of the owner's request for participation in the Mark-to-Market program. This could result in ineligible projects being improperly referred to OMHAR and/or eligible projects being denied participation in the program;
- If HUD is not notified of owner opt outs or terminations in a timely manner, HUD faces the risk of insufficient time for processing tenant based rental assistance. This could lead to residents left without housing, and accompanying





- damage to HUD's reputation;
- HUD faces the risk of negative IG findings.

*FINANCIAL MANGEMENT RISKS*

- HUD is at risk of weakening the integrity of its Treasury function for resources allocated for HAP Contract Administration if CAs are not correctly monitored;
- HUD is at risk of overpaying CAs if budgets and requisitions are processed and reviewed incorrectly;
- HUD is at risk of overpaying owners if CAs are not correctly addressing key issues such as resident certification/recertification;
- HUD risks loss of Section 8 funds due to residents' misrepresentation of income or family circumstances;
- HUD faces the potential risk that CAs will not use voucher funds to pay owners once funds are allocated from LOCCS (or other designated HUD accounting system) to CA;
- HUD is at risk of overpaying owners if vouchers are processed and reviewed incorrectly by the CA;
- If HUD does not process budget revisions in a timely manner, owners could face cash flow delays and potentially default on HUD-held mortgages;
- HUD faces the risk of a CA abuse of funds;
- HUD faces the risk of negative IG findings.

*PROJECT SERVICING RISKS*

- HUD faces the risk that if CAs are not proactive in addressing problems that arise with owners of poorly managed properties, the owners will be in non-compliance with the HAP contract;
- HUD faces the risk that CAs and or owners may not respond to resident concerns;
- HUD faces the risk that exigent health and safety violations may go undetected and unresolved;
- HUD is at risk when residents are subjected to inadequate housing facilities when CAs do not properly fulfill duties under the ACC and HAP;
- HUD is at risk if CAs do not conduct a thorough review of owner policies and actions, violations of the HAP may occur
- HUD faces the risk of developing poor community relations because of poorly managed properties;



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- HUD is at risk when residents are living in inadequate housing when CAs do not properly fulfill oversight duties;
- HUD faces the risk that owner fraud may go undetected;
- HUD faces the risk of public criticism for poorly managed properties;
- HUD faces the risk of negative IG findings.



**B. BUSINESS PROCESSES: MONITORING ACTIVITIES BY TASK**

<b>Task</b>	<b>Control Objectives</b>	<b>Remote Monitoring Objective</b>	<b>Day-to-Day Interaction</b>	<b>Compliance Review Objective</b>
<p>1. Conduct Management and Occupancy Reviews and</p> <p>2. Document Owner Section 8 Compliance</p>	<p>Ensure CAs are enforcing HUD rules and regulations at HUD subsidized properties;</p> <p>Ensure that CAs are reviewing properties' FHEO policies;</p> <p>Ensure that the CA is conducting the Management and Occupancy reviews in accordance with HUD guidelines and regulations;</p> <p>Ensure CA has notified HUD of potential fraud or violations of the law;</p> <p>Ensure CA is monitoring implementation of corrective actions;</p> <p>Ensure CA is notifying HUD in one business day when enforcement action is required;</p> <p>Ensure CAs are using correct forms, documenting findings and are inputting data into HUD systems.</p>	<p>CAOM will review REMS reports on a monthly basis.</p> <p>CAOM compares actual number of CA reviews with number projected in CA's work plan;</p> <p>CAOM keeps an aging report tracking Management Reviews scheduled but not completed each month;</p> <p>On a monthly basis, CAOM reviews REMS or other reports to ensure that notifications of fair housing violations have been sent to FHEO in a timely manner;</p> <p>CAOM will follow up on clearance of management review findings and MIO progress;</p> <p>SPM/PM receives and reviews all management reviews with a less than satisfactory rating and provides monthly updates to CAOM..</p>	<p>In the <i>Transitional Phase</i> of Contract Administration Oversight, PM will provide day-to-day support to CAs;</p> <p>In the <i>Transitional Phase</i> of Contract Administration Oversight, the SPM/PM will review at least 10% of CA conducted management reviews in order to assess CA readiness to move into Full Implementation Phase;</p> <p>During the <i>Full Implementation Phase</i>, PM will provide ongoing support to CAs for management reviews.</p>	<p>Review Team will review a sample of all property files. Special attention will be paid to properties with reported problems in past year to help identify CA development needs related to performance of the management review process;</p> <p>Review Team will review a sample of all property files to assess performance of both the management and occupancy review and the reports sent to FHEO to ensure compliance with HUD regulations and guidelines;</p> <p>Review Team will select a random sample of properties to complete on site reviews including both fully and partially subsidized;</p> <p>Review Team will review a sample of property files to ensure that the basic and incentive fees are reflective of actual performance.</p>



<b>Task</b>	<b>Control Objectives</b>	<b>Remote Monitoring Objective</b>	<b>Day-to-Day Interaction</b>	<b>Compliance Review Objective</b>
3. Processing Rental Adjustments	<p>Ensure that CA has reviewed and processed rental adjustments in accordance with HUD guidelines and regulations.</p> <p>Ensure that rental adjustments have been processed within the required timeframes.</p>	<p>Upon receipt of monthly invoices from CAs, CAOM will use existing systems to verify that adjustments have been processed in accordance with HUD guidelines;</p> <p>Upon receipt of monthly invoices from CAs, CAOM will use existing systems to verify that adjustments have been processed within the required timeframes.</p> <p>All budget based and special rental adjustments that exceed HUD approved rents by 5% or more will be submitted to HUD for approval.</p>	<p>In both phases, SPM/PM will review and approve all budget based and special rental adjustments that exceed HUD approved rents by 5%;</p> <p>In both phases for all cases when second level appeal comes to HUD, SPM/PM will review first level appeal as well;</p> <p>In the <i>Transitional Phase</i>, PM will provide day-to-day support to CAs;</p> <p>In the <i>Transitional Phase</i>, PM will review 10% of rental adjustments in order to assess CA's readiness to move into the Full Implementation Phase.</p>	<p>Review Team will review a sample of all property files, including those properties that have been identified previously with rental increase processing difficulties.</p> <p>Review a sample of property files to ensure REMS reporting was reflected accurately;</p> <p>Ensure the increase was processed in accordance with HUD regulations and guidelines;</p> <p>Ensure proper notification was provided to owner/management agent.</p>



<b>Task</b>	<b>Control Objectives</b>	<b>Remote Monitoring Objective</b>	<b>Day-to-Day Interaction</b>	<b>Compliance Review Objective</b>
<p>4. Opt-out and Contract Termination and 5. Provide Resident Data to HUD</p>	<p>Ensure HUD receives proper notification of owner opt outs;</p> <p>Ensure HUD receives recommendation of HAP contract terminations within the required timeframe;</p> <p>Ensure HUD’s receipt of complete resident data related to opt outs and terminations 90 days prior to contact expiration;</p> <p>Ensure owner opt outs and terminations are processed in accordance with HUD guidelines;</p> <p>Ensure CA has verified that the owner has complied with HUD’s notification requirements;</p> <p>Ensure CA assists residents with the transition from project based to tenant based assistance;</p> <p>Ensure CA works with PHA to facilitate the transition from project based to tenant based assistance.</p> <p>Ensure CA submits resident data to HUD office within 3 business days of receipt from owner for contract terminations.</p>	<p>Upon receipt of monthly invoices from CAs, CAOM will use existing systems and internal logs to verify that notification of opt out by the owner was received from the CA within one business day after notice by the owner.</p> <p>Upon receipt of monthly invoices from CAs, CAOM will use existing systems and internal logs to verify that recommendation of termination was received within one business day after notice by the owner.</p> <p>Upon receipt of monthly invoices from CAs, CAOM will use existing systems and internal logs to verify that CA has obtained resident information from owners;</p> <p>Upon receipt of monthly invoices from CAs, CAOM will use existing systems and internal logs to verify that CA has submitted resident data to HUD within three days of receipt from owner;</p>	<p>In the <i>Transitional Phase</i> of Contract Administration oversight, PM will provide day-to-day support to CAs.</p> <p>Regardless of the phase, the SPM/PM will review the first contract opt outs and the first contract termination. This review is intended to share knowledge about the owner opt out and contract termination processes;</p> <p>During the <i>Full Implementation Phase</i>, PM will provide ongoing support to CAs for owner opt outs and contract terminations.</p>	<p>Review Team will review a sample of all property files related to reported problems in past year to help identify CA development needs related to performance in the owner opt out and contract termination process;</p> <p>Review Team will review a sample of all project files related to owner opt outs and contract terminations to determine that the CA worked directly with the PHA and residents to facilitate the transition from project based Section 8 to tenant based rental assistance, as necessary;</p> <p>Review Team will review CA documentation related to opt-outs to ensure owner has complied with HUD guidelines and regulations;</p> <p>Review Team will review a sample of all property files related to owner termination appeals to confirm that CAs handled all owner appeals in accordance with HUD regulations;</p>



<b>Task</b>	<b>Control Objectives</b>	<b>Remote Monitoring Objective</b>	<b>Day-to-Day Interaction</b>	<b>Compliance Review Objective</b>
		<p>Review monthly invoice/supporting documentation for evidence that the CA coordinated efforts with the jurisdictional PIH HUD office to identify a local PHA to administer tenant-based assistance and reserve funds to cover such vouchers, as applicable;</p>		<p>Perform a random sample of project files to:</p> <p>Ensure REMS reporting was documented accurately;</p> <p>Ensure basic and incentive fee payments were reflective of actual performance.</p>



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<b>Task</b>	<b>Control Objectives</b>	<b>Remote Monitoring Objective</b>	<b>Day-to-Day Interaction</b>	<b>Compliance Review Objective</b>
<p>6 &amp; 7. Review, verify, and authorize monthly Section 8 Vouchers Notification of Corrective Actions</p>	<p>Ensure CA conducts a thorough review of vouchers submitted by owners;</p> <p>Ensure CA pays owners the amounts due within the timeframe as specified in the ACC.</p> <p>Ensure CA has monitored owners' compliance with entry of all resident certification and recertification data in TRACS;</p> <p>Ensure CA has analyzed adjustments required to prior month's vouchers to determine accuracy and validity;</p> <p>Ensure CA has determined whether authorized rent or utility allowance adjustments have been implemented accurately and in a timely manner;</p> <p>Ensure CA has verified pre-approval of Section 8 special claims;</p> <p>Ensure CA has notified owner in writing of any necessary corrections, and that the CA has tracked corrections in a systematic and documented manner.</p>	<p>CAOM receives and reviews a copy of the CA's Electronic Fund Transfer Request to the bank to confirm date and amount of payment to the owners;</p> <p>On a monthly basis, CAOM will review a random sample of vouchers in TRACS to test for accurate processing by CAs;</p> <p>CAOM will compare CA monthly invoices with TRACS voucher payment system data to ensure voucher processing has been accurately recorded in the invoice.</p>	<p>In the <i>Transitional Phase</i> of Contract Administration oversight, PM will provide day-to-day support to CAs.</p> <p>In the <i>Transitional Phase</i>, PM reviews 10% of CA's vouchers in TRACS for quality in order to determine the CA's readiness to move into Full Implementation;</p> <p>In the <i>Transitional Phase</i>, the PM will work with the CA to process vouchers prior to final payment being sent to the owner, if necessary. PM will participate in conference call with CA if needed, to provide additional guidance to CAs regarding voucher processing.</p> <p>During the <i>Full Implementation Phase</i>, PM will provide ongoing support to CAs for voucher processing.</p>	<p>Review Team will review at least 10% of property files including properties where voucher processing problems have been identified in the previous year;</p> <p>Review Team will conduct random sample of property files to determine accuracy in voucher processing;</p> <p>Review Team will conduct thorough review of CAs internal voucher processing protocol to assess CAs management capacity in voucher process;</p> <p>Review Team will perform a random sample of resident certifications to: Ensure certifications match vouchers, ensure resident certification is being adequately reviewed by CA, and adjustments are processed correctly.</p> <p>Review Team will perform a review of the CA's financial records to ensure that HAP contract funds are accounted for by contract and separately from other PHA funds.</p>



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<b>Task</b>	<b>Control Objectives</b>	<b>Remote Monitoring Objective</b>	<b>Day-to-Day Interaction</b>	<b>Compliance Review Objective</b>
<p>8. Monitoring of Owner's Follow-up Efforts on Discrepancies Identified as a Result of Tenant Income Matching Initiatives</p>	<p>Ensure that CAs follow-up on owner efforts to reconcile discrepancies and that CAs report all of their efforts/findings on a monthly basis.</p>	<p>CAOM will review the CA's invoice to ensure thoroughness and timeliness of the process;</p> <p>CAOM will track the flow of information from REAC to owner/management agent to the CA to ensure that CA is reviewing owner/management agent action in an appropriate time frame.</p> <p>CAOM will compare CA monthly invoices with reports sent to CAOM to ensure that all properties are being reported and monitored correctly;</p> <p>CAOM will use HUD systems to identify projects that have been identified by REAC as having residents with income matching discrepancies. CAOM will use this information to confirm thorough CA performance of tenant income verification.</p>	<p>In the <i>Transitional Phase</i> of Contract Administration oversight, PM will provide day-to-day support to CAs.</p>	<p>Review Team will review at least 10% of property files including those properties with reported problems.</p> <p>Review Team will perform a random sample of property files to ensure reporting was conducted as stated in the monthly invoice.</p>





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<p>9. Life Threatening Health and Safety Issues and 10. Non-life Threatening Health and Safety Issues</p>	<p>Ensure CA is responding to all life threatening health and safety issues within one hour after notification and responding to all non life threatening health and safety issues within two business days of being reported;</p> <p>Ensure that CA is maintaining a tracking system for inquiries. The log will contain a short summary of CA follow up, which is submitted to HUD on a monthly basis with invoices;</p> <p>Ensure CA notifies owners of all concerns and determine appropriate corrective actions; Ensure CA monitors owners' responses to concerns and implementation of corrective actions;</p>	<p>CAOM will review monthly resident inquiry log which is submitted with the invoice, documenting type of activity, date of receipt and actions taken by the CA. ;</p>	<p>In the <i>Transitional Phase</i> of Contract Administration Oversight, PM will provide day-to-day support to CAs;</p> <p>During the <i>Full Implementation Phase</i>, PM will provide ongoing support to CAs for resident and community inquiry process. At any point in time, CAs will be able to contact the PM for assistance with resident and community inquiry process.</p>	<p>Review Team will review all property files related to properties where complaints have gone to HUD due to CA non-responsiveness. If necessary interview owners, residents and other third parties regarding inquiries;</p> <p>Review Team will conduct a random sample of files to compare notes to file and correspondence and monthly entries into resident inquiry log;</p> <p>Review Team will conduct thorough review of CA's internal resident and community inquiry response protocol to assess CA's capacity in this process, and to ensure CA is operating in accordance with HUD guidelines and regulations.</p>
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<p>11. Section 8 Budgets, Requisitions, Revisions and 12. Year-End Statement</p>	<p>Ensure CA correctly prepares budgets and submits requisitions and revisions to LOCCS;</p> <p>Ensure CA prepares annual budget and submits requisition to LOCCS 90 calendar days prior to the beginning of the CA's fiscal year.</p> <p>Ensure that CA performs a monthly comparison of HAP payments to owners and monthly ACC partial payments from HUD so that overpayments/underpayments are identified in a timely manner;</p> <p>Ensure that CA prepares a revised budget and submits a revised requisition to LOCCS when monthly comparison indicates that ACC payments will exceed HAP payments by more than 5% cumulatively for the CA fiscal year;</p> <p>Ensure that CA submits a Year-End Statement to LOCCS within 45 calendar days of the fiscal year end.</p>	<p>CAOM will review and approve Section 8 Budgets and Requisitions</p> <p>CAOM will compare LOCCS disbursements to the CA's Electronic Funds Transfer request to the bank to ensure that funds are being correctly disbursed.</p>	<p>In the <i>Transitional Phase</i> of Contract Administration oversight, PM will provide day-to-day support to CAs;</p> <p>During <i>Full Implementation Phase</i>, PM will provide ongoing support to CAs for budgets/requisitions/revisions/year-end settlements. At any point in time, CAs will be able to contact the PM for assistance.</p>	<p>Review Team will identify any problems relating to the timely submission of Budget/Requisition requests;</p> <p>Review Team will review a sample of all property files related to reported problems in past year to help identify CA development needs related to performance in the budgets/requisitions/revisions/year-end settlements;</p> <p>Review Team will review the CA's internal guidance relating to the processing of budgets/requisitions/revisions/year-end settlements;</p>
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<p>13. Contract Administrators Audit</p>	<p>Ensure that the CA submits annual audit to the CAOM in a timely manner;</p> <p>For applicable CAs, ensure that CA is in compliance with the requirements of OMB Circular A-133;</p> <p>Verify CA's expenditures of HAP funds.</p>	<p>Verify CA's submission date of quarterly accounting ledgers denoting HAP receipts and payments (unaudited) and audited financial statements..</p>	<p>CAOM will provide assistance to CAs as needed;</p> <p>CAOM will follow up on any discrepancies identified during the review.</p>	<p>Review Team will review audit files to assure reports are submitted within the required timeframes;</p> <p>Review Team will verify any reported audit findings have been corrected;</p>
<p>14. Renewals of Expiring Section 8 Contracts</p>	<p>Ensure contracts are renewed, executed and distributed in accordance with HUD guidelines; Ensure that the CA verified that the owner complied with all necessary notification requirements;</p> <p>Ensure contracts are renewed at correct rent levels;</p> <p>Ensure contracts are renewed in a timely manner, with 90% of HAP contracts executed and provided to HUD at least 60 calendar days prior to expiration of the contract.</p>	<p>Upon receipt of monthly invoice from CAs, CAOM will use existing systems to verify that contracts have been renewed in a timely manner and in accordance with HUD guidelines.</p> <p>Verify REMS input.</p>	<p>In the <i>Transitional Phase</i> of Contract Administration oversight, PM will provide day-to-day support to CAs.</p> <p>In the <i>Transitional Phase</i> of Contract Administration oversight, PM will review at least 10% of contract renewals. This review is intended to share knowledge about the contract renewal process;</p> <p>PM reviews CA's work prior to final contract being sent to HUD, as necessary. PM will participate in conference call with CA if needed, to provide additional guidance to CAs regarding contract renewals;</p> <p>During <i>Full Implementation Phase</i>, PM will provide ongoing support to CAs for contract renewals.</p>	<p>Review Team will review at least 10% of contract renewals, including those where problems have been identified during the year;</p> <p>Review Team will review all property files to ensure renewals have been conducted correctly;</p> <p>Review Team will perform a random sample of property files to:</p> <p>Ensure REMS reporting was accurate;</p> <p>Ensure basic and incentive fee payments were reflective of actual performance and timing.</p>



<p>14a. Combining Contracts</p>	<p>Ensure contracts are combined in accordance with HUD regulations.</p>	<p>Verify REMS input.</p>	<p>In the <i>Transitional Phase</i> of Contract Administration oversight, PM will provide day-to-day support to CAs;</p> <p>During <i>Full Implementation Phase</i>, PM will provide ongoing support to CAs for contract combinations. At any point in time, CAs will be able to contact PM for assistance with contract combinations.</p>	<p>Review team will review 10% of all contracts which have been combined to identify CA development needs related to performance in the contract combination process.</p>
<p>14b. Mark-to-Market</p>	<p>Mitigate conflict of interest risks in cases where CAs are also a PAEs;</p> <p>Ensure that owner requests for participation in Mark-to-Market program are processed in accordance with HUD regulations.</p>	<p>Review REMS to ensure that the CA has updated REMS until OMHAR has completed its processing of the owner's request.;</p>	<p>In cases in which the CA is also a PAE the SPM/PM will receive a copy of the owner request in addition to the CA's recommendation of referral to OHMAR. SPM/PM will conduct independent review of owner's request to ensure appropriateness of referral to OHMAR prior to submission to OMHAR;</p> <p>In the <i>Transitional Phase</i> of Contract Administration oversight, PM will assist with Mark-to-Market referrals if needed.</p>	<p>Review Team will review a random sample of all property files related to problems reported by OHMAR in past year to help identify CA development needs related to performance in the Mark-to-Market referral process.</p>



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<p>14c. Mark-up-to-Market</p>	<p>Ensure that owner requests for participation in Mark-Up-to-Market program are processed in accordance with HUD regulations.</p>	<p>Ensure that CA has updated REMS, initiated a contract renewal, input information into ARAMS if applicable and ordered a rent comparability study if applicable.</p>	<p>SPM/PM will review a copy of appraiser's rent comparability study completed for Mark-Up-to Market request to ensure reasonableness;</p> <p>SPM/PM will review final rents as determined by the CA. Hub/PC will compare final rent levels with rent comparability study to ensure accuracy in the process.</p>	<p>Review Team will conduct random file reviews to ensure accurate processing of Mark-Up-to-Market requests.</p>
<p>15. General Reporting Requirements</p>	<p>Ensure that CA submits all reports in a timely manner.</p>	<p>CAOM receives monthly, quarterly and annual reports and logs them in upon receipt;</p> <p>CAOM reviews the reports for quality and timely submission.</p>	<p>CAOM will provide support to the CA if assistance is needed regarding reporting requirements.</p>	<p>Review Team will review a sample of all property files to ensure that that information in the files is consistent with that provided in the monthly, quarterly and annual reports.</p>



<p>16. Monitoring of Physical Inspection Results</p>	<p>Ensure CA follows-up with owner on violations and corrective actions needed and assists owner with the establishment of a reasonable time frame in which to correct violations;</p> <p>Ensure CA works with owners to eliminate deficiencies;</p> <p>Ensure CA takes the necessary action, such as abatement of Section 8 units, when owner fails to correct violations within designated time period;</p> <p>Ensure CA notifies jurisdictional Hub/PC of abatement of payments and specific reasons for the action;</p> <p>Ensure CA notifies Hub/PC of owner follow-up on a MIO plan on a monthly basis;</p> <p>Ensure CA notifies Hub/PC of completion of required actions;</p> <p>Ensure CA takes legal action as directed by HUD for enforcement of the HAP contract.</p>	<p>CAOM will review the CA's monthly log or data in REMS for Physical Inspection follow-up actions to verify that follow-up has occurred in a timely manner;</p> <p>On a monthly basis, CAOM will compare CA's log or information in REMS, to the date of REAC reporting notification to determine performance compliance in order to calculate the invoice payment amount.</p>	<p>In the <i>Transitional Phase</i> of Contract Administration oversight, PM provide day-to-day support to CAs. PM will assist with the Physical Inspection Follow-up process, as applicable. CA submits to the SPM/PM written memos outlining follow-up actions taken in the first five instances of properties with PI scores below 60.</p> <p>During the <i>Full Implementation Phase</i>, PM will provide ongoing support to CAs for Physical Inspection Follow-up.</p>	<p>Review Team will review a sample of all property files related to reported problems in past year to help identify CA development needs related to performance in the physical inspection follow-up process;</p>
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For all of these reviews, HUD staff will keep carefully detailed records of the files reviewed, any discrepancies identified in the invoice review, and any correspondence with the CA. This will enable HUD to maintain a thorough administrative record.



**C MONITORING RESPONSIBILITIES AND STAFFING ALLOCATION**

The following table outlines the HUD personnel and duties involved in oversight for each of the core business processes in the program. HUD personnel will document all reviews and approvals using internal logs. The logs will include the staff member who conducted the review as well as the staff member(s) issuing the approval in the case of tasks requiring approvals. Any problems or discrepancies noted in the review should be recorded for HUD’s files.

<b>Event</b>		<b>Responsible Party and Duties</b>			
<b>Mega-Process</b>	<b>Process Action</b>	<b>Project Manager (PM)</b>	<b>Supervisory Project Manager (SPM)</b>	<b>Contract Administrator Oversight Monitor (CAOM)</b>	<b>Hub Director</b>
<b>IBPS # 1&amp;2 Management Review and Document Owner Section 8 Compliance</b>	CA performs management review and performs appropriate follow-up.	During the Transitional Phase, the PM reviews at least 10% of management reviews and FHEO reports to ensure quality. Provides review results to the SPM.	Manages PM’s review of CA’s management reviews.  Provides review results to the CAOM.	Oversees the review of the CA’s management review process. Responsible for any related contracting issues.	
		Reviews copies of all management reviews with below average and unsatisfactory scores.  Provides assistance to the CA on a day-to-day basis.	Receives copies of all below average and unsatisfactory management reviews.  Manages PM’s day-to-day contact with the CA. Refers any contracting issues to the CAOM.	Addresses any contracting issues that arise from the PM’s day-to-day contact with the CA.	
		May assist with review of invoice data.	May assist with review of invoice data. Provides monthly report to the CAOM.	Responsible for review of monthly invoice submitted by the CA.	Approves final invoice amount.



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<b>Event</b>		<b>Responsible Party and Duties</b>			
<b>Mega-Process</b>	<b>Process Action</b>	<b>Project Manager (PM)</b>	<b>Supervisory Project Manager (SPM)</b>	<b>Contract Administrator Oversight Monitor (CAOM)</b>	<b>Hub Director</b>
<b>IBPS #3 AAF/OCAF Rental Adjustments</b>	CA reviews and processes rental adjustments.	Reviews at least 10% of AAF/OCAF rental adjustments during Transitional Phase to ensure quality.  Provides review results to the SPM.	Manages PM's day-to-day contact with the CA. Refers any contracting issues to the CAOM.  Provides review results to the CAOM.	Addresses any contracting issues that arise from the PM's day-to-day contact with the CA.	
<b>IBPS #3 Budget Based and Special Adjustments</b>	CA processes and approves budget based rental adjustments that do not exceed the 5% threshold.  CA processes and approves special rental adjustments that do not exceed the 5% threshold.	Reviews and approves or disapproves all budget based and special rental adjustments that exceed 5% threshold.	Manages PM's day-to-day contact with the CA. Refers any contracting issues to the CAOM.	Addresses any contracting issues that arise from the PM's day-to-day contact with the CA.	
<b>IBPS #3 All Rental Adjustments</b>		May assist with review of invoice data.	May assist with review of invoice data. Provides monthly report to the CAOM.	Responsible for review of monthly invoice submitted by the CA.	Approves final invoice amount.
<b>IBPS # 4 &amp; 5 Contract Opt-Out or Termination</b>	CA processes opt-outs and terminations.	Advises CA on opt-out/termination protocol.	Manages PM's day-to-day contact with the CA. Refers any contracting issues to the CAOM.	Addresses any contracting issues that arise from the PM's day-to-day contact with the CA.	





<b>Event</b>		<b>Responsible Party and Duties</b>			
<b>Mega-Process</b>	<b>Process Action</b>	<b>Project Manager (PM)</b>	<b>Supervisory Project Manager (SPM)</b>	<b>Contract Administrator Oversight Monitor (CAOM)</b>	<b>Hub Director</b>
		<p>During the Transitional Phase, reviews the first opt-out and the first termination processed by the CA. This is done to ensure the quality of the process.</p> <p>Provides review results to the SPM.</p>	<p>Manages PM's day-to-day contact with the CA. Refers any contracting issues to the CAOM.</p>	<p>Addresses any contracting issues that arise from the PM's day-to-day contact with the CA.</p>	
		<p>May assist with review of invoice data.</p>	<p>May assist with review of invoice data. Provides monthly report to the CAOM.</p>	<p>Responsible for review of monthly invoice submitted by the CA.</p>	<p>Approves final invoice amount.</p>
	<p>CA recommends a termination.</p>	<p>Reviews recommendation, refers to the SPM.</p>	<p>Reviews recommendation for compliance with HUD guidelines.</p>	<p>Reviews recommendation and refers to Hub Director.</p>	<p>Reviews recommendation and recommends termination to HQ.</p>
<b>IBPS # 6 &amp; 7 Voucher Processing</b>	<p>CA processes vouchers from owners.</p>	<p>Transitional Phase – Reviews at least 10% of vouchers processed to ensure quality.</p> <p>Reviews the first five special claim processed by the CA.</p> <p>Provides review results to the SPM.</p> <p>Provides day-to-day support to the CA.</p>	<p>Manages the PM's voucher processing assistance and review.</p>	<p>Oversees the PM's contact with the CA. Responsible for any contracting issues.</p>	



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<b>Event</b>		<b>Responsible Party and Duties</b>			
<b>Mega-Process</b>	<b>Process Action</b>	<b>Project Manager (PM)</b>	<b>Supervisory Project Manager (SPM)</b>	<b>Contract Administrator Oversight Monitor (CAOM)</b>	<b>Hub Director</b>
		May assist with review of invoice data.	May assist with review of invoice data. Provides monthly report to the CAOM.	Responsible for review of monthly invoice submitted by the CA.	Approves final invoice amount.
<b>IBPS # 8 Tenant Income Verification</b>	CA follows up on any discrepancies identified by REAC during tenant income verification process.	<p>Transitional Phase – Reviews CA’s written memos outlining follow-up actions taken in the first five instances of tenant income discrepancies as identified under REAC’s TIV initiative.</p> <p>Provides results of the review to the SPM.</p> <p>Provides day-to-day assistance to the CA.</p>	<p>Manages PM’s contact with the CA. Refers contracting issues to the CAOM.</p> <p>Provides review results to the CAOM.</p>	Oversees PM’s contact with CA. Responsible for contracting issues.	
		May assist with review of invoice data.	May assist with review of invoice data. Provides monthly report to the CAOM.	Responsible for review of monthly invoice submitted by the CA.	Approves final invoice amount.
<b>IBPS # 9&amp; 10 Resident and Community Inquiries</b>	CA receives and processes all resident and community inquiries.	Provides assistance to the CA regarding resident and community inquiries.	Manages PM’s contact with the CA. Refers contracting issues to the CAOM.	Responsible for contracting issues.	
		May assist with review of invoice data.	May assist with review of invoice data. Provides monthly report to the CAOM.	Responsible for review of monthly invoice submitted by the CA.	Approves final invoice amount.



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<b>IBPS # 11 Budgets &amp; Requisitions, revisions</b>	CA prepares annual budget and submits requisitions and revisions to LOCCS.	May assist the CAOM with the review process.	Manages PM's contact with the CA. Refers contracting issues to the CAOM.	Reviews and approves the requisitions and revisions.  Oversees PM's contact with the CA. Responsible for contracting issues.	
		May assist with review of invoice data.	May assist with review of invoice data. Provides monthly report to the CAOM.	Responsible for review of monthly invoice submitted by the CA.	Approves final invoice amount.
<b>IBPS # 12 Year-End Statement</b>	CA submits year-end statements to LOCCS.	May assist the CAOM with the review of invoice data.	Manages PM's contact with the CA. Refers contracting issues to the CAOM.	Reviews and approves the Year-End Statement.	Approves final invoice amount.
<b>IBPS# 13 Public Housing Agency Audit</b>	CA submits annual unaudited and or audited statement, as applicable.			Reviews the unaudited and audited statements, as applicable.	Approves final invoice amount.
<b>IBPS # 14 Contract Renewals ( also see IBPS #3 – Rental Adjustments)</b>	CA reviews and completes contract renewal request.	Provides guidance to the CA during contract renewal process.  Transitional Phase – Reviews at least 10% of contract renewals to ensure quality.  Provides review results to the SPM.	Manages PM's contact with CA and review of documents.	Oversees PM's contact with the CA. Responsible for contracting issues.	
		May assist with review of invoice data.	May assist with review of invoice data. Provides monthly report to the CAOM.	Responsible for review of monthly invoice submitted by the CA.	Approves final invoice amount.



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<b>IBPS # 14 Combining Contracts</b>	CA reviews contract combination request and performs necessary actions.	Reviews and approves or disapproves at least 10% of combined contracts during the Transitional Phase.  Provides review results to the SPM.	Manages PM's review of CA's work.  Provides review results to the CAOM.	Responsible for contracting issues.	
<b>IBPS #14 Mark-To-Market</b>	CA makes recommendation to refer project to Mark-To-Market program and sends recommendation to HUD.	Reviews all Mark-to-Market Referrals.  Provides review results to the SPM.  Provides day-to-day processing assistance.  If CA is also a PAE, refer to SPM for additional review.	Oversees PM's contact with CA.  Provides review results to the CAOM.  Review Mark-to-Market referral if CA is also a PAE.	Responsible for contracting issues.	
<b>IBPS #14 Mark-Up-To-Market</b>	If a waiver is being requested by the CA.	Refers request for waiver to SPM.	Reviews written recommendation for waiver from CA.	Reviews written recommendation for waiver from CA and SPM.	Reviews written recommendation for waiver and submits recommendation to Multifamily HQ.
		May assist with review of invoice data.	May assist with review of invoice data. Provides monthly report to the CAOM.	Responsible for review of monthly invoice submitted by the CA.	Approves final invoice amount.
<b>IBPS #15 General Reporting Requirements</b>	CA submits monthly, quarterly and annual reports.	May assist with review of invoice data.	May assist with review of invoice data.	Maintains a log of reports received monthly.  Responsible for review of monthly invoice submitted by the CA.	Approves final invoice amount.



<p><b>IBPS # 16 Physical Inspection Follow-Up</b></p>	<p>CA monitors owner actions following physical inspection and ensures compliance with appropriate HUD guidance on physical inspections.</p>	<p>Transitional Phase – Reviews CA’s written memos outlining follow-up actions taken in the first five instances of properties with PI scores below 60.  Provides review results to the SPM.  Provides day-to-day assistance to the CA.</p>	<p>Manages PM’s contact with the CA. Refers contracting issues to the CAOM.  Provides review results to the CAOM.</p>	<p>Oversees PM’s contact with CA. Responsible for contracting issues.</p>	
		<p>May assist with review of invoice data.</p>	<p>May assist with review of invoice data. Provides monthly report to the CAOM.</p>	<p>Responsible for review of monthly invoice submitted by the CA.</p>	<p>Approves final invoice amount.</p>

**D CONTRACT ADMINISTRATOR CERTIFICATIONS**

In addition to the monthly invoice reporting requirements, the CA must also submit two monthly certifications and one annual certification. Section 3.11 of the RFP specifies that quality control activities and any administrative actions that could affect the contract should be addressed as part of the monthly reporting requirements. The purpose of the certifications is to enable HUD staff to verify that internal CA processes support the ACC requirements.

*STAFFING*

The first certification indicates any staffing turnover that has occurred during the previous month. It will also outline the training that has been provided to any new members of staff. This report will be sent directly to the CAOM for review and approval. This certification is designed to mitigate risks associated with staffing turnovers. The inherent risk of not monitoring the CA’s staff turnover is that the CA will lack employees with adequate training and knowledge of the program who will be unable to manage and implement the program successfully.

If the CAOM observes a high turnover rate he/she may initiate a targeted review in order to investigate the cause. Additionally, if the training for new members of staff appears to be inadequate, or there has been a decrease in the CA’s level of performance over time, the



CAOM may initiate a targeted review. During the annual compliance review the CAOM and the review team will review the CA's staffing files and training plans to ensure that they are supportive of the information in the monthly certifications.

### *FINANCIAL MANAGEMENT*

The purpose of the financial management certification is twofold: firstly, it serves to support the Budget, Requisition and Revision IBPS and its goal of verifying the use of funds and, secondly, it is a means of verifying the CA's enforcement of HAP requirements.

Under the ACC, the CA is required to review monthly requisitions to determine whether an overpayment in excess of 5% has been received. In order to verify the CA's internal accounting procedures, the CAOM will receive a monthly certification of funds received by the CA from LOCCS and funds paid out to owners by the CA. The certification is meant to ensure that the CA's accounting department is carefully tracking the HAP funds. Any variances between those two amounts will be explained in the certification. HUD will verify this information during the annual compliance review and may use significant discrepancies from month to month as the basis for a targeted review. This certification is designed to allow the CAOM to track the use of funds on the monthly basis.

Variances between the amount received from LOCCS and the amount paid out to owners may be caused by a variety of factors including but not limited to resident move-in and outs, rental adjustment and income discrepancy reconciliation. If the CA is strictly enforcing resident certification requirements, variances could be caused by the reconciliation of income discrepancies and adjustments to subsidy amounts. If the CA is not diligently tracking payments and changes at the properties, variances could be caused by poor accounting practices. In all cases variances should be explained in the monthly certification. Unexplained monthly variances may be the basis for a targeted review.

As part of the annual compliance review, the CAOM and the review team will review the CA's accounting procedures and protocols to ensure that the HAP funds are being used correctly and that the CA is holding no unnecessary surpluses.

### *CONFLICTS OF INTEREST*

Paragraph 14 of the ACC, the CA is required to disclose any potential conflicts of interest. This disclosure will take the form of an annual certification to be submitted with the CA's work plan. Any subsequent occurrences that may impact the validity of the information in the certification must be disclosed in a monthly report. HUD may grant a waiver or refuse the CA the right to administer particular contracts



where conflicts of interest are deemed to exist.

All CA board members will be required to sign a certification upon joining the board and these certifications will be reviewed as part of the compliance review.

*PREVIOUS PARTICIPATION CERTIFICATION*

On an annual basis the CA will be required to submit a Previous Participation Certification, HUD Form 2530. This process will provide HUD with the ability to verify that the board members originally approved to participate in the initiative remain in good standing with the Department. This certification will also include any new members that were not approved at the time the last certification was submitted.



## **VII CONTINUOUS MONITORING RESOURCES: INVOICING AND SYSTEMS REPORTS**

This section addresses the tools that will be used by HUD personnel to monitor and oversee CA performance. CA invoices, supporting documentation, monthly reports and HUD's automated systems reports will be the primary tools that HUD uses to monitor and evaluate CA performance. This section is subject to change based on modifications to the invoice format and to systems capabilities.

### **A INVOICING**

#### *1. PERFORMANCE BASED CONTRACTING*

HUD will use Performance-Based Service Contracting (PBSC) to evaluate work performed under the ACC. PBSC is based on the development of a performance work statement, which defines the work in measurable, mission-related terms with established performance standards and review methods for quality assurance. Hub/PC personnel will use the monthly invoice submitted by the CA to measure work performance and ensure that work performance corresponds to the contractual requirements and incentive based performance (IBPS) standards outlined in the ACC.

#### *2 PAYMENT COMPONENTS*

In return for services rendered, HUD pays each CA an administrative fee. The Administrative Fee is paid monthly and is the sum of the basic fee plus incentive fees, as applicable.

**Basic Fee** – The basic fee is the agreed upon fee per unit per month. HUD pays the basic fee to the CA for each covered unit under the HAP contract as of the first day of each month during the ACC term. HUD pays the basic fee for the performance of tasks described in Section 4.8 of the Exhibit A of the ACC, Performance Requirements Summary, and in accordance with the CA's annual work plan. Such performance is indicated by monthly invoices and validated through HUD's quality assurance review. The total amount of the maximum basic fee will vary each month depending on the total number of covered units at the beginning of each month. Of that total, HUD has allocated each task to be performed a certain percentage of the total fee available.

The basic fee is calculated using the two bedroom fair market rent (FMR) for every unit in the covered state, multiplied by the number of





units corresponding to that FMR area. The sum of all FMR calculations are multiplied by the agreed upon base fee percentage to arrive at the maximum base fee for the month. This percentage will range from 1% to 2%. For example, if the FMR for a covered unit was \$400 and the CA had a proposed price of 1.7%, then the basic fee for each covered unit would be \$6.80. If the inventory contained 10,000 covered units as of the first of the month, then the total basic fee available for that month would be \$68,000.

**Incentive Fee** – An additional fee beyond the basic fee that the CA may earn. HUD will pay an additional payment to the CA for performance on specified tasks stated in Section 3 of Exhibit A of the ACC that exceeds HUD acceptable quality level (AQL) for the Incentive Based Performance Standard (IBPS) associated with each task. Each task which has an incentive applied to it also has a specified percentage of the pool that applies to that task. The amount of the incentive fee payable to the CA is determined by HUD based on HUD’s evaluation of the CA’s performance in administration of covered units. The amount of the incentive fee per unit per month may not exceed the maximum incentive fee stated in the ACC.

The incentive fee is calculated in a manner similar to that of the basic fee using the two bedroom FMRs for the state. The incentive fee is a fixed 1% of the FMR. Using the example from the basic fee description above, if the FMR is \$400, the incentive fee percentage is 1%, and there are 10,000 covered units, the available incentive pool would be \$40,000 for that month.

**Disincentive** – Deductions levied against the base fee for performance that falls below the AQL. The ACC states the disincentive for each Statement of Work task. A penalty is specified for each IBPS as a percentage of the basic fee amount.

**Earned Basic Fee** – The basic fee amount per unit per month for each IBPS task minus all applicable disincentive fees for any such IBPS task.

### *3 INVOICE REVIEW AND EVALUATION*

HUD determines the amount of the earned basic fee for each CA per unit per month by review of the data submitted in the monthly invoice and applicable supporting documentation. HUD determines the amount of the incentive fee earned by the CA per unit per month by reviewing the supporting data submitted with the invoice. Monthly, HUD reviews the CA’s performance in conjunction with the IBPS tasks to determine the earned basic fee by calculating a “percentage completed” for each IBPS task.



*Fee Payment*

Each month, the CA shall determine the number of eligible units that were being managed as of the 1<sup>st</sup> day of the month. The CA shall then apply the accepted basic fee percentage to the number of covered units to establish the total available basic fee and the 1% to determine the amount of the incentive fee pool for that month.

*Payment of the Basic Fee*

For tasks that are indicated as being paid annually, the CA shall apply the percentage of the IBPS factor to the monthly payment and deduct that from the total available fee. The CA shall then determine their compliance with the acceptable quality levels established in the ACC for tasks to be paid monthly and apply any appropriate reductions to the available fee. The CA will invoice HUD by the 10<sup>th</sup> business day of each month for the basic fee earned for the month. IBPS core tasks that are submitted annually will have the monthly amounts pooled and made available when the AQL has been met. Each invoice shall be fully supported by documentation of the CA's achievements relating to the required AQL of each IBPS factor. In the event that subsequent HUD quality assurance reviews determine that the CA did not meet the AQL established, HUD may adjust the payments of subsequent invoices to reflect the amounts that should have been withheld.

*Payment of the Incentive Fee*

HUD will pay the incentive fee on a quarterly basis. HUD will base the amount of the incentive fee on the CA's performance against the IBPS.

HUD will review the CA's performance relative to its annual work plan and progress reported in the monthly invoices for the applicable quarter. Any discrepancies noted by HUD on the invoice for the incentive fee will result in an adjustment of the invoice amount to reflect the results of the review. The CAOM is responsible for the review of the invoice and may be assisted by the SPM and the PM. Once the CAOM has determined the amount of the invoice to be paid, the invoice is referred to the Hub Director for final approval. Both the CAOM's review and the Hub Director's final approval will be documented in HUD's files.

**B. SYSTEMS REPORTS**

The primary systems that the CA will use to record performance and that the CAOM will use to review CA performance are REMS, TRACS and LOCCS. The CAOM will use reports generated by these systems to support the invoice review process wherever possible. As



all systems may not be ready at the time of program implementation, CAs may submit manual logs outlining their activities until such time that the systems are ready.

The table below presents the Incentive Based Performance Standards, the manual and system input requirements for each task, the CAOM's review process and the payment schedule. HUD will measure the CA's satisfactory completion of each element discussed below as the performance standard to determine the CA's earned Administrative and Incentive Fees as stated on the invoice. All logs and supporting documentation will be for the specific invoice reporting period.



**INCENTIVE BASED PERFORMANCE STANDARDS**

<b>IBPS # &amp; AQL</b>	<b>Manual Inputs</b>	<b>Systems Inputs and Changes to Systems</b>	<b>CAOM Review Process</b>	<b>Payment Schedule</b>
<p><b>1. Management and occupancy reviews</b> – Each month, 95% of required reports and data are submitted to HUD on time (within 30 calendar days after scheduled completion of the M&amp;O review).</p>	<p>REMS has the existing fields into which the CA may input this information. No system modifications are necessary.</p>	<p>CA is given edit rights to the Management Review screen, the management review screen is given an additional pull down menu to indicate who did the review – HUD staff or the Contract Administrator. An additional item is added to the review type pull down – “Management, Occupancy and FHEO review.”</p>	<p>Copies of all reviews for properties with a score unsatisfactory or below average are required to be sent to HUD. For all others, verification of CA input into REMS is sufficient.</p> <p>CAOM will compare invoice information with supporting documentation and information in REMS..</p>	<p>Submitted Monthly.</p> <p>Basic Fee Paid Monthly</p> <p>Incentive Fee Paid Quarterly</p>
<p><b>2. Document Section 8 Owner Compliance</b> – Each month, 95% of required civil rights compliance reports are submitted to HUD on time (within 30 calendar days after M&amp;O review completion).</p>	<p>A manual log will be submitted indicating the property name and the date that the FHEO report was sent to FHEO field office.</p>	<p>A Contract Administrator Project action in REMS – input date CA submitted FHEO report to HUD. .</p>	<p>FHEO reports to be sent to HUD (FHEO) within 30 days of completion – this is to be verified through REMS reporting and CA logs by the CAOM.</p> <p>CAOM will compare invoice information with supporting documentation and information in REMS.</p>	<p>Submitted Monthly.</p> <p>Basic Fee Paid Monthly</p> <p>Incentive Fee Paid Quarterly</p>
<p><b>3. Processing Rental Adjustments</b> – Each month, 100% of owner requests for rent adjustments are correctly processed, within 30 calendar days of receipt of owner’s request or on the anniversary date of the contract for AAFs.</p>	<p>CA submits a log with the date of the owner’s request for a rental adjustment was received, date sent to HUD for approval if the request exceeds the 5% threshold and the date the owner was notified.</p>	<p>A Contract Administrator Project action in REMS – input date CA received rent request from owner and forwarded reviewed package to HUD.</p>	<p>All budget-based and special adjustments that exceed the 5% threshold are to be sent to HUD for approval.</p> <p>CAOM will verify timing of all adjustments through REMS reporting and HUD internal log reflecting review and approval and compare with invoice.</p>	<p>Submitted Monthly.</p> <p>Basic Fee Paid Monthly</p>



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<b>IBPS # &amp; AQL</b>	<b>Manual Inputs</b>	<b>Systems Inputs and Changes to Systems</b>	<b>CAOM Review Process</b>	<b>Payment Schedule</b>
<p><b>4. Opt-Out and Contract Termination</b> – Each month, 100% of opt-out or termination notices are provided to HUD within one business day of notice by owner or the CA if a decision to terminate had been made.</p>	<p>CA submits a log that includes the date HUD was notified of the opt-out or termination decision.</p>	<p>A Contract Administrator Project action in REMS – input date CA received 120 day opt-out notice from owner and forwarded to HUD.</p> <p>A Contract Administrator Project action in REMS – input date CA processed termination notice and forwarded to HUD.</p>	<p>The 120 day opt-out notice is to be faxed to the SPM and the Hub Director. Notice of recommendation to terminate a contract is also to be sent to the SPM and the Hub Director.</p> <p>To be verified by the CAOM through REMS reporting and internal HUD logs reflecting receipt of notification and compared to the invoice.</p>	<p>Submitted Monthly.</p> <p>Basic Fee Paid Monthly</p>
<p><b>5. Provide Resident Data to HUD</b> – 100% of complete resident data is provided to jurisdictional HUD office 90 calendar days prior to contract expiration or termination.</p>	<p>As part of the above log, CA includes date that resident data was provided to HUD.</p>	<p>A Contract Administrator Project action in REMS – input date CA provided opt-out or termination resident data to HUD.</p>	<p>CAOM monitors through REMS date reports reflecting receipt of information, and compared to the information included in the invoice.</p>	<p>Submitted Monthly.</p> <p>Basic Fee Paid Monthly.</p> <p>Incentive Fee Paid Quarterly.</p>
<p><b>6. Review, verify and authorize monthly Section 8 vouchers</b> – 100% of monthly vouchers are processed to ensure the monthly payment to the owner is sent no earlier than the first calendar day of the month or no later than the first business day of the month.</p>	<p>CA will submit a log or copy of the EFT transmittal that provides the contract number, amount of payment and the date of payment to the owners.</p>	<p>Voucher information is transmitted to TRACS.</p> <p>LOCCS transmits monthly ACC payments to the CA.</p> <p>CA sends bank Electronic Funds Transfer (EFT) request for payments made to owners to the CAOM.</p>	<p>CAOM reviews LOCCS payment report and checks it against the CA's EFT transmittal to the bank to verify payments to owners.</p>	<p>Submitted Monthly.</p> <p>Basic Fee Paid Monthly</p>



<b>IBPS # &amp; AQL</b>	<b>Manual Inputs</b>	<b>Systems Inputs and Changes to Systems</b>	<b>CAOM Review Process</b>	<b>Payment Schedule</b>
<p><b>7. Notification of Corrective Actions</b> – 100% of cases requiring corrective action, CA notifies HUD of such action within 10 calendar days after CA verification and certification of the voucher.</p> <p>In 100% of overpayments, CA resolves overpayment issue within 30 calendar days after CA verification and certification of voucher.</p>	<p>CA sends corrective action logs to the CAOM.</p>		<p>CAOM compares logs to information submitted on the invoice.</p>	<p>Submitted Monthly.</p> <p>Basic Fee Paid Monthly</p>
<p><b>8. Monitoring of owner's follow-up efforts on discrepancies identified as a result of tenant income matching initiatives</b> – 100% of households identified through tenant income matching discrepancies are monitored and reported to HUD by the tenth business day of each month.</p>	<p>CA will submit a log of follow-up actions taken for each resident reported under this initiative, name of the resident, date reported and date resolved.</p>	<p>Based on the protocol for reporting established by REAC.</p>	<p>CAOM will compare CA log with the information submitted on the invoice and reporting provided by REAC.</p>	<p>Submitted Monthly.</p> <p>Basic Fee Paid Monthly</p>
<p><b>9. Life Threatening Health &amp; Safety Issues</b> – 100% of initial CA responses to life threatening health and safety issues (notice to owner or other appropriate initial CA response) are completed within one hour after the CA knows about the issue.</p>	<p>CA submits a log of resident concerns or can include the information in the monthly hot topic report. Log or report should contain the name of the property, resident, area of concern and actions taken to resolve the problem.</p>	<p>A Contract Administrator Project action in REMS – input date CA received notification of LTH&amp;S and notified owner.</p>	<p>CAOM will review the logs and and REMS reports. Information on the invoice will be compared with the REMS reports.</p>	<p>Submitted Monthly.</p> <p>Basic Fee Paid Monthly</p>



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<b>IBPS # &amp; AQL</b>	<b>Manual Inputs</b>	<b>Systems Inputs and Changes to Systems</b>	<b>CAOM Review Process</b>	<b>Payment Schedule</b>
10. <b>Non-life Threatening Health &amp; Safety Issues</b> – CA responds to 100% of all non-life threatening health and safety inquiries and complaints within two business days and follows up every two weeks until final resolution.	CA submits a log of resident concerns or can include the information in the monthly hot topic report. Log or report should contain the name of the property, resident, area of concern and actions taken to resolve the problem.	A Contract Administrator Project action in REMS – input date CA received notification of NLTH&S and notified owner.  A Contract Administrator Project action in REMS – input date of CA follow-up on NLTH&S with owner.	CAOM will review the logs and REMS reports. Information on the invoice will be compared with the REMS reports.	Submitted Monthly.  Basic Fee Paid Monthly
11. <b>Section 8 Budgets, Requisitions, Revisions</b> – 100% of all Budget are prepared & Annual Requisitions are entered into LOCCS for each HAP contract HUD 90 calendar days prior to the beginning of CA's FY. 100% of Revised Budgets are prepared and Annual Requisitions are revised in LOCCS to reduce future payments by the first day of the month after identification of overpayments.	See box to the right	CAOM approves requisitions and revision in LOCCS.	CAOM will review and approve requisitions and revisions.	Submitted Monthly.  Basic Fee Paid Monthly
12. <b>Year-End Statement</b> – The year-end statement is entered into LOCCS within 45 calendar days of the end of the CA's fiscal year.	See box to the right.	CAOM will review LOCCS reports to determine input date of all data for year end statements.	CAOM will review and approve all Year-End Statements in LOCCS.	Submitted Annually.  Basic Fee Paid Annually



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<b>IBPS # &amp; AQL</b>	<b>Manual Inputs</b>	<b>Systems Inputs and Changes to Systems</b>	<b>CAOM Review Process</b>	<b>Payment Schedule</b>
<p><b>13. Contract Administrator's Audit</b> – For CAs that should comply with OMB's Circular A-133, unaudited financial statements are submitted within 60 calendar days after CA's FYE. Audited financial statements are submitted no later than 9 months after CA's FYE. For CAs that are not required to comply with OMB's circular A-133, annual unaudited financial statements are submitted to HUD within 60 calendar days of the end of the CA's fiscal year.</p>	<p>CA will submit the audit to the CAOM.  CAOM will review and notify CA of any audit findings.</p>		<p>CAOM will verify submission date and follow up on any deficiency items noted during the review.</p>	<p>Submitted Annually.  Basic Fee Paid Annually</p>
<p><b>14. Renewals of Expiring Section 8 Contracts</b> – 90% of HAP contracts executed and provided to HUD at least 60 calendar days prior to expiration of the contract.</p>	<p>CA submits a log that includes the date the contract renewal request was received from the owner, the contract number and the date of expiration.</p>	<p>A Contract Administrator Project action in REMS – input date CA executed HAP and provided to HUD.</p>	<p>CAOM generates and reviews REMS reports and compares the information included in the invoice..</p>	<p>Submitted Monthly.  Basic Fee Paid Monthly  Incentive Fee Paid Quarterly</p>
<p><b>15. General Reporting Requirements</b> – 16 out of 17 required reports are submitted to HUD on time.</p>	<p>N/A</p>	<p>N/A</p>	<p>CAOM will track this using internal logging procedures.</p>	<p>Submitted Monthly.  Basic Fee Paid Annually</p>





<b>IBPS # &amp; AQL</b>	<b>Manual Inputs</b>	<b>Systems Inputs and Changes to Systems</b>	<b>CAOM Review Process</b>	<b>Payment Schedule</b>
<p><b>16. Monitoring of Physical Inspection Results</b> – 95% of projects with unacceptable performance indicators: CA notifies owners within 30 days after receipt of inspection results from HUD and CA monitors follow-up reports to HUD by the tenth business day of every month until final resolution is reached.</p>	<p>CA will submit a log of follow-up actions for each property as necessary. The log will include the property name, actions taken to resolve and date of resolution.</p>	<p>A Contract Administrator Project action in REMS - A series of Project Actions mirroring the field office project actions on Physical inspections is needed.</p>	<p>CAOM generates and reviews REMS reports. Information in REMS reports will be compared to the information included on the invoice.</p>	<p>Submitted Monthly.  Basic Fee Paid Monthly</p>

In addition to the reports listed in the table above, the CA is required to submit to the CAOM the following reports per section 3.11 of the ACC, Exhibit A:

- Hot topic reports
- Quarterly work plan status reports
- Reports of significant administrative sanctions
- Quality assurance activities and results
- Major accomplishments
- Noteworthy meetings
- Pending Issues



## **VIII COMPLIANCE AND TARGETED REVIEWS**

### **A COMPLIANCE REVIEW**

A compliance review of the CA's performance will be conducted at least once a year by Hub/PC personnel. This review will begin with a desk review of invoices submitted during the year and a random sample review of the CA's project files. Hub/PC personnel will focus their review on any areas that have been identified as areas of risk or concern during the previous year. The review also involves an on-site review of the CA's business practices and procedures and visits to properties in the CA's portfolio. These visits may include interviews with property owners and/or management agents. The review will involve an examination of areas of concern that have been detected during the year, an identification and analysis of the causes of the problems, the development of strategies to implement recommended solutions, and a determination as to the type and extent of assistance to be provided. The CA will be notified of the outcome of the review process in an exit conference.

### **B TARGETED REVIEW**

The targeted review process is a collaborative one, designed to bring Hub/PC staff together with CAs to solve problems and to improve the products and services delivered to residents in project based Section 8 housing. In all cases a compliance review will occur once a year, however, in cases where the Hub/PC staff may have discovered problems and/or adverse trends related to key CA performance areas, a targeted review may be initiated. The format of the targeted review is similar to that of the annual compliance review, however, it may be initiated at any time and is not limited to once a year. The purpose of this review is to assess the CA's business practices and procedures and enable HUD to work with the CA to improve performance in the activity areas in question in a timely manner.

Following below are examples of CA performance that may trigger a targeted review. Please note that this is not a definitive list of criteria for choosing the use of targeted reviews. Hub/PC managers should consider these guidelines as they make decisions prior to the targeted review on a case by case basis.

- 1 Difficulty meeting AQLs;
- 2 A high number of deductions being taken from the invoice amount on a monthly basis;
- 3 Consistently poor performance on core tasks;



- 4 Difficulty achieving improvement goals;
- 5 Difficulty with and failure to use HUD systems;
- 6 Over reliance upon Hub/PC staff for assistance in performance of core activities while in the Full Implementation Phase of Contract Administration ;
- 7 Consistent discrepancies between reports and random sampling of various management measures in the Full Implementation Phase of Contract Administration ;
- 8 On going development needs arising each year for CAs during the Full Implementation Phase of Contract Administration ;
- 9 An unacceptable number of owner or resident complaints received by HUD;
- 10 Financial Indicators such as:
  - a Audit findings;
  - b Failure to maintain books and records as required by the ACC;
  - c Improper use of program funds;
  - d Failure to prepare budgets and enter requisitions or revisions to LOCCS in a timely manner;
  - e Consistently large variances between the funds received from LOCCS and the amount of money paid out to the owners;
  - f Failure to meet depository requirements.

## **C AREAS OF FOCUS**

The compliance review, whether annual or targeted, will allow the Hub/PC staff to assess the CA's performance in administering Section 8 Housing Assistance Payment (HAP) Contracts. The Review Team will select the properties to be reviewed at the CA's offices. The properties selected for a review will encompass a representative sample of the CA's portfolio as well as those properties that appear to have areas of concern. The Review Team will review 10% of the CA property portfolio and may review more files if they determine that a more thorough review is necessary.

In addition to the file review, the review team should visit at least 5% of the properties in the CA portfolio to ensure that the CA has been adequately representing its efforts in administering the HAP contracts at those sites.

As part of the review, the Hub/PC team will determine if the Contract Administrator is:



- a In compliance with the ACC, the HAP contract, HUD policies and procedures, contracts and other legal agreements that have been executed between the Department and the Contract Administrator.
- b Accurately representing its activities on the monthly invoices and being paid in accordance with work performed.
- c Monitoring the performance of the owner and management agent.
- d Completing the certifications required under the HUD programs.
- e Providing appropriate oversight to owners and management agents in the operation of HUD-assisted projects.
- f Following accepted accounting and record keeping procedures;
- g Providing adequate training to new staff;
- h Minimizing the opportunity for fraud, waste, and mismanagement.
- i Performing duties as described in Exhibit A of the ACC:
  - 1 Process rent increases, annual and special adjustments of rent in accordance with HUD guidelines and requirements;
  - 2 Conduct the appropriate management reviews;
  - 3 Process HAP contract terminations or opt-outs in accordance with HUD guidelines and regulations;
  - 4 Review and payment of monthly vouchers and special claims to owners in accordance with HUD guidelines and regulations;
  - 5 Respond to resident and community concerns in accordance with the time frames laid out in the ACC;
  - 6 Prepare and or submit Section 8 budgets, requisitions, revisions and year-end statements to the CAOM in a timely manner;
  - 7 Renew HAP contract in accordance with HUD guidelines and regulations;
  - 8 Report on CA work plan and progress;
  - 9 Follow up on REAC's physical inspections;
  - 10 Follow up on REAC's tenant income verification reviews;
  - 11 Submit reports to the Hub/PC in a timely manner.
- j Monitoring Contract Administrators to verify compliance with the following:
  - 1 Compliance with Equal Employment Opportunity laws;
  - 2 Proper use of program receipts;
  - 3 Carrying adequate fidelity bond coverage;
  - 4 Maintaining complete and accurate accounts and other records relating to the ACC;
  - 5 Maintaining complete and accurate accounts and other records relating to each HAP contract;
  - 6 Compliance with Federal audit requirements;
  - 7 Has not entered into any contract, subcontract, or other arrangement that may be a conflict of interest and compromise the integrity of the program;
  - 8 Following communication protocols as defined by HUD;



9 Following reporting requirements as defined by HUD.

**D. REVIEW FORMAT**

The three components of the review are the desk review, the on-site review and the visit to properties in the CA's portfolio. A team from HUD will conduct the review. The team should be composed of the CAOM, SPM and several project managers. The size of the team will be determined based on the size of the CA's portfolio.

*DESK REVIEW*

Before going to the CA's offices, the HUD team reviews the CA's monthly invoices, making note of areas of concern in terms of PHA performance and property conditions. CA performance concerns include tasks where the AQL has not been met consistently and declining performance trends. Property related concerns include properties with less than satisfactory management reviews and/or physical inspection scores, and properties at which numerous resident concerns have been raised. From these reports, the review team can develop its review plan – both in terms of the files to review on-site and the properties to visit.

*CA OFFICE VISIT*

HUD on-site review of the CA involves both a general review of CA policies and procedures as well as a more specific review of the CA's project files for those contracts administered under the ACC. The HUD team will perform a thorough review of the CA's internal policies to ensure that they are in compliance with HUD's guidelines and regulations. This review includes an examination of:

- 1 CA training;
- 2 Accounting procedures;
- 3 Use of program receipts;
- 4 General office protocol and chain of command;
- 5 Evidence of required fidelity bond coverage;
- 6 Equal Employment Opportunity policies and any related complaints that may have been filed;
- 7 CA systems;
- 8 Project files to ensure that invoice reporting accurately reflects the CA's activities;
- 9 CA's internal tracking systems and logs.



*PROPERTY VISITS*

The review team's property visits should be used to assess the CA's performance in terms of owner file reviews and inspection follow-ups. Reviews at the property include:

- 1 Tenant/unit eligibility;
- 2 Timeliness of recertifications;
- 3 Owner compliance with record keeping requirements;
- 4 Check of physical conditions to ensure that the CA is accurately representing its Physical Inspection follow-up efforts;
- 5 Review of tenant income files to ensure that the CA is accurately representing its Tenant Income Verification follow-up efforts;
- 6 Any other areas of concern raised in the monthly hot-topic reports;
- 7 The visit may also involve discussions with the owner/management agent.

**D ISSUE RESOLUTION**

If the HUD team observes weaknesses or areas of concern within the CA's operations or its performance of the core business processes as outlined in the ACC, the Review Team will discuss those areas of concern with the CA during the exit conference and will follow up in writing. The CA will provide a response that includes corrective actions to be taken and timeframes for completion. The team will work with the CA staff as necessary to determine the appropriate corrective actions. Corrective action development should be a comprehensive and collaborative approach to problem solving and should encompass the following:

- a The development of goals should be a combined effort between the CA and Hub/PC Office. Goals should be reasonable and realistic;
- b Hub/PC staff and the CA should explicitly identify obstacles standing in the CA's way in a problem area;
- c Improvement strategies should be developed and specific time frames identified;
- d Evaluation procedures should be developed. Without a clear ongoing evaluation of progress, the CA will not know whether a particular strategy or task is effective;
- e Depending upon the severity of the problem, HUD may work with the CA to develop a Memorandum of Agreement that will outline



the corrective action that the PHA must undertake to rectify the situation.

HUD will review the final corrective action plan and submit its approval to the CA in writing.

#### **F FOLLOW-UP**

HUD will work with the CA to ensure that the corrective action plan is followed. The Hub/PC will keep careful records of all interactions with the CA in order to develop an administrative record. In cases where the CA does not exhibit signs of improvement or a corrective action plan is not deemed appropriate or effective, the HUD may opt not to renew the CA's contract at the end of its term. In specific cases, it may be necessary to obtain legal counsel to assess appropriate penalties.

In cases where the CA's contract is terminated for cause or not being renewed for an additional term by the CA and/or HUD, HUD will engage a CA to assume the Section 8 Contract Administration duties as set forth in the ACC. HUD may exercise its rights as stated in said document and may use any authority granted to the Commissioner when awarding the contract to another CA.