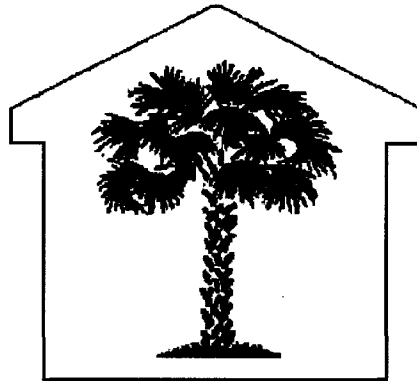


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# Certified Public Manager Project

## Excelling Performance Potential



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STATE DOCUMENTS

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## **PURPOSE**

The purpose and main objective of this project was to research the feasibility of developing an automated database that would track and compare monthly and year-to-date program unit utilization and Housing Assistance Payment (HAP) expense data against the Annual Budget Authority (ABA) allocated by the Department of Housing and Urban Development (HUD) for program administration, and provide timely and accurate information on which to base important program management decisions. The result of this project is the Utilization Report (created and maintained in Microsoft Excel) at Appendix A.

## **PROBLEM STATEMENT**

Extensive data collection and analysis requirements associated with properly monitoring and managing certain program elements and meeting specific HUD evaluation standards provided the opportunity to research and evaluate new methods to accurately track and evaluate budget and unit utilization performance levels. The timely availability and increased accuracy of this information would greatly enhance the quality of data submitted to HUD on which the program is assessed. It would also be invaluable in the overall planning, programming, budget execution and decision making processes.

## **PROGRAM OVERVIEW**

The mission of the South Carolina State Housing Finance and Development Authority (SCSHFDA) is to “Create quality affordable housing opportunities for the citizens of South Carolina”. The goals established in support of our mission are to:

- a. Create and maintain a positive work culture that reinforces our mission, encourages innovation, and is based on a spirit of cooperation and teamwork.
- b. Improve customer service and enhance employee performance by constantly reviewing processes and the use of technology.
- c. Develop mutually supportive relationships that expand our ability to provide affordable housing while enhancing the value of investments.
- d. Actively seek new and innovative ideas to improve housing opportunities.

One of the many programs administered by the SCSHFDA is HUD’s Section 8 Housing Choice Voucher (HCV) Program. This program is a tenant-based rental assistance program funded by HUD through an Annual Contributions Contract (ACC) with the SCSHFDA. HUD monitors contract performance by evaluating data submitted by the SCSHFDA, conducting on site confirmatory reviews, and reviewing the SCSHFDA’s annual independent audit results.

The primary method of evaluation is HUD’s Section 8 Management Assessment Program (SEMAP) whereby a Public Housing Authority (PHA) is evaluated on fourteen separate performance indicators, eight of which are self-certified and verified by an on site confirmatory review. The remaining indicators are evaluated based on data

electronically submitted on program participants to HUD's Office of Public and Indian Housing (PIH) Information Center (PIC). Each indicator is assigned a point value based on the level of performance against specific standards. A PHA may be awarded a total of 145 points under SEMAP. A PHA's overall SEMAP score (reflected as a percentage) is arrived at by dividing the PHA's total points by the total possible points attainable. PHAs are then given a "Performance Rating" as follows:

- a. PHAs with SEMAP scores of at least 90 percent are rated as "High Performers" and may receive national recognition by HUD, or may be given a competitive advantage under notices of fund availability.
- b. PHAs with SEMAP scores of 60 to 89 percent are rated as "standard".
- c. PHAs with SEMAP scores of less than 60 percent are rated as "troubled".

One of the most important performance measures under SEMAP is "Lease-up", Indicator 13, which shows whether a PHA enters Housing Assistance Payment (HAP) Contracts for the number of units reserved under the ACC for at least one year. HUD's method of verification is to calculate the percentage of units leased during a PHA's last completed fiscal year (the SCSHFDA's fiscal is from July 1 through June 30) as determined by taking the unit months under HAP contract as shown on the PHA's last year-end operating statement recorded in the HUD accounting system, and dividing by the number of unit months available for leasing, based on the number of reserved units for which HUD has obligated funding under the ACC and adjusted to exclude units associated with funding increments obligated during the last PHA fiscal year and units obligated for litigation. HUD rates this indicator as follows:

a. PHAs are awarded 20 points if 98 percent or more of its allocated units were leased, or they expended 98 percent or more of their allocated budget authority, during the last fiscal year.

b. PHAs are awarded 15 points if 95 to 97 percent of its allocated units were leased, or they expended 95 to 97 percent of their allocated budget authority, during the last fiscal year.

c. PHAs are awarded 0 points if less than 95 percent of its allocated units were leased, or they expended less than 95 percent of their allocated budget authority, during the last fiscal year.

The SCSHFDA's baseline number of reserved units for which HUD obligated funding under the ACC from January 1, 2005 to December 31, 2005 was 2380. This is the period for which data was collected and analyzed for this project. However, the SCSHFDA's baseline number of reserved units for which HUD has obligated funding under the ACC beginning January 1, 2006 is 2041. This is due to the transfer of program administration for two jurisdictions (counties) to other PHAs.

The SCSHFDA also transmits utilization and expense data on a quarterly basis to HUD's Voucher Management System (VMS). This provides HUD with data concerning the number of units under a HAP contract in a given month, along with all associated expense data and fees earned under the ACC resulting from administering those contracts. This data is compared to participant data transmitted to PIC in the overall evaluation process. HUD also uses the VMS in all funding allocation decisions.

Prior to the initiation of this project, timely budget and program data, needed in making important program management decisions or reporting requirements, was not readily available. Information needed was maintained in various databases, requiring extensive, time consuming, data collection and analysis for each requirement. Although routine monthly HAP payments are processed internally, all actual payments and accounting procedures are accomplished by a separate Finance Department in concert with the State Comptroller General's Office. Timing of some accounting transactions, and information provided, did not routinely consider the effect on certain performance measures. Monthly budget and expense data was not provided consistently, and provided only approved annual budget amounts and year-to-date data by expense account category, not a monthly breakdown by specific expense account. Data needed for quarterly VMS submissions to HUD was not collected until just prior to required submission dates, and no analysis was conducted to ensure correctness. Also, since the Finance Department was responsible for VMS submissions, actual monthly expense data used in these submissions was not readily available to the Program Director. This led to periodic inaccurate submissions which were corrected only when discovered when analyzing data for other requirements or when pointed out by HUD or other affordable housing advocates and lobbying groups who have public access and monitor inconsistencies in data submissions. This situation detracted from the ability to readily track monthly performance, or provide timely accurate program data, without time consuming research and analysis or reliance on external information resources.

## DATA COLLECTION

Data collection for this project consisted of the following:

a. Annual Budget Authority (ABA): ABA funding data is provided by HUD annually, along with Administrative Fee funding, under the ACC. Even though the Federal Government operates on a fiscal year from October 1 through September 30, HUD provides funding on a calendar year basis (January 1 through December 31). Further complicating the overall financial management process, the SCSHFDA operates on a fiscal year from July 1 through June 30. Also, funding data routinely is not provided until the end of January, with the initial months (January and February) funding being solely based on the funding distributed for December of the previous year. Once funding decisions are made, total ABA amounts are announced in the form of a HAP Renewal Funding letter under the ACC. Funds are actually allocated in Funding Increments that may cover various lengths of time throughout the calendar year. However, funds are actually distributed on a monthly basis, but adjusted by amounts that were over or under distributed in January and February. Funding levels may also be adjusted if additional unit allocations are awarded during the funding cycle.

b. Housing Assistance Payment (HAP) Expense Data: Coordination with the Finance Department is required to obtain accurate monthly HAP expense data. Routine monthly HAP payments are generated, using an automated feature embedded in a participant database (YARDI), and provided to the Finance Department for processing and actual payment through the Comptroller General's Office. However, non-routine payments, refunded overpayments, collection actions, etc. are accomplished and

managed by the Finance Department. The Finance Department is responsible for all budget and accounting requirements, through the Comptroller General's Office, on a cash accounting basis. This data must be closely scrutinized to ensure expenses are correctly applied and attributed to the proper month in which incurred. Incorrect HAP expense data or expense data attributed to the wrong month could result in incorrect data being provided to HUD, resulting in the appearance of an over or under expenditure of allotted funds distributed during certain VMS reporting periods.

c. Unit Utilization Data: The generation of monthly unit utilization data is accomplished by extracting data from the participant database (YARDI), using a Structured Query Language (SQL) based report writer called Crystal Reports. Specific parameters are incorporated into a specific program to report the number of units under HAP Contract during any given month. Data must also be captured on those participants that, under program Portability requirements, have been transferred to another housing authority (Portability-Out), for which the SCSHFDA is being billed, and participants that have been transferred to the SCSHFDA from other housing authorities (Portability-In), for which we are billing other housing authorities. Portability-Out unit utilization and HAP expense data must be added to total utilization data, since the SCSHFDA is being billed for the HAP expense and is therefore, authorized to include those numbers. Portability-In unit utilization and expense data must be subtracted from total utilization data, since the SCSHFDA is billing other housing for the HAP expense associated with administering those contracts and therefore must exclude those numbers.

## DATA ANALYSIS

Data analysis consists of ensuring that information derived from the data collection requirements above accurately reflects total HAP expense and unit utilization data for each specific month. Monthly unit utilization data (Units Leased) and monthly HAP expense data (HAP Payments) are then entered into the Utilization Report (Appendix A). Once entered, formulas in the spreadsheet automatically calculate and display the following:

- a. Monthly percentage of ABA funds utilized.
- b. Year-to-Date percentage of ABA funds utilized.
- c. Year-to-Date amount of ABA funds utilized.
- d. Monthly average HAP expense per unit (Per Unit Cost).
- e. Year-to-Date average HAP expense per unit (Per Unit Cost).
- f. Monthly Lease-up rate (percentage).
- g. Year-to-Date lease-up rate (percentage).
- h. Year-to-Date average units leased.

The resulting data provides timely, accurate information on which important financial management decisions can be based with respect to the need to increase or decrease program participation, change subsidy amounts, or make other program changes that effect overall funding utilization rates. This data will also provide a more accurate projection of future funding requirements based on past budget and unit utilization trends.

## **IMPLEMENTATION PLAN**

Actions required to implement this project required establishing specific internal timelines and procedures for data collection and input. This project was implemented effective January 1, 2006, based on the positive results derived from an analysis of data available and input from January 1, 2005 to December 31, 2005. Since these procedures are already required for VMS submission and other requirements, both internal and within the Finance Department, there is no additional cost associated with its implementation.

The distribution of the ABA by HUD normally occurs around January 20<sup>th</sup> each year, although HUD's budget year begins on January 1<sup>st</sup>. The ability to influence HUD to make timelier budget decisions or distribute the ABA in a timelier manner is virtually nonexistent, although there is constant pressure from lobbying and housing advocacy groups to provide more timely funding decisions. However, HUD ABA and baseline unit information contained in the Annual HAP Renewal Funding notification letter serves as the foundation on which all data input is evaluated. The importance of verifying the receipt of correct data in this project can not be overemphasized. A recent conversation with our HUD budget analyst revealed we were missing a portion of a faxed page from the HAP Renewal Funding letter received in January 2005. This meant the initial CY 2005 ABA that was thought to be \$10,603,856, was actually only \$10,404,832. The Utilization Report, when adjusted, quickly revealed a change in Year-to-Date ABA utilization from 100 % to 102%. This should not pose a problem due to the distribution of additional funds over and above the ABA in January 2005.

This project provided the opportunity to establish a good working relationship with the Finance Department since their cooperation is critical to ensure the timely receipt of accurate HAP expense data. The Finance Department relies on reports provided by the Comptroller General's Office based on data provided and accounting information derived and reconciled from transactions processed on behalf of the SCSHFDA. This account information is generally available by the 15<sup>th</sup> of the month following the month transactions are processed, and the Finance Department has agreed to provide requested information as soon as possible once received. Although we have assumed responsibility for quarterly VMS submissions to HUD, we continue to involve them in the process because of the shared responsibility.

Unit utilization data is extracted by an Assistant Manager or the Program Director and validated on the 15<sup>th</sup> of each month to ensure all transactions, effective the prior month, have been processed. Monthly unit utilization and HAP expense data is then entered into the Utilization Report.

The monthly data collection processes previously identified, inputting that data into the Utilization Report by the 15<sup>th</sup> of each month, and the resulting analysis, readily provides meaningful and accurate information on which to base important financial management and program decisions. It will also prove invaluable for planning participation and budget utilization levels that focus on achieving the maximum points attainable under SEMAP.

## **EVALUATION METHOD**

The success and viability of this project will be evident in the quality of data derived from the critical analysis that the Utilization Report provides on a monthly and year-to-date basis. This will facilitate the process of determining the need to adjust participation rates to achieve proper ABA and unit utilization rates. As data is input and analyzed, and necessary program adjustments are made, the affect of those adjustments, both positive and negative, will be acutely evident. The collection and analysis of this data over time will also provide reliable forecasting information on which to project future funding requirements. Also, VMS submission quality will be monitored as this process evolves which should have a positive impact on yearly SEMAP scores.

Flow Charts depicting the Current HAP Expense and Unit Utilization Data Collection, Analysis and Submission Process and the Previous HAP Expense and Unit Utilization Data Collection and Submission Process are at Appendix B.

### References:

- a. 24 Code of Federal Regulations, Part 985, Section 8 Management Assessment Program.
- b. HUD Voucher Management System (VMS) User's Manual

# Appendix A

**SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY**

**HOUSING CHOICE VOUCHER PROGRAM**

**Calendar Year 2005 Utilization Report  
(January 1, 2005 - December 31, 2005)**

**Annual Budget Authority (ABA)**

**\$10,404,832**

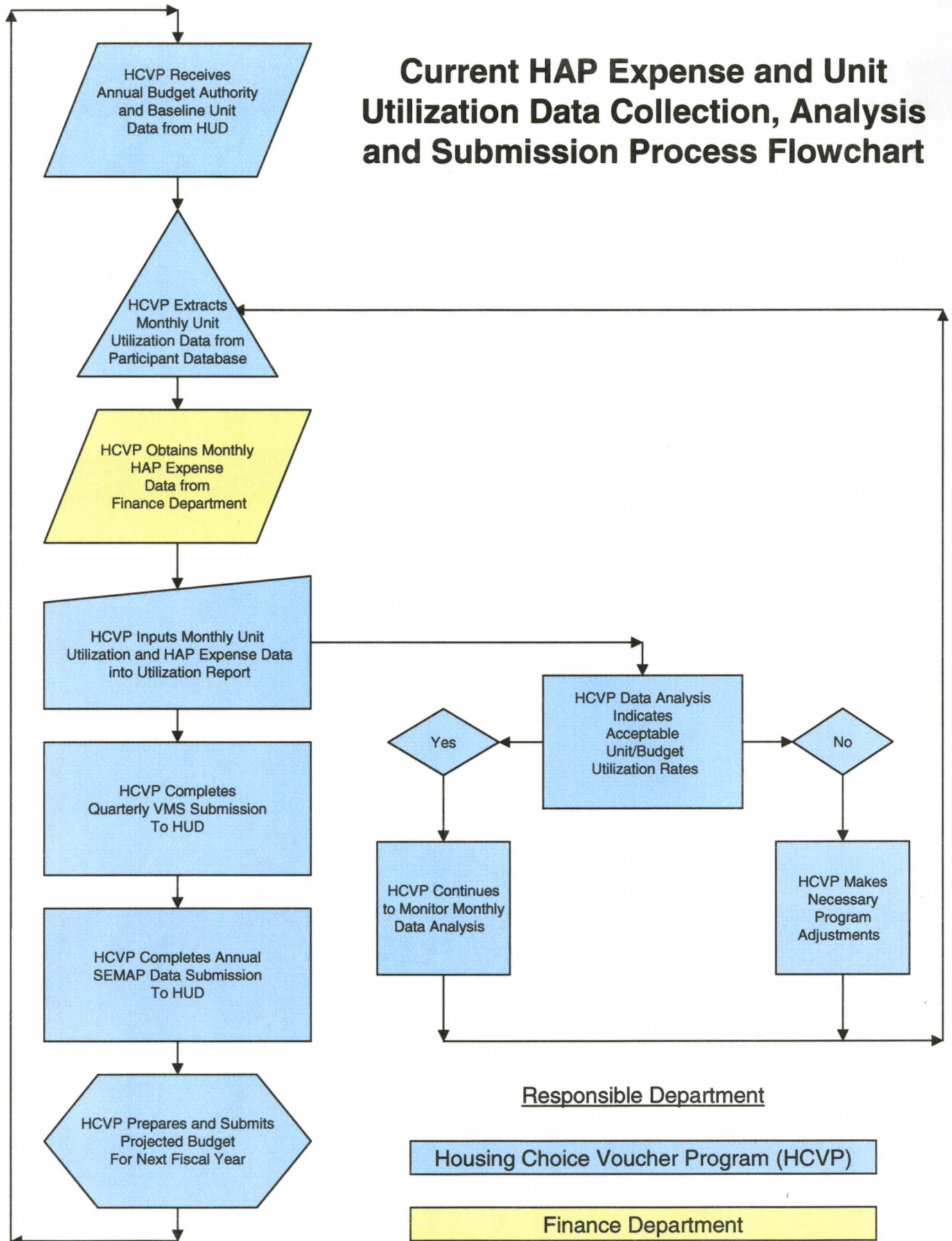
**Base Line Unit Allocation**

**2380**

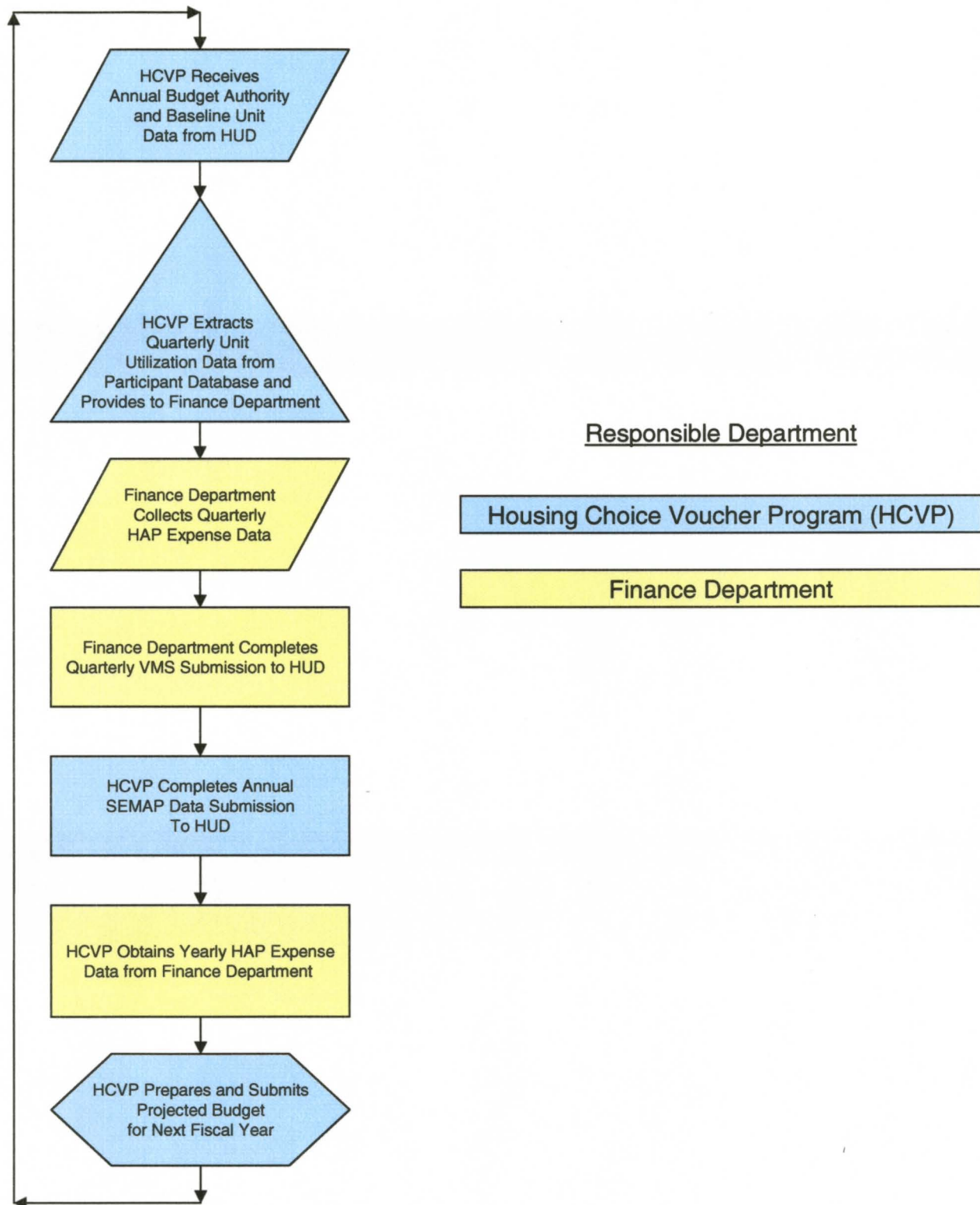
MONTH	UNITS LEASED	HAP PAYMENTS	MONTHLY PERCENTAGE OF FUNDS UTILIZED	YEAR-TO-DATE PERCENTAGE OF FUNDS UTILIZED	YEAR-TO-DATE AMOUNT OF FUNDS UTILIZED	MONTHLY AVERAGE HAP EXPENSE (PUC)	YEAR-TO-DATE AVERAGE HAP EXPENSE (PUC)	MONTHLY LEASE UP PERCENTAGE RATE	ANNUAL LEASE UP PERCENTAGE RATE	YEAR-TO-DATE AVERAGE UNITS LEASED
January	2305	\$936,726	108%	108%	\$936,726	\$406	\$406	97%	97%	2305
February	2332	\$898,903	104%	106%	\$1,835,629	\$385	\$396	98%	97%	2319
March	2308	\$886,936	102%	105%	\$2,722,565	\$384	\$392	97%	97%	2315
April	2323	\$832,483	96%	103%	\$3,555,048	\$358	\$384	98%	97%	2317
May	2293	\$874,397	101%	102%	\$4,429,445	\$381	\$383	96%	97%	2312
June	2302	\$882,360	102%	102%	\$5,311,805	\$383	\$383	97%	97%	2311
July	2315	\$877,695	101%	102%	\$6,189,500	\$379	\$383	97%	97%	2311
August	2311	\$888,025	102%	102%	\$7,077,525	\$384	\$383	97%	97%	2311
September	2303	\$883,774	102%	102%	\$7,961,299	\$384	\$383	97%	97%	2310
October	2315	\$895,562	103%	102%	\$8,856,861	\$387	\$383	97%	97%	2311
November	2344	\$871,812	101%	102%	\$9,728,673	\$372	\$382	98%	97%	2314
December	2347	\$896,781	103%	102%	\$10,625,454	\$382	\$382	99%	97%	2317

# Appendix B

# Current HAP Expense and Unit Utilization Data Collection, Analysis and Submission Process Flowchart



# Previous HAP Expense and Unit Utilization Data Collection and Submission Process Flowchart



# Appendix C

## GLOSSARY

### ACRONYMS

### OPERATIONAL TERMS AND DEFINITIONS

<b>ABA</b>	<b><u>Annual Budget Authority</u></b> - A term used by HUD to signify the maximum amount of funds HUD will make available to a PHA in any single fiscal year.
<b>ACC</b>	<b><u>Annual Contributions Contract</u></b> - A legal document (contract) between a PHA (as contract administrator) and HUD. Under an ACC, a PHA agrees to perform the duties of a contract administrator for HUD, and HUD, in turn, agrees to provide the PHA with the funds needed not only to make housing assistance payments but also to cover HUD-approved administrative fees.
<b>HAP</b>	<b><u>Housing Assistance Payment</u></b> - The portion of contract rent paid on behalf of an assisted family by a PHA to an owner.
<b>HCVP</b>	<b><u>Housing Choice Voucher Program</u></b> - The federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.
<b>HUD</b>	<b><u>Department of Housing and Urban Development</u></b>
<b>PHA</b>	<b><u>Public Housing Authority</u></b> - A public housing management corporation, usually chartered under state law, under contract to HUD to administer its housing programs.
<b>PIC</b>	<b><u>(HUD Office of) Public and Indian Housing Information Center</u></b> - An Internet-based system that allows PHAs to electronically submit information to HUD, enables PHA users and HUD personnel to access a common database of PHA information via their web browser, and facilitates more timely and accurate exchanges of data between PHAs and local HUD offices.
<b>PIH</b>	<b><u>(HUD Office of) Public and Indian Housing</u></b>
<b>Section 8</b>	<b><u>Section 8 of the United States Housing Act of 1937</u></b>

## GLOSSARY

- SEMAP**            **Section 8 Management Assessment Program** - Measures the performance of the PHAs that administer the Housing Choice Voucher Program in 14 key areas. SEMAP helps HUD target monitoring and assistance to PHA programs that need the most improvement.
- SCSHFDA**        **South Carolina State Housing Finance and Development Authority**
- SQL**             **Structured Query Language** - A computer language designed to store, manipulate, and retrieve data stored in relational databases.
- VMS**             **Voucher Management System** - A central system to monitor and manage a PHAs use of vouchers. The VMS collects PHA data that enables HUD to fund, obligate, and disburse funding in a timely manner based on actual PHA use.