



Special Attention:

Public Housing Hub Directors, Public Housing
Program Center Directors, Troubled Agency
Recovery Center Directors, Headquarters Office of
Administration & Budget/Chief Financial Officer,
Procurement and Headquarters Procurement and
Contracting Division, Denver Field Contracting
Operations, Philadelphia Field Contracting
Operations and Atlanta Field Contracting
Operations and Public Housing Agencies

Notice PIH 2002-27 (HA)

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Cross References:

24 CFR Part 985

Subject: Section Eight Management Assessment Program (SEMAP) Guidance to HUD Field
Offices Assisting SEMAP Troubled and Non-Troubled PHAs

1. **Purpose** This Notice provides guidance for Hub Directors and Program Center Coordinators to follow in assisting Public Housing Agencies (PHAs) determined troubled or non-troubled under the Section Eight Management Assessment Program (SEMAP) for the Housing Choice Voucher Program.
2. **Applicability**
 - A. This Notice is for use by Hub Directors and Program Center Coordinators for reviewing PHA SEMAP performance certifications, assessing, modifying or withholding performance designations, responding to PHA appeals, conducting on-site reviews/confirmatory reviews, following up with PHAs on deficient indicators, and reviewing, approving and monitoring PHA corrective action plans.
 - B. This Notice also provides guidance to Hub Directors and Program Center Coordinators that plan to use contract services to assist them in conducting on-site reviews, preparing reports, making corrective action recommendations, assisting PHAs in developing viable corrective action plans, and in implementing corrective action plans and providing on-site technical assistance to PHAs.
3. **Using the Guidance in this Notice** This Notice provides information about the SEMAP process and flow of events for the five (5) basic phases in the SEMAP process. These phases are (1) PHA certification and rating; (2) PHA profile modification; (3) PHA appeals; (4) PHAs designated non-troubled (including those PHAs that received “zero” ratings in one or more SEMAP areas); and (5) PHAs designated troubled. Hub Directors and Program Center Coordinators must follow the procurement methods described below for requesting contractor assistance.
4. **SEMAP Regulations** SEMAP regulations (24 CFR Part 985) can be found on the PIH web site at <http://www.hud.gov/offices/pih/programs/hcv/semap>.

5. PHA Certification and Rating In accordance with SEMAP regulations, all PHAs must complete and submit their SEMAP certifications electronically using the Public and Indian Housing Information Center's PIC SEMAP module for all applicable indicators within 60 calendar days after the PHA's Fiscal Year End (FYE).

Hub and Program Center staff should use the PIC SEMAP module as a tracking mechanism to ensure that PHAs in their jurisdictions submit their SEMAP certifications in PIC SEMAP in accordance with the SEMAP regulations. If a Hub or Program Center becomes aware of an administrative error on the part of the PHA, or a system functionality issue that is preventing the submission of the PHA's certification, the Hub or Program Center must work with the PHA, with PIH's Information Services Division (ISD) and with PICHELP to ensure that the PHA's certification is received by HUD in a timely manner. The telephone number for ISD is (202)708-1445 and the telephone number for PICHELP is (800)-366-6827. Generally, PIC SEMAP will not be re-opened to permit PHAs to submit information once the system cut-off date has been reached. The system cut-off date is the end of the 60th day following the end of the PHA's fiscal year end.

As PHAs with FYE dates ending December 31, 2000, March 31, 2001, June 30, 2001, and September 30, 2001 should have been formally notified of their SEMAP profile scores and corresponding performance designations, including those PHAs which received profile scores as a result of "Amnesty". In accordance with the SEMAP regulations, PHAs that did not submit their certifications within 60 calendar days after FYE are rated troubled. Following the system cut-off date for submission of PHA certifications, ISD will run an overnight process which will establish a "zero" profile for each PHA that failed to submit its SEMAP certification.

Listed below are the special rules regarding the certification requirements for small PHAs and PHAs that are operating limited or total Moving-to-Work (MTW) Demonstration Programs.

- Small PHAs (250 units or less) and with less than \$300,000 a year in Federal awards who are not subject to Independent Audit (IPA) for program compliance must certify using PIC SEMAP for all indicators that apply. These PHAs will not be rated for indicators 1 through 7.
- Small PHAs with less than one full year of program operations must certify using PIC SEMAP for all indicators that apply. However, these PHAs are not rated at all.
- PHAs participating in the MTW Demonstration program must certify using PIC SEMAP in accordance with their MTW Agreements.
 - If a PHA's MTW Agreement does not exempt the PHA from all SEMAP indicators, then the PHA must certify using PIC SEMAP and will be rated accordingly on all SEMAP indicators.
 - If a PHA's MTW Agreement exempts them from SEMAP for any or all SEMAP indicators, then the PHA does not need to submit a certification for exempted indicators and will not be rated on the exempted indicators.

6. Profile Modification The SEMAP regulation permits the use of several tools that Hub Directors and Program Center Coordinators may use to modify PHA certifications or withhold performance designations.

Hub Directors and Program Center Coordinators may, during the profile assessment and rating phase, modify or withhold the overall performance rating based on one or more of the following conditions:

- PHAs are automatically designated troubled if they certify late or do not certify; or
- PHAs are subject to a rating modification regarding indicators 1 through 7 and the Deconcentration Bonus based on the latest IPA audit (regardless of the year completed), management review, OIG audit or SEMAP on-site or confirmatory review. Hub and Program Center staff should determine whether the audit report identifies any indicator-specific deficiencies and modify the score as warranted; or
- PHAs are subject to a rating modification concerning their overall certification based on litigation or any other circumstances having a direct bearing on a PHA's SEMAP indicators.

If the rating is modified or withheld for any of these reasons, the Hub Director or Program Center Coordinator must inform the PHA in writing, at the time of initial notification, of the reasons for modifying or withholding the PHA's SEMAP rating.

Hub Directors and Program Center Coordinators must complete the assessment and rating phase, approve the profiles, and issue the notification letters to PHAs not later than 120 calendar days after the PHA's FYE.

7. Appeals A PHA may appeal the overall SEMAP rating to the Hub or Program Center, within 30 calendar days after notification of its SEMAP score and performance designations. The PHA may appeal to the Hub Director or Program Center Coordinator only if a successful appeal would result in a change in the overall SEMAP rating (troubled, standard, or high performer) as opposed to differences in point values. PHA's must provide reasons and justification for the appeal. Hub Directors and Program Center Coordinators must accept or deny the appeals and notify the PHA 30 calendar days following PHA submission of an appeal. The SEMAP score and designation are final unless changed by HUD.

A PHA, after exhausting its appeal right to the Hub or Program Center, may also appeal to the Assistant Secretary for Public and Indian Housing, under the same conditions noted above if submitted within 30 calendar days following denial by the Hub or Program Center. Headquarters will make a final determination regarding the appeal within 30 calendar days following receipt of the appeal. Headquarters will inform the Hub Director or Program Center Coordinator of the final determination. The Hub or Program Center must promptly update PIC SEMAP and notify the PHA of the final determination within 10 calendar days following receipt of Headquarters' determination.

8. Non-Troubled PHAs The field office notification letter must require the PHA, including a non-troubled PHA, to correct all SEMAP deficiencies and “zero” ratings within 45 calendar days from the date of HUD notice. The PHA must provide written notification to the Hub Director or Program Center Coordinator describing the status of the deficiencies and corrective actions taken.

Hub Directors and Program Center Coordinators may require non-troubled PHAs that do not correct all SEMAP deficiencies during the 45 calendar day period following notification to submit a corrective action plan that complies with 24 CFR Part 985.107 within 30 calendar days following notification by the Hub or Program Center.

9. Troubled PHAs If a PHA is designated troubled, including those PHAs that have been designated troubled due to non-submission of their SEMAP certification, the Hub or Program Center must conduct, or arrange with the TARC or other office with similar responsibility, or arrange for a contractor to conduct an on-site review to determine the magnitude and seriousness of the PHA’s non-compliance with the SEMAP performance requirements. The Hub or Program Center must provide the PHA with a written report of findings within 90 calendar days following score notification. The report should contain a thorough review of each of the indicators listed as deficient, a determination of the apparent reasons for the deficiencies and recommend strategies for improvement. The PHA must use the report to develop its corrective action plan (CAP).

PHAs must submit the CAP to the Hub or Program Center for review and approval within 30 calendar days following notification of the on-site review results. The Hub or Program Center must approve the CAPs within 30 calendar days of receipt. This affords the PHA adequate time to develop an effective corrective action plan so that the needed corrective actions may be implemented prior to the end of the next SEMAP reporting period.

In some cases, the Hub or Program Center (due to a lack of adequate staffing, insufficient travel funds, or an inability to partner with or obtain TARC (or other office with similar responsibility) assistance to complete the on-site review), may be unable to conduct on-site assessments of troubled PHAs. As a temporary measure, Hubs and Program Centers will not be required to complete any on-site reviews of PHAs that were designated troubled in fiscal years December 31, 2000, through December 31, 2002, if:

- The TARC has provided technical assistance to the PHA that resolved the identified SEMAP deficiencies; or
- The Hub or Program Center conducted a management review within one year from the date the PHA was designated troubled that identified deficiencies and identified corrective actions to resolve the current deficiencies; or
- Other information that satisfies the Hub or Program Center that the resulting deficiencies are minor in nature and relatively easy to monitor and correct remotely such as a PHA’s failure to submit its SEMAP certification or failure to meet the MTCS reporting requirements.

For PHAs designated troubled after FY 12-31-02, Hubs and Program Centers will be expected to complete the on-site assessments as required.

10. Technical Assistance for Troubled and Non-Troubled PHAs

Hubs and Program Centers may elect to provide technical assistance to the PHA using existing HUD staff resources or provide contractor assistance using one of the following procurement vehicles:

- PIH Small Business IQC;
- Office of Troubled Agency Recovery's (OTAR) Independent Quantity Contracts (IQCs); (Notification to the Director, Troubled Agency Recovery Operations shall be provided when the Hub or Program Centers elect to provide technical assistance to a PHA using OTAR's IQCs.)
- Listing of 8(a) Socially/Economically disadvantaged businesses;
- GSA schedule; and
- Open Market (This method should not be used if the work exceeds \$100,000).

The Headquarters assigned Government Technical Representative (GTR) in the Procurement and Contracting Division will provide on-going coordination and technical assistance to the Hubs and Program Centers and will be responsible for monitoring contractor performance. The GTR will maintain the task and purchase order files, prepare quarterly reports, and perform contract closeout. The GTR will work with the HUB and Program Centers and the Field Contracting Offices in Denver, Philadelphia and Atlanta to issue the task/purchase orders.

The Hubs and Program Centers may use contractors to conduct targeted on-site SEMAP reviews, provide written reports and recommendations for corrective action to HUD and PHAs, assist PHAs in developing viable corrective action plans; or assist the PHA, using a different contractor, in the implementation of appropriate corrective action or other technical assistance as needed. The Hubs and Program Centers will need to modify the sample Statement of Work (SOW) documents provided to detail the specific work to be completed at each PHA by the contractors. It is understood that PHAs designated SEMAP troubled will require different levels of contractor effort due to the differences in the magnitude and seriousness of the deficiencies identified at each PHA and the Hubs and Program Centers will have the flexibility to make these determinations.

11. Corrective Action Plans

Corrective Action Plans are generally defined in 24 CFR Part 985.107. Corrective action plans should be developed by the PHAs based on the results of the on-site review. In approving PHA corrective action plans, Hubs and Program Centers should consider the nature and extent of the program and indicator failures identified during the on-site review, and whether the action items or the term proposed by the PHA in its corrective action plan, will result in a satisfactory performance rating within the allotted recovery period. (Please see the sample corrective action plan format as follows):

Action Plan Item	Program Deficiency	Resources Needed (FO or Funding)	Key Tasks to be completed	Completion Target Date	Completion Date (actual)	PHA Lead Person(s) Accountable For Action Item Completion	Deliverable
A1	Rent Reasonableness	FO, M. Smith	Develop and adopt Rent Reasonableness Policy to comply w/HUD regulations	July 1, 2002	July 1, 2002	J. Evans, Housing Program Analyst	Copy of Board Approved New Rent Reasonableness Policy
			Develop implementation procedures for staff to follow	August 30, 2002	September 20, 2002	J. Evans, Housing Program Analyst	Copy of implementation procedures
			Develop Database for maintaining comparative rental information for various unit sizes and areas within the City	September 30, 2002	October 25, 2002	T. Collins, Programmer and J. Evans, Housing Program Analyst	Completed database
		TA Funding support from HUD	Provide rent reasonableness training to staff				Training completed

The intent of the Corrective Action Plan is to map out a comprehensive strategy to effectively address the identified SEMAP deficiencies. For this example, the PHA scored a “0” for this indicator and does not have, in place, a viable policy or practice for making effective Rent Reasonableness determinations. The above plan includes a strategy that assigns specific key tasks to a particular individual(s) that must be completed by a date certain and result in a deliverable that can be reviewed or tested by HUD during regular program monitoring.

Hub and Program Center staff must monitor the improvement of PHA performance through out the term of the corrective action plan and may also rely upon regular reporting, under the plan by the PHA, and/or by the contractor that is providing technical assistance. Hubs and Program Centers should review the monthly reports for acceptability and respond directly to the PHA, and the contractor regarding the information received, and recommend, if necessary, any modifications that may be needed.

HUD may take appropriate remedial action if the PHA does not correct identified SEMAP deficiencies or does not prepare and implement a viable corrective action plan, or demonstrate sufficient program improvement over the next two consecutive SEMAP reporting cycles. HUD may determine that these actions constitute a default under the Annual Contributions Contract (ACC).

HUD may decide to transfer a troubled PHA’s housing choice voucher program to another PHA in the same general area. Alternatively, HUD may solicit bids from contractors to manage the troubled PHA’s program or to support its operations or management.

Before changing a PHA’s annual overall performance rating from troubled to standard or to high performer pursuant to corrective actions the PHA has undertaken, field staff must conduct a final on-site confirmatory review to ensure that appropriate program improvement

occurred. A PHA that failed to submit its SEMAP certification will remain troubled for a full fiscal year. However, all actions that apply to other troubled PHAs will also apply to these PHAs as well.

In some cases, the Hub or Program Center (due to a lack of adequate staffing or insufficient travel funds) may either partner with the TARC (or other office with similar responsibility), make arrangements with the TARC (or other office with similar responsibility) to conduct the final confirmatory review on behalf of the Hub or Program Center or in limited cases may conduct a remote confirmatory review where warranted. This responsibility however, may not be performed by a contractor. The confirmatory review requirement does not apply to ratings that have been successfully appealed. Conversely, should a PHA's score be lowered due to an OIG or independent audit or field management review, this may cause a PHA to become troubled and therefore subject to the requirements noted above.

12. Quality Control/Remote Monitoring

In order to ensure the reliability of indicator ratings that are derived from PHA self-certification and for conducting remote reviews, Hubs and Program Centers must examine a percentage of the supporting quality control file documentation from a random sample of the PHA's SEMAP Certifications for Indicators: 1 (Selection from the Waiting List), 2 (Rent Reasonableness), 3 (Adjusted Income), and 6 (HQS Enforcement). HUBs and Program Centers must request file documentation that confirms:

1. Quality Control (QC) samples were taken in an unbiased manner in a size meeting at least the minimum level required by Section 985.2,
2. The methodology of the quality control testing reflected the SEMAP indicator criteria being tested, and
3. The certification is consistent with the QC sample results.

As noted in Section 985.3, "The method for selecting the PHA's quality control sample under paragraphs (a), (b), (c) and (f) of Section 985.3 must leave a clear audit trail that can be used to verify that the PHA's quality control sample was drawn in an unbiased manner." PHAs need not submit the detailed file-by-file documentation. Summary and example information should suffice along with the list of files sampled. The HUB or Program Center's request for this supporting documentation can be done retroactively for previously rated PHAs, or as part of the ongoing processing of new certification submissions for all FYE quarters. This approach will also suffice for a remote confirmatory review. Scores may be changed as a result of the review as described in 985.103(d).

13. Procurement of Vendor Assistance

PIH is working with the Office of the Chief Procurement Officer (OCPO) to implement a streamlined contracting process that Hubs and Program Centers can access to provide remedial program assistance to SEMAP troubled and non-troubled PHAs.

In the interim, Headquarters will reserve sufficient funds sufficient to permit Hubs and Program Centers to determine the level of contractor assistance that will be needed in each case according to a generalized funding strategy that can be used by the Hubs, Program Centers and Headquarters to forecast future funding needs. Hubs and Program Centers will need to complete

a quarterly report that lists all of the SEMAP troubled and non-troubled PHAs that Hubs and Program Centers will be assisting using either local resources or vendor assistance. The listings will be used to request advance contract approval from the Assistant Secretary. (See **Attachment 6** sample Quarterly Listing). Once approved by the Assistant Secretary, Hubs and Program Centers, working with the assigned GTR and Field Contracting Officers, will use the procurement methodologies explained below to select qualified contractors to complete the defined work. It is absolutely essential that Hubs and Program Centers quickly review their contracting needs to provide substantive assistance to the troubled PHAs as timely as possible to permit PHAs the maximum opportunity to improve their programs.

Hubs and Program Centers seeking contractor assistance must prepare the procurement documents noted below and may request assistance from the Field Contracting Offices in Denver, Philadelphia and Atlanta as well as the Headquarters assigned GTR. The same document package will be used for requesting all contracting work regardless of the contracting vehicle used (IQC, 8(a), GSA or Open-Market Purchase Order). The only differences will be the contracting vehicle used, the recommended vendor sources, the dollar value of the proposed work and the degree of competition that is required in using the various vehicles.

Hubs and Program Centers will need to prepare the following documents and transmit the completed procurement request packages to the GTR. The order of documents should be as follows:

- Form HUD 720 Request for Contract Services **or** Form HUD 10-4 Requisition for Supplies, Equipment, Forms, Publications and Procurement Services (Form HUD 10-4 is an alternative to the Form HUD 720; and is used when requesting contract services through a purchase order which is limited to \$100,000 or less.) **Since there will be a bulk reservation available, the use of the Form HUD 10-4 would only be used as a request document and not as a reservation document, Attachments 1 or 2*
- Statement of Work (pick the version most appropriate), **Attachment 3**
- Selection of Contract Vehicle and Recommended Source(s), **Attachment 4**
- Contractor Selection Factors: The GTM will provide the selection factors utilizing Attachment 4. The HQ GTR may need to modify the factors depending upon the contractual vehicle utilized. If so, the GTR will notify the GTM of the factors utilized. *(In the case of single source 8(a) selections, the Hubs or Program Centers must include a written source selection justification for selecting the particular contractor)*
- Government Cost Estimate, **Attachment 5**

Existing IQC Procurements

Hubs and Program Centers may use the small business contractors from the Office of Troubled Agency Recovery's (OTAR) Indefinite Quantity Contract (IQC) to request contractor assistance for small SEMAP troubled PHAs. All requests for contract services, through the IQC, must be forwarded to the Headquarters Office of Chief Procurement Officer (OCPO) for processing, solicitation and award as detailed below.

The firms that can be used to provide assistance to the small PHAs (250 units and fewer) under the OTAR IQC are as follows:

- Brown & Company CPAs (finance) COPC-21646
- Nelrod Company COPC-21647
- Spectrum Consulting Associates, Inc. COPC-21648
- MD Strum Housing Service COPC-21649
- Rosenberg Housing Group COPC-21651
- North American Management COPC-21653
- National Housing Group COPC-21658

Requests for contract services are to be forwarded by the Hubs and Program Centers to the assigned Headquarters GTR. The GTR will forward the requests for contract services to the Headquarters OCPO. Following receipt of proposals, the GTR will notify the field GTM to assist in the evaluation of proposals and the selection of a vendor. Once a vendor has been selected, the OCPO will award the task order. Following award, the field GTM and the GTR will work together to monitor performance, provide oversight to the contractor, and closeout the task order following completion of the work.

Requirements that can only be met through use of a large business contractor must be processed through Headquarters, and must be specifically approved by the Assistant Secretary prior to submission to the OCPO for processing.

PIH is in the process of establishing a new pool of contractors through a small business IQC. Four groups of contractors will be identified through this procurement to provide expertise in four major program areas. Once these contracts are established, information will be provided to Hubs and Program Centers for processing requirements under this new vehicle.

Use of Other Contract Vehicles

Hubs and Program Centers may use several additional contracting vehicles, including the use of contractors on the 8(a), GSA and Open-Market lists. For troubled and non-troubled PHAs, HUBs and Program Centers will be provided with a comprehensive listing of available contractors who have responded to HUD’s initial interest advertisement. Contractors who responded to the advertisement were asked to submit a one-page capability statement that described their interest and capability to provide assistance to SEMAP troubled and non-troubled PHAs.

Hub Directors, Program Center Coordinators and their assigned GTMs will be able to review the capability information, determine the appropriate procurement vehicle, consult with the Headquarters GTR regarding the competition requirements for the particular vehicle, and complete the procurement package documents as outlined above. Completed procurement packages will be forwarded to the GTR who will forward them to the appropriate Field Contracting Offices in Denver, Philadelphia or Atlanta based on existing customer service relationships. Similarly, the field GTM will be notified by the GTR regarding the receipt and evaluation of proposals and will need to work with the GTR to select a vendor. Once selected, the Field Contracting Officer will award the task or purchase order. Following award, the field GTM will need to continue to work with the GTR concerning the monitoring and oversight of contractors and the close-out of task or purchase orders following completion of the work.

8(a) Procurements

When selecting the 8(a) procurement vehicle, it is important to note that requests for contract services using the 8(a) vehicle should not be competed and will be single-sourced. As noted earlier in this Notice, Hubs and Program Centers will be provided with a listing of 8(a) firms and their capabilities and will need to select the firm from which they wish to receive a proposal on the Selection of Contract Vehicle and Recommended Source(s) form included with this Notice. **(Please see Attachment 4)** The rationale for selecting a contractor using this source must be documented using a separate memorandum that describes the reasons for selection (experience, capability, availability) and why this contractor is the most appropriate source.

GSA Procurements

Hubs and Program Centers may also select contractors from the GSA schedule list. Requests for contract services using the GSA schedules must be competed among three small business contractors. Consideration/preference must be given to small, woman-owned small, and/or small disadvantaged business schedule contractors. Similarly, Hubs and Program Centers will be provided a listing of GSA firms and their capabilities and will need to list the firms from which they wish to receive proposals on the Selection of Contract Vehicle and Recommended Source(s) form included with this Notice. **(Please see Attachment 4)**

Open-Market Procurements

Hubs and Program Centers may also select contractors from the open-market list. All requests for contract services not exceeding \$100,000, are set-aside for small businesses. For purposes of this program, open-market procurements should be limited to \$100,000 or less.

Requests for contract services not exceeding \$25,000, must be competed among at least three contractors. As above, Hubs and Program Centers will be provided with a listing of the open-market contractors and their capabilities and will need to list the contractors from which they wish to receive proposals from on the Selection of Contract Vehicle and Recommended Source(s) form included with this Notice. **(Please see Attachment 4)**

Requests for contract services exceeding \$25,000, must be publicized using FedBizOps by the Field Contracting Officer. Any and all responses that are received using this procurement vehicle will need to be evaluated by the GTM in consultation with the GTR on the basis established in the solicitation.

In all cases, Hubs/Program Centers should provide contractors with up-front estimates of the level of effort that would be required for the work, i.e., the expressed need for 1 or 2, etc. full time persons for 2, 3 or more weeks or a team of individuals and to limit the length of the proposals that will need to be reviewed by Hubs and Program Centers prior to making contractor selection recommendations to the assigned GTR, (i.e.), 5 pages, 10 pages, etc. Hubs and Program Centers may also access the Office of Procurement and Contract's web-based Contract Café at <http://hudweb.hud.gov/po/arc/arcafe.htm> to obtain specific information or additional

training instructions regarding Government Technical Representative/Government Technical Monitor responsibilities.

If you have any questions concerning this notice, you may contact Larry Tipton in the Housing Voucher Management and Operations Division by email at larry_r_tipton@hud.gov or by telephone at (202) 708-0477, extension 4153.

_____/s/_____
Michael Liu
Assistant Secretary
Office of Public and Indian Housing

Attachments