

Section Eight | Public Housing Assessment Systems:

Section Eight Management Assessment Program (SEMAP) Reform Discussion



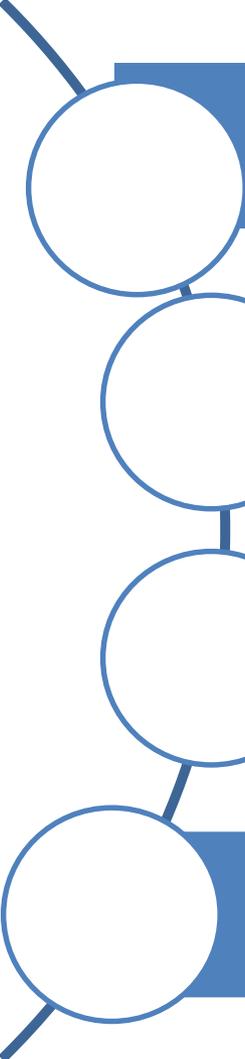
**U.S. DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT**

September 2016

Rationale For Change

- Resolve outstanding OIG audit findings
 - SEMAP lacks adequate controls to ensure effectiveness in identifying underperforming agencies
 - Concerns over inaccuracy of self-certified SEMAP and HUD confirmatory process
 - Does not assess the physical condition of HAP-funded units
- Congressional and stakeholder criticism that SEMAP is predominately a self-assessment
- Lack of financial assessment component except indirectly through voucher utilization indicator
- Concerns that a majority of the SEMAP indicators are focused on process rather than outcomes
- Improve locational outcome indicator
- Inconsistencies between the HCV and public housing program assessment with regard to common areas of program management
- No consideration of board governance – key indicator of a PHA's performance

Guiding Principles of SEMAP Reform



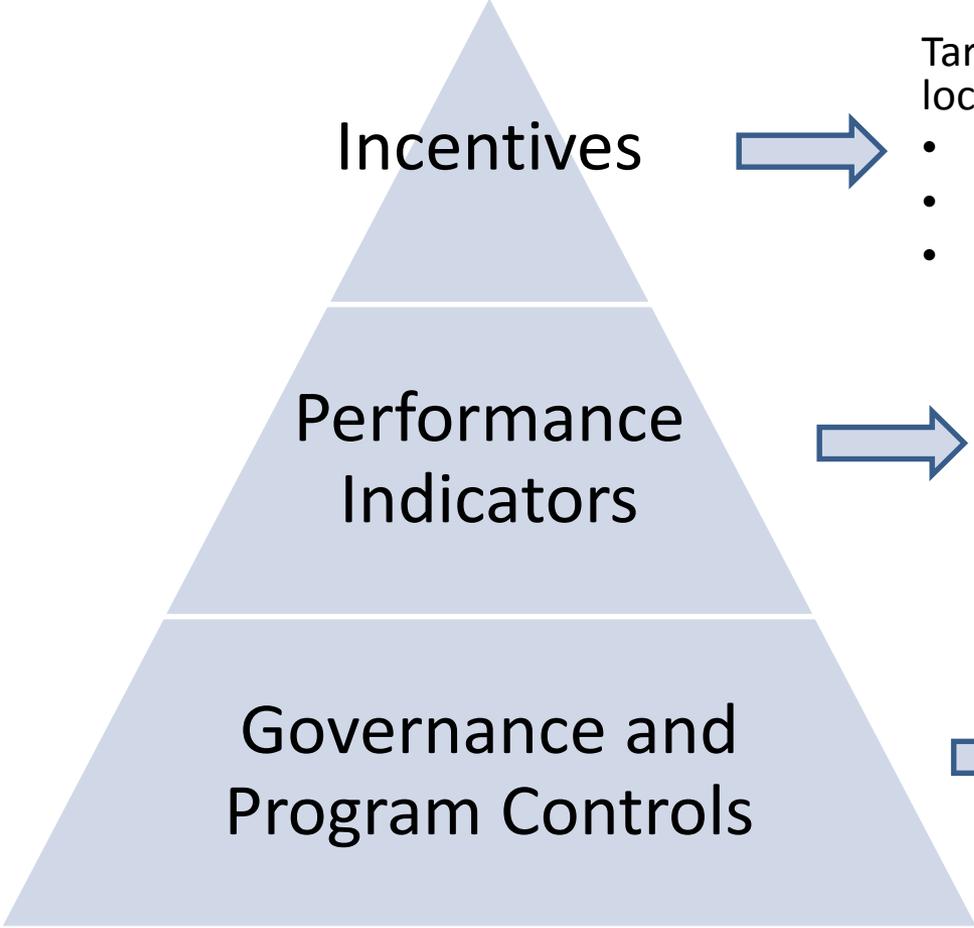
Assessment information should be based on data currently collected by HUD (limit additional PHA reporting requirements)

Measurement focus should be outcome-based not process-based (i.e., results-oriented)

Increases in scores / designation should not be based on a PHA's self-certification of data

Seek to reduce or minimize PHA burden and provide flexibility to PHAs

Alternative Framework for Consideration



Incentives

Targets secondary program goals such as locational outcomes, self-sufficiency

- 3 indicators
- Worth approx. 18 points
- Max. pts: 10 that can be added to total score

Performance Indicators

Targets key areas of program operations, such as inspections and voucher utilization.

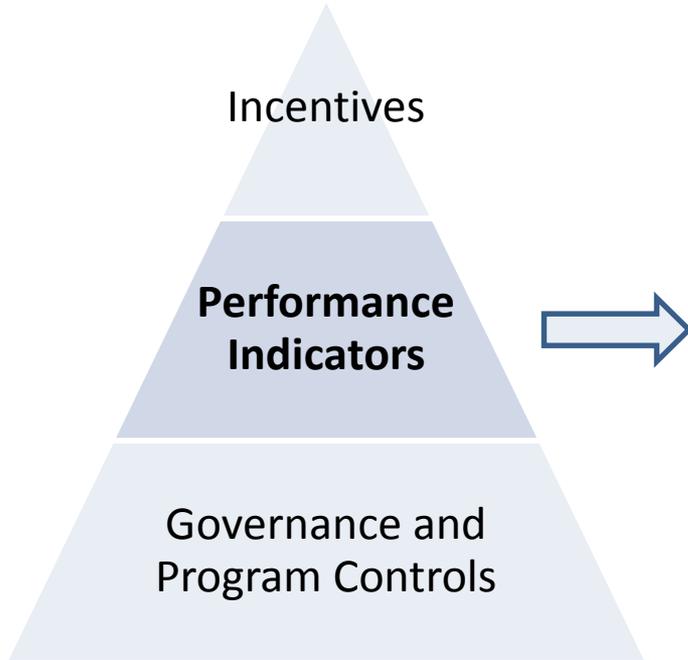
- 4 indicators (with subindicators)
- Worth approx. 100 points

Governance and Program Controls

Targets Board oversight and essential administrative policies.

- 4 indicators
- Points not applicable to a PHA's numerical score

Performance Indicators



Four Indicators:

1. Physical Inspection
2. Utilization
3. Financial Condition
4. Annual Reexamination

- Indicators for physical inspections, utilization, and reexaminations are similar to the existing SEMAP
- “Financial condition” is a possible new indicator to measure the financial viability of program administration

Physical Inspections

- Proposed indicator would be worth about 30 of 100 points for the performance category. (Currently 21% of available points under SEMAP).
- Proposed scoring across four inspection types, with different points assigned, for example:
 - HQS quality control inspections (10 points)
 - HQS enforcement (10 points)
 - Pre-contract inspections & Time from RFTA to Inspection (6 points)
 - Biennial inspections (4 points)
- HUD is also considering changes to the QA sample to achieve a statistically significant sample size for the PHA's program size
 - Would increase the QA sample sizes for all except the largest PHAs relative to the existing SEMAP standard
- Information to score this indicator will ultimately be provided from the HUD's UPCS-V initiative and through contemplated REAC QA inspections

Utilization

- Proposed indicator would be worth about 34 of 100 points for the performance category. (Currently 14% of available points under SEMAP).
- Proposed scoring on higher of two utilization rates—voucher (i.e., unit) utilization and HAP utilization—based on VMS and HUDCAPS data on a CY basis.
- HUD is considering adding to the definition of HAP funding available for the purposes of the HAP utilization calculation:
 - Restricted net position, HUD-held reserves, and other HAP funding (e.g., FSS forfeitures) counted as available HAP funding
 - Set-aside funding (including HAP shortfall funding) counted as available HAP funding
 - Scoring thresholds would take into account the need for some HAP reserves.
- HUD is also considering:
 - Scoring penalty (or fail) for PHAs that end the CY in a shortfall position.
 - Scoring penalty for PHAs that are over-leased by >1% of authorized vouchers.
 - Regulatory language to provide relief for reductions in utilization rates outside the PHA's control.

Financial Condition

- Proposed indicator would be worth about 26 of 100 points for the performance category.
- Would measure financial health of the **administrative fee account** (i.e., not the HAP accounts) and would consider the other funds and resources that the PHA uses to cover HCV administrative costs.
 - Assessment of HAP account captured through utilization indicator
- Proposed approach similar to that used under the financial condition assessment of the public housing program:
 - Financial ratios will be applied to the HCV program using data submitted through FASS-PH to provide a base score
 - Results of the PHA's audits could reduce the score (i.e., audit penalties)
- Consideration of possible relief to address circumstances outside of the PHA's control

Possible Measures for Financial Condition Indicator

Possible Measure	What Would it Measure?	What Question Would it Answer?
1. Quick Ratio	Liquidity or solvency of the program	Does the program have enough cash and other current assets to pay the bills that are due?
2. Months Expendable Net Assets Ratio	Number of months the program can sustain operations without additional funding	Are there adequate operating reserves based on the size of the PHA's program?
3. Net Income Ratio	Whether program is operating at a net income (loss) for the year and the impact on the program's viability	Is the program operating at a net loss that could jeopardize the sustainability of the program?

Frequency of Reexaminations

- Proposed indicator would be worth about 10 of 100 points for the performance category.
- Similar to the reexamination indicator currently used under SEMAP:
 - PHA must complete a reexamination for each participating family at least once every 12 months and submit the results of the reexamination to PIC (i.e., 50058 transmission).
 - Changes in frequency of reexaminations requirements would be reflected in indicator.
 - Current SEMAP reexamination indicator measures the percent of reexaminations that are more than 2 months overdue.
 - Scoring criteria under current SEMAP
 - 10 points → Fewer than 5 percent of all PHA reexaminations are more than 2 months overdue
 - 5 points → 5 to 10 percent of all PHA reexaminations are more than 2 months overdue
 - 0 points → More than 10 percent of all PHA reexaminations are more than 2 months overdue

Discussion of Performance Indicators

- Overall feedback on four proposed indicators and relative weights
 - What does not belong?
 - What is missing?
- Specific questions on indicators:

Physical Inspections

- Should all PHAs be required to complete physical QA inspections or would desk reviews be appropriate in some cases?
- How would a PHA's adoption of biennial inspections affect the QA sample?
- How would a PHA's use of alternative inspections affect this indicator?

Utilization

- Should the scoring criteria vary by program size?
- Should RAD PBV units be excluded from the indicator? If so, how should this be done?

Financial Condition

- Do the proposed ratios make sense as measures?
- Should the financial management and financial health of the administrative fee account be a performance indicator? If not, why not?
- Are there alternative approaches to assessing the PHA's financial condition?

Reexamination

- What should be the scoring thresholds?

Governance and Program Controls

In organizations of all kinds, good governance starts with the board of directors. The board's role and legal obligation is to oversee the administration (management) of the organization and ensure that the organization fulfills its mission. Good board members monitor, guide, and enable good management; they do not do it themselves. The board generally has decision-making powers regarding matters of policy, direction, strategy, and governance of the organization.

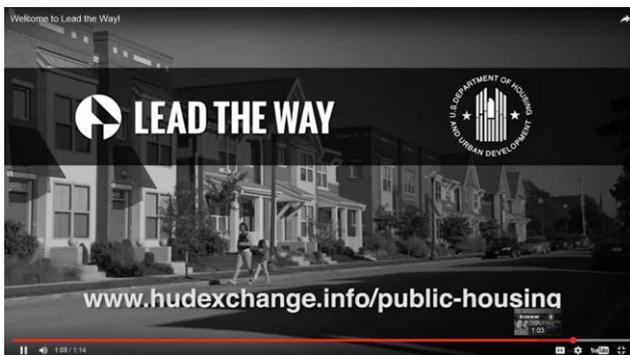
Incentives

Performance Indicators

Governance and Program Control Indicator

Two self-certified surveys:

- 1) Governance survey completed by the PHA Board
- 2) Program Controls survey completed by the Executive Director



Governance and Program Controls Surveys

- Surveys would be designed to cover four (4) main topics:
 - Governance
 - Waitlist management: placement and selection
 - Rent determination
 - Rent reasonableness
- Surveys reflect minimum standards for Board oversight and program administration
- Surveys would be completed and self-certified to by PHA via HUD's online system
- Surveys would be pass/fail, scored separately
- PHA would not earn points for passing surveys; but overall designation could be lowered for fails
 - Propose that a PHA that fail Governance/Program Controls cannot be a High Performer

Governance Survey: Possible Questions/Topics

Survey Section	Possible Questions/Topics
Board Structure	<ul style="list-style-type: none">• Does the Board have the required number of members?• Does the Board include a resident Board?
Board Members	<ul style="list-style-type: none">• Number of Board meetings• Average meeting attendance• Methods of disseminating information about Board meetings and minutes
Board Function	<ul style="list-style-type: none">• Role of Board in evaluating Executive Director performance and compensation
Financial and Program Oversight	<ul style="list-style-type: none">• Role of Board in reviewing financial statements and discussing PHA's financial health• Timeliness of budget adoption by Board• Are the results of quality control testing (or internal controls) communicated to the Board?

Program Controls Survey: Sample Questions on Rent Reasonableness

Sample Questions	Applies to PHAs with <550 vouchers?	Applies to PHAs with >=550 vouchers?
Does the PHA have written policies and procedures for rent reasonableness standards that are compliant with applicable laws and regulations?	Yes	Yes
Does the PHA test compliance with rent reasonableness policies through a quality control sample?	No	Yes
If yes, what percentage of the quality control sample was compliant?	No	Yes
Does the PHA have internal controls in place for ensuring activities associated with rent reasonableness are properly executed?	Yes	No
If yes, how often does the PHA monitor those internal controls?	Yes	No

- HUD envisions different standards for program controls based on program size
- 56% of PHAs with a HCV program manages 550 or less vouchers

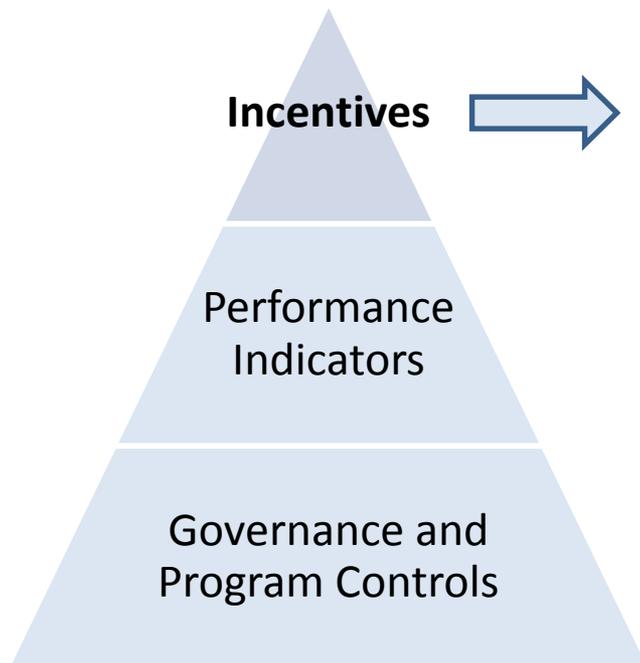
Discussion of Governance and Program Controls

- Overall feedback on assessing governance and program controls
- Feedback on self-certified survey approach and example survey topics and questions
- Does it make sense to have different governance or program control standards based on PHA size? What are the appropriate size thresholds?
- Should HUD consider adding new designation for PHAs that fail the governance and program controls indicators, for example:
 - “Above Standard Performer” designation for PHA that earns enough points on the other indicators to be higher than a standard performer but fails to earn enough points to be a High Performer OR meets High Performer criteria but fails either the governance or program controls
 - Should a PHA that is otherwise a Standard Performer (score at least 60 points on the performance indicators) be designated Troubled if the PHA fails Governance or Program Controls?

Proposed Approach to Incentives

- Incentives are “bonus” points that are applied to the performance indicator score
- A PHA’s assessment score can only be increased (i.e., a PHA does not lose points for not having met an incentive standard)
- Incentives are targeted at improving HUD-specific goals but allow for a PHA’s local discretion in prioritizing the activity
- Incentives must be measurable using data currently available to HUD
- Incentives must be outcome-based and the outcome must be mostly in the control of the PHA
- A PHA may not be able to earn points for each incentive
- The maximum number of points that a PHA can earn for incentives is 10 points

Potential Areas for Incentives



Areas for Incentives (& Possible Indicators)

1. Reaching program objectives that provide opportunities for families to improve self-sufficiency or live in better economic areas:
 - Locational outcomes (Max: 10 pts)
 - Family self-sufficiency (Max: 5 pts)
2. Reaching leasing targets for serving special populations:
 - VASH leasing (Max: 3 pts)

Proposed Approach to Locational Outcomes

- Indicators apply only to families with children
- Indicators apply only to PHAs in metropolitan areas
- Focus on outcomes for two groups of families with children: movers and new admissions to the program
- Outcomes for movers and new admissions should be relative to the PHA's overall HCV population so that PHAs that operate in high poverty areas are not unfairly penalized, e.g.:
 - PHAs score points if mover families end up in better neighborhoods than the PHA's HCV families as a whole.
- Outcomes are measured by HUD using existing PIC data (i.e., no self-certification or calculations by PHA)

Example Indicators for Locational Outcomes

Desired Outcome	Potential Question to Answer	Potential Outcome Measure
Deconcentrating Poverty	Is the PHA having success in helping families move out of (lease up in) high poverty neighborhoods?	Percent of mover (new admission) families who move out of (lease up outside of) high poverty areas, compared to percent of all families under HAP who live outside of high poverty areas.
Increasing Access to Opportunity Areas	Is the PHA having success in helping families move to (lease up in) opportunity neighborhoods?	Percent of mover (new admission) families who move to (lease up in) opportunity neighborhoods, compared to percent of all families under HAP who live in opportunity areas.

- PHA could score points in four ways (deconcentrating poverty for movers, deconcentrating poverty for new admissions, opportunity areas for poverty for movers, opportunity areas for new admissions)
- Families who port with their vouchers are taken into account:
 - Port-out families counted as movers for issuing PHA
 - Port-in families counted as new admissions for receiving PHA

Discussion of Incentives

- Overall feedback on proposed areas for incentives: locational outcomes, family self-sufficiency, and VASH leasing
- What other areas should HUD consider?
- Feedback on reliance on PIC data for incentive indicators:
 - Where data is not available in HUD's system to support the incentive, would PHAs be agreeable to provide the data (i.e., increase the reporting requirements?)
- Feedback on proposed approach to locational outcomes
 - Are deconcentrating poverty and increasing access to opportunity areas the right goals?
 - Should the focus be on families with children?
 - Should PHAs in non-metro areas be eligible to earn points?
 - Should PHAs be assessed relative to their own baseline or relative to other PHAs?

Possible Assessment Designations

Designation	Discussion Item
High Performer	
Above Standard Performer (new)	<ul style="list-style-type: none"> Recognizes PHAs that are performing at above a standard performance level. PHA with a score of 80-89 points overall <u>and</u> earned 60% of the possible points for each performance indicator <u>and</u> passed both governance and program controls. PHA with a score of 90-100 points overall <u>and</u> earned 60% of the possible points for each performance indicator <u>but</u> failed either governance or program controls.
Standard Performer	
Sub-standard Performer (new)	<ul style="list-style-type: none"> Indicates that a PHA is non-performing in one or more of its indicators and that corrective action is needed. Currently this designation exists under PHAS. Current SEMAP already requires corrective action for non-performance at an indicator level.
Troubled Performer	

Other Discussion Items

- What bonus could HUD provide to PHA that has been designated as a high performer?
- Should HUD formally recognize (i.e., as part of a PHA's designation, a letter, etc.), PHAs that have received incentive bonus points?

Example of Scoring

a.	b.	c.	d.
Section 8 Assessment			
#	Indicators / Incentives /Governance & Program Controls	Max Points	Example Score
1	Performance Indicators		
2	Physical	30	25
3	Utilization	34	30
4	Financial	26	20
5	Annual Reexamination	10	10
6	Total Performance Indicators	100	85
7	Incentives		
8	Family Self Sufficiency	5	5
9	Locational Outcome	10	10
10	VASH Leasing	3	3
11	Incentives (limited to 10 points)	10	10
12	Total Points	110	95
13	Governance Survey	Pass/Fail	Pass
14	Program Controls Survey	Pass/Fail	Pass
15	Performance Designation		High

- In this example, the PHA's performance indicator score calculates to 85 points (row 6).
- For incentives, the PHA scored the maximum number of points available – 18 points, but the total incentives a PHA can earn is limited to 10 points (row 11).
- The PHA also passed both Governance and Program Controls.
- The PHA's score is 95 points and is designated a High Performer.

Closing Discussion and Summary

#	SEMAP Indicator	Max Points	Data Source	SEPHAS: HCV Assessment	Max Points	Data Source
1	Expanding housing opportunities	5	Self-Certify	Incentive - Locational Outcomes	10	PIC
2	Deconcentration Bonus indicator	5	Self-Certify	Incentive - Locational Outcomes		
3	FSS enrollment and escrow accounts	10	PIC	Incentive - FSS	5	PIC
4	Not Applicable	N/A	N/A	Incentive - VASH Leasing	3	VMS
5	Quality Control Inspections (QC Sample)	5	Self-Certify	Performance Indicator - HCV Physical	10	Self-Certify/UPCS-V
6	Enforcement (QC Sample)	10	Self-Certify	Performance Indicator - HCV Physical	10	Self-Certify/UPCS-V
7	Pre-contract Inspections	5	PIC	Performance Indicator - HCV Physical	6	PIC/UPCS-V
8	Annual Inspections	10	PIC	Performance Indicator - HCV Physical	4	PIC/UPCS-V
9	Lease-up	20	VMS	Performance Indicator - HCV Utilization	34	VMS
10	Not Applicable	N/A	N/A	Performance Indicator - HCV Financial	26	FASS
11	Annual reexamination	10	PIC	Performance Indicator - HCV Annual Reexamination	10	PIC
12	Not Applicable	N/A	N/A	Governance & Program Controls - Governance	P/F	Self-Certify (PIC)
13	Selection from waiting list (QC Sample)	15	Self-Certify	Governance & Program Controls - Waitlist Management: Placement & Selection (QC Sample)	P/F	Self-Certify (PIC)
14	Determination of Adjusted Income	20	Self-Certify	Governance & Program Controls - Rent Determination (QC Sample)	P/F	Self-Certify (PIC)
15	Utility Allowance Schedule	5	Self-Certify	Governance & Program Controls - Rent Determination (QC Sample)	P/F	Self-Certify (PIC)
16	Payment Standards	5	Self-Certify	Governance & Program Controls - Rent Determination (QC Sample)	P/F	Self-Certify (PIC)
17	Reasonable Rent (QC Sample)	20	Self-Certify	Governance & Program Controls - Rent Reasonableness (QC Sample)	P/F	Self-Certify (PIC)
18	Correct Tenant Rent Calculations	5	PIC	Not Applicable	N/A	N/A