



U.S. Department of Housing and Urban Development
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JAN 08 2014

Mr. Joseph Villarreal
Executive Director
Housing Authority of the County of Contra Costa
3133 Estudillo Street
P. O. Box 2759
Martinez, CA 94553

Dear Mr. Villarreal:

SUBJECT: SEMAP Confirmatory Review for FYE 3/31/2013

The Housing Authority of the County of Contra Costa (PHA) has reached standard performance in its HCV/SEMAP Program for FYE 3/31/2013. An onsite SEMAP Confirmatory review was conducted September 23 – 25, 2013 by the San Francisco local PIH staff. As a result, the PHA's confirmed SEMAP score has been increased to 78%, which is a Standard Performer.

We wish to express our sincere appreciation for the cooperation shown by your staff during the review. We recognize the concerted effort that has been made by this dedicated staff to enhance the management of the Housing Choice Voucher Program.

The findings of the review are in the enclosed SEMAP Confirmatory Review Report. Please note that a Corrective Action Plan (CAP) is required. The PHA is required to prepare the CAP in accordance with 24 CFR §985.107 (c) and have it adopted by the Board of Commissioners. The CAP is not limited to the recommended corrective actions in the attached report. The CAP is due to HUD for approval within 30 days of the date of this letter.

While the confirmatory review had a successful outcome, there were two (2) findings and a concern that we would like to address in the attached report.

Should you have any concerns and/or need technical assistance, please do not hesitate to contact Carol Joseph, Public Housing Revitalization Specialist, at (415) 489-6455.

Sincerely,

A handwritten signature in black ink, appearing to be "Jesse Wu", written over a circular stamp.

Jesse Wu
Acting Director
Office of Public Housing

Enclosure

9APH Official File: SEMAP—Contra Costa FYE 3/31/2013

9APH CHRON

9APH Joseph

Originator: CMJ/cmj PHRS 1/7/2014 (415) 489-6455

File: J: /Reading/ Contra Costa- SEMAP- Confirmatory Review Report September 2013

Concurrence:

9APH

JOSEPH

9APH

WINDT


1/7/14

Section Eight Management Assessment Program (SEMAP) Confirmatory Review 2013 Report

Contra Costa Housing Authority - CA011

September 23 – 25, 2013



OFFICE OF PUBLIC HOUSING, REGION IX

San Francisco, CA

SEMAP Confirmatory Review Report Fiscal Year End 3/31/ 2013

Executive Summary

The purpose of the Section Eight Management Assessment Program (SEMAP) Confirmatory Review is to determine whether the Housing Authority of the County of Contra Costa (PHA) is in compliance with the SEMAP certification process as required by 24 CFR §985. The PHA was designated SEMAP trouble in Fiscal Year Ending 2006. A SEMAP Assessment was performed in 2007 that confirmed the housing authority's troubled designation. After the housing authority self-certified that it was a standard performer, a SEMAP Confirmatory review was conducted in 2010. At that time the housing authority did not meet the minimum SEMAP requirements and the field office could not change its SEMAP score.

The PHAs most recent SEMAP certification for FYE March 31, 2013, indicated that it is no longer SEMAP troubled. This SEMAP Confirmatory review was scheduled and completed the week of September 23-25, 2013. Prior to this SEMAP Confirmatory Review the Nelrod Company was retained under a Technical Assistance Contract under the PHARS recovery plan, which included the HCV Program. As a result, the Nelrod Company conducted a SEMAP assessment review and determined that the housing authority had recovered from its troubled designation to Standard Performance for FYE March 31, 2013. This SEMAP Confirmatory review and report supports Nelrod's report that the housing authority has made significant efforts and improvements in its Housing Choice Voucher Program and SEMAP requirements. The PHA earned 100 SEMAP points (78%) – Standard Performance.

The housing authority was under a SEMAP Corrective Action Plan (CAP), which the housing authority completed March 12, 2012, in compliance with the prior SEMAP Confirmatory Review.

This Confirmatory Review found a total of two (2) findings and (1) concern. Only the outstanding deficiencies and concern is addressed in this report. The PHA is required to prepare a Corrective Action Plan (CAP) in accordance with 24.CFR §985.107 (c) and have it adopted by the Board of Commissioners. The CAP is due to HUD for its approval within 30 days of the date of this letter. Should you need technical assistance, please contact our office.

Summary of SEMAP Score:

| SEMAP Indicators | | Self-Certified Rating | Maximum Score | Review Score |
|---------------------|---------------------------------------|-----------------------|---------------|--------------|
| Indicator 1 | Selection from the Waiting List | 15 | 15 | 0 |
| Indicator 2 | Rent Reasonableness | 15 | 20 | 20 |
| Indicator 3 | Determination of Adjusted | 0 | 20 | 0 |
| Indicator 4 | Utility Allowance Schedule | 5 | 5 | 5 |
| Indicator 5 | Housing Quality Standards Q.C. | 0 | 5 | 5 |
| Indicator 6 | Housing Quality Standards Enforcement | 0 | 10 | 10 |
| Indicator 7 | Expanding Housing Opportunities | 5 | 5 | 5 |
| Indicator 8 | Payment Standards | 5 | 5 | 5 |
| Indicator 9 | Annual Reexamination | 10 | 10 | 10 |
| Indicator 10 | Correct Rent Calculation | 0 | 5 | 5 |
| Indicator 11 | Pre-Contract HQS Inspections | 5 | 5 | 5 |
| Indicator 12 | Annual HQS Inspections | 10 | 10 | 10 |
| Indicator 13 | Lease Up | 0 | 20 | 20 |
| Indicator 14 | FSS Enrollment and Escrow Accounts | 0 | n/a | n/a |
| Indicator 15 | Deconcentration Bonus | 5 | 5 | 5 |

Summary of Findings:

Finding #1 - Indicator 1 Selection from the Waiting List

Criteria

In accordance with 24 CFR 985 (c) Determination of Adjusted Income, (1) This indicator shows whether the PHA has written policies in its administrative plan for selecting applicants from the waiting list and whether the PHA follows these policies when selecting applicants for admission from the waiting list. (24 CFR 982.54(d) (1) and 982.204(a)). In addition, based on the PHA's quality control samples, drawn separately for applicants reaching the top of the waiting list and for admissions, documentation shows that at least 98 percent of the families in both samples of applicants and admissions were selected from the waiting list for admission in accordance with these policies and met the selection criteria that determined their places on the waiting list and their order of selection

Condition

The PHA has not selected any qualified families from its HCV waiting list in quite some time. The PHA has been absorbing incoming portability clients from other housing authorities, which does not require selection from the waiting list. However, the housing authority demonstrated to reviewers that it has process in place to ensure that it would be able to correctly select applicants from its waiting list in the future. While the housing authority self-certified to the points for this indicator, as a result of review and with the lack of actual applicant files and waiting list snapshots of families drawn from the waiting list, the PHA could not fully and properly demonstrate full compliance with this indicator.

Cause

The housing authority has not selected any new applicants from its HCV waiting list due to what it perceives to be lack of federal funding in its HCV Program. Therefore, there was no proper documentation and supporting evidence on file at the housing authority to support this indicator.

Consequences

Due to the housing authority's inability to admit new applicant families from its wait list, and the housing authority's previous determination to demonstrate effectively under this indicator, the housing authority did not demonstrate that it could properly select applicants from its waiting list in accordance with its written policy. In addition, the housing authority could not effectively demonstrate that it had the proper quality control samples for both families reaching the top of the waiting list and families that were admitted to its HCV Program.

Corrective Action

The housing authority should look at cost saving measures to reduce per unit costs in its HCV Program (see PIH Notice 2011-28). While the PHA has implemented some cost saving measures the field office is recommending that other costs saving measures be reviewed by the housing authority and possibly implemented. This will allow the housing authority to save money and to potentially house new applicants from its waiting list, therefore, meet the SEMAP quality control requirements.

An action plan is required to:

- 1) Identify a number of applicants to house from its current waiting list.
 - 2) A time frame (deadline) for housing the applicants.
 - 3) Implementation of its written quality control plan for this indicator.
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Finding #2 - Indicator 3 Determination of Adjusted Income

Criteria

In accordance with 24 CFR 985 (c) Determination of Adjusted Income, this indicator shows whether, at the time of admission and annual reexamination, the PHA verifies and correctly determines adjusted annual income for each assisted family and, where the family is responsible for utilities under the lease, the PHA uses the appropriate utility allowances for the unit leased in determining the gross rent. (24 CFR part 5, subpart F and 24 CFR 982.516). In addition, the housing authority obtains verification of reported family annual income, the value of assets totaling more than \$5,000, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income, and uses the verified information in determining adjusted income, and/or documents tenant files to show why third party verification was not available

Condition

The PHA complied with the SEMAP rating method and conducted a Quality Control sampling of files. As a result of their review the PHA did not claim any points for this indicator. The confirmatory review agreed with the PHA's determination. Numerous errors were found in the files that did or could result in incorrect determination of income and of rent calculation. Reviewers found a lack of proper file documentation which could have resulted in a correct determination of adjusted income.

Cause

There were discrepancies in the files resulting in a lack of proper file documentation to substantiate the deductions applied or not applied affecting the determination of adjusted income in several files reviewed. There was a lack in proper file documentation. Staff lacks proper training and supervisor of their work.

Consequences

Failure to accurately determine the families' adjusted income may result in the improper Housing Assistance Payments (HAP). Improper HAP is a disallowed cost and the PHA would be responsible for the repayment of all disallowed cost to HUD. If the error resulted in underpayment of HAP the PHA must reimburse the family's overpayment of rent. The HAP would be paid to the owner and the owner would credit the family.

Corrective Action

A corrective action plan is required to:

- 1) Provide staff with proper training to ensure that all staff follows proper procedures and documentation of the files when determining adjusted income.
- 2) Supervisory review of additional files to ensure a greater quality control method.
- 3) Implementation of a quality control plan that requires an increase in the number of files reviewed, showing a cross section of staff files to address errors made by staff.

Concern #1 - Indicator 13 Lease Up

Criteria

Federal Register / Vol. 77, No. 105 / Thursday, May 31, 2012 / Rules and Regulations revised § 985.3(n) as follows: (n) *Lease-up*. The provisions of this paragraph (n) apply to the first SEMAP certification due after July 2, 2012. (1) *The indicator*: This indicator shows whether the PHA enters into HAP contracts for the number of the PHA's baseline voucher units (units that are contracted under a Consolidated ACC) for the calendar year that ends on or before the PHA's fiscal year or whether the PHA has expended its allocated budget authority for the same calendar year. Allocated budget authority will be based upon the PHA's eligibility, which includes budget authority obligated for the calendar year and any portion of HAP reserves attributable to the budget authority that was offset from reserves during the calendar year. Litigation units and funding will be excluded from this indicator, and new increments will be excluded for 12 months from the effective date of the increment on the Consolidated ACC. Units assisted under the voucher homeownership option and units occupied under a project-based HAP contract are included in the measurement of this indicator.

Condition

The PHA utilized 98% of their funding but housed less than 95% of their ACC. The PHA is entitled maximum the points for this indicator. However such high utilization of funding for less than 95% utilization indicates cost saving measure should be reviewed to more efficient use of funds. In addition to the ongoing technical assistance HUD provides, technical assistance was provided to the PHA during the confirmatory. The PHA is implementing cost saving measure, such as reducing the subsidy standards, and reduction in utility allowance based upon the most recent utility study.

Cause

PHA asserts that funding impacts the number of families that can be leased up in its jurisdiction.

Consequences

Effective management of utilization results in less families being serviced. The PHA earns less administrative fees because the administrative fees earned are based on the number of units leased. The sustainability of the PHA is impacted when it earns less administrative fees. This indicator also coincides with Indicator 1 Selection from the Waiting List. There are no new families being admitted to its program.

The housing authority has 6,783 units under its Annual Contribution Contract (ACC). As of November 2013 it has 6,188 families leased up in its HCV Program. The September 2013 monthly utilization report submitted to the local field office from HUD headquarters reports that the housing authority has enough dollars to support 6,272 Unit Months Leased or a 92% lease up rate, which the housing authority is already maintaining. It has less than a 1% leasing potential, but that is still some leasing potential, and Net Restricted Assets could be taken into account towards housing additional families.

Corrective Action

- 1) Develop and implement a leasing plan.
- 2) Develop reports for management and the board to monitor lease up.

Distribution