

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

Special Attention:**NOTICE PIH 2000-13 (HA)**

Housing Agency Directors; Section 8 and
Public Housing Administrators;
Public Housing Field Office Directors;
Section 8 Financial Management Center;
Troubled Agency Recovery Centers

Issued: April 7, 2000

Expires: April 30, 2001

Cross References:
Notice PIH 99-2 (HA)
Reinstatement

Subject: Reporting Requirements for the Multifamily Tenant Characteristics System
 (Form HUD-50058)

A. General Provisions

1. **Applicability:** This Notice applies to public housing agencies (PHAs) administering public housing programs (low-rent “conventional”) or tenant-based Section 8 rental assistance programs (including the project-based certificate programs).

2. **Purpose:** This Notice renews and clarifies Notice PIH 99-2 issued January 28, 1999. It explains the requirement that all PHAs that administer public housing or Section 8 tenant-based assistance programs must submit, on a timely basis, 100 percent of family records to HUD’s Multifamily Tenant Characteristics System (MTCS) as set forth by 24 CFR Part 908 and Notice PIH 98-30. Form HUD-50058 data must be submitted electronically to HUD for all current public housing and Section 8 families. The records must be accepted by MTCS to be considered successfully submitted. MTCS is the Department’s official system to track and account for public housing and Section 8 family characteristics, income, rent, and occupancy. Under the consolidated annual contributions contract (CACC) and HUD regulations, PHAs are required to submit 100 percent of MTCS data (public housing and Section 8 family records) as required by HUD. To avoid sanctions under this Notice, the minimum reporting rate to MTCS is 85 percent.

This renewed policy provides additional guidance to PHAs, HUD Field Offices, and Troubled Agency Recovery Centers (TARCs) when PHAs fail to meet minimum reporting requirements and undertake efforts to improve reporting.

3. **Results of Notice PIH 99-2**

In response to Notice PIH 99-2 and other HUD efforts to encourage reporting, PHAs achieved a national reporting increase from about 70 percent to over 90 percent – between December 1998 and March 2000.

The independent audit of the Department's financial statements reported a material weakness in HUD's control structure relating to MTCS reporting, due to substantial failure of PHAs to comply with the reporting obligation. To clear this material weakness, it was essential that HUD and PHAs ensure that the data within MTCS is current, complete, and accurate. Improvements in PHA reporting to MTCS and efforts undertaken by Headquarters, Field Offices, and TARC's resulted in a clean audit for MTCS in 1999. HUD will maintain the reporting policy because MTCS is a critical source of data for performance assessment of PHAs, Field Offices, and TARC's.

4. **Minimum Reporting Rate:** HUD will continue to make semi-annual assessments of the adequacy of MTCS reporting based on records submitted through June and December of each year. All PHAs must successfully submit a minimum of 85 percent of their resident records as shown by the MTCS reporting rate for each June and December, for both public housing and Section 8. The reporting rate is determined separately for public housing and Section 8. In accordance with the Notice, HUD will determine whether sanctions are to be imposed based on reporting rates calculated for the end of each assessment period.

PHAs are responsible for monitoring their own performance. HUD updates reporting rates monthly, and these monthly updates are shown on both the Resident Characteristics Report (RCR) and the Delinquency Report. HUD maintains 18 months of data in MTCS to allow ample time for data processing of each annual reexamination. The RCR and Delinquency Report are accessible via the Internet on the MTCS web site (<http://www.hud.gov/pih/systems/mtcs/pihmtcs.html>). PHAs may also contact their Field Office or TARC to obtain their reporting rates.

HUD may grant forbearance from sanctions for PHAs that make a written forbearance request to their Field Office or TARC by February 15 for the December semi-annual assessment and by August 15 for the June semi-annual assessment. Forbearance requests must demonstrate how and when the PHA will reach an acceptable reporting rate, as described below in Sections B (2) and C (2). PHAs that do not meet the minimum reporting requirements and do not submit a written response will be subject to sanctions. Field Offices and TARC's will review and approve a PHA's first two forbearance requests. To receive a second forbearance approval, the PHA must have demonstrated improvement in reporting. Thereafter, HUD Headquarters will review and approve additional forbearance requests.

5. **Automatic sanctions.** HUD imposes some sanctions automatically, i.e., when the PHA fails to meet the minimum reporting requirement and does not obtain forbearance from sanctions. HUD has approved three automatic sanctions for PHAs that do not reach the minimum reporting requirements at the time of semi-annual assessment – (1) a 10-percent Section 8 administrative fee reduction, (2) inability of the PHA to use its formula allocation of Public Housing Drug Elimination Program funds, and (3) withholding of HUD approval of site-based waiting lists. HUD may implement additional automatic sanctions not mentioned in this Notice.

B. Public Housing MTCS Reporting Requirements

1. **Sanctions: To comply with the CACC and prevent potential default, a PHA must furnish all required reports, including Form HUD-50058, as required by the CACC Between [the] Housing Authority and HUD. PHAs that administer public housing programs and do not attain the minimum 85 percent reporting rate for the months of June and December may be subject to any appropriate remedial actions under the CACC or applicable regulations.**

HUD may temporarily withhold payments under the Public Housing Drug Elimination Program funds if they fail to meet minimum reporting requirements and fail to obtain forbearance from sanctions. See HUD regulation 24 CFR 761.30(f)(2)(i). HUD's PHA Plan rule enables HUD to continue to withhold site-based waiting list approval for underreporting PHAs. See HUD regulation 24 CFR 903.7(c)(1)(i).

MTCS reporting rates may be taken into consideration for future funding distribution under the new housing legislation (*Quality Housing and Work Responsibility Act of 1998*). PHAs with reporting deficiencies could experience diminished funding due to poor MTCS substantiation of program needs and related requirements.

2. **Forbearance: PHAs that fail to meet the minimum 85 percent reporting rate may request forbearance from sanctions in writing from their respective Field Offices or TARCs. The forbearance request must include a written response to MTCS reporting deficiencies. The forbearance request must cite the reporting performance deficiency, explain problems encountered by the PHA, identify specific steps to improve performance, and include measurable monthly goals for improving reporting performance. It must show that the PHA plans to meet or substantially approach the minimum reporting rate for public housing by the next ending dates for semi-annual reporting assessments by HUD. The submission dates for forbearance requests are shown below.**

	<u>Below 85 percent in:</u>	<u>Request Forbearance by:</u>
Semi-Annual Period	June each year	August 15 each year
Semi-Annual Period	December each year	February 15 each year

PHA progress toward meeting the minimum reporting rate will be monitored periodically by the Field Office or TARC. PHAs that submit a written forbearance request but fail to attain or substantially approach the minimum reporting rate of 85 percent at the time of the next semi-annual assessment are subject to a targeted review by HUD and possible default remedies under the CACC.

Approval of more than two forbearance requests is subject to review and concurrence by the Headquarters' Office of Public and Assisted Housing Delivery (PAHD). PHAs that do not achieve 85 percent reporting and that request extended forbearance must demonstrate substantial improvement in their MTCS reporting rate by achieving an improvement of at least 25 percentage points over their previous reporting rate.

C. Section 8 MTCS Reporting Requirements and Administrative Fee Penalty

- Sanctions: A PHA must furnish all required reports, including Form HUD-50058 as required by the CACC Between [the] Housing Authority and HUD. PHAs that administer Section 8 tenant-based assistance programs and do not attain the minimum 85 percent reporting rate for the months of June and December may be subject to any appropriate remedial actions under the CACC or applicable regulations.**

PHAs that fail to meet or substantially meet the 85 percent minimum reporting rate for Section 8 will incur a 10 percent reduction in Section 8 administrative fees for each month of the semi-annual period that the minimum reporting rate is not attained (see 24 CFR Section 982.152 (d)). MTCS will provide PHA performance data semi-annually to the Financial Management Center (FMC), which will reduce the administrative fee at year-end settlement for each month that the PHA is deficient. If HUD decides to grant forbearance upon a PHA's request in accordance with this Notice, the administrative fee will not be reduced. However, HUD may decide to reduce on-going administrative fees for a later violation of MTCS reporting requirements.

- Forbearance: PHAs that fail to meet the minimum reporting rate may request forbearance from sanctions in writing from their respective Field Office or TARC. The request must include a written response to MTCS reporting deficiencies. The forbearance request must cite the reporting performance deficiency, explain problems encountered by the PHA, identify specific steps to improve performance, and include measurable monthly goals for improving reporting performance. It must show that the PHA plans to meet or substantially approach the minimum reporting rate by the next**

ending dates for semi-annual reporting assessments by HUD. The submission dates for forbearance requests are shown below:

	<u>Below 85 percent in:</u>	<u>Request Forbearance by:</u>
Semi-Annual Period	June each year	August 15 each year
Semi-Annual Period	December each year	February 15 each year

PHA progress toward meeting the minimum reporting rate will be monitored periodically by the Field Office or TARC. PHAs that submit a written forbearance request but fail to attain or substantially approach the minimum reporting rate of 85 percent at the time of the next semi-annual assessment are subject to a targeted review by HUD and possible reduction of administrative fees as determined by HUD.

Approval of more than two forbearance requests is subject to review and concurrence by PAHD. PHAs that do not achieve 85 percent reporting and that request extended forbearance must demonstrate substantial improvement in their MTCS reporting rate by achieving an improvement of at least 25 percentage points over their previous reporting rate.

D. Review, default, and sanctions policy (clarification).

Review. PHAs that do not achieve the minimum reporting requirements and do not obtain forbearance from sanctions are subject to review by their Field Office or TARC. The scope of review encompasses the PHA’s MTCS reporting performance and all related operations. It is HUD’s policy, under most circumstances, not to levy sanctions (other than automatic sanctions) until the Field Office or TARC completes its review. If a PHA cooperates with the Field Office or TARC review and makes a good faith effort to implement remedial actions, then there may be no need for the Field Office or TARC to recommend a declaration of default or to recommend sanctions.

The review process permits HUD Field Offices and TARCs to use their existing authority to investigate reasons behind deficient MTCS reporting. Field Offices and TARCs are directed to, (1) monitor and investigate PHA performance required under statute and contract, (2) prepare written findings based on these investigations, (3) give PHAs opportunities for comment and remedial action to resolve findings, and (4) recommend or impose sanctions for statutory violations, contractual breaches, and unwillingness to cooperate (for more information, see Field Office Monitoring of PHAs Directive 7460.7 (REV-2)). Under this Notice, Field Offices and TARCs will conduct a review of PHA operations related to underreporting to MTCS unless the PHA has been approved (in the current assessment period) for forbearance from sanctions.

Default. Field Offices and TARCs may recommend a designation of *substantial default* for PHAs that (1) do not meet minimum reporting requirements at semi-annual assessment, (2) do

not obtain forbearance from sanctions, and (3) do not cooperate with Field Office or TARC efforts to remediate problems that lead to underreporting. PAHD reviews the designation and declares whether a PHA is in default under this Notice. Grounds for PHA referral for a declaration of default and sanctions include, but are not limited to the following circumstances:

- **Non-cooperation**: (1) PHA reports under 85 percent for either public housing or Section 8 at the semi-annual assessment. (2) PHA fails to obtain forbearance from sanctions. (3) PHA does not cooperate with Field Office or TARC conducting an informal or on-site review. (4) Field Office or TARC recommends PHA to PAHD for default and sanctions.
- **Failure to resolve findings**: (1) PHA reports under 85 percent for either public housing or Section 8 at the semi-annual assessment. (2) PHA fails to obtain forbearance from sanctions. (3) Field Office or TARC undertakes review. (4) Field Office or TARC notifies the PHA of findings (deficiencies) and proposes remedial actions following an on-site review. (5) PHA fails to take remedial actions within a reasonable time period. (6) Field Office or TARC recommends PHA to PAHD for discretionary sanctions.
- **Ineligibility for forbearance**: (1) PHA reports under 85 percent for either public housing or Section 8. (2) PHA obtains forbearance from sanctions based on the most recent semi-annual assessment. (3) PHA fails to achieve 85 percent reporting by the next semi-annual assessment. (4) PHA fails to apply for another forbearance request, or fails to qualify for another forbearance. (5) Field Office or TARC recommends PHA to PAHD for default and sanctions.

Sanctions. HUD will not impose sanctions (other than automatic sanctions) until PAHD has designated the PHA in default. HUD may impose targeted sanctions upon public housing and Section 8 tenant-based assistance programs in the event that the PHA is designated in substantial default of its Annual Contributions Contract with respect to MTCS reporting. Targeted sanctions may include mandatory training and technical assistance (subject to the availability of funds), assignment of functions to another entity, and other targeted sanctions.

E. MTCS Reporting and SEMAP

When Section 8 Management and Performance (SEMAP) indicators go into effect, performance under five of the SEMAP indicators will be verified by data provided by the PHA on Form HUD-50058 to MTCS. To assign a rating other than zero for any of the five indicators where performance is measured by MTCS data, the Department will require a reporting rate to MTCS of at least 85 percent of its participants.

F. Other Information

PHAs are responsible for monitoring their own performance on a monthly basis. The RCR and many other useful MTCS reports are available to PHAs electronically on HUD's MTCS Home Page (<http://www.hud.gov/pih/systems/mtcs/pihmtcs.html>). Summary reports available on MTCS include data received by the last Friday of the month. Reports for a given month are made available early in the following month, usually within 10 calendar days.

HUD will prepare supplemental Processing Guidelines to describe the required conditions for Field Offices or TARC's to recommend default designation and sanctions. Remember that Field Offices and TARC's may not impose sanctions related to MTCS reporting without notifying PAHD and obtaining PAHD approval.

For further information, PHAs may contact their Field Office or TARC. Extensive information about the MTCS system is available on HUD's MTCS Internet web site (<http://www.hud.gov/pih/systems/mtcs/pihmtcs.html>).

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Harold Lucas, Assistant Secretary
for Public and Indian