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UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

HUD's Section Eight Management Assessment Program

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing | 2023-CH-0002

March 6, 2023

Date: March 6, 2023

To: Danielle Bastarache,
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Deputy Assistant Secretary, Office of Field Operations, PQ

//signed//

From: Kilah S. White
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Subject: Final Report – HUD Could Improve Its Process for Evaluating the Performance of Public Housing Agencies' Housing Choice Voucher Programs

Attached are the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of HUD's Section Eight Management Assessment Program. HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act of 1978, as amended, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>. If you have any questions or comments about this report, please do not hesitate to call Kelly Anderson, Audit Director, at (312) 913-8499.

Highlights

HUD COULD IMPROVE ITS PROCESS FOR EVALUATING THE PERFORMANCE OF PUBLIC HOUSING AGENCIES' HOUSING CHOICE VOUCHER PROGRAMS | 2023-CH-0002

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) Section Eight Management Assessment Program (SEMAP) based on our report on HUD's top management challenges for fiscal years 2020 through 2022 and HUD's strategic goals and objectives reported in its strategic plan for 2018 through 2022. Our audit objective was to assess the effectiveness of HUD's SEMAP as a performance measure for the Housing Choice Voucher (HCV) Program.

What We Found

HUD has an opportunity to improve its process for evaluating the performance of public housing agencies' (PHA) HCV Programs. HUD uses SEMAP to evaluate the performance of PHAs' HCV Programs remotely. However, (1) the information reported by PHAs in SEMAP may not have accurately represented the performance of their HCV Programs and (2) HUD's process for verifying the information PHAs use for SEMAP reporting did not effectively assist HUD in evaluating and identifying PHAs' HCV Programs that may have needed improvement. These conditions occurred because (1) SEMAP uses performance indicators that are based on PHAs' self-certifications and self-reported data and (2) HUD's verification process did not capture the performance of all PHAs' HCV Programs. Without an effective performance measurement process, HUD lacked assurance that PHAs' HCV Programs met their intended objectives, which include assisting the maximum number of eligible families with obtaining affordable and decent rental units at the correct subsidy cost. In addition, HUD may have missed opportunities to identify PHAs experiencing difficulties in managing their HCV Programs.

What We Recommend

We recommend that HUD's Deputy Assistant Secretary for Public Housing and Voucher Programs enhance SEMAP or develop a new performance measurement process that would identify PHAs with underperforming HCV Programs. We also recommend that HUD's Deputy Assistant Secretary for Field Operations provide training and guidance to its program staff on SEMAP scoring, rating, and verification procedures, including confirmatory reviews, quality control reviews, and adjustments for the current and revised SEMAP processes.

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Background and Objective

The Housing Choice Voucher (HCV) Program is the Federal Government’s major program for assisting very low-income families, the elderly, and the disabled with renting decent, safe, and sanitary housing in the private housing market. Since housing assistance is provided on behalf of the family or individual, participants may find their own housing, including single-family homes, townhouses, and apartments. Housing choice vouchers are administered locally by public housing agencies (PHA). PHAs receive Federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the HCV Program. For calendar year 2022, Congress appropriated more than \$27.3 billion for the HCV Program, of which more than \$24 billion (88 percent) was for housing assistance payment renewal funding. HUD has a responsibility to Congress to ensure that the funds authorized for housing assistance are used to assist the maximum number of families. The success of HUD’s HCV Program is dependent on how well PHAs administer funds. As of November 2022, there were more than 2,000 PHAs with HCV Programs across the Nation, serving more than 2.2 million households.

HUD’s Section Eight Management Assessment Program (SEMAP), a submodule in HUD’s Inventory Management System Public Housing Information Center¹ (IMS-PIC), was created to assess the performance of PHAs’ HCV Programs using performance indicators. HUD defines a SEMAP performance indicator as a standard set for a key area of HCV Program management to measure PHAs’ performance in properly and effectively administering their Programs² by assisting eligible families with affording decent rental units at the correct subsidy cost.³ The purpose of SEMAP is to help HUD target monitoring and assistance to PHAs’ HCV Programs that need the most improvement.

In assessing PHAs’ performance, SEMAP uses 14 key performance indicators and 1 bonus performance indicator. The following table identifies the 14 key performance indicators and the bonus indicator, the total points available, and a brief description for each performance indicator.

Performance indicator	Points	Brief description
1. Selection from the waiting list	15	Proper selection of applicants from the housing choice voucher waiting list
2. Reasonable rent	20	Sound determination of reasonable rent for each unit leased
3. Determination of adjusted income	20	Accurate verification of family income
4. Utility allowance schedule	5	Maintenance of a current schedule of allowances for tenant utility costs
5. Housing quality standards (HQS) quality control	5	Performing quality control inspections to ensure housing

¹ IMS-PIC maintains and gathers data about all Office of Public and Indian Housing (PIH) inventories of housing agencies, developments, buildings, units, PHA officials, etc.

² HUD’s regulations at 24 CFR (Code of Federal Regulations) 985.2(b)

³ 24 CFR 985.1(a)

inspections		quality
6. HQS enforcement	10	Ensuring that landlords and tenants promptly correct housing quality deficiencies
7. Expanding housing opportunities	5	Expanding housing choice outside areas of poverty or minority concentration
8. Payment standards	5	Establishment of payment standards within the required range of the HUD fair market rent
9. Annual reexaminations	10	Timely annual reexaminations of family income
10. Correct tenant rent calculations	5	Correct calculation of the tenant share of the rent and the housing assistance payment
11. Precontract HQS inspections	5	Ensuring that units comply with HQS before families enter into leases and PHAs enter into housing assistance contracts
12. Annual HQS inspections	10	Timely annual housing quality inspections
13. Lease-up	20	Ensuring that all available housing choice vouchers are used
14. Family Self-Sufficiency (FSS) ⁴ enrollment and escrow account balances	10	Enrolling families in the FSS program as required and helping FSS families achieve increases in employment income.
15. Deconcentration bonus	5	Applying only to PHAs with jurisdiction within a metropolitan fair market rent area, ⁵ concerning the number or percentage of housing choice voucher families with children residing in or moving to low poverty census tracts or areas
Total	150	

As part of the SEMAP process, all PHAs, unless exempt,⁶ must complete and submit a SEMAP certification⁷ electronically within 60 calendar days following the PHAs' fiscal yearend. HUD's Office of Public and Indian Housing (PIH) field office staff analyzes PHAs' SEMAP certifications and rates the PHAs as high, standard, or troubled within 120 days after the PHA's fiscal yearend, based on the number of points a PHA has

⁴ Indicator 14 applies only to a PHA required to administer an FSS program.

⁵ Mandatory for PHAs that use a payment standard exceeding 100 percent of the published fair market rent set at the 50th percentile rent in accordance with 24 CFR 888.113(c); optional for all other PHAs.

⁶ Examples of exemptions from HUD's SEMAP include PHAs that (1) participate in HUD's Moving to Work Demonstration program and (2) do not participate in HUD's HCV Program.

⁷ Submissions are based on HUD's SEMAP certification form HUD-52648, which HUD uses to collect information from a PHA concerning its performance and to obtain assurance that there is no evidence of seriously deficient performance. HUD uses the collected information and other data to assess PHA management capabilities and deficiencies and to assign an overall performance rating to the PHA.

received. Each PHA's overall SEMAP score is determined by dividing the PHA's total points earned by the total possible points, and the score is rounded off to the nearest percent. PHAs with SEMAP scores of (1) at least 90 percent would be rated high performers, (2) 60 to 89 percent would be rated standard performers, and (3) less than 60 percent would be rated troubled performers.

In addition to the performance indicators that are used to assess PHAs' Section 8 management, HUD uses verification methods for each indicator in reviewing the accuracy of a PHA's annual SEMAP certification. Specifically, HUD (1) reviews the independent annual audit report and may perform an onsite confirmatory review⁸ for indicators 1 through 7 and the deconcentration bonus, (2) relies on data submitted by a PHA on its SEMAP certification for indicator 8, (3) reviews resident characteristic data from form HUD-50058⁹ for indicators 9 through 12 and 14, and (4) enters data provided by HUD's Financial Management Center for indicator 13.

In 2012, we conducted an audit of the effectiveness of HUD's SEMAP and determined that SEMAP failed to achieve its objective of accurately assessing PHAs' HCV Program administration because HUD did not establish effective management controls and its field office staff inconsistently monitored compliance.¹⁰ In addition, HUD staff expressed concern regarding the design of SEMAP, and inaccurate SEMAP certifications were identified in previous HUD reviews and HUD OIG audits. The report contained seven recommendations. In January 2013, HUD closed the audit report recommendations by issuing a memorandum (dated December 17, 2012) to its PIH regional and field office directors, establishing, clarifying, and reinforcing SEMAP processing requirements to improve the reliability of the SEMAP performance ratings. These requirements included (but were not limited to) requiring HUD field offices to perform SEMAP quality control remote reviews.

In 2016, PIH hosted several 2-day listening sessions in seven cities to discuss HUD's efforts to revitalize core business functions for public housing and the HCV Program. One of the topics discussed during the listening sessions was reforms to SEMAP, which included (1) rationale for change; (2) guiding principles of SEMAP reform; (3) alternative framework for consideration, including incentives, performance indicators, and governance and program controls; and (4) possible assessment designations. Although HUD discussed the need for changes to SEMAP, no changes were made at that time.

Our objective was to assess the effectiveness of SEMAP as a performance measure for the HCV Program.

⁸ As defined in 24 CFR 985.2(b), a confirmatory review is an onsite review performed by HUD to verify the management performance of a PHA.

⁹ Form HUD-50058 is a module of HUD's IMS-PIC system, which collects, stores, and generates reports on families who participate in public housing or the HCV Program. PHAs provide the information for form HUD-50058. Form HUD-50058 was formerly the Multifamily Tenant Characteristics System (MTCS), HUD's automated system for recording demographic information about assisted families and data about the units they occupy.

¹⁰ Audit report number 2012-AT-0001, issued August 3, 2012

Results of Audit

FINDING: HUD COULD IMPROVE ITS PROCESS FOR EVALUATING THE PERFORMANCE OF PUBLIC HOUSING AGENCIES' HOUSING CHOICE VOUCHER PROGRAMS

HUD has an opportunity to improve its process for evaluating the performance of PHAs' HCV Programs. HUD uses SEMAP to evaluate the performance of PHAs' HCV Programs remotely. However, (1) the information reported by PHAs in SEMAP may not have accurately represented the performance of their HCV Programs and (2) HUD's process for verifying the information PHAs use for SEMAP reporting did not effectively assist HUD in evaluating and identifying PHAs' HCV Programs that may have needed improvement. These conditions occurred because (1) SEMAP uses performance indicators that are based on PHAs' self-certifications and self-reported data and (2) HUD's verification process did not capture the performance of all PHAs' HCV Programs. Without an effective performance measurement process, HUD lacked assurance that PHAs' Housing Choice Voucher Programs met their intended objectives, which include assisting the maximum number of eligible families with obtaining affordable and decent rental units at the correct subsidy cost. In addition, HUD may have missed opportunities to identify PHAs experiencing difficulties in managing their HCV Programs.

SEMAP Certifications May Not Have Accurately Represented PHAs' Performance

PHAs certify to the performance of their HCV Programs using HUD's SEMAP indicators.¹¹ Of the 14 key indicators, 7 are based on PHAs' self-certifications, and 7 are based on information supplied by the PHAs. In addition, when HUD performs quality control reviews of PHAs' SEMAP certifications, some PHAs' scores are adjusted due to inaccuracies in the certifications. Therefore, some PHAs' SEMAP certifications may not accurately represent their performance.

Performance Indicators Based on PHAs' Certifications

The first 7 key indicators represent a maximum of 80 points, which is more than 50 percent of the 150 maximum points available under SEMAP. A PHA needs a score of 60 percent of the total possible points to be considered a standard performer. For example, if a PHA is eligible to receive the 150 maximum points and certifies that it met the requirements to receive 80 points for these 7 self-certifying indicators, it would need to receive only 10 additional points in the remaining SEMAP indicators to be rated a standard performer.¹²

The table below identifies the seven indicators that are based on self-certifications and the possible number of points associated with each indicator.

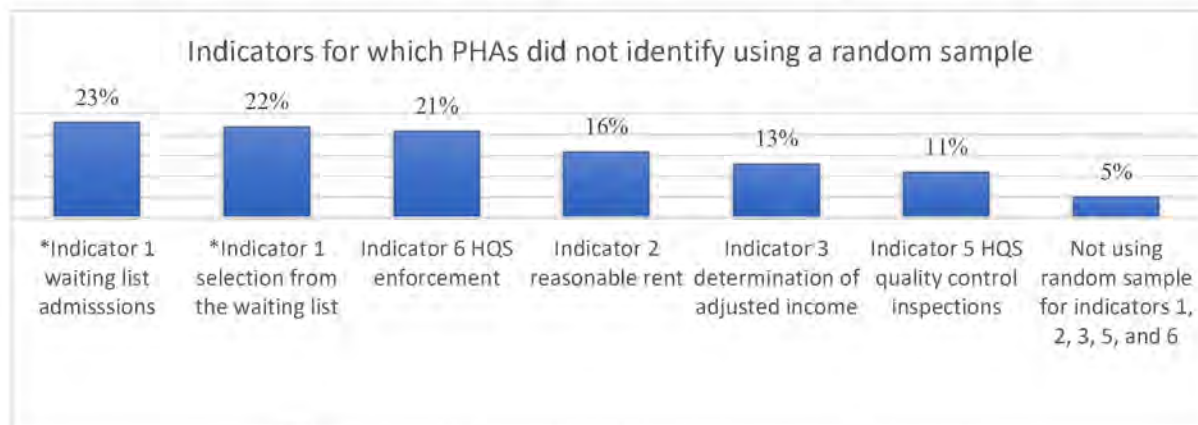
¹¹ SEMAP measures the performance of the PHAs using 14 key indicators and 1 bonus indicator.

¹² $(80+10)/150=60\%$. See the Background and Objective section of this report.

Indicator	Points
1. Selection from the waiting list	15
2. Reasonable rent	20
3. Determination of adjusted income	20
4. Utility allowance schedule	5
5. HQS quality control inspections	5
6. HQS enforcement	10
7. Expanding housing opportunities ¹³	5
Total	80

For the seven indicators, PHAs certify with a yes or no response or assert to one of the provided options to indicate whether their processes comply with HUD’s program regulations. In addition, five¹⁴ of the seven indicators require PHAs to complete a quality control review of sampled items.¹⁵ PHAs would then select the response on the SEMAP certification form for the five indicators to show the results of their reviews.

We surveyed 2,062 PHAs and received responses from 1,173 regarding their processes for completing the SEMAP certification. Of the PHAs that responded, 474 (40 percent) indicated that they did not use a random sample for 1 or more of the 5 indicators that required a quality control sample. The chart below shows the indicators for which the surveyed PHAs did not identify using a random sample.



*Performance indicator 1 requires two separate random samples.

¹³ This performance indicator applies only to PHAs with jurisdiction within a metropolitan fair market rent area.

¹⁴ SEMAP Indicators 1, 2, 3, 5, and 6

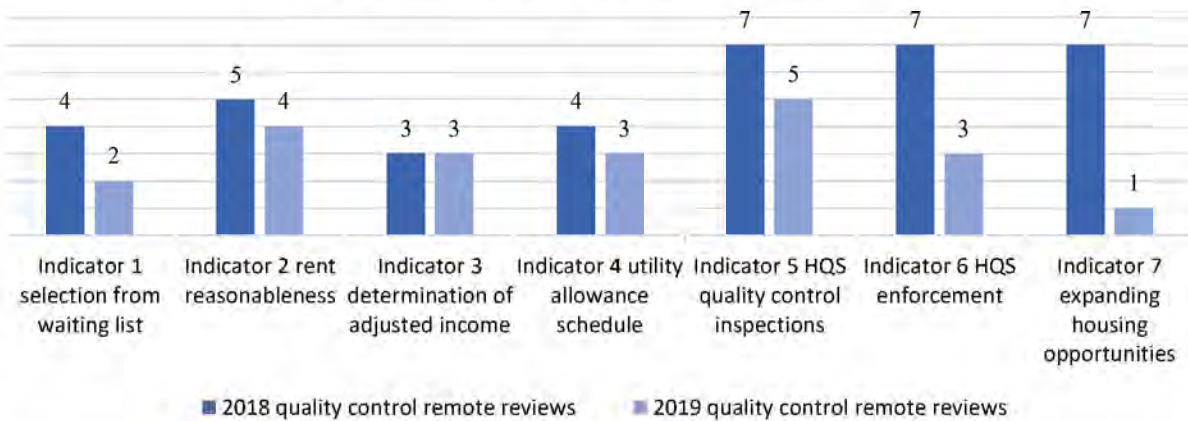
¹⁵ HUD’s regulations at 24 CFR 985.2 define a PHA’s quality control sample as an annual sample of files or records drawn in an unbiased manner. In our survey questions, we used the term “random sample” instead of “a sample drawn in an unbiased manner.”

Of the PHAs that responded to our survey, 360 (nearly 31 percent) indicated that they would like to receive training clarifying the sampling requirements for performance indicators. Further, 395 PHAs (nearly 34 percent) indicated that they would like to receive training regarding indicator 7, expanding housing opportunities, with a majority expressing interest in guidance on how to qualify for that indicator.

Further, PHAs are not required to submit documentation to support their certifications for the seven indicators. Therefore, when HUD’s field office staff conducts remote quality control reviews of PHAs’ self-certifications, HUD may adjust PHAs’ scores due to inaccuracies found as a result of the reviews. For instance, during the period January 2018 through January 2020, HUD performed remote quality control reviews for 71 PHAs and adjusted the SEMAP scores for nearly 37 percent of those PHAs.

The chart below shows the number of PHAs that had an adjustment for each of the SEMAP performance indicators as part of HUD’s remote quality control review.

HUD adjustments to PHA SEMAP scores



For the PHAs that received scoring adjustments, the SEMAP designation for 14 (nearly 54 percent) was lowered, and 8 of the PHAs’ designations had been changed from high or standard performer to troubled.

Performance Indicators Based on PHAs’ Data

For the remaining 7 key indicators (8 through 14) and the deconcentration bonus performance indicator, for which HUD receives data from the PHAs, a PHA can receive up to 70 points. The table below identifies the seven indicators, bonus indicator, and total possible points associated with each indicator.

Indicator	Points
8. Payment standards	5
9. Annual reexaminations	10
10. Correct tenant rent calculations	5
11. Precontract HQS inspections	5

12. Annual HQS inspections	10
13. Lease-up	20
14. FSS program enrollment and escrow account balances	10
Deconcentration bonus	5
Total	70

PHAs maintain the supporting documentation for these indicators, and HUD generally did not verify the accuracy of the data or whether the PHAs applied the information correctly. For instance, in reviewing the required data for three of the seven key indicators, we identified that

- Indicator 8, payment standards,¹⁶ essentially measures whether PHAs established payment standards within the range of HUD’s fair market rents. PHAs manually enter payment standard data into HUD’s IMS-PIC system for each fiscal year’s SEMAP certification. This indicator allowed HUD to verify the presence of payment standards that were within HUD’s fair market rents; however, it did not allow HUD to verify or confirm that the PHA applied the correct payment standard when calculating housing assistance. An incorrect payment standard would generally impact the amount of housing assistance paid on behalf of assisted families and the amount each family paid toward rent.
- Indicator 10, correct tenant rent calculations,¹⁷ is based on data supplied by the PHAs. This indicator would not identify whether there were omissions in the source data or errors with calculating families’ income, which may have affected the computation of families’ rental payments.
- For indicator 14, FSS program enrollment and escrow accounts,¹⁸ HUD uses the information supplied by the PHAs in IMS-PIC. As participants graduate from the FSS program, the number of mandatory slots should decrease. However, without information from the PHAs, HUD would not be able to determine whether a PHA’s HCV Program met the requirements to receive points for this indicator. Additionally, the SEMAP certification for this indicator requires information on (1) PHAs that are required to administer an FSS program and (2) the mandatory FSS slots. The certification form does not consider PHAs with voluntary FSS programs.

¹⁶ A payment standard is the maximum monthly assistance payment for a family assisted in the HCV Program (before deducting the total tenant payment by the family). A PHA establishes payment standards by bedroom size.

¹⁷ Indicator 10 is intended to show whether a PHA correctly calculated tenant rent, including the family’s share of the rent to the property owner.

¹⁸ Indicator 14 applies only to PHAs with mandatory FSS programs and consists of two components. It is intended to show whether a PHA has enrolled families into the FSS program as required and the extent of the PHA’s progress in supporting the FSS program by measuring the percentage of participants with the FSS program’s progress reports entered in MTCS that have had increases in earned income, which resulted in escrow account balances.

HUD's SEMAP Verification Process Did Not Effectively Assist HUD With Identifying PHAs' Housing Choice Voucher Programs That May Have Needed Improvement

HUD verifies the information provided by PHAs in SEMAP by reviewing PHAs' independent audit reports and conducting confirmatory reviews.^{19 20} It also verifies the performance of PHAs' HCV Programs by conducting remote quality control and onsite monitoring reviews. However, HUD's SEMAP verification process did not effectively assist HUD with identifying PHAs' HCV Programs that may have needed improvement.

HUD Cannot Always Rely on PHAs' Annual Independent Audit Reports To Verify Information Reported in SEMAP

To verify information provided for SEMAP indicators 1 through 7 and the bonus indicator, HUD reviews a PHA's annual independent audit report covering the PHA's fiscal year.²¹ However, we identified limitations with using independent audit reports to verify the information that PHAs' reported in SEMAP.²²

According to 2 CFR 200.501(a), a non-Federal entity that spends \$750,000²³ or more in Federal awards during the non-Federal entity's fiscal year must have a single or program-specific audit conducted for that year. Based on our review of HUD's PHA funding data, of the 2,062 PHAs surveyed, 641 (31.09 percent) disbursed less than \$750,000 in HUD funds for fiscal year 2020.²⁴ Therefore, unless these PHAs received other Federal funds that moved them past the \$750,000 threshold, they would not need to have an annual audit performed by an independent auditor. For these PHAs, HUD would not have an annual independent audit report to use to verify information. For the PHAs that met the \$750,000 threshold, we found that the compliance supplement used by their independent auditors²⁵ did not include procedures for the auditor to use in reviewing all seven indicators and the bonus indicator. This limitation reduces HUD's ability to rely on the independent audit report as an effective verification method.

We surveyed HUD's management and staff from its 45 PIH field offices about using the effectiveness of the independent audit report in verifying PHA certifications. Of the 44 PIH field offices that responded to our survey, 22 (50 percent) believed that the independent audit report was not an effective verification tool. Survey respondents also told us that when the independent audit reports were silent on program deficiencies related to HUD's SEMAP indicators, they were unable to determine the scope of the

¹⁹ HUD also reviews form HUD-50058 reports. (See the Background and Objective section of this report.)

²⁰ 24 CFR 985.3

²¹ 24 CFR 985.3(a)-(g)

²² In 2012, HUD added quality control reviews as part of its verification process.

²³ HUD's regulations at 2 CFR part 200, subpart F, issued on December 26, 2013, increased the threshold amount from \$500,000 to \$750,000.

²⁴ We do not have data on non-HUD Federal funds that the PHAs may have spent in fiscal year 2020.

²⁵ The compliance supplement is a guide that identifies existing, important compliance requirements that the Federal Government expects to be considered as part of an audit required by the 1996 Amendments to the Single Audit Act. The supplement provides a source of information for auditors to understand the Federal program's objectives, procedures, and compliance requirements subject to the audit as well as audit objectives and suggested audit procedures for determining compliance with these requirements.

independent auditor's review or whether sufficient compliance testing specifically related to the seven SEMAP indicators was performed.

Further, HUD's regulations at 24 CFR 985.103 require HUD to modify (1) the rating on any of the indicators if information in the annual audit report showed that a PHA's SEMAP certification was not accurate or (2) the overall performance rating when the independent audit report showed that the auditor was unable to provide an opinion on the PHA's financial statements. However, about 70 percent of the survey respondents stated that they were not usually provided PHAs' independent audit reports before the program staff reviewed the SEMAP certifications, and only 55 percent of survey respondents (24 of 44) indicated that they would generally adjust a PHA's SEMAP scores to be retroactive for the fiscal year after their review. Therefore, HUD's field office staff may not have been consistent in modifying PHAs' SEMAP indicator scores. When field office staff does not update the scores in HUD's IMS-PIC database, it impacts the accuracy of reporting and effectiveness of HUD's monitoring of PHAs' HCV Programs.

HUD Performed a Limited Number of Reviews²⁶ of PHAs' HCV Programs

During our audit period of January 2018 through March 2020, HUD performed 41 onsite monitoring reviews at 40 PHAs,²⁷ which were required to submit annual SEMAP certifications. All 40 PHAs were designated as high or standard performers at the time of HUD's review. For the 41 reviews,

- 35 involved a limited compliance review of the PHAs' HCV Programs. These reviews focused on reviewing multiple areas of compliance with requirements rather than focusing on PHAs' SEMAP indicators.
- 6 focused on the PHAs' SEMAP certifications and quality control samples, 3 of which were SEMAP confirmatory reviews.

As previously mentioned, during the period January 2018 through January 2020, HUD's field office staff performed 72 remote quality control reviews²⁸ for SEMAP indicators 1 through 7 at 71 PHAs.²⁹ Therefore, of the 2,062 PHAs with HCV Programs,³⁰ HUD performed only 113 reviews³¹ over a 2-year period.

SEMAP Could Be Improved To Better Demonstrate Program Results

HUD's SEMAP key performance indicators relied on PHAs' self-certifications and self-reported data because the indicators focused mainly on whether their processes complied with HUD's requirements. Specifically, a majority of the SEMAP indicators required a yes or no response regarding whether the PHAs (1) had plans or policies and procedures, (2) selected appropriate quality control samples, (3) maintained required documentation, etc.

²⁶ Onsite confirmatory, monitoring, and quality control reviews

²⁷ HUD reviewed one PHA twice.

²⁸ These reviews were limited in scope and generally did not involve a detailed examination of each record that a PHA used for its certifications.

²⁹ HUD reviewed one PHA twice.

³⁰ See the Scope and Methodology section.

³¹ 41+72

HUD defined a SEMAP performance indicator as a standard set for a key area of HCV Program management to measure PHAs' performance in properly and effectively³² administering their HCV Programs. However, the performance indicators appeared to address the "properly" component of HUD's definition due to focusing on whether PHAs' processes complied with HUD's requirements. The performance indicators would not fully address the effectiveness component of the definition because the indicators did not allow PHAs to demonstrate their progress toward achieving expected levels of results or outcomes.³³ Further, the SEMAP verification process does not sufficiently verify the accuracy of all PHAs' certifications regarding the performance of their HCV Programs.

Without an effective performance measurement process, HUD lacked assurance that PHAs' HCV Programs met their intended objectives. Therefore, HUD has an opportunity to revamp SEMAP to modify or include performance indicators that demonstrate program results in addition to assessing whether PHAs' processes comply with HUD's requirements. Revamping SEMAP would be an opportunity for HUD to obtain the information necessary to fully assess the effectiveness of PHAs' HCV Programs. The inclusion of additional indicators or modifying its current performance indicators to assess outcomes could provide HUD with a complete picture of PHAs' management of their HCV Programs. The information from outcomes-based performance measures would help HUD to identify PHAs that may need assistance with managing their HCV Programs to ensure that the maximum number of families benefit from housing assistance.

HUD Planned To Improve SEMAP

HUD leadership told us that HUD was working to make improvements to SEMAP. HUD included its plans to redesign SEMAP as part of its fiscal year 2022 budget justification. In early 2022, HUD created a working group to revamp SEMAP. HUD's focus for changes to SEMAP included (1) creating new indicators and enhancing existing indicators to better assess PHA performance and (2) increasing the emphasis on utilization, including the use of HCV Program reserves and consideration of special purpose vouchers. HUD also planned to ensure that indicators could be applied fairly to all PHAs regardless of geographic location or program size. In the fall of 2022, HUD held a series of eight listening sessions to present its proposed new framework for SEMAP and gather feedback from PHAs and other stakeholders on its preliminary plans to revamp SEMAP. HUD anticipated the publication of a proposed rule regarding SEMAP changes by the end of calendar year 2023 and a final rule in late 2024.

In March 2022, HUD published its fiscal years 2022 through 2026 strategic plan, which included the goal of maximizing the reach of HUD's rental assistance programs by increasing occupancy rates to 96 percent in the public and multifamily housing programs and the budget utilization rate to 100 percent in the HCV Program. To reinforce its efforts in expanding housing opportunities for households receiving rental assistance, HUD planned to strengthen PHAs' incentives to increase households' housing options by revamping SEMAP.

³² For our purposes, we defined "properly" as carrying out an activity satisfactorily or correctly and "effectively" as achieving the objectives or other intended effects of programs, operations, or activities.

³³ Performance measures should show an organization's progress toward achieving an intended level of performance or results (U.S. Government Accountability Office (GAO) publication GAO-03-143).

Conclusion

HUD has an opportunity to improve SEMAP by enhancing the performance indicators it uses to evaluate PHAs' HCV Programs. An effective performance measurement process will allow HUD to ensure that PHAs' HCV Programs met their intended objectives, which include assisting the maximum number of eligible families with obtaining affordable and decent rental units at the correct subsidy cost. HUD may have missed opportunities to identify PHAs experiencing difficulties in managing their HCV Programs and may continue to miss opportunities if SEMAP is not enhanced.

Recommendations

We recommend that the Deputy Assistant Secretary for Public Housing and Voucher Programs

- 1A. Enhance SEMAP or develop a new performance measurement process that would identify PHAs with underperforming HCV Programs, which should include an assessment of PHAs' ability to maximize assistance to house families.

We recommend that the Deputy Assistant Secretary for Field Operations

- 1B. Provide additional training and guidance to field office program staff on SEMAP scoring, rating, and verification procedures, including confirmatory reviews, quality control reviews, and adjustments to the SEMAP process.
- 1C. Provide training and guidance to field office program staff on SEMAP scoring, rating, and verification procedures, including confirmatory reviews, quality control reviews, and adjustments, as appropriate, for the revised SEMAP process.

Scope and Methodology

We performed our audit remotely from September 2020 to April 2022. The audit initially covered the period January 2018 through March 2020, but we extended the audit period to April 2022 to review additional information such as SEMAP certifications in IMS-PIC for fiscal years end through December 31, 2020; HUD funding data for fiscal year 2020; mandatory FSS slots as of May 19, 2021; status of troubled PHAs as of April 2022; etc.

To accomplish our audit objective, we interviewed applicable HUD officials. In addition, we reviewed

- Federal Register notices; HUD's regulations at 24 CFR parts 5, 982, 984, and 985; HUD's Notices PIH 2001-6, 2005-33, 2016-08, 2018-01, 2020-01, 2020-05, 2020-13, 2020-29, and 2020-33; and HUD's Housing Choice Voucher Guidebook.
- PHAs' independent audit reports and prior HUD OIG audit reports related to the HCV Program.
- HUD's onsite limited compliance and SEMAP confirmatory review results issued from January 2018 through May 2020 and HUD remote reviews and remote quality control reviews for indicators 1 through 7, completed between January 2018 and January 2020.

We also developed and administered survey questionnaires as follows:

HUD Field Office Surveys

From HUD's list of 45 field offices that oversee the HCV Program, we selected a 100 percent to survey regarding their processes and recommendations for monitoring SEMAP. We sent an email with a hyperlink containing 37 closed and open-ended questions in a Microsoft forms fillable format to the 45 field offices on July 7, 2021, and received responses from 44 field offices (98 percent) from July 7 through 27, 2021. We followed up with HUD's PIH program office staff via email when necessary to clarify unclear survey responses.³⁴

PHA Surveys

From HUD's list of 2,185 PHAs that operate HCV Programs, we excluded 34 PHAs that participated in our pretesting, 14 PHAs that had a zero Section 8-unit count, and 76³⁵ PHAs that participated or expected to participate in HUD's Moving to Work Demonstration.³⁶ Therefore, our subuniverse totaled 2,062 PHAs.³⁷ We surveyed 100 percent of the 2,062 PHAs regarding their processes and recommendations for administering SEMAP. We sent an email with a hyperlink containing 47 closed and open-ended questions in a Microsoft forms fillable format to the applicable PHAs on August 23, 2021, and received responses from 1,173 PHAs (57 percent) from August 23 through September 23, 2021. We followed up with the PHAs' staff via email when necessary to clarify unclear survey responses.

During our review, there were two significant scope limitations.

³⁴ This report contains the PHAs' and HUD PIH program offices' processes pre-COVID.

³⁵ Of the 76 PHAs, 1 was also 1 of the 34 PHAs that participated in our pretesting survey.

³⁶ PHAs that participate in HUD's Moving to Work Demonstration are either completely or partially exempt from SEMAP reporting.

³⁷ 2,185 - 34 - 14 - 75 = 2,062

1. The PHAs' and HUD PIH program offices' responses reflected their processes and recommendations pre-COVID (before March 2020). We understand that as the pandemic continues, processes and recommendations may change.
2. This report contains the PHAs' and HUD PIH program offices' processes and recommendations as they were reported to us.

We relied in part on computer-processed data in HUD's IMS-PIC. Although we did not perform a detailed assessment of the reliability of the data, we found the data to be sufficiently reliable for our purposes.

We determined that internal controls over compliance with laws and regulations and effectiveness and efficiency of operations were relevant to our audit objective. Specifically, we assessed the relevant controls, to the extent necessary, to determine whether HUD had policies, procedures, and performance indicators for SEMAP to effectively measure the performance of PHAs' HCV Programs.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendixes

APPENDIX A - AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation – Auditee Comments



OFFICE OF PUBLIC AND INDIAN HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

February 14, 2023

MEMORANDUM FOR: Kelly Anderson, Audit Director

CC: Felicia Gather, Deputy Assistant Secretary, Office of Field Operations, PQ

FROM: *Danielle Bastarache*
Danielle Bastarache, Deputy Assistant Secretary, Office of Public Housing and Voucher Programs, PE

SUBJECT: HUD's Section Eight Management Assessment Program- Draft Audit

The Office Public Housing and Voucher Programs (OPHVP) appreciates the opportunity to review and provide feedback on the Office of the Inspector General's (OIG) audit of the Section Eight Management Assessment Program (SEMAP). This office respectfully requests consideration of the following SEMAP updates be included in the final audit report. Specifically, this is in response to OIG's preliminary finding that says that OPHVP should "Enhance SEMAP or develop a new performance measurement process that would identify PHAs with underperforming HCV Programs, which should include an assessment of PHAs' ability to maximize assistance to house families". OPHVP agrees on the need for changes to SEMAP.

 **Comment 1 >**

OPHVP is in the process of revamping SEMAP through proposed rulemaking. In spring 2022, PIH convened a working group of internal stakeholders throughout the Department. The SEMAP working group developed a new framework for SEMAP, focusing on four key areas of program performance: 1) utilization – how well PHAs use their vouchers and funding; 2) family outcomes, ensuring participants are able to access low poverty neighborhoods, do not typically pay more than 30 percent of their income on rent, among other measures; 3) units are decent and safe, demonstrating that PHAs keep up with required unit inspections and follow up on deficiencies; and 4) accurate rent determinations, monitoring how well a PHA keeps up with processing annual reexaminations and determining family rent portions accurately. In fall 2022, HUD held a series of eight in-person and virtual listening sessions to present the proposed new framework and gather feedback from Public Housing Agencies and other stakeholders on HUD's preliminary plans to revamp SEMAP. HUD will hold a listening session for Housing Choice Voucher (HCV) program participants in February 2023 to find out which components of program management are most important to them. HUD plans to publish a proposed rule for SEMAP by the end of calendar year 2023, with a final rule planned for late 2024.


 **Comment 2 >**

In addition to gathering feedback from stakeholders, HUD is evaluating how its current compliance efforts through the Office of Field Operations (OFO) and the OPHVP's Quality Assurance Division (QAD) overlap with SEMAP and the required audit for most PHAs under

Ref to OIG Evaluation – Auditee Comments

2

the OMB Compliance Supplement. HUD will investigate how to better leverage its compliance efforts to provide transparency and consistency across HUD in reporting PHA deficiencies and areas needing improvement.

 **Comment 3 >**

Attachment
SEMAP listening session.pdf



CC:
Felicia Gaither, Deputy Assistant Secretary, Office of the Deputy Assistant Secretary for Field Operations

OIG Evaluation of Auditee Comments

On January 18, 2023, we issued the draft report to HUD's Offices of Public Housing and Voucher Programs (OPHVP) and Field Operations (OFO). On February 14, 2023, we received written comments from OPHVP. On February 16, 2023, OFO informed us that it would not provide formal comments on the report but agreed with report recommendations 1B and 1C. Below is our evaluation of OPHVP's comments.

- Comment 1 HUD's OPHVP requested that the report includes its updates on SEMAP such as the progress made to revamp SEMAP through its working group, a new framework for SEMAP, and the listening sessions held to present the proposed framework and gather feedback from PHAs and other stakeholders. We acknowledge HUD's progress in revamping SEMAP and added language on page 14 of this audit report about the listening sessions and timeline for the publication of SEMAP's final rule.
- Comment 2 We acknowledge HUD's plan to examine how to better leverage its compliance efforts to provide transparency and consistency in reporting PHAs' deficiencies and areas needing improvement. We look forward to working with HUD through the audit resolution process to ensure that the report recommendations are fully addressed.
- Comment 3 HUD's written response included a document containing information discussed at its SEMAP listening sessions. We included information on HUD's listening sessions on page 14 as detailed in Comment 1. However, we did not include the document in our report because it was not necessary to understand HUD's comments.

APPENDIX B

Applicable Requirements

Federal Register (FR) Notice FR-3986-P-01, dated December 2, 1996, states that this proposed rule would establish the SEMAP to objectively measure PHA performance in key Section 8 tenant-based assistance program areas. SEMAP would enable HUD to ensure program integrity and accountability by identifying PHAs' management capabilities and deficiencies and by improving risk assessment to effectively target monitoring and program assistance. PHAs could use the SEMAP performance analysis to assess their own program operations. FR-3986-F-02, dated September 10, 1998, identified that the action was a final rule. FR-4498-I-01, dated July 26, 1999, identified that the action was an interim rule to amend SEMAP for the purpose of revising the basis upon which HUD assigns ratings.

Regulations at 2 CFR 200.501(a) state that a non-Federal entity that spends \$750,000 or more in Federal awards during the non-Federal entity's fiscal year must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

Regulations at 24 CFR 982.54(d)(1) state that a PHA's administrative plan must cover the PHA's policies on these subjects: the selection and admission of applicants from the PHA's waiting list, including any admission preferences, procedures for removing applicant names from the waiting list, and procedures for closing and reopening the waiting list.

Regulations at 24 CFR 982.204(a) state that except for special admissions, participants must be selected from a PHA's waiting list. The PHA must select participants from the waiting list in accordance with admission policies in the PHA's administrative plan.

Regulations at 24 CFR 985.1(a) state that SEMAP is designed to assess whether the Section 8 tenant-based assistance programs operate to help eligible families afford decent rental units at the correct subsidy cost. SEMAP also establishes a system for HUD to measure PHAs' performance in key Section 8 program areas and to assign performance ratings. SEMAP provides procedures for HUD to identify PHAs' management capabilities and deficiencies to target monitoring and program assistance more effectively. PHAs can use the SEMAP performance analysis to assess and improve their own program operations.

Regulations at 24 CFR 985.2(b) state that a PHA's quality control sample is an annual sample of files or records drawn in an unbiased manner and reviewed by the PHA's supervisors (or by another qualified person other than the person who performed the original work) to determine whether the work documented in the files or records conforms to program requirements. The minimum size of a PHA's quality control sample is as follows:

Universe	Minimum number of files or records to be sampled
50 or fewer	5

51-600	5 plus 1 for each 50 (or part of 50) over 50
601-2,000	16 plus 1 for each 100 (or part of 100) over 600
Over 2,000	30 plus 1 for each 200 (or part of 200) over 2,000

Regulations at 24 CFR 985.3(a)(1) define the indicator, selection from the waiting list. The regulations state that this indicator shows whether a 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. Section 985.3(a)(2) states that the HUD verification method was the annual independent audit report covering the PHA's fiscal year entered on the SEMAP certification and onsite confirmatory review if performed.

Regulations at 24 CFR 985.3(b)(1) define the indicator, reasonable rent. The regulations state that the indicator shows whether a PHA has and implements a reasonable written method to determine and document for each unit leased that the rent to owner is reasonable based on current rents for comparable unassisted units. Section 985.3(b)(2) states that the HUD verification method was the annual independent audit report covering a PHA's fiscal year entered on the SEMAP certification and onsite confirmatory review if performed.

Regulations at 24 CFR 985.3(c)(1) define the indicator, determination of adjusted income. The regulations state that this indicator shows whether, at the time of admission and annual reexamination, a PHA verifies and correctly determines adjusted annual income for each assisted family and when 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. Section 985.3(c)(2) states that the HUD verification method was the annual independent audit report covering the PHA's fiscal year entered on the SEMAP certification and onsite confirmatory review if performed.

Regulations at 24 CFR 985.3(d)(1) define the indicator, utility allowance schedule. The regulations state that this indicator shows whether a PHA maintains an up-to-date utility allowance schedule. Section 985.3(d)(2) states that the HUD verification method was the annual independent audit report covering the PHA's fiscal year entered on the SEMAP certification and onsite confirmatory review if performed.

Regulations at 24 CFR 985.3(e)(1) define the indicator, HQS quality control inspections. The regulations state that this indicator shows whether a PHA's supervisor or other qualified person reinspects a sample of units under contract during the PHA's fiscal year, which meets the minimum sample size requirements under the PHA's quality control sample, for quality control of HQS inspections. Section 985.3(e)(2) states that the HUD verification method was the annual independent audit report covering the PHA's fiscal year entered on the SEMAP certification and onsite confirmatory review if performed.

Regulations at 24 CFR 985.3(f)(1) define the indicator, HQS enforcement. The regulations state that this indicator shows whether, following each HQS inspection of a unit under contract in which the unit fails to meet HQS, any cited life-threatening HQS deficiencies are corrected within 24 hours from the inspection

and all other cited HQS deficiencies are corrected within no more than 30 calendar days from the inspection or any PHA-approved extension. In addition, if HQS deficiencies are not corrected in a timely manner, the indicator shows whether a PHA stops (abates) housing assistance payments beginning no later than the first of the month following the specified correction period or terminates the housing assistance payments contract or, for family-caused defects, takes prompt and vigorous action to enforce the family's obligations. Section 985.3(f)(2) states that the HUD verification method was the annual independent audit report covering the PHA's fiscal year entered on the SEMAP certification and onsite confirmatory review if performed.

Regulations at 24 CFR 985.3(g)(1) define the indicator, expanding housing opportunities. The regulations state that this indicator applies only to PHAs with jurisdiction in metropolitan fair market rent areas. The indicator shows whether the PHA has adopted and implemented a written policy to encourage participation by owners of units located outside areas of poverty or minority concentration; informs rental voucher holders of the full range of areas where they may lease units, both inside and outside the PHA's jurisdiction; and supplies a list of landlords or other parties who are willing to lease units or help families find units, including units outside areas of poverty or minority concentration. Section 985.3(g)(2) states that the HUD verification method was the annual independent audit report covering the PHA's fiscal year entered on the SEMAP certification and onsite confirmatory review if performed.

Regulations at 24 CFR 985.3(h)(1) define the indicator, deconcentration bonus. The regulations state that the submission of deconcentration data in the HUD-prescribed format for this indicator is mandatory for a PHA using one or more payment standard amount(s) that exceed(s) 100 percent of the published fair market rents set at the 50th percentile rent to provide access to a broad range of housing opportunities throughout a metropolitan area. Section 985.3(h)(2) states that the HUD verification method was PHA data submitted for the deconcentration bonus, the annual independent audit report covering the PHA's fiscal year entered on the SEMAP certification, and onsite confirmatory review if performed.

Regulations at 24 CFR 985.3(i)(1) define the indicator, payment standards. The regulations state that this indicator shows whether a PHA has adopted a payment standard schedule that establishes voucher payment standard amounts by unit size for each fair market rent area in the PHA's jurisdiction and if applicable, separate payment standard amounts by unit size for a PHA designated as part of a fair market rent area, in which payment standards do not exceed 110 percent of the current applicable published fair market rents and which are not less than 90 percent of the current applicable published fair market rents. Section 985.3(i)(2) states that the HUD verification method was the PHA data submitted on the SEMAP certification form concerning payment standards.

Regulations at 24 CFR 985.3(j)(1) define the indicator, annual reexaminations. The regulations state that this indicator shows whether PHAs complete a reexamination for each participating family at least every 12 months. Section 985.3(j)(2) states that the HUD verification method was the Multifamily Tenant Characteristics System (MTCS) report, which shows the percentage of reexaminations that are more than 2 months overdue.

Regulations at 24 CFR 985.3(k)(1) define the indicator, correct tenant rent calculations. The regulations state that this indicator shows whether PHAs correctly calculate tenant rent in the rental certificate program and the family's share of the rent to owner in the rental voucher program. Section 985.3(k)(2) states that the HUD verification method is the MTCS report, which shows the percentage of tenant rent

and the family's share of the rent to owner calculations that are incorrect based on data sent to HUD by a PHA on form HUD-50058.

Regulations at 24 CFR 985.3(l)(1) define the indicator, precontract HQS inspections. The regulations state that this indicator shows whether newly leased units pass HQS inspection on or before the beginning date of the assisted lease and housing assistance payments contract. Section 985.3(l)(2) states that the HUD verification method was the MTCS report, which shows the percentage of newly leased units in which the beginning date of the assistance contract is before the date on which the unit passed its HQS inspection.

Regulations at 24 CFR 985.3(m)(1) define the indicator, annual housing quality standards inspections. The regulations state that this indicator shows whether the PHA inspects each unit under contract at least annually. Section 985.3(m)(2) states that the HUD verification method was the MTCS report, which shows the percentage of HQS inspections that are more than 2 months overdue.

Regulations at 24 CFR 985.3(n)(1) define the indicator, lease-up. This indicator shows whether a PHA entered a housing assistance payments contract for the number of the PHA's baseline voucher units (units that are contracted under a consolidated annual contributions contract) for the calendar year that ends on or before the PHA's fiscal year or whether the PHA has spent its allocated budget authority for the same calendar year. Section 985.3(n)(2) states that the HUD verification method is based on the percentage of units leased under a tenant-based or project-based housing assistance payments contract or occupied by homeowners under the voucher home-ownership option during the calendar year that ends on or before the assessed PHA's fiscal year or the percentage of allocated budget authority spent during the calendar year that ends on or before the assessed PHA's fiscal year.

Regulations at 24 CFR 985.3(o)(1) define the indicator, FSS enrollment and escrow accounts. The regulations state that this indicator applies only to PHAs with mandatory FSS programs. The indicator consists of two components, which show whether the PHA has enrolled families in the FSS program as required and the extent of the PHA's progress in supporting FSS by measuring the percentage of FSS participants with FSS progress reports entered into MTCS that have had increases in earned income, resulting in escrow account balances. Section 985.3(o)(2) states that the HUD verification method was the MTCS report, which shows the number of families enrolled in FSS.

Based on HUD's regulations at 24 CFR part 985, the table below identifies the 14 key indicators and the bonus indicator, total points available for each indicator, and statute applicable for each indicator.

Indicator	Total points	CFR location
1. Selection from the waiting list	15	24 CFR 985.3(a)(3)(i)(B)
2. Reasonable rent	20	24 CFR 985.3(b)(3)(i)(B)
3. Determination of adjusted income	20	24 CFR 985.3(c)(3)(i)(C)
4. Utility allowance schedule	5	24 CFR 985.3(d)(3)(i)

5. HQS quality control inspections	5	24 CFR 985.3(e)(3)(i)
6. HQS enforcement	10	24 CFR 985.3(f)(3)(i)
7. Expanding housing opportunities	5	24 CFR 985.3(g)(3)(i)(F)
8. Payment standards	5	24 CFR 985.3(i)(3)(i)
9. Annual reexaminations	10	24 CFR 985.3(j)(3)(i)
10. Correct tenant rent calculations	5	24 CFR 985.3(k)(3)(i)
11. Precontract HQS inspections	5	24 CFR 985.3(l)(3)(i)
12. Annual HQS inspections	10	24 CFR 985.3(m)(3)(i)
13. Lease-up	20	24 CFR 985.3(n)(3)(i)
14. FSS enrollment and escrow accounts	10	24 CFR 985.3(o)(3)(i)
Deconcentration bonus	5	24 CFR 985.3(h)(3)(i)

Regulations at 24 CFR 985.101(a) state that a PHA must submit the HUD-required SEMAP certification form within 60 calendar days after the end of its fiscal year.

Regulations at 24 CFR 985.103(a) define a high performer rating. The regulations state that PHAs with SEMAP scores of at least 90 percent will be rated high performers under SEMAP. Section 985.103(b) defines a standard rating. It states that PHAs with SEMAP scores of 60 to 89 percent will be rated standard. Section 985.103(c) defines a troubled rating. It states that PHAs with SEMAP scores of less than 60 percent will be rated troubled.

Regulations at 24 CFR 985.103(d) state that a rating on indicators 1 through 7 or the bonus indicator will be subject to change after HUD receives a PHA's annual independent audit report or after HUD conducts a confirmatory review if the audit report or the confirmatory review report contains information showing that the PHA's SEMAP certification concerning an indicator is not accurate.

Regulations at 24 CFR 985.105(c) state that HUD may conduct an onsite confirmatory review to verify a PHA's certification and the HUD rating under any indicator. Section 985.105(d) states that HUD must conduct an onsite confirmatory review of a PHA's performance before changing any annual overall performance rating from troubled to standard or high performer.

HUD Notice PIH 2021-34 states that PHAs with a fiscal year ending March 31, 2022, June 30, 2022, or September 30, 2022, may request to waive the application of SEMAP in its entirety, only if the PHA has SEMAP indicators affected directly or indirectly because of the disruption to PHA operations caused by its adoption of available Coronavirus Aid, Relief, and Economic Security Act waivers.

HUD Notice PIH 2022-14 states that the HCV Program is HUD's largest rental assistance program. Funding is provided through the Consolidated Appropriations Act of 2022, and HUD allocates these funds to PHAs in accordance with the Act as described in this notice. The Act requires HUD to provide renewal funding based on validated Voucher Management System leasing and cost data for the prior calendar year (January 1, 2021-December 31, 2021). The calendar year 2022 total amount appropriated by Congress to fund the HCV Program is split up by budget line items as follows: Housing Assistance Payments Renewal funding \$24.090 billion.

Form HUD-52648 requires a PHA administering a Section 8 tenant-based assistance program to submit an annual SEMAP certification within 60 days after the end of its fiscal year. The information from the PHAs concerns the performance of the PHA. The form also requires a certification that there is no evidence of seriously deficient performance. HUD uses the information and other data to assess the PHA's management capabilities and deficiencies and to assign an overall performance rating to the PHA. Responses are mandatory, and the information collected does not lend itself to confidentiality.