

HOUSING AUTHORITY REPORT

DATE ISSUED: January 15, 2009

REPORT NO: HAR 09-001

ATTENTION: Members of the Housing Authority
For the Agenda of February 24, 2009

SUBJECT: Ratification of Proposal to the Department of Housing and Urban Development (HUD) for Contract Administration of Southern California Project-Based Section 8 Housing Assistance Payments (HAP) Contracts

REQUESTED ACTION:

- (1) Ratify a proposal submitted on December 5, 2008 for Contract Administration of Project-Based Section 8 Housing Assistance Payment (HAP) Contracts in the Southern California region and;
- (2) Authorize the President & Chief Executive Officer (CEO) or designee to form a Limited Liability Company ("LLC") or 501 (c) (3) non profit, if the proposal is successful, as permitted by the HUD Request for Proposal.

STAFF RECOMMENDATION:

- (1) That the Housing Authority ratify a proposal submitted on December 5, 2008 in response to the HUD Request for Proposal (RFP) to provide contract monitoring and administration services on behalf of HUD. This proposal covers HUD's geographic service area of Southern California and includes 750 locations and approximately 48,000 units; and
- (2) Authorize the CEO, in conjunction with General Counsel, to form a Limited Liability Company ("LLC") or a IRC Section 501 (c)(3) non-profit, that will allow the Housing Commission to establish a form of business to provide these services and operate outside the jurisdiction of the City of San Diego.

SUMMARY:

There are several different categories of federally assisted housing. In San Diego, the most well known program is the Section 8 Rental Assistance Voucher program, operated by the Housing Commission. This program provides subsidy on behalf of a specific family for a privately owned housing unit. Should the family move from the unit, the family retains the subsidy and can use it in another housing unit.

The Section 8 Project Based program provides subsidy to the owner/manager of an assisted property on behalf of all the eligible households living at the property. Should a household move out of the assisted property, the household loses the benefit of the subsidy. There are many Section 8 Project-Based properties in San Diego that have no connection to the Housing Commission, e.g., monitoring, reporting requirements.

In 1999, as a result of budget cuts which led to a significant reduction in staff, HUD made the determination to outsource the oversight and administration of project-based properties to qualified public housing authorities (PHA). HUD provides funding to the contracting housing agency (contractor) for subsidy payments to the owners/managers of assisted properties and also pays a substantial fee to the contractor for successfully carrying out the oversight and administrative functions.

A contractor's major responsibilities include:

- Perform all monitoring responsibilities identified in the Annual Contributions Contract (ACC);
- Monitor project owner obligation to provide decent, safe, and sanitary housing to assisted tenants;
- On behalf of HUD, ensure property owners are paid subsidy accurately and on a timely basis;
- Submit required documents and reports accurately and timely to HUD;
- Comply with HUD regulations and requirements, both current and as amended in the future, governing administration of Section 8 Project-Based Contracts.

On October 1, 2008, HUD published an Invitation for Submission of Application for Contract Administrators for Project-Based Section 8 HAP Contracts, under Section 8 of the United States Housing Act of 1937 (42 U. S. C. 1437f) ("Section 8").

The initial term of the contract is three (3) years with two (2) one-year options. Once the contractor is selected, HUD will assign the units to be covered, and the contractor immediately assumes, the contractual rights and responsibilities of HUD for those projects included in the RFP. Until recently, the City of Los Angeles Housing Authority was HUD's contract administrator for the Southern California region.

On November 12, 2008, the Housing Commission Board approved the submission of a proposal to respond to HUD's RFP. The required process and year-end scheduling did not allow for prior approval by the Housing Authority of this proposal submission.

The Southern California Region is comprised of ten counties with approximately 48,000 units at 750 sites from Santa Barbara to San Ysidro. Under the California Health & Safety Code, Division 24 Section 34208, the Housing Commission is restricted to an area of operation not exceeding five miles outside of the City, unless the governing body of such other city consents by resolution. The size of the contract area precludes negotiating such agreements with all governing bodies in the counties and cities included in the contract area. Because of the limited jurisdiction in which housing authorities may function, joint ventures or other partnerships between a PHA and other public or private entities are established to provide these contract administration services to HUD, as permitted by the RFP issued by HUD. This is the manner in which Los Angeles has held the most recent contract.

On November 14, 2008, the Housing Commission released an expedited Request for Qualifications to identify firms that are able to provide the expertise and experience needed to achieve success in this endeavor. At the close of the solicitation on December 1, 2008, two (2) proposals (McKay Management Services and Jamie Kinney Consulting) were received. It was determined by the selection committee that of the two (2) proposals, McKay Management Services was most qualified.

Should the Housing Commission be selected as the successful contractor, the Executive Vice President & Chief Operating Officer (COO), together with General Counsel, will negotiate the terms and conditions of a management agreement that will govern a Limited Liability Company ("LLC"). A requirement of the contract is that in any type of joint venture or partnership, the housing agency, in this

case the Housing Commission, retains fiscal and primary control of the LLC or partnership to ensure that full compliance and oversight is maintained throughout the term of the contract.

An LLC or an IRC Section 501 (c) (3) non-profit would be able to work throughout the State of California and would be wholly controlled by the Housing Commission. The final agreement, governing operations of the LLC or a non profit, would be presented to the both the Housing Commission and Housing Authority for final approval.

FISCAL CONSIDERATIONS:

Estimates of the fees paid to the contractor range from \$12 million to \$16 million annually. Net income from this endeavor would become local funds and could be earmarked to develop work force housing, or as directed by the Housing Commission or Housing Authority.

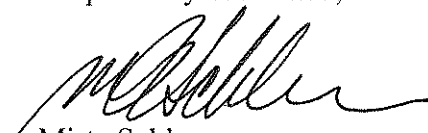
PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On November 12, 2008 the Housing Commission approved the submission of an application in response to HUD's RFP, for Contract Administration for Project-Based Section 8 HAP Contracts for the Southern California Region.

ENVIRONMENTAL

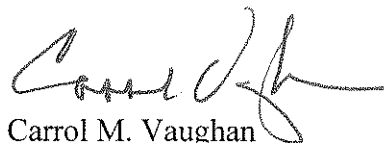
This action is exempt from the provisions of California Environmental Quality Act (CEQA) pursuant to State Article 19 Guidelines Section 15300 (ministerial projects). This action is exempt from review under provisions of the Environmental Policy Act under 58.34 (a) (3) (administrative & management activities).

Respectfully submitted,



Mirta Schloss
Senior Program Analyst

Approved by,



Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

Attachments: Application



**San Diego
HOUSING COMMISSION**



Contract Administrators for Project Based Section 8 Housing Assistance Payments (HAP) Contracts

December 5, 2008

Presented to:

U.S. Department of Housing and Urban Development
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Washington, DC 20410

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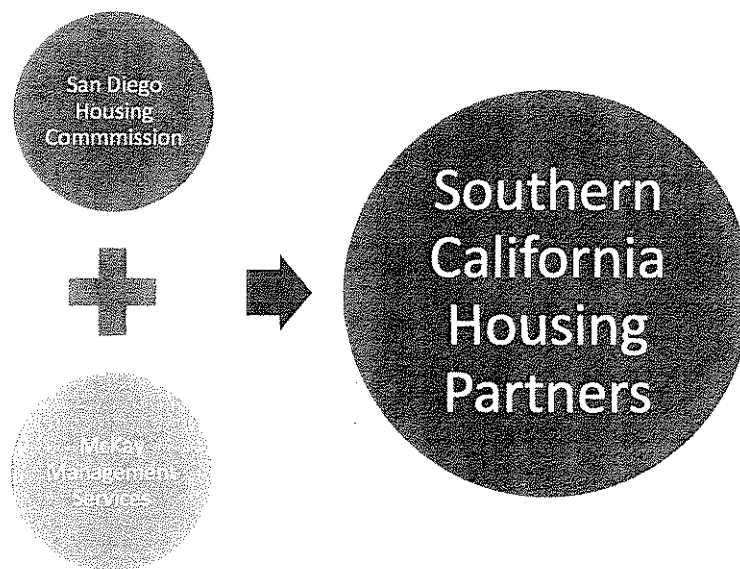
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TECHNICAL APPROACH

Introduction

Southern California Housing Partners (SCHP), a partnership of the San Diego Housing Commission (SDHC) and McKay Management Services (MMS), is pleased to present this proposal for the Contract Administration for Project Based Section 8 Contracts in Southern California. The partnership represents the best opportunity for professional administration of HUD's multifamily properties in Southern California. The San Diego Housing Commission, a HUD high performer, has been at the vanguard in the effort to reinvent affordable housing. The Commission through its history of effective management of affordable housing will bring the same expertise in fulfilling HUD's Administrative objectives for Contract Administration. As the only viable applicant residing in Southern California, award of the contract administration position to the SCHP ensures that fees earned by the SCHP will be used to further affordable housing in Southern California.

McKay Management Services, with its long history as the industry leader in affordable housing consulting and training, can expertly fulfill HUD's three programmatic requirements objectives. Furthermore, McKay Management Services is based in Southern California and has a sincere vested interest in restoring Performance Based Contract Administration in the region to the industry forefront.



We recognize that the partnership will begin as a recovery effort with heightened responsibility: immediate compliance at implementation. While of course this will be important for the financial success of the partnership, it will also be critical to win the trust of the property owners, agents and residents of multifamily housing who may have become disillusioned with the PBCA program over the past few years. Our Southern California team has the knowledge and commitment to transform the PBCA immediately upon takeover.

Our implementation plan will begin upon award. Our PBCA leadership team has already been identified and includes three dynamic and knowledgeable leaders with unmatched resumes in the affordable housing industry. The leadership team will begin reaching out to the effected owners and agents to identify their issues and take quick remedial action.

Element 1 – Sound Technical Approach

Project Organization and Management – Southern California Housing Partners will organize and manage the Administration for Project Based Section 8 Contracts in Southern California from a central office located in the same building as the San Diego Housing Commission and a satellite office that will be located in Los Angeles. The satellite office in Los Angeles will house the Field Staff responsible for the Management and Occupancy Reviews for those properties located in the Los Angeles County; all other contract activities will be performed from the central office in San Diego.

Transition Plan – Our transition plan to transfer responsibility from the existing CA to our team in San Diego is detailed under Element 5 of this Section of the proposal. Our work will commence with the implementation of all activities outlined in this transition plan. The Executive Team, consisting of the President and Vice-President of SCHK, Contract Administrator, along with the Program Director will serve as the Transition Team for the initial 30 days of the transition period. The Management Team, including the Chief Financial Officer (CFO), Los Angeles Field Manager, San Diego Area Manager, the Training Coordinator, and the Quality Assurance (QA) Supervisor will join the Transition Team for the remaining 60 days of the transition period. A more detailed timeline is included with the transition plan under Element 5.

Leadership – Rick Gentry, the President and CEO of the San Diego Housing Commission will serve as the President of Southern California Housing Partners and as such, will be responsible for assuring that all contractual obligations are successfully fulfilled. Cindi Herrera, President and CEO of McKay Management Services will serve as the Vice-President of SCHK and will be responsible for assuring that the daily operational activities are carried out in accordance with SCHK's operational policies and procedures. Carol Vaughan, Executive Vice President and Chief Operating Officer of the San Diego Housing Commission, will serve as the Contract Administrator and will be responsible for overall Quality Control and financial management of all program functions. Mike Kramer will serve as the Program Director and will be responsible for all day to day operational activities. John Pfeiffer, the CFO of SDHC will be responsible for the financial management of the HAP funds received from HUD and managing the third party audit under the contract.

All individuals that comprise our leadership team have extensive experience in working with the Section 8 Project Based Program including contract administration and training of HUD regulations and requirements under the 4350 Handbook. Qualification information and a brief bio for each of these individuals are located in Tab 3, Element 1 of this proposal.

Staffing -The interview and hire process will begin March 1st and staff will be brought on in teams with alternating start dates from April 15th through May 15th. Employees will be provided with an on-boarding plan at their assigned orientation which will provide their subsequent training schedule.

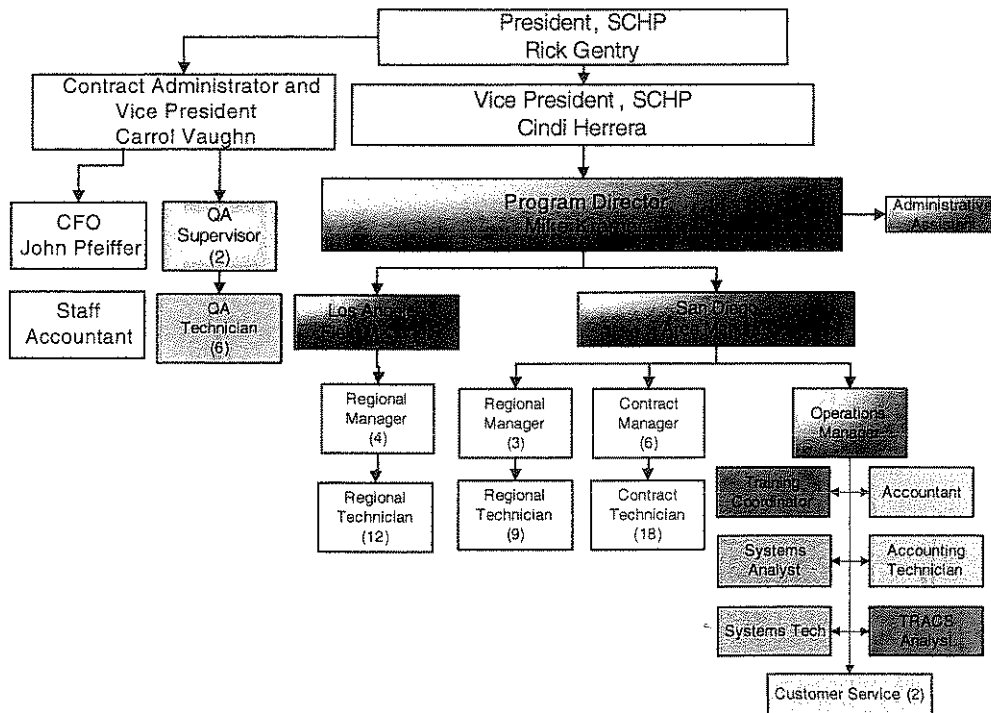
Quality Assurance - A trained Quality Assurance team of two supervisors and six technicians has been assigned to the contract reporting directly to the Contract Administrator. The QA team will be responsible for the detailed review of work processed for all Incentive Based Performance Standard (IBPS) areas. The QA staff will report directly to the Contract Administrator ensuring that the SDHC is fully engaged in ensuring subsidiary entity progress in meeting all performance measures. The proportionally large QA staff assigned to the team reflects the partnership's strong commitment to exemplary service. Quality Assurance productivity steps will be tracked and measured in our business processing workflow ensuring that QA staff is held to the same level of accountability as line operations staff. A more detailed description of QA responsibilities will be found in Tab 2 under the Quality Assurance Plan.

Contract Administrator - The Contract Administrator will be the liaison with the San Diego Housing Commission Accounting Team who will provide account linkage between HUD's E-LOCCS system and the SCHK bank account. The CA will be responsible to ensure the timely release of funds to owner accounts upon the receipt of HAP funds from HUD.

Program Director - The Program Director, Michael Kramer, will lead the day-to-day operations of SCHP. Mr. Kramer has over 30 years of experience in affordable housing including the very successful start-up and implementation of the Florida PBCA for the North Tampa Housing Development Corporation. In addition to overall responsibility for operations, the Program Director will be directly responsible for liaison with the Rent Comparability Study (RCS) appraisal team. The Program Director or designee will be responsible for accurate and timely application of the appeal process for Management Reviews and Rent Adjustments. Finally, the Program Director will follow-up on all problem properties as indicated by tenant complaints, owner non-responsiveness or specific requests of HUD. The Program Director will be assisted by two Managers who will have been delegated supervisory oversight for all area of Operations in their respective areas.

Accounting/Analysts - The SCHP will include an accounting team to provide review of all formula, debt service and rent calculations during the rent adjustment process. The accounting team will provide oversight and quality assurance for voucher processing to ensure appropriate monthly contract account reconciliation and accurate payment calculations. The accounting team will be responsible for the preparation of accurate invoicing for all IBPS areas. In addition, the accounting team will include a TRACS analyst who will be responsible for training SCHP staff on voucher processing; resolving internal SCHP TRACS issues; providing technical assistance to owners with TRACS issues; and serving s overall HUD TRACS liaison including participation at HUD TRACS meetings, conference calls and on-line TRACS discussion groups. The SCHP team will include a Systems Analyst, responsible for the overall maintenance and updating of the SCHP TRACS and Operations Workflow processing systems. A Systems Technician will be assigned to keep all Information Technology equipment in optimum working condition.

Organizational Structure – The organizational chart below reflects all staff proposed for the contract administration of the PBCA along with the lines of authority and reporting requirements. This organization purposefully maintains a very tight span of control: one manager for every three technicians. This will be necessary to achieve timely processing of all programmatic areas in accordance with HUD’s rigorous standards. Our goal is qualitative perfection while meeting each Acceptable Quality Work Level (AQL).



Training – A detailed training program has been developed for each employee group based on their assigned duties and responsibilities. The training plan is located under Tab 2, Element 6 further in this proposal. A full-time Training Coordinator (TC) will be assigned to the SCHP. The Training Coordinator will be responsible for maintaining and updating all internal policy documents and training manuals. The TC will stay current on all HUD Multifamily issues and policy updates, participate in all HUD Central and Regional conference calls regarding policy and procedure. The TC will provide classroom and hands-on training for all new employees. The TC will conduct monthly training sessions for Contract processing staff; and quarterly training sessions for Regional processing staff.

Appraisers - The SCHP will contract with Southern California-based appraisers to perform Rent Comparability Studies in accordance with the Chapter 9 of the HUD Section 8 Renewal Policy Guide. The Program Director will be responsible for oversight and approval of the work of the appraisers. The SCHP will enter into a Memorandum of Understanding (MOU) with the participating appraisers who will be held to a five-day turnaround from receipt to disposition. The MOU will contain disincentives for appraisers who do not meet the five-day threshold.

Owner/Agent and Resident Outreach - The SCHP team firmly believes that nothing will be more important in the successful transition to quality PBCA performance than owner/agent and resident outreach. Upon award the SCHP will begin scheduling regional owner/agent meetings to hear concerns and solicit ideas and suggestions for improvement. At these meetings the SCHP will clearly describe its approach and expectations, as well as providing a viable communication protocol to our clients. HUD field office staff will be invited to attend. Similarly, the SCHP will provide written outreach to the families of multi-family housing, describing the SCHP plan and approach and providing a clear avenue for future communication of concerns.

The SCHP will publish an initial on-line newsletter. Information for accessing the site will be provided by letter to each owner/agent and resident. A quarterly newsletter will be published thereafter, providing clients with staffing and program updates and multifamily news. The SCHP will maintain an interactive website which will provide clients with up-to-date program information, including real time access to HUD and PBCA policy, procedure and forms. Six months following start-up the SCHP will conduct follow-up meetings with owner/agents by geographical region. The meetings will be designed to obtain feedback on our performance and solicit ideas and suggestions for improvement. Training on particular program areas will be provided where feasible. The SCHP envisions continuing these regional seminars annually through the life of the contract. The SCHP will actively participate in all regional meetings and seminars held by multi-family industry groups including the Affordable Housing Management Association of the Pacific Southwest and the Aging Services of California. The SCHP will issue a customer service tool to random owner/agents on a monthly basis. The tool will provide feedback on what the SCHP is doing right and areas for customer service improvement.

Business Process - Contract monitoring and voucher processing software systems will be in place and tested by April 1, 2009. Our Systems Analyst will serve as HUD systems administrator and will be responsible for overall coordination with the TRACS, IREMS and E-LOCCS systems. The Systems Analyst will control system access and security for the SCHP staff for all HUD and internal systems. Our detailed security protocol is detailed under Element 4, below.

Most IBPS processing areas will be tracked through a workflow system. Internal deadlines for work completion will be compressed to easily meet HUD AQLs ensuring timely processing and achievement of all possible incentives. All documents and working papers will be scanned into our document imaging system. A transmittal form for most IBPS areas will accompany all documents forwarded to HUD. The transmittal forms which will be tracked by the SCHP using a transmittal log. The log will be forwarded monthly to HUD by the Program Director for review. Upon review, HUD will contact the SCHP if there are discrepancies.

At times in the process there will be discussions regarding the meaning or application of statutes, regulations or policies. The SCHP will assign a full time training coordinator to assist the CA and Program Director in clarifying HUD policy. McKay Management Services is the acknowledged industry leader in understanding, interpreting and explaining HUD policy. Where clarification eludes the PBCA the issue will be referred to HUD for clarification and the processing time tolled for the review period. The SCHP will maintain a Policy Issues Log to track those instances where processing is taken off line for policy clarification. The Policy Issues Log will be sent to HUD weekly along with the HUD transmittal log. Any issues unresolved at month's end will be included in the following monthly report to HUD.

When HUD responds definitively to policy Issues questions or when HUD issues directives either nationally or regionally, these issues will be placed in the SCHP policy library. The Training Coordinator will be the custodian of the SCHP policy library.

Due to the critical timing issues related to performance based contract administration, the SCHP will implement a computerized mail log. All mail (including faxes, overnight packages, e-mail submission attachments, and hand deliveries) will be logged into the mail log database indicating date received. The mail will be date stamped prominently on the front of all documents. Documents will be scanned during normal processing.

Element 2 – Ability to Perform General Operation Requirements

Equal Opportunity – As an equal opportunity contractor and employer, SCHP will adhere to all applicable city, state and federal laws. SCHP will not discriminate on the basis of the following: race, color, religion, creed, ancestry, disability, medical condition, place of birth, age, sexual orientation, gender, marital status or national origin. SCHP will take appropriate, affirmative action to ensure compliance with applicable civil rights laws and regulations. All contracts will include language requiring full compliance with appropriate laws and regulations. In addition, SCHP encourages contracting opportunities for certified Disadvantaged, Small, Woman-Owned and Disabled Veteran-Owned Business Enterprises and provides referrals to various certifying agencies.

SCHP and its contractors will provide job training and employment opportunities to eligible low-income individuals in the southern California area. SCHP will also offer training and support for low-income housing assistance residents who want to start their own businesses. SDHC has extensive programs available now that SCHP can co-opt. The Equal Employment Opportunity program operates out of the SDHC Executive Office, thus raising its visibility and underscoring the importance given to these programs.

All fair housing and equal opportunity laws, regulations and executive orders will be followed by SCHP including: 1) Title VI of the Civil Rights Act of 1964; 2) The Fair Housing Act; 3) Executive Order 11063; 4) Section 504 of the Rehabilitation Act of 1973, as amended; 5) Age Discrimination Act of 1975; and 6) other applicable civil rights authorities.

Compliance with these rules will be monitored with violations reported and/or resolved as appropriate in a timely manner. Assigned San Diego Housing Commission and SCHP staff will jointly provide monitoring to ensure compliance. SDHC brings to the partnership a long and outstanding history of fairness and compliance in all phases of housing, contracting and employment. Further, SDHC has developed very effective professional working relationships with HUD Fair Housing Equal Opportunity Office (FHEO) at the field, regional and national levels. These relationships are in addition to similar relations with state and other federal enforcement agencies. Equal opportunity and fair housing staff training will consistently be ongoing components of the SCHP annual training plan

Financial Management – The Chief Financial Officer for the San Diego Housing Commission shall be responsible for all financial management functions for the Housing Assistance Funds received under the

ACC for Contract Administration and will serve as the LOCCS administrator. The Yardi financial software module will be used to track financial management activities, accounting transactions and to generate monthly financial reports used to monitor program activity. Properties will be set up in the accounts payable system of the accounting module and payments will be processed via ACH direct deposit to the properties upon approval of the corresponding vouchers. The CFO will also be responsible for securing and coordinating the annual audit of all program activities and submission of the audit report to HUD.

Communication with HUD – The Contract Administrator and Vice-President of SCHP will serve as the primary liaisons with HUD and will be responsible for all communication related to the contract. Communication with HUD regarding property issues, health and safety issues, community concerns and tenant concerns or complaints will be handled by the Area Managers and/or the Program Director. A communications protocol will be developed and an electronic communications tracking system such as “Sales Force” will be implemented to track communications received and assure timely response.

Incentive Based Performance Standards – The narrative below provides a detailed description of our approach for each of the IBPS’s for all work performed under the ACC. Immediately following this narrative section of the proposal, we have provided detailed workflows for the key IBPS’s:

- Management and Occupancy Reviews
- Rent Adjustment Process
- Contract Renewals
 - ✓ Option 1 – Mark Up To Market
 - ✓ Option 2 – Rents at or under Market
 - ✓ Option 3 – Mark to Market
 - ✓ Option 4 – Exempt from OHAP
 - ✓ Option 5 – Preservation Properties
 - ✓ Option 6 – Opt-Outs
- Initial Voucher Process and Monthly Voucher Process

IBPS TASK 1 -- Management and Occupancy Reviews

All Management and Occupancy Reviews (MORS) will be loaded into our business scheduler and iREMS prior to the June 1st start up enabling HUD and PBCA staff to have a full picture of the annual plan. MORs will be scheduled primarily based on geographical and weather considerations for maximum efficiency. Note that Civil Rights Compliance (CRC) reviews while representing a distinct IBPS category will be treated here as a subset of the MOR except for the particular detail processing of the relevant portions of the MOR form 9834. In the business process MOR means MOR/CRC, including the CRC Addendum A.

The PBCA team will place great importance on communication with owners /agents in the scheduling and conduct of MORs. Our business process calls for the timely notification of O/A at least two months in advance of the MOR.

Exact scheduling will be negotiated with O/A but there are few circumstances (natural disaster, death or debilitating illness of a O/A) where a MOR will be rescheduled (with CAOM approval). The O/A will be sent a checklist of the documents that should be made available to the technician upon his arrival. iREMS will be updated with the date of the exit review as the date performed.

Each MOR will be highlighted by an entrance conference at which the protocol for conducting the review will be detailed in order to gain O/A cooperation and acceptance, and an exit conference where a general description of findings and follow-up processes will occur.

Upon completion of the MOR the SCHP will prepare and submit the HUD form 9834 Management Review of Multifamily Projects to the O/A within 30 Days with a cover letter explaining the protocol for response or appeal. The Regional Manager in consultation with the Technician performing the review will determine MOR ratings. Through the transition phase all MORs will be referred to HUD. Upon approval for full implementation, only those MORs rated unsatisfactory or below average will be referred to HUD. iREMS will be updated for all MORs.

Responses will be monitored closely for compliance. Failure to provide a substantive response detailing the documented remedial action taken or the Corrective Action Plan (for properties satisfactory and above) or Management Improvement Plan (for properties rated below average or unsatisfactory), will result in referral to HUD with an entry into the iREMS problem statement screen. Upon satisfactory remediation of all outstanding findings, the MOR will be closed. The owner will be notified and iREMS updated.

QA staff and Regional Managers will conduct Quality Assurance reviews of selected MORs. QA reviews may take the form of "shadow" reviews where the reviewer accompanies the Technician and directly observes the conduct of the MOR, or by timely follow-up reviews.

IBPS TASK 2 – Document Section 8 Owner Compliance

The SCHP will complete the CRC exhibit and ensure the collection of the owner CRC submission. These documents will be forwarded to HUD FHEO. Where O/As fail to cooperate with the submission of the required Addendum B Schedule A, the HUD field office will be notified and iREMS "Problem Statement" screen updated.

IBPS TASK 3 - Processing Rental Adjustments

Our technical approach to the processing of rent adjustments will focus on Owner/Agent communication ensuring up front knowledge of HUD/PBCA expectations thus facilitating the timely submission of complete packages, as well as a focus on quality review of processing at key multiple processing points.

All rent adjustments will be front-loaded into our workflow tracking system by contract renewal anniversary date. Letters will be sent to owners 180 days in advance of the anniversary date advising the owner of their need to submit a funding renewal request with rent adjustment if appropriate, 120 days prior to that date. Technicians will be expected to follow-up with O/As where packages are not received. Prior to start up, the SCHP will provide training to O/As on the rent adjustment/funding process and timeline.

For properties with pre-MAHRA contracts, the SCHP will initiate the rent adjustment process upon receipt of a package. The process will be essentially the same as the rent adjustment process for properties who have had their initial or subsequent MAHRA renewals except that the rent adjustment options will include the Annual Adjustment Factor or Special Adjustment and exclude OCAFS. There will be no funding request submitted with the pre-MAHRA rent adjustment.

The SCHP will have a centrally located team of specialists processing all rent adjustments in conformance with the HUD AQL for IBPS 3. Our business process requires timely review of the rent adjustment package upon receipt by the team supervisor and assigned technician. The supervisory review will enable the SCHP to quickly identify the appropriate path for the rent adjustment (OCAF, budget, AAF, special adjustment) and make knowledgeable decisions on the completeness of the submitted package. Where a package is not complete the technician will provide expedient follow-up with the O/A to obtain the additional information.

Our processing includes multiple review and quality assurance steps. Our accountants will review each rent adjustment to ensure accuracy of calculations. Our quality assurance staff will review each rent adjustment to ensure appropriate methodology and proper preparation of rent schedules. Finally, quality assurance staff will review the finished product using our rent adjustment review checklist following the scanning of the complete work product.

As noted earlier, the Program Director or designee will be responsible for ensuring the timely processing of appeals, including the coordination of second level appeals to HUD

A Rent Comparability Study (RCS) is required for contracts greater than 20 years, in the rare instance where the prior PBCA failed to align the RCS with the Contract Renewal Date, or where the Option 2 owner wishes to revisit his rent structure. When an RCS is received, the Contract Manager will review iREMS and validate the necessity of the RCS. Upon authentication, the RCS will be forwarded to the appraiser for the five-day review and disposition. A non-compliant RCS will be returned to the O/A for correction. A compliant RCS will fulfill that particular component of the complete package.

IBPS TASK 4 - Owner Opt-Out Notice and HAP Contract Termination;

IBPS TASK 5- Owner Opt-Out Notice and HAP Contract Termination; Submit Resident Data

The SCHP will impress upon all staff the importance of timely action upon receipt of an Option 6 Opt-out Package. The SCHP Contract Manager will conduct an immediate review of the package for compliance with the assistance of the Area Manager and Training Coordinator, if necessary. Particular attention will be given to compliance with tenant notification including the proof of service of the one year notification letter as defined in Appendix 11-1 of the Section 8 Renewal Policy Guide. Upon verification of compliance, the SCHP will notify the CAOM and HUD Supervisory Manager of the Opt-out. If the package is not in compliance the Opt-out will be denied and the owner and HUD notified in writing.

Upon satisfaction of the IBPS task requirement, a new task will be opened in the workflow system under the Regional Manager assigned to the area where the opt-out property is located. The Regional Manager will assign the appropriate Regional Technician to contact the O/A in order to make arrangements for the submission of all form 50059 Owner Certification of Compliance with HUD's Tenant Eligibility and Rent Procedures providing the resident data for each family in occupancy of the Opt-out property. The collected data package will be date stamped and logged and forwarded to the HUD CAOM or designee within 90-120 days prior to the opt-out date. Completion of the task will be noted in iREMS.

Simultaneously, the Area Manager (AM) will follow up with the O/A to ascertain the reason for the opt-out. Every attempt will be made by the AM to convince the owner to rethink the opt-out, rescind the request, and maintain the property in the affordable housing program.

IBPS TASK 6 – Review Verify and Authorize Monthly Section 8 Vouchers and Special Claims

The SCHP has established a rigorous start-up process for voucher processing. Upon contract award an introductory notice will be sent to all O/As announcing the transition and describing key elements of the SCHP process. As noted earlier, personal presentations will be made to O/As in all regions of Southern California and voucher transition and payment processes will be highlighted during these presentations.

Achievement of O/A buy-in will hinge on the ability of the PBCA to process timely payments and a close cooperative relationship between O/A and PBCA will be necessary to achieve this, especially since errors in processing may result in O/As not getting paid. It will be incumbent on the SCHP to provide technical assistance to those owners who have difficulty with Voucher processing.

The initial process will be complicated by the performance status of the incumbent PBCA. Current TRACS status must be viewed immediately upon award and compared with the baseline information submitted by

owners. This detailed process will require full staff intervention at start up including Accounting staff, Contract staff and the Systems Analyst. Confirmation of existing status of accounts in TRACS and payment balances must be reconciled as soon as possible.

It must be noted that the reconciliation of outstanding balances becomes a painstakingly tedious process and will take months to accomplish. Our team will design a triage plan depending on our findings, addressing the most egregious payment discrepancies first as discerned by amount or length of time.

Monthly processing will begin with a drive to have owners/agents submit compliant vouchers as close to the first of the month as possible. This will afford the SCHK the opportunity to provide a comprehensive review of each voucher while providing owners with the time necessary to correct errors. SCHK policy will require that Contract Technician's process vouchers in the order in which received where practicable. Vouchers with processing concerns will be forwarded to the Accounting staff for assistance and processing.

IBPS TASK 7 - Notice of Corrective Actions

The SCHK will provide notice of all overpayments to owners to HUD within ten calendar days. All overpayments will be resolved and recaptured within 30 Days of the certification of the voucher. SCHK accounting staff will monitor overpayments and provide an attachment to the PBCA monthly report detailing the actions taken. In addition Accounting will not approve any vouchers submitted in the following month until overpayments have been reconciled and recaptured.

IBPS TASK 8 – No longer applicable.

IBPS TASK 9 - Life Threatening Health and Safety Issues

IBPS TASK 10 - Non-Life Threatening Health and Safety Issues.

Upon award the SCHK will provide all residents, owners and agents with the contact information for the SCHK Contact Center (CC), including a TTY phone number. CC staff will be present during normal business hours to respond to all resident concerns regarding the performance of the property O/A and staff. CC staff will log each call in our CC database and follow up with owners to achieve resolution – within one hour when informed of an apparent EH&S issue and two days for non- EH&S issues. The CC will follow-up on all efforts to mitigate issues with the expectation of immediate resolution of EH&S concerns and follow-up leading to resolution within two weeks on routine complaints. An emergency phone number and answering service will be established for nights, weekends, and holidays.

The CC will maintain a detailed record of follow-up activity. Where three or more complaints are received for a particular property, the record will be included in the hot topics report which will be provided monthly to HUD. The CC will also report separately to HUD as part of the SCHK Monthly report on EH&S items, non-EH&S items, and REAC follow-up.

IBPS TASK 11 - Budget Requisitions and Revisions

IBPS TASK 12 - Year End Settlement Statements

The SCHK Accounting team will track all contracts and units under the ACC and provide budget, requisitions and year end settlement statements. The Section 8 budget will be prepared at least 90 days prior to the beginning of the SCHK fiscal year along with the Annual Requisitions for Partial Payment of Annual Contributions which will be submitted through LOCCS. The accounting team will also be responsible for performing the monthly comparison of HAP payments to owners and the monthly partial payments received from HUD. A revised budget and requisition will be submitted to HUD through LOCCS when/if the monthly comparison indicates that the ACC payments will exceed the HAP by more than 5%.

All submissions to HUD will be completed by the end of the SCHP fiscal year. Year-End Settlement Statements will be submitted to HUD within 45 days of the SCHP fiscal year.

IBPS TASK 13 - Public Housing Agency Audit

Audited financial statements will be submitted to HUD within 60 days of the end of the SCHP fiscal year. To assure timely completion and submission of the audited financial statements, SCHP will engage an independent audit firm a minimum of 120 days prior to the end of our fiscal year. The audit will be conducted in compliance with OMB Circular A-133.

IBPS TASK 14 - Renewal of Expiring HAP Contracts

As with rent adjustments our technical approach to the processing of HAP Contracts will focus on Owner/Agent communication ensuring up front knowledge of HUD/PBCA expectations thus facilitating the timely submission of complete packages, as well as a focus on quality review of work in progress at key multiple processing points.

All contract renewals will be front-loaded into our workflow tracking system by contract renewal anniversary date. Letters will be sent to owners 180 days in advance of the anniversary date advising the owner of their need to submit a funding renewal request with rent adjustment if appropriate, 120 days prior to that date. Technicians will be expected to follow up with O/As where packages are not received. Prior to start up, the SCHP will provide training to O/As on the contract adjustment /funding process and timeline.

Due to the recent changes in funding allocation for contract renewals the SCHP will aggressively process Renewals using the rent adjustment AQL as the baseline. This will afford the PBCA the opportunity of having all timely submitted renewal requests processed and ready to execute upon funding renewal. This will require tight monitoring of the RCS process; disincentives will be built into our MOU or contract with an appraiser. As with rent adjustments, the SCHP has built a number of quality assurance and supervisory review steps into the workflow process.

IBPS TASK 15 - General Reporting Requirements

The SCHP will provide the monthly work plan status report to the CAOM by the tenth business day of each month for the previous month's activities. The SCHP will include the invoice in the report. Each quarter the Workplan will be attached to the report showing scheduled work for all measurable IBPS areas. Additionally, the SCHP will provide a quarterly work in process report for all processing.

The monthly report will include the following:

- A Quality Assurance report will be culled from the step review process in our contract renewal/rent adjustment work flows; comparisons of voucher processing reports and actual payments; and detailed monthly invoice review. All MOR quality reviews conducted by QA and supervisory staff will be included in the report. QA activities will be covered in more detail in Tab 2 Element 1 of this proposal.
- Major accomplishments and success stories
- Noteworthy meetings including internal staff meetings, HUD conferences, industry group meetings
- Pending Issues including policy issues referred to HUD for guidance which have not been resolved.
- Hot Topics will be prepared by contact center staff for all properties that have received multiple tenant concerns; and concerns from public officials, media and general public.
- Administrative Actions including major SCHP policy or staff disciplinary actions

- The SCHK will provide a monthly listing of all staff assigned to the contract. A separate report will be developed for all staff changes occurring during the prior month.
- The SCHK will report on all Exigent Health & Safety (EH&S) complaints received by the Contract Center
- The SCHK will report on the progress of owner response to REAC inspections with EH&S

The Workplan will include all scheduled and completed dates beginning with the start of the contract year. A workplan will be presented to the CAOM prior to the contract year beginning on June 1, 2009. The first follow-up workplan will be due with the monthly report on September 1, 2009.

IBPS TASK 16 - Monitoring Physical Inspection Results

Contact Center staff will review iREMS daily to ascertain whether REAC scores including EH&S issues have been posted. The CC will follow up with owners within 30 days to ensure that owners follow-up to correct deficiencies. Follow-up activity will be monitored each month and reported to HUD on the monthly report. For owners who fail to show progress in addressing REAC concerns, the CC will report the issue to the Program Director. The Program Director will report the issue to HUD and the CAOM, and record an entry in iREMS problem statement screen.

In those instances where HUD refers an owner to DEC for failed REAC physical inspection scores, the SCHK will notify the owner and monitor the follow-up on corrective actions. Where directed by HUD, payments will be abated.

Element 3 – Division of Work

Program Management - The San Diego Housing Commission has partnered with McKay Management Services, for the purposes of responding to this RFP. A separate corporation, Southern California Housing Partners LLC (SCHK), of which both SDHC and MMS will be partners, will be created for the operations of the Project Based Section 8 Contract Administration. All operational functions, including processing of vouchers, Management and Occupancy Reviews, internal quality control, accounting and technical support will be performed by SCHK.

Rick Gentry, the President and CEO of the San Diego Housing Commission will serve as the President of Southern California Housing Partners and, as such, will be responsible for assuring that all contractual obligations are successfully fulfilled. Cindi Herrera, President and CEO of McKay Management Services, will serve as the Vice-President of SCHK and will be responsible for assuring that the daily operational activities are carried out in accordance with SCHK's operational policies and procedures. Carrol Vaughan, Executive Vice President and Chief Operating Officer of the San Diego Housing Commission, will serve as the Vice President of SCHK and Contract Administrator and will be responsible for overall Quality Control of all program functions. Mike Kramer will serve as the Program Director and will be responsible for all day to day operational activities. John Pfeiffer, the CFO of SDHC, will be responsible for the financial management of the HAP funds received from HUD and managing the third party audit under the contract. The CFO will also serve as the financial interface with HUD, particularly working with the ELOCCS system. Although employed by the SCHK, two Quality Control Supervisors will report directly to the Contract Administrator. This will ensure that the CA is consistently and frequently updated on the quality of work being performed daily. Also, these QA Supervisors will also be tasked with evaluating the overall performance of the program through a series of rigorous metrics, especially the Incentive Based Performance Standards. Finally, the QC Supervisors will be responsible for evaluating the performance of QA Technician audits on voucher payments and MORs and ensuring accurate correction.

Finally, SCHK will subcontract with the San Diego Housing Commission to provide Human Resources support and with Nan McKay and Associates for training. The majority of the SCHK staff will reside at the

San Diego Housing Commission's office located at 1121 Broadway Street in San Diego. In addition SCHP will operate a Los Angeles office in order to more efficiently and responsively serve the large number of owners in the surrounding area.

HAP Payment Processing - SDHC and MMS understand the importance of paying Owners timely and accurately. This commitment to timely and accurate payment will ensure owner confidence in SCHP's performance as a PBCA as well as the Project Based Section 8 Program as a whole. SCHP will work quickly to restore Owners' confidence in the program in light of administration problems by the incumbent CA.

SDHC and MMS have provided the detail workflows that our Contract Technicians must perform every month to ensure timely and accurate payments to landlords. At the end of each month, Contract Technicians will send a notification to every Owner that it is time for them to submit their vouchers by the first of the next month. However, SCHP understands this is not always possible, but that absolutely all vouchers must be submitted by the tenth.

After receiving the a paper version of the Voucher an owner has submitted, the Contract Technician will go into TRACS and compare the paper version with what has been submitted through TRACS. The Contract Technician will analyze the voucher to ensure no discrepancies. The Contract Technician will look to ensure that:

- Correct number of subsidized units were included
- 50059 rent calculations are correct
- Income limits were used correctly
- Annual re-certifications were timely
- No units under abatement were included
- Tenant income is correct
- Rents and Utilities are correct
- All family members have reported Social Security numbers

If there are no discrepancies between the paper voucher, certifications and any tenant actions the Owner has reported, SCHP will approve the voucher amount for payment, submit to ELOCCS and upon subsequent deposit of funds into ELOCCS will pay owners promptly.

If any discrepancies have been found, the Contract Technician will document these and communicate them to the owner for his immediate reconciliation. Depending on the severity of the discrepancies Owners may be asked to submit a corrected Voucher or SCHP may replace the Voucher with one that reflects the Owner's corrections.

Element 4 – Automated Systems

SCHP is prepared to comply with all processing and reporting requirements as specified in the Scope of Work. The San Diego Housing Commission has significant experience complying with HUD requirements, including HUD's online electronic reporting systems, as well as administrating complex information technology solutions. The Commission currently is a HUD High Performer and consistently maintains a HUD 50058 submission rate greater than 97% for both its Housing Choice Voucher and Low Income Public Housing programs. SCHP will build on this high level of experience by using state-of-the-art technology, qualified staff and comprehensive training programs to ensure that all automated systems, including TRACS and iREMS, are used to ensure quality Project Based Contract Administration.

Contract Administrator Operating System - Southern California Housing Partners plans to manage the contract utilizing Housing and Development Software – Multi Family Management System (HDS)

software, a comprehensive information technology solution that meets all HUD requirements. HDS will be available to all staff whether on-site or in the field, is TRACS and IMAX compliant, and meets HUD accessibility and security requirements. The system, which essentially provides end-to-end operational support, will not only provide data tracking functionality but also comprehensive reporting and historical data storage.

The HDS system has the following functionality:

- Prevents TRACS acceptance if certification has a fatal error.
- Historical tracking of all project, building, unit, tenant and TRACS activity
- Support receipt of electronic transmissions of certification, recertification and voucher data from all properties
- Integration with TRACS including event processing, error handling and historical reporting
- Enable SCHP to review and identify errors to be corrected by the owner
- Submit corrected and accurate data electronically to HUD in the required format
- Track all rent adjustments and contract renewals
- Support IBPS electronic fee calculation and invoice processing
- Provide MOR event tracking and history including 9834 generation
- Electronically track tenant communication with ability to assign IBPS task code if needed; Interface with Electronic Document Management System
- Provide all payment processing functionality including pre-notes/EFT and actual payments to Owners/Agents; Interface with ELOCCS
- Submit invoices to HUD
- Customizable to track data not required by HUD
- Produce reports for management and performance oversight

Electronic Document Imaging - The San Diego Housing Commission will expand their successful electronic document imaging initiative for usage by SCHP. As described in the Transition Plan, all property owners will have an electronic file created through the Hyland Onbase system. This will ensure that SCHP logs and maintains all documents sent to or received from Owners/Agents. It also will ensure that all files are accessible by both main office and field staff. Documents will be processed in the following manner:

- Documents that are mailed and must be returned to SCHP by Owners will have a bar code. Upon their return, the document will immediately be scanned, coded and stored in SCHP's database and placed in the Owner's electronic file.
- Documents that are received by SCHP through the mail and did not originate from the CA will be identified, scanned, coded and placed in the corresponding Owner's electronic file.
- Documents that are printed from HDS will also be transmitted to the Owner's electronic file.
- Some documents will be posted on the SCHP website and will be available for Owners to fill in electronically. These documents, upon submittal, will immediately be coded and placed in the Owner's electronic file.
- Allow access to imaged documents via the OnBase Application Enabler feature currently used by the SDHC. Application Enabler seamlessly integrates with practically any line-of-business application allowing users to retrieve documents and perform other activities without leaving the familiar interface in which they work daily.

SDHC has successfully migrated a significant portion of its Section 8 Housing Choice Voucher Program and the entirety of its Finance operation to the electronic document imaging system.

All documents will be kept in accordance with HUD record-keeping policies that are in place. SDHC has developed a HUD compliant records management policy and program that covers electronic and paper

documents; ensures appropriate classification, security, storage of active records; safe archiving of inactive records and timely destruction of records that have exceeded the assigned retention date. This policy, which has been in place for the past eight years, will be replicated for SCHK.

Other Systems and Security - In addition to the above described operating software, all SCHK staff will have the Microsoft Office suite, internet access and email all provided through a secure environment. A portion of SCHK staff will serve in the field and in some cases work from home. SCHK will ensure that staff will have secure access to all applicable systems through a web-based Citrix server or through VPN. SDHC currently operates a sophisticated call center. SCHK will provide two Customer Service Operators using SDHC's current operating center who will provide support and log any concerns that may arise from Tenants. In the future, SCHK may take advantage of the current capability SDHC has to make automated phone calls to Owners reminding them of an upcoming MOR, their monthly voucher due date or contract renewal dates.

SCHK considers all data relating to the financial operations, the personal information about its clients, and information relating to payroll and human resources to be sensitive information. Any loss of this data may result in harm to the mission of the SDHC and harm to its individual clients and employees.

All facilities have considerable physical security measures in place. All access doors and elevators require an employee scan a badge to enter a controlled area. Building badges are issued by the security company employed by the management company.

Paper documents are stored in a file room that is controlled by a key lock. All documents are logged in and out of the facility. SDHC also maintains access to HUD systems such as EIV, PIC and VMS and will maintain user access for SCHK programs in a similar manner ensuring compliance with all HUD policies.

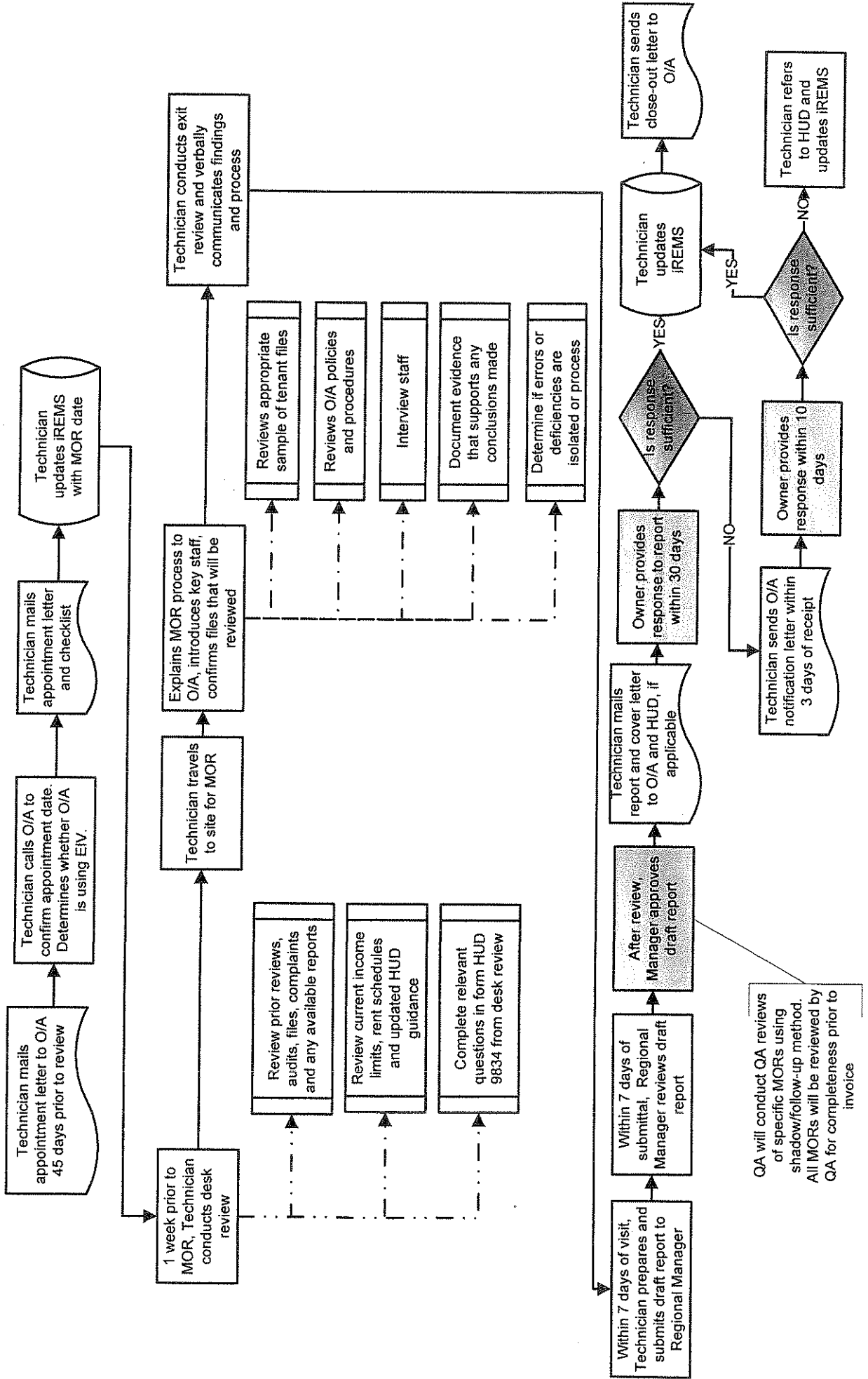
Element 5 – Transition Plan

Based on the award date of June 1, 2009, we have developed a 90-day transition plan which will commence on March 1, 2009. The plan provided in the following three pages identifies all activities with a corresponding timeline that will be undertaken to assure a smooth and timely transfer of the contract administration responsibilities from the current contractor to SCHK. Critical to this transition will be the transfer of documents from the current CA to SCHK. To assure that this transfer is successful, we will develop a detailed checklist of all documents and work directly with the local HUD field office to confirm receipt of each identified document. We will electronically scan and provide a unique identifier to each document that ties it to the corresponding property in the Master Property database.

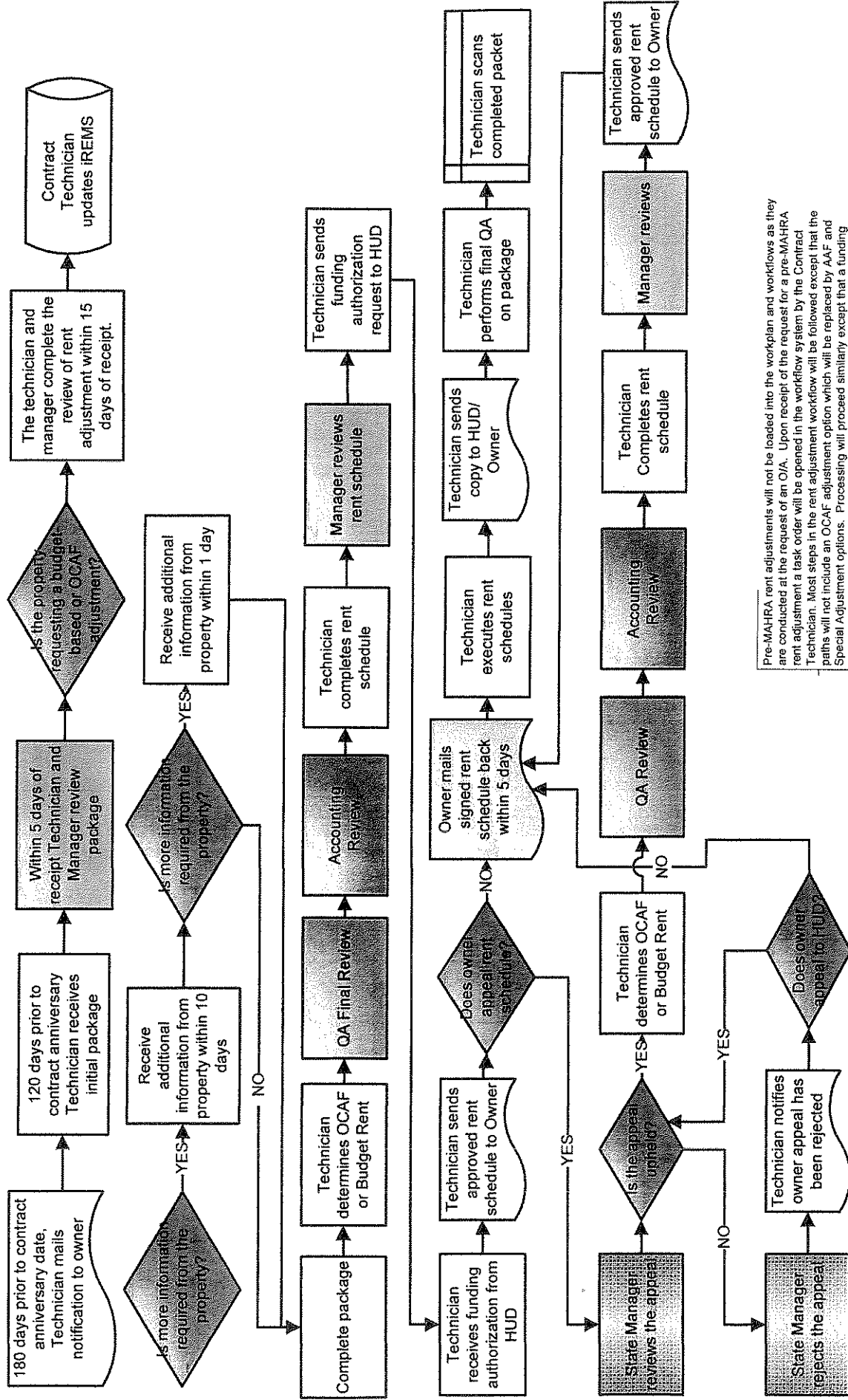
Transition Period	March	April	May
Logistics			
Secure and equip offices in San Diego and Los Angeles			
Purchase and Install IT Hardware			
Purchase and install software and equipment			
Establish SCHP as an LLC			
Personnel and Training			
Identify funding for staff hiring			
Transition team begins			
Develop position descriptions			
Develop Human Resources Policies and Procedures, including incentive program			
Advertise, interview and hire staff			
Management Team begins (Field and Area Manager, QC Supervisor, Training Coordinator and CFO)			
Finalize Conflict of Interest Protocol			
Develop Standard Operating Procedures Manual based on HUD Input			
On-boarding and training of remaining staff			
Hire Appraisers for RCS through MOU			
Relationship with HUD			
Introductory meeting with HUD CAOM			
Establish written communication protocol			
Establish document transmittal policy			
Arrange for collection and document imaging of all controlling documents			
Inventory controlling documents and reconcile with HUD CAOM			
Monthly report formatting			
Establish protocol for policy issues resolution			
Establish protocol for paperless office			
Staff access to HUD Secure Systems			
Provide workplan for each measurable IBPS area			
Owner/Agent Relations			
Load Owner information into HDS			
Prepare introductory letters to O/A			
Request 1199 and baseline information			
Schedule regional owner briefings			
Develop informational brochure explaining change of PBCA			
Develop a client satisfaction baseline survey for O/A			
Establish a toll-free phone number for owner inquiries			

Transition Period	March	April	May
Tenant Relations			
Distribute SCHP contact information and explain transition to new PBCA			
Develop a client satisfaction baseline survey for tenants			
Determine tenant issues through discussions with HUD			
Establish a toll-free phone number for tenant inquiries			
Information Technology			
Implement HDS			
Establish system connectivity with TRACS			
Develop website			
Finalize written security protocol			
Create electronic files for each landlord			
Contract Transitions			
Schedule MORs in HDS and iREMS			
Schedule Contract Renewals in HDS			
Schedule Rent Adjustments in HDS			
Develop reconciliation plan to address payment and processing issues from prior PBCA			
Finance			
Establish two separate bank accounts for HAP and Administrative Fee payments			
Link bank accounts to ELOCCS			
Set up direct deposit accounts for O/A			
Obtain insurance and bonding			
Perform test check runs to ensure accurate payments			

Management and Occupancy Review Process

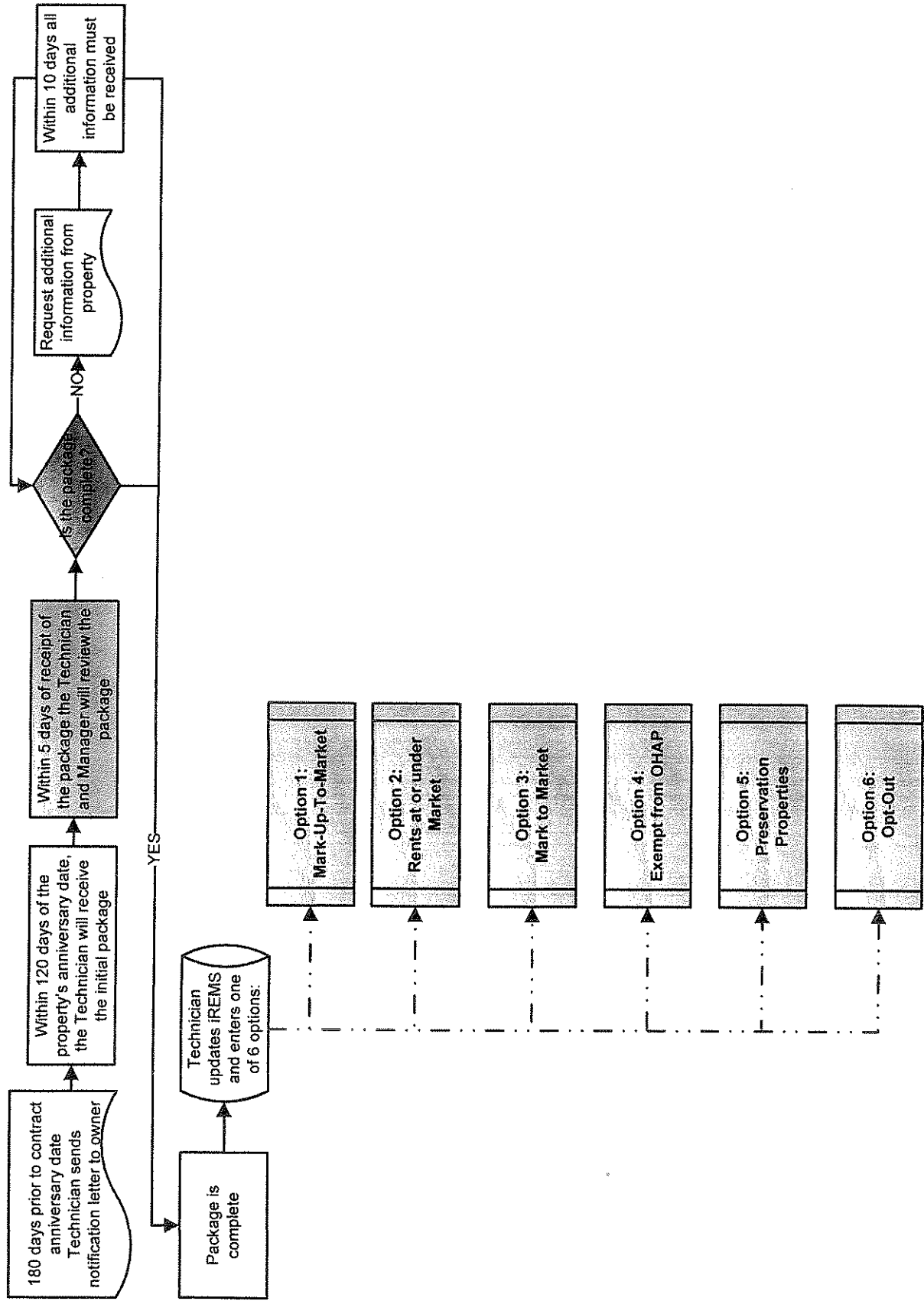


Rent Adjustment Process

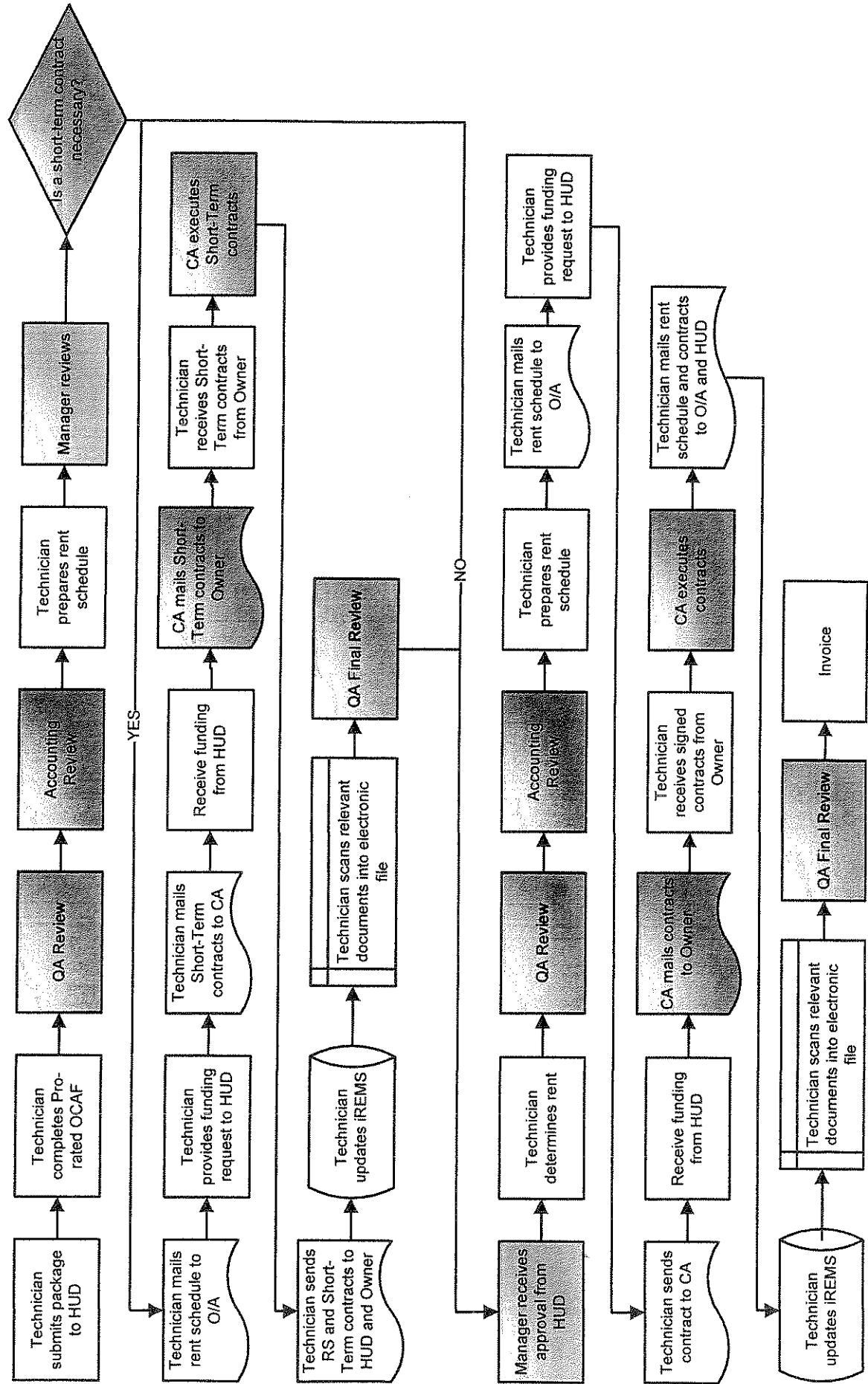


Pre-MAHRA rent adjustments will not be loaded into the workplan and workflows as they are conducted at the request of an OIA. Upon receipt of the request for a pre-MAHRA rent adjustment a task order will be opened in the workflow system by the Contract Technician. Most steps in the rent adjustment workflow will be followed except that the paths will not include an OCAF adjustment option which will be replaced by AAF and Special Adjustment options. Processing will proceed similarly except that a funding request will not be submitted to HUD.

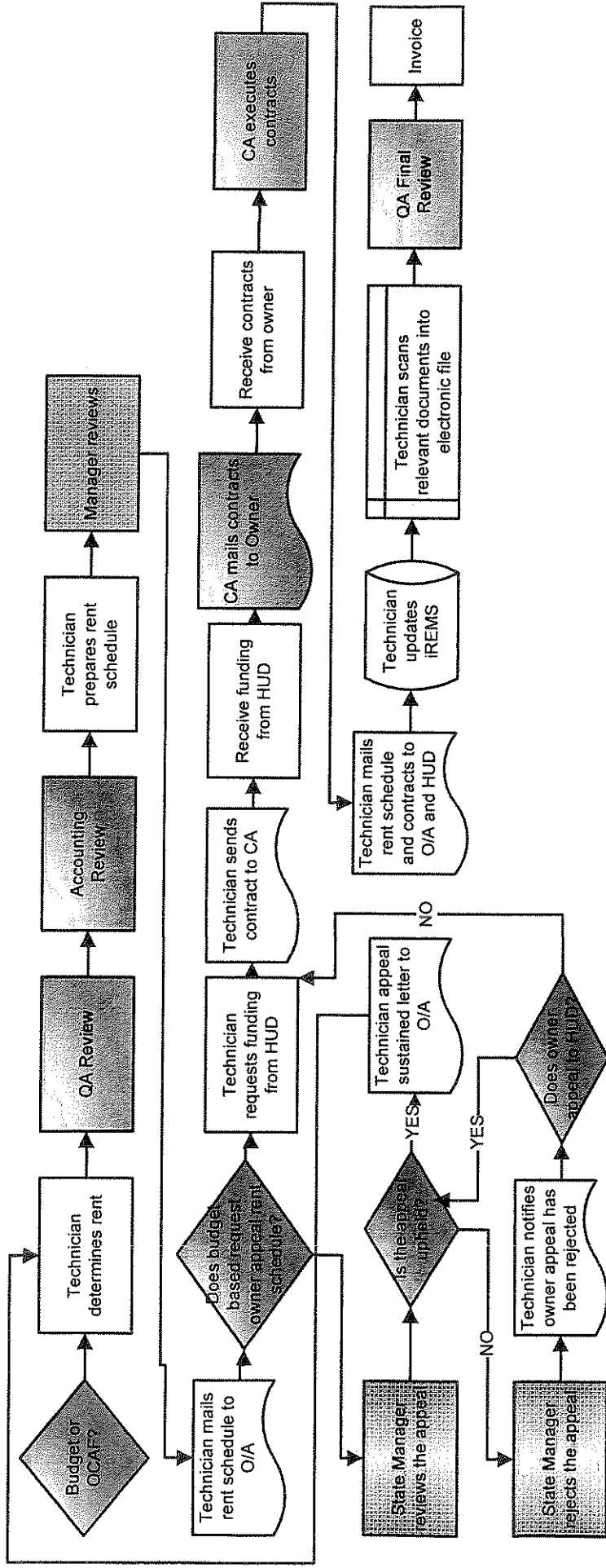
Contract Renewal Process Overview



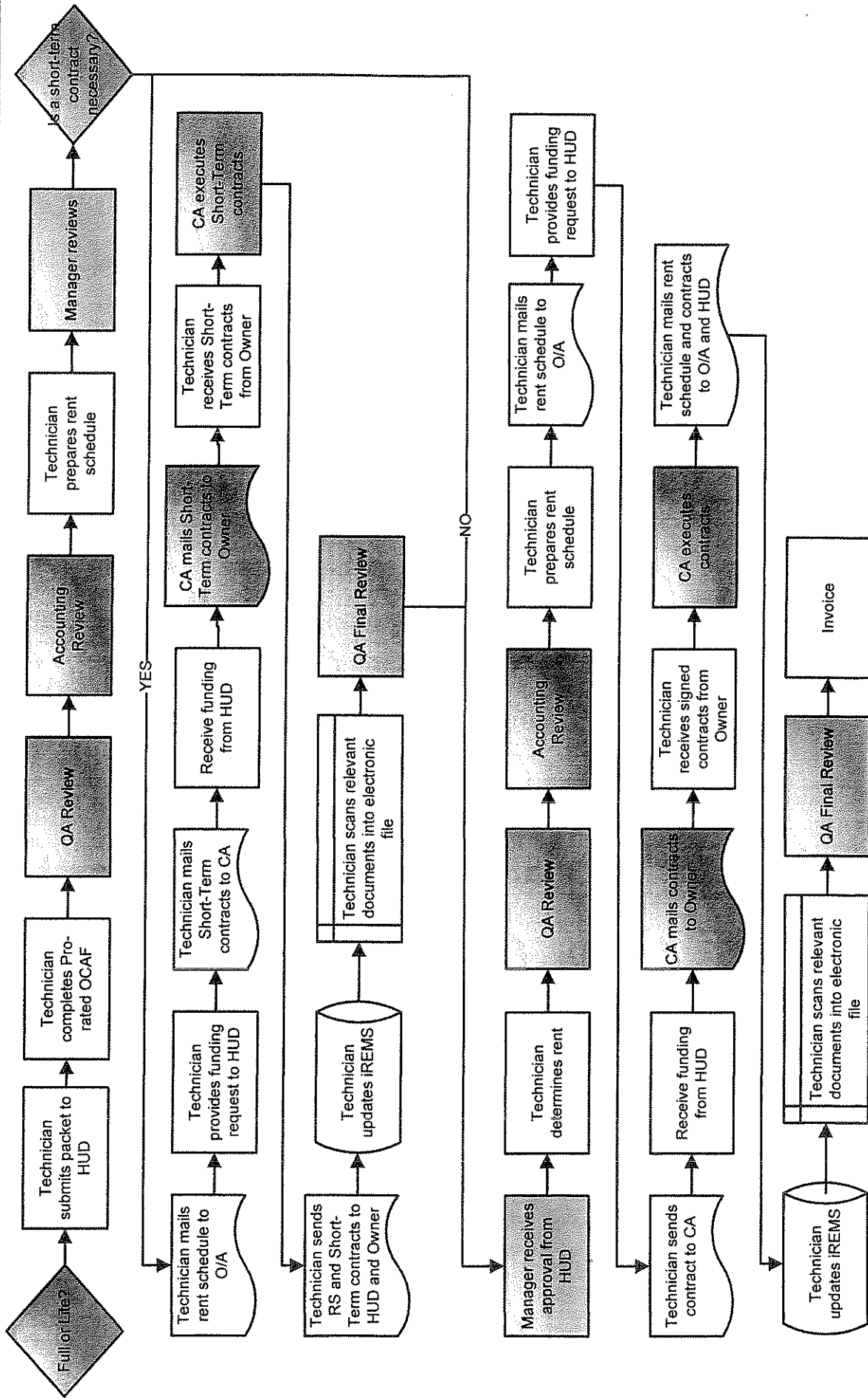
Contract Renewal Option 1: Mark-Up-To-Market



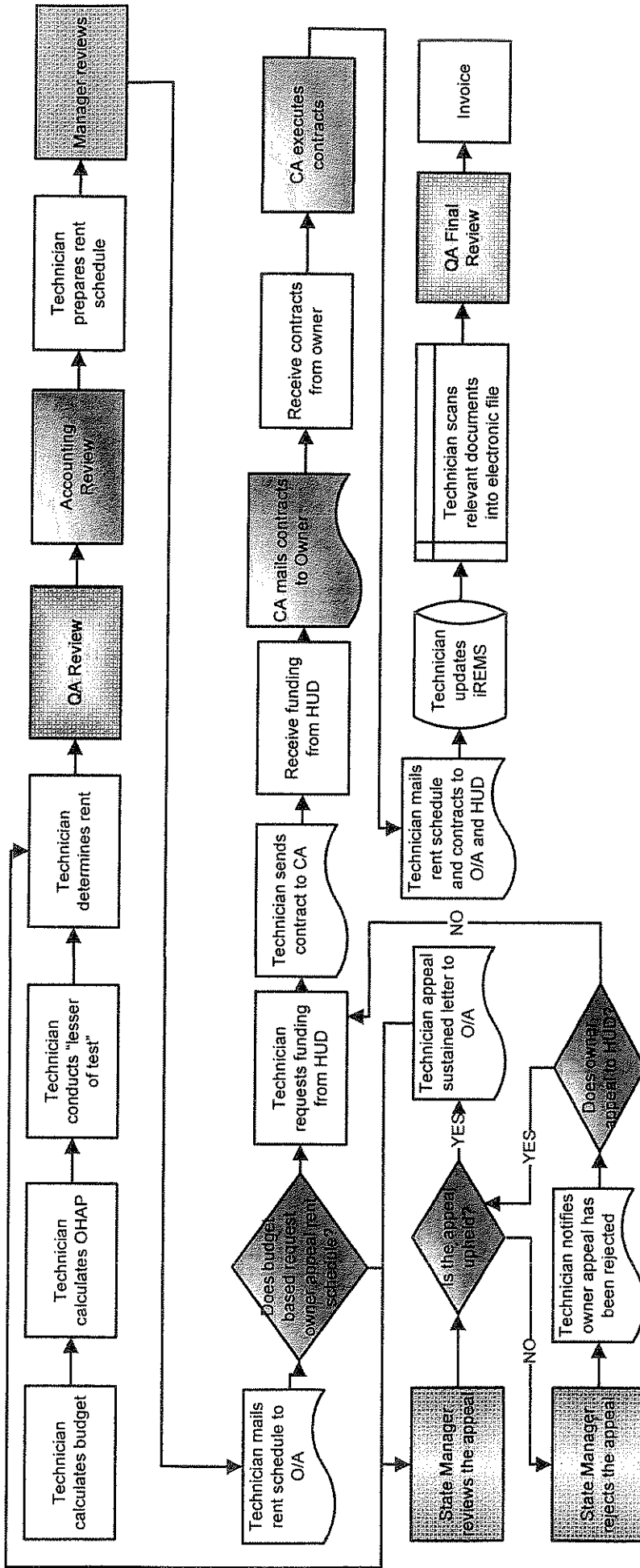
Contract Renewal Option 2: Rents at or Under Market



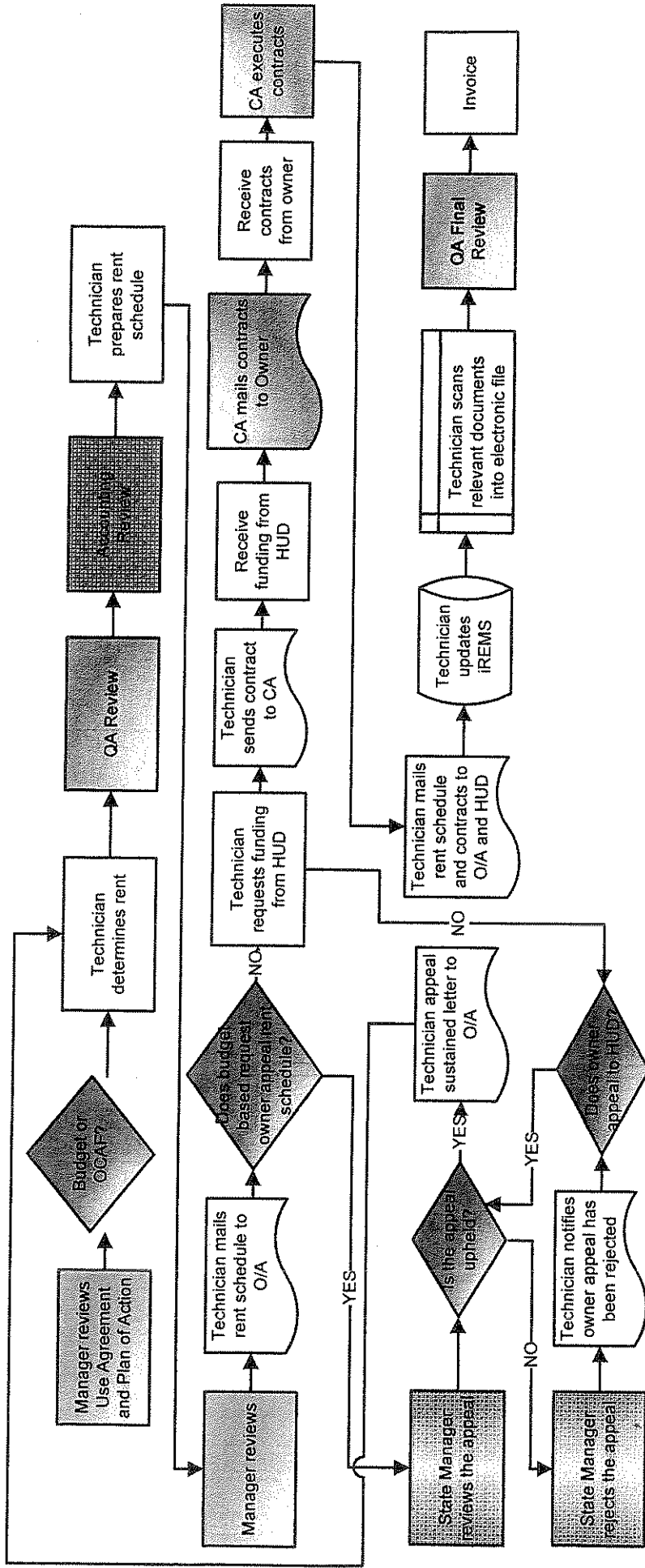
Contract Renewal Option 3: Mark to Market



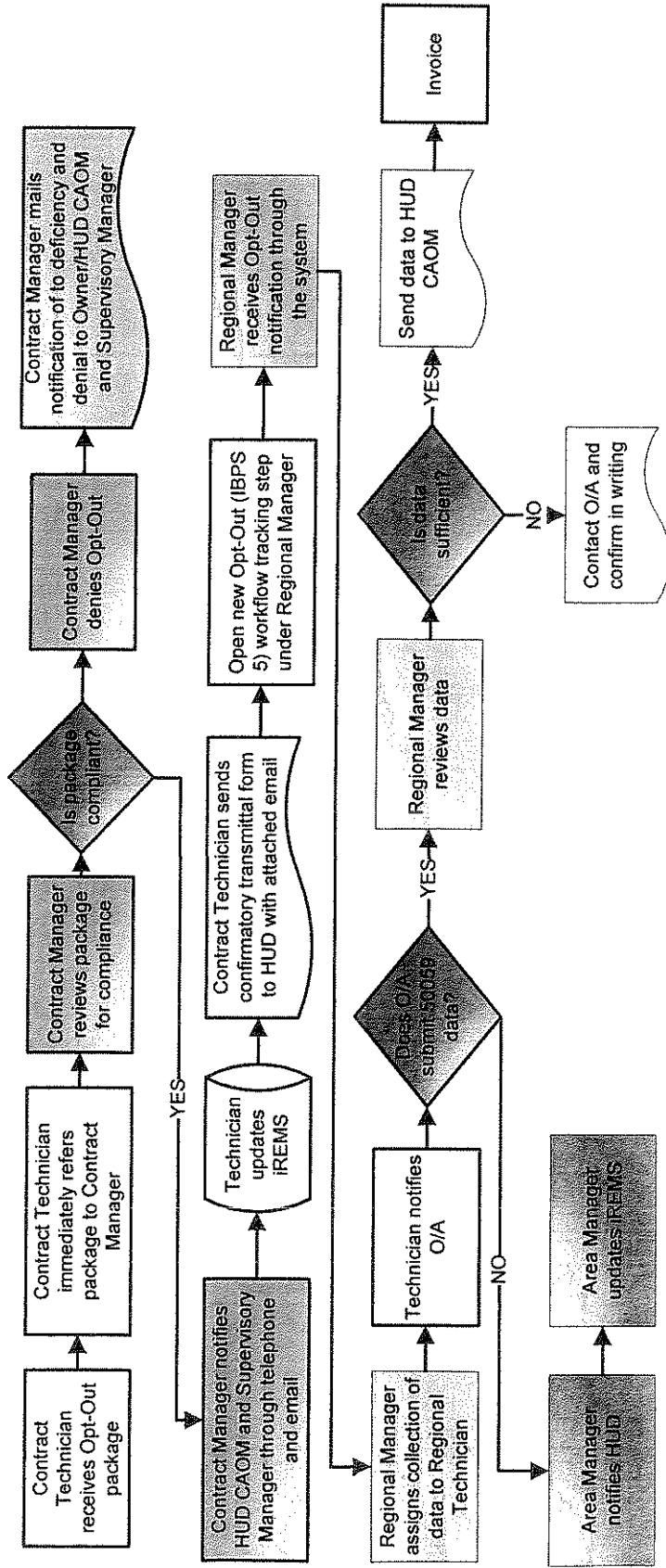
Contract Renewal Option 4: Exempt from OHAP



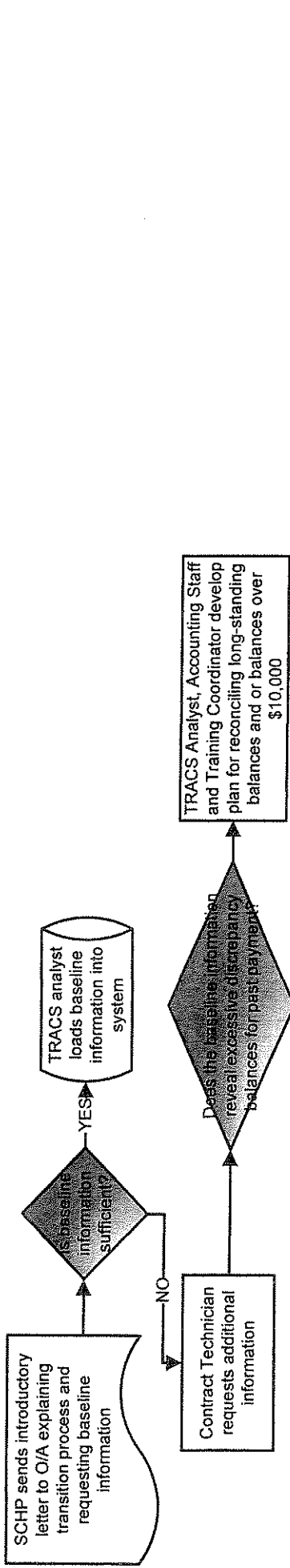
Contract Renewal Option 5: Preservation Properties



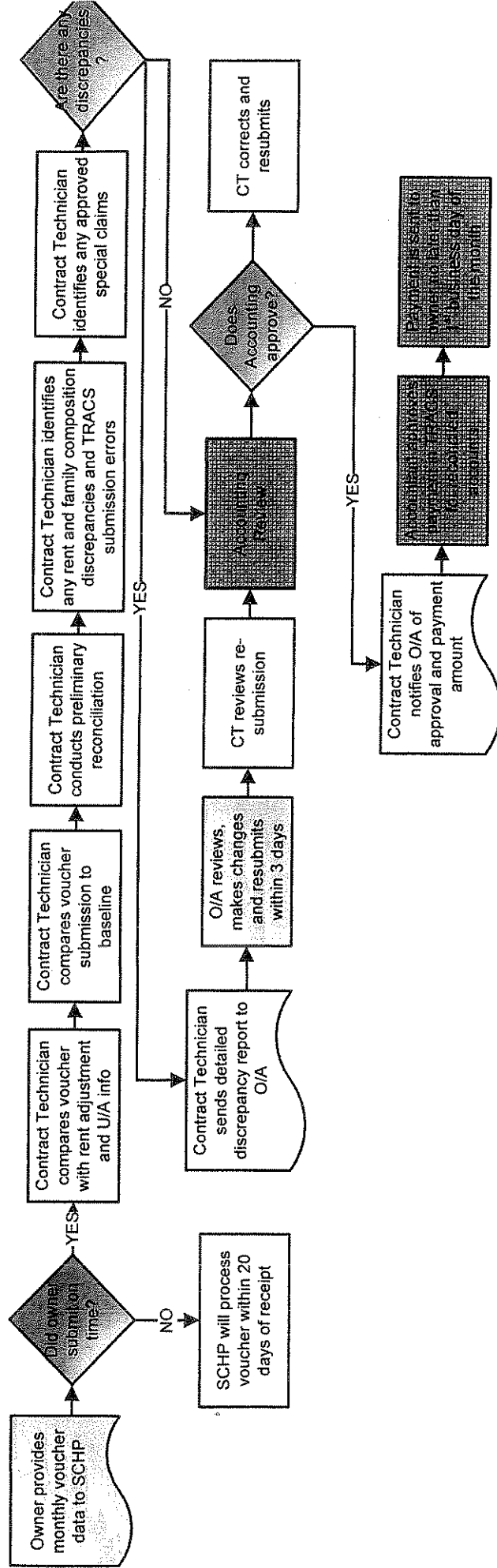
Contract Renewal Option 6: Opt-Outs



Initial Voucher Process



Monthly Voucher Process



MANAGEMENT CAPABILITY AND QUALITY CONTROL PLAN

Element 1: Quality Control Plan

Southern California Housing Partners (SCHP) plans to take a proactive quality control approach to ensuring all functions of the contract administration are performed correctly and in a consistent manner throughout the Southern California region. We have assigned a strong team of six Quality Assurance technicians supervised by two QA Managers. The QA team reports directly to the Contract Administrator. The CA and QA staff are employees of the San Diego Housing Commission, maintaining arms length separation of duties from SCHP operations, thereby ensuring the independence, integrity, and autonomy of the Contract Administrator.

The QA team will be supplemented by all Contract and Regional Managers who will be responsible for performing specific quality assurance functions for those operational areas which they supervise. Finally the QA team will be assisted by program accounting staff who will provide further quality assurance calculation reviews. Essentially, quality assurance will be a part of each and every employee's job description.

Our workflows will build in task steps for Quality Assurance staff. In this manner QA staff will be held accountable for production and timeliness.

The Contract Administrator will conduct monthly meetings with Quality Assurance staff to review findings, trends, and concerns. Where necessary more frequent staff meetings will be scheduled. At alternate monthly meetings, Operations staff including the Program Director and Area Managers will be invited to participate along with particular Operations staff. Minutes of the meetings will be maintained and guidance distributed to all staff.

Business Process - The SCHP Quality Control Plan calls for the inclusion of quality assurance step points in our business process workflows. This not only provides for detailed rigorous QC coverage of all operational areas – it also affords the Contract Administrator the ability to monitor the performance of Quality Assurance staff who will be held to the highest level of excellence and integrity

The centerpiece of our QA process will be the weekly contract status review conducted by the Program Director. The meeting will be attended by the Contract Administrator, Quality Assurance Supervisors, Area Managers, Regional Managers, and Contract Managers. When available, QA technicians may attend. On alternate weeks all Contract Technicians will be required to attend. When available Regional Technicians may be invited. Due to the size of the contract Area Managers may conduct individual contract status reviews.

At the portfolio review, each contract account in process will be reviewed for AQL progress and processing integrity. By conducting a detailed weekly review of each contract, supervisors are able to maintain tight control over the operational performance and have a free and open exchange of ideas for improvement and corrective action.

The Contract Administrators and Quality Assurance supervisors will provide information on funding status to the Operations supervisors at the weekly contract status review ensuring that every possible contract renewal is processed. The SCHP has developed a detailed Quality Control Plan Matrix indicating the Core Tasks and Sub Tasks to be reviewed

Quality Control Schedule

Task/Subtask		Methodology	Timeline	Resource	Task Usage
Conduct Management and Occupancy Review	A	Shadow new employees to ensure accurate MORs	First week of each new employee's MORs	<ul style="list-style-type: none"> o QC Technicians o Regional Managers 	<ul style="list-style-type: none"> o As needed
	B	Accompany employees on 3.3% MOR	1-3 days during MOR	<ul style="list-style-type: none"> o QC Technicians 	<ul style="list-style-type: none"> o Throughout year
	C	Review Draft MOR report. Compare ratings, findings, 9834 detail, addendum A and working papers for consistency and accuracy	Within 2 days of report submittal	<ul style="list-style-type: none"> o Regional Manager 	<ul style="list-style-type: none"> o Daily
	D	Follow-up on 3.3% of MORS no later than 5 days from completion	1-3 days to replicate MOR	<ul style="list-style-type: none"> o QC Technicians 	<ul style="list-style-type: none"> o Throughout year
	E	Review MOR processing time for all MOR with processing time > 21 Days	Before invoice submission	<ul style="list-style-type: none"> o Program Director o QA Technician o Accountant 	<ul style="list-style-type: none"> o Monthly
	F	Review electronic file for completeness	Before invoice is submitted	<ul style="list-style-type: none"> o QA Technician 	<ul style="list-style-type: none"> o Monthly
Review Rent Adjustments	A	Review rent adjustment and rent schedule preparation for appropriate methodology	Upon completion of determination of rent by the Contract Technician	<ul style="list-style-type: none"> o Quality Assurance Specialist 	<ul style="list-style-type: none"> o When received
	B	Review rent calculations for accuracy	Upon completion of the QA review	<ul style="list-style-type: none"> o Accounting Technician 	<ul style="list-style-type: none"> o When received
	C	Review final electronic file for completeness	Following document imaging step	<ul style="list-style-type: none"> o Quality Assurance Technician 	<ul style="list-style-type: none"> o When received
	D	Review invoice for accuracy and compliance	Prior to submission of invoice to HUD for approval	<ul style="list-style-type: none"> o Quality Assurance Technician 	<ul style="list-style-type: none"> o Monthly
Process HAP Contract Terminations and Expirations	A	Review compliance with HUD tenant notification requirements	Upon receipt of the package	<ul style="list-style-type: none"> o Regional Manager 	<ul style="list-style-type: none"> o When received
	B	Review Compliance Dates for IBPS 4 and 5	Prior to Invoice submission	<ul style="list-style-type: none"> o Quality Assurance Technician 	<ul style="list-style-type: none"> o Monthly
Pay Monthly Vouchers from Section 8 Owners	A	Review all Vouchers for Reconciliation Correctness and Zero Balances	Upon receipt of final reconciliation report	<ul style="list-style-type: none"> o Accounting Technician 	<ul style="list-style-type: none"> o Daily
	B	Compare all payments with TRACS and ELOCCS	Prior to Invoice as part of monthly reporting	<ul style="list-style-type: none"> o Quality Assurance Technician 	<ul style="list-style-type: none"> o Monthly

Task/Subtask		Methodology	Timeline	Resource	Task Usage
Response to Health and Safety Issues	A	Review timeline to ensure timely follow-up with owner/agent and monthly follow-up	Prior to Invoice and submission of monthly report	<ul style="list-style-type: none"> o Quality Assurance Technician o Program Director 	<ul style="list-style-type: none"> o Monthly
Submit Section 8 Budgets, requisitions, revisions and year end settlements	A	Ensure that all budget documentation is submitted in required HUD timeline	120 – 90 Days before start of the fiscal year.	<ul style="list-style-type: none"> o Quality Assurance Technician 	Annually
	B	Ensure that year end settlement is prepared and submitted to HUD	30-45 Days from end of the fiscal year	<ul style="list-style-type: none"> o Quality Assurance Technician 	Annually
Submit Audits of the CA's financial condition	A	Audited Financial Statement Submitted to HUD within 60 Days of fiscal year end.	Immediately Following Fiscal Year End	<ul style="list-style-type: none"> o Independent Public Auditor 	Annually
Renew HAP Contracts	A	Review initial package from owner	Within 5 days of receipt	<ul style="list-style-type: none"> o Contract Manager 	When received
	B	Review rent adjustment and rent schedule preparation for appropriate methodology	Upon completion of determination of rent by the Contract Technician	<ul style="list-style-type: none"> o Quality Assurance Specialist 	When received
	C	Review rent calculations for accuracy	Upon completion of the QA review	<ul style="list-style-type: none"> o Accounting Technician 	When received
	D	Review final electronic file for completeness	Upon completion of invoice step	<ul style="list-style-type: none"> o Quality Assurance Technician 	When received
	E	Review invoice for processing accuracy and compliance	Prior to submission of invoice	<ul style="list-style-type: none"> o QA Technician o Program Director 	Monthly
Report on CA Operating Plans and Progress	A	QA findings in all areas and the corrective actions taken by operations in response to those findings will be a separate section of the monthly report	QA Review of AQL date compliance for all appropriate IBPS categories will be conducted as they occur	<ul style="list-style-type: none"> o Contract Administrator 	Monthly
Follow up on Results of Physical Inspections	A	Review and comparison of iREMS and Contact center reports to ensure timely follow-up	Prior to submission of invoice	<ul style="list-style-type: none"> o QA Technician 	Monthly

Sample Monthly Report

Sample Elements from SCHP Monthly Operational Report				
IBPS #1: Management and Occupancy Reviews				
Property	Scheduled Performance Date	Close Out Meeting Date	Date Report Submitted	Total Days
Executive Estates	8/1/2009	8/15/2009	8/30/2009	15
Parkwest Apartments	8/1/2009	8/12/2009	8/30/2009	12
Ayalpik Apartments	8/1/2009	8/20/2009	8/30/2009	20
Coho Apartments	8/1/2009	8/8/2009	8/30/2009	8
Bayside Apartments	8/1/2009	8/7/2009	8/30/2009	7
Little Dipper Apartments	8/1/2009	8/17/2009	8/30/2009	17
IBPS #3: Processing Rental Adjustments				
Property	Adjustment	Date Package Received Complete	Date Schedule to Owner	Total Days
Executive Estates	AAF	8/3/2009	8/15/2009	13
Parkwest Apartments	BB	8/10/2009	8/21/2009	12
Ayalpik Apartments	OCAF	8/16/2009	8/20/2009	5
Coho Apartments	CC	8/17/2009	8/30/2009	14
Bayside Apartments	AAF	8/16/2009	8/31/2009	26
Little Dipper Apartments	SA	8/20/2009	8/29/2009	10
IBPS #7: Notice of Corrective Actions				
Property	Overpayment Balance	Dates of Overpayment		
Executive Estates	(\$111)	5/1/2008		
Parkwest Apartments	(\$34)	4/1/2008		
Ayalpik Apartments	(\$2,897)	7/1/2008		
Coho Apartments	(\$75)	7/1/2008		
Bayside Apartments	(\$5,681)	3/1/2008		
Little Dipper Apartments	(\$630)	8/1/2009		
IBPS #14: Renewal of Expiring HAP Contracts				
Property	Renewal Type	Date Package Received Complete	Submission to HUD of Contract Renewal	Total Days
Executive Estates	Option 1	9/3/2009	10/3/2009	31
Parkwest Apartments	Option 1	9/15/2009	10/11/2009	27
Ayalpik Apartments	Option 3	8/29/2009	10/22/2009	55
Coho Apartments	Option 4	9/7/2009	10/7/2009	31
Bayside Apartments	Option 2	8/15/2009	10/14/2009	61
Little Dipper Apartments	Option 2	9/4/2009	10/13/2009	40

Element 2: Internal Controls

Internal controls include a set of procedures designed to promote and protect effective and efficient management practices. Following these procedures will significantly increase the likelihood that financial information is reliable, executive staff can depend on reliable financial data to make informed decisions, assure that all Section 8 assets and records of the administrator are safe, secure, used properly, not subject to personal appropriation, that policies are adhered to, that HUD regulations are followed and the risk of fraud, waste, and abuse of funds are prevented to a very high degree.

Achieving these objectives requires the Contract Administrator to implement procedures, including a system of checks and balances in which no financial transaction is handled by one person from beginning to end. This principle of segregation of duties is a key component to an effective internal control system.

To ensure that funds are disbursed only upon proper authorization of appropriate staff, for correct voucher payment, and that all disbursements are properly recorded:

- Two approvals will be required for each payment voucher
- All payment authorizations will include full accounting coding.
- Funds are disbursed only on the approval of the Chief Financial Officer or Program Director after review of available funds.

To properly segregate duties of recording and authorization of payments, the following procedures will be in place:

- Accounting technician generates a prepayment report from, reviews reasons for adjustments and checks for proper coding.
- Report is then sent to the Program Director for a final review and approval.
- Accounting Technician processes electronic disbursements
- Accountant reviews report and transmits direct deposits to US Bank.

To ensure that all funds are received and properly recorded, and that compliance with the terms of any related restrictions are adequately monitored and that funds are properly deposited and maintained in appropriate bank accounts the following procedures will be in place:

- HUD funds requests are made through eLOCCS systems by assigned personnel.
- Funds are requested monthly for funds committed or to be committed within the following month or as approved by HUD.
- Requests are properly documented and forms are signed by approving manager.
- Files are maintained separate from other funds and grants.
- Appropriate personnel are notified when line items are totally committed and no more funds can be disbursed.
- Monthly and Quarterly reports are distributed by the Accountant to the appropriate managers. .

To ensure that funds are spent according to contract administration approved plans; funds are spent only in approved categories and line items; actual disbursements and revenues are reported against budget; and no funds are spent beyond the budget unless proper authorization has been provided. Additionally:

- Budgets will be prepared according to HUD approved contracts.
- Formats for budgets follow a standard format showing:
 - current budget
 - month to date (MTD) actual expenses
 - year to date (YTD) actual expenses
 - YTD encumbrances

- remaining budget balance
- % of budget remaining.
- Internal budget status reports in the format described above are available to all supervisory staff.
- Budget staff reviews budget status reports periodically and if an issue arises, works with the appropriate senior staff to take corrective action.

Element 3: Conflicts of Interest

All employees, and/or consultants or contractors of the Southern California Housing Partners (SCHP) and the San Diego Housing Commission (SDHC), shall comply with and adhere to all applicable conflict of interest provisions contained in the applicable federal, state and local law to the full extent required by the applicable federal, state and local law.

Each SCHP employee will be required to complete and sign a Conflict of Interest disclosure form whereby the employee certifies that neither the employee nor family members have a vested interest in HUD properties in the portfolio. The conflict of interest certifications will be submitted to HUD at start up and annually upon contract anniversary date.

We have attached the SDHC policy as it exists for current employees of the commission. The Conflict of Interest policy has been amended, and will be further amended, to satisfy and assure HUD of arms length autonomy and objectivity of the SCHP.

Excerpts from SDHC's Current Conflict of Interest Policy

Federal, State and Local Conflict Laws Incorporated by Reference. All employees, and/or consultants or contractors of the Southern California Housing Partners (SCHP) and the San Diego Housing Commission (SDHC), shall comply with and adhere to all applicable conflict of interest provisions contained in the applicable federal, state and local law to the full extent required by the applicable federal, state and local law.

Compliance with Applicable Laws. All employees, officers, or commissioners of SCHP or SDHC and consultants, contractors, and subcontractors, shall comply with all applicable laws including, but not limited to, all federal conflict requirements and provisions, including 24 CFR 570.611, 24 CFR Part 982, 24 CFR Part 92, 24 CFR Part 85, and any and all other federal applicable federal conflict provisions. California State conflict provisions shall include, but are not limited to, Government Code Sections 87100, et. seq., Government Code Sections 1126, et. seq., Government Code Sections 1090, et. seq., Government Code Section 19990 et. seq., and Health and Safety Code Section 34281 et. seq.

General Definitions:

- (i) **Designated Employees** All employees of SCHP and/or SDHC are designated employees. It has been determined that these persons make or participate in the making of decisions which may have a foreseeable material effect on financial interests. As such, all employees shall disclose annually those financial interests he/she has which are of the kind described in the disclosure categories listed. It has been determined that the financial interests set forth in a designated employee's or position's disclosure categories are the kinds of financial interests which he/she foreseeably can affect materially through the conduct of his/her office.
- (ii) "Contractor" means any individual or firm that enters into an agreement with the SDHP or SDHC for the provision of goods and services, construction, architect/engineering, consulting services, loans and/or grants.

- (ii) "Contract" means any mutually binding legal relationship obligating the seller to furnish supplies or services (including construction) and the buyer to pay for them. Examples include, but are not limited to, contracts, and amendments thereto, purchase orders, leases, maintenance agreements, and ordering agreements.
- (iii) "Solicitation" means any informal or formal request for prices, bids, proposals, and/or qualifications that are issued in anticipation of making a contract or award.
- (iv) No employee, officer, or agent of SDHP or SDHC shall participate directly or indirectly in the selection or in the award or administration of any contract if a conflict, real or apparent, would be involved. Such conflict would arise when a financial or other interest in a firm selected for award is held by an employee, officer or agent involved in making the award or his/her spouse and/or dependent children.

Disclosure Required - To ensure that all potential conflicts of interest are identified, all employees, consultants and contractors, selected for award of contracts in excess of \$25,000, shall be required to submit a disclosure statement.

Failure to Submit - Failure to submit a disclosure statement, or failure to fully disclose all of the necessary information, shall be grounds for termination of employment, denial of contract award and may result in forfeiture of any and all rights and privileges that have been granted heretofore.

Provision Governing Former Employees. No former employee of SCHP or SDHC shall have any prohibited interest, direct or indirect, nor shall profit from any SDHP or SDHC contract to the extent prohibited by applicable federal, state or local law.

The following are the categories required for full disclosure by employees, contractors, commissioners or board members of SCHP or SDHC. Investments, business positions, interests in real property and sources of income and gifts shall include, but not be limited to, the following categories for reporting purposes:

- Real property within the counties identified as the "southern California region"
- Real estate development, maintenance or management companies
- Office equipment and supplies companies
- Newspapers, printing and reproduction services companies
- Banks and savings and loan companies
- Securities and investment companies
- Financial audit services companies
- Insurance companies, including brokers and agencies
- Companies or consultants in the following categories:
 - Fiscal
 - Financial
 - Legal
 - Planning
 - Property Management
 - Management and Administration
 - Appraisers
 - Property Acquisition
 - Relocation or moving
 - Technical and Developmental Training

Element 4: Tracking Performance of Quality Control Reviews

Southern California Housing Partners will use an industry compliant workflow software system to provide complete operational support including the Quality Control review points for key process areas.

Each Quality Assurance review will be fully documented and scanned into the QA contract file (see Element 8). The QA supervisor will generate a monthly QA report based on the information pulled from the individual reports. The QA report will include the following key elements:

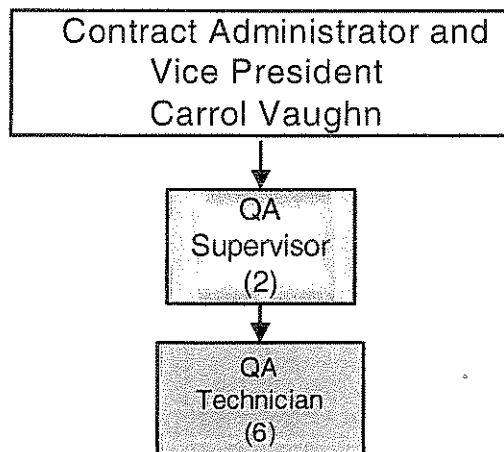
- Date of review
- Property Name
- Contract #
- Technician Name
- Manager name
- Performance Deficiencies identified
- Required Corrective Action
- Date Corrective Action Taken
- Comparative reports will be generated indicating the error rate per Technician.
- Comparative reports will be generated indicating the average processing time per Technician.

Supervisors will have online access to this performance tracking system to regularly monitor the performance of their assigned staff members. Performance standards for each SCHP position will be developed and agreed to as employees are hired into SCHP. These standards will be both qualitative and quantitative and will be developed using the HUD requirements for successful contract administration. Performance evaluations of SCHP staff will include review of the data to identify trends that indicate training is needed in specific areas as well as to ensure that individual performance standards are being achieved.

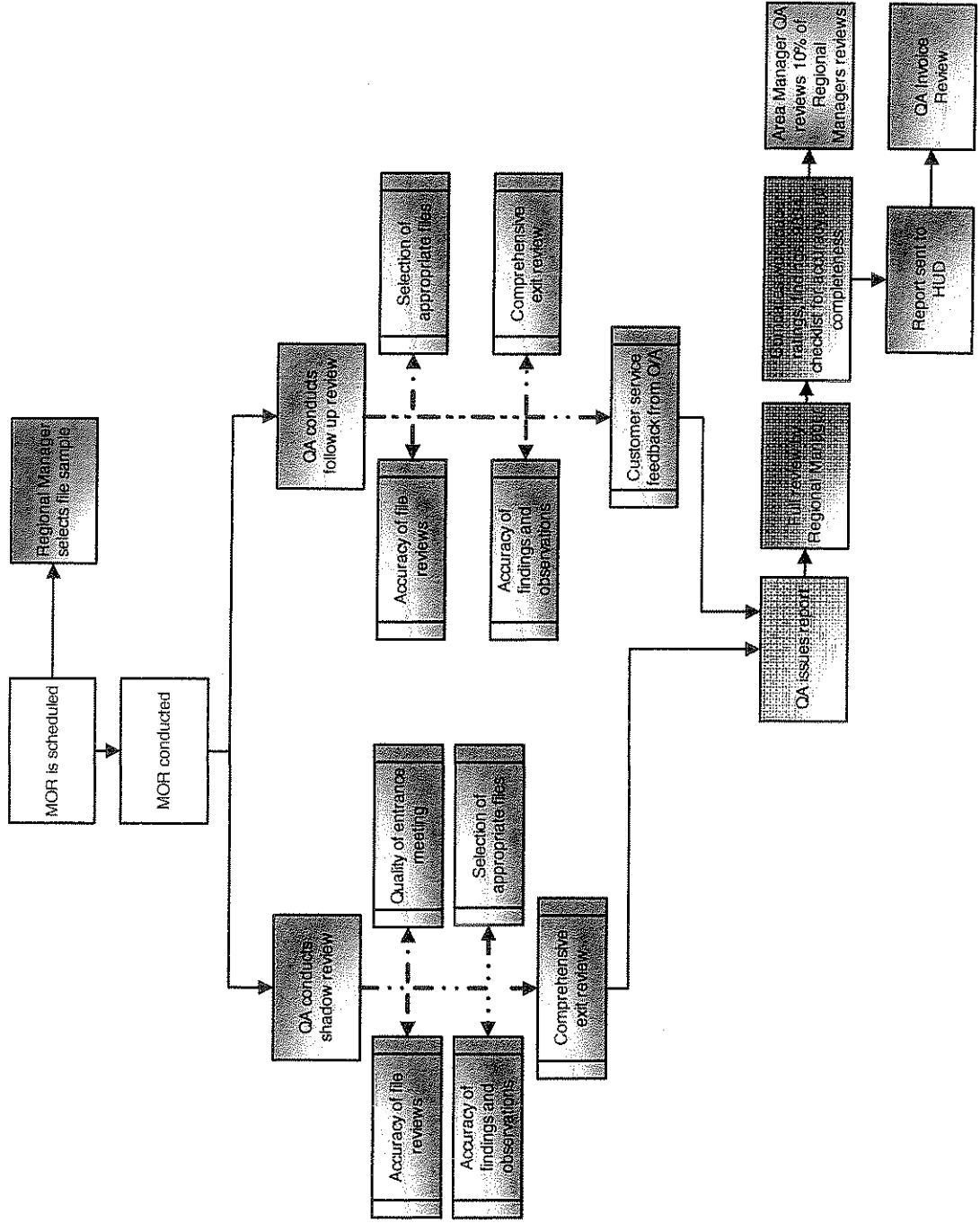
Element 5: Workflows and Organizational Chart

Southern California Housing Partners understand the processes and controls that must be in place to implement and operate its technical approach and the execution of the Quality Control Plan. Organizational charts and workflow processes for the majorly operational areas are included in the pages that follow.

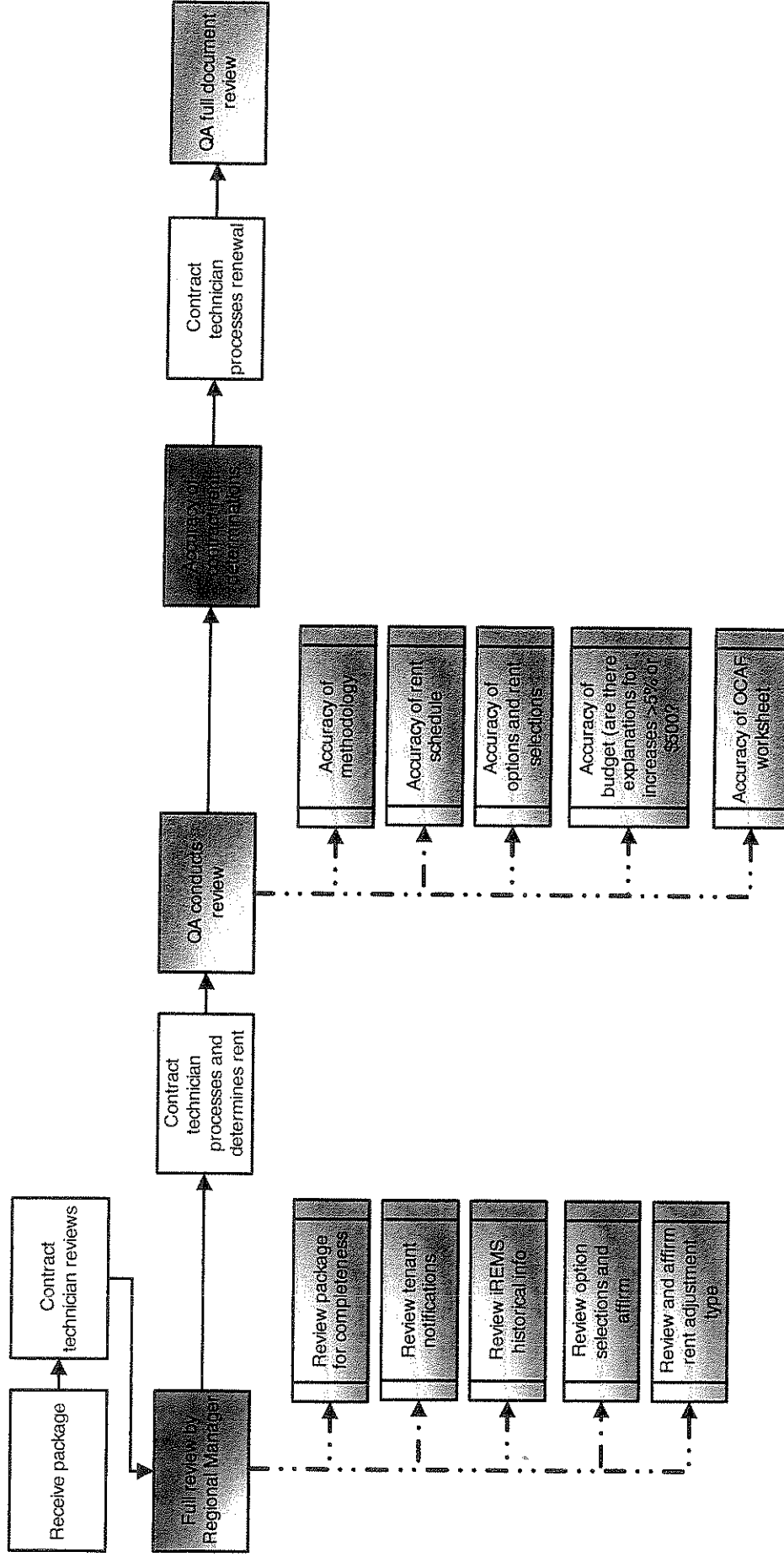
Organizational Chart



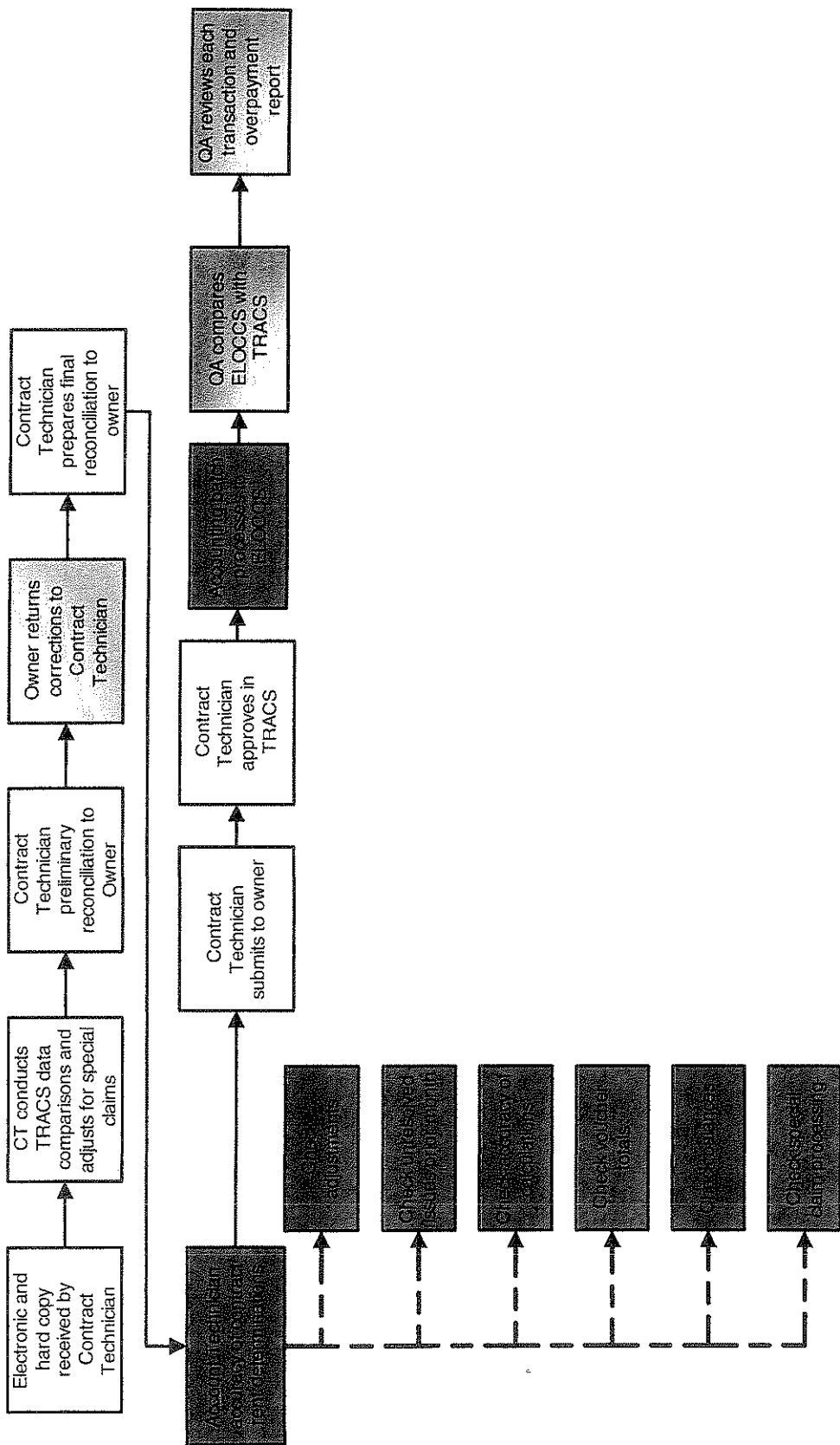
Management and Occupancy Review Quality Control



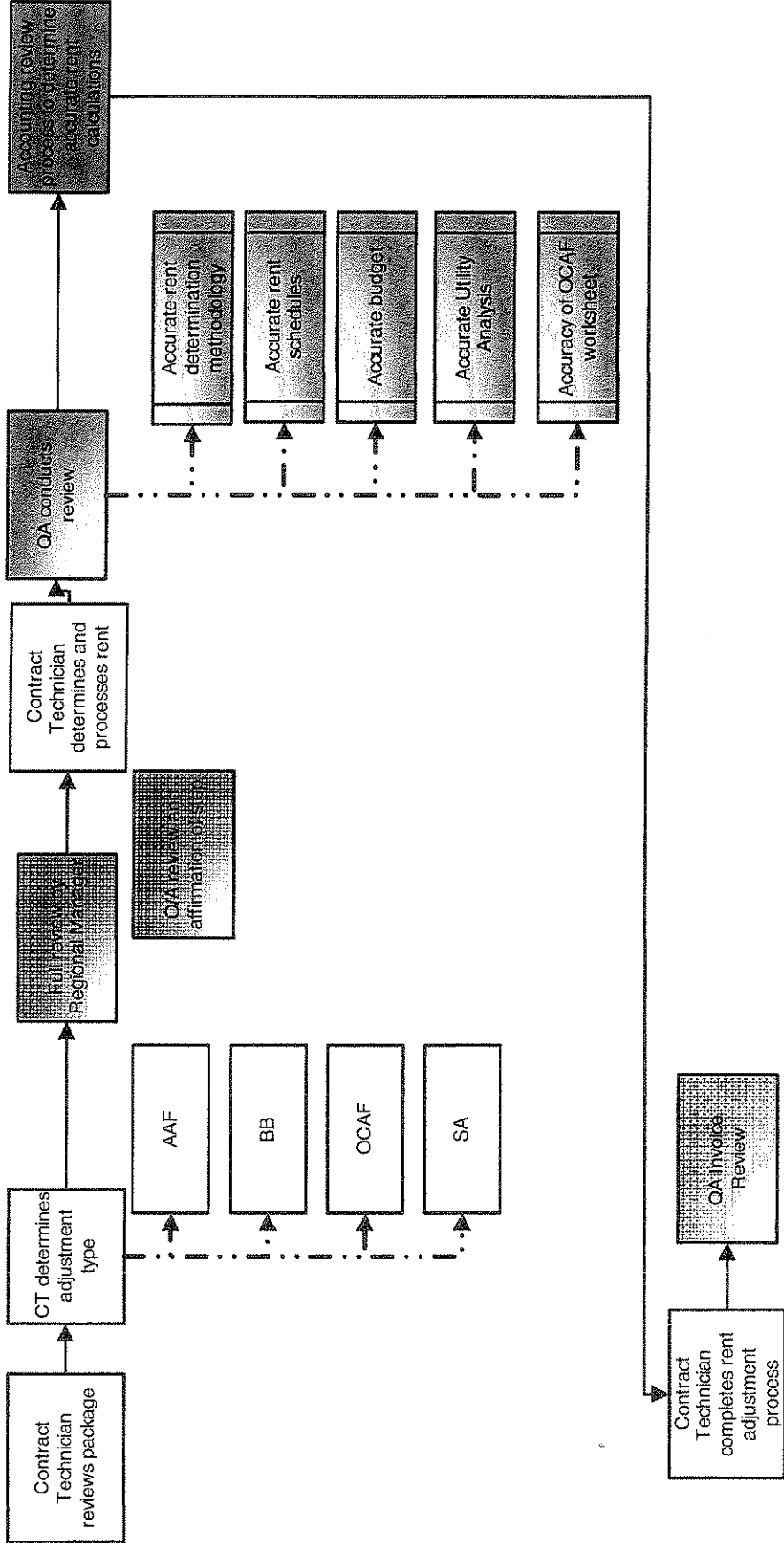
HAP Contract Renewal Quality Control



Monthly Voucher Process Quality Control



Contract Rent Adjustment Quality Control



Element 6: Training Plan

Within the first 15 days of employment, staff will undertake a comprehensive training program, which will include both online and in-class training. The training, provided by Nan McKay and Associates, will provide staff with a thorough understanding of the regulations and a practical knowledge of the following: eligibility, waiting list and tenant selection, income and rent calculation, leasing, recertification and transfer, and termination proceedings. Additionally, staff will be trained on Quality Control protocols and Universal Physical Condition Standards (UPCS) inspections. In addition to those key concepts, staff will be provided in-depth training on the Management and Occupancy Review procedures, particularly the Form HUD-9384 as well as Contract Renewals, Rent Adjustments and the monthly Voucher process.

On-Boarding Process - All staff will attend an Orientation at SCHP's San Diego Office. While there staff will receive the Human Resources Policy and Procedures Manual. Also, new employees will be provided an overview of the role of SCHP as a Project-Based Contract Administrator, as well as the relationship between the San Diego Housing Commission, McKay Management Services and SCHP. An overview of the properties served and the various positions employed by SCHP will also be conducted. At this time, all staff will sign a Conflict of Interest statement. Finally, staff will be provided with a Standard Operating Procedures manual outlining all workflows that will be conducted by SCHP.

Online Multifamily Training -After their on-boarding, staff will commence their intensive training program with Nan McKay and Associates' online 4350.3 multifamily training, which will include the components listed below. HUD tasked Nan McKay and Associates with creating the multifamily online course for HUD staff and agency personnel. The training is broken down into six modules, each of which consists of a thorough explanation of the regulations, review exercises, and a quiz. Students will take the multifamily certification exam after completing both the online and in-class training.

Module 1: Multifamily Eligibility

- Program Eligibility
- Project Eligibility
- Verification of Eligibility Factors

Module 3: Multifamily Income and Rent Calculation

- Determining Annual Income
- Determining Adjusted Income
- Verification
- Calculating Tenant Rent

Module 5: Multifamily Recertification and Transfer

- Annual Recertification
- Interim Recertification
- Unit Transfers
- Gross Rent Changes

Module 7: UPCS Inspections

- UPCS definitions, including building exterior, systems, common areas, units, and health and safety
- An annual inspection overview
- Technical review/appeals
- The scoring process

Module 2: Multifamily Waiting List and Tenant Selection

- Tenant Selection Plan
- Marketing and Outreach
- Waiting List Management
- Selecting Tenants from the Waiting List

Module 4: Multifamily Leasing

- Leases and Lease Attachments
- Security Deposits
- Charges in Addition to Rent
- The Leasing Process

Module 6: Multifamily Termination

- Termination of Assistance
- Termination of Tenancy
- Discrepancies, Errors and Fraud

In-Class Multifamily Training - After completing the online training, staff will attend a week and a half training that will cover the following and will also introduce the software systems that SCHP will be utilizing:

- Management and Occupancy Review
- Contract Renewals
- Rent Adjustments
- Monthly Voucher Processing
- Quality Control

The first three days of the training will focus on the Management and Occupancy Review. The training will provide tools to allow staff to effectively monitor the performance of multifamily properties, particularly in regards to monitoring of rent and income determinations. The Quality Control training will closely follow HUD's Rent and Income Determination Quality Control Monitoring Guide for Multifamily Housing Programs (September 2008). Per the goals in HUD's guide, the training will ensure that staff are able to detect and reduce errors in income and rent determinations; to reduce rent underpayments and/or overpayments by residents; and to maximize HUD's housing resources, thereby assuring maximum participation in HUD's housing programs by as many eligible families as possible. During these training sessions staff will apply their knowledge from the MOR portion and explore the iREMS application and learn where to enter the applicable data.

During days four and five, staff will receive training on the six types of Contract Renewals and the intricate policies and procedures that accompany each type. Staff also will explore the data entry requirements for the iREMS system and learn where to enter applicable data.

During the second week of in-class training, staff will be trained on the monthly Voucher process, how to review TRACS and how to approve voucher payments. Additionally, staff will be trained on all Quality Control functions and processes. Staff also will be provided with an overview of the internal payment procedures.

On-going Training - In addition to training conducting during the Transition Period, SCHP will employ a full-time Training Coordinator. SCHP understands that as HUD regulations, guidance and policies change it is imperative that staff immediately be trained on updated processes. Staff will be provided on-going training throughout their employment. Additionally, the Quality Control Technicians will provide continuous feedback to the Training Coordinator who will schedule individual training sessions if a particular Technician struggles with any operational processes. Finally, each Supervisor will conduct performance reviews every 6 weeks during the initial year of the Contract. Any employees' who are not performing to the fullest expectations will be afforded the opportunity to repeat any training that may be necessary. However, employees who despite multiple comprehensive and subsequent individual training sessions continue to be unable to meet performance standards will be terminated. All new staff who begin after the Transition Period also will undergo the comprehensive training course.

Element 7: Names and Qualifications of Individual Performing Quality Control

The Quality Assurance functions will be managed by Carrol Vaughan, San Diego Housing Commission's Chief Operating Office. Carrol has thirty years of professional experience managing affordable housing programs with senior executive level responsibility. Over the last decade as Executive Vice President and Chief Operating Officer of the San Diego Housing Commission Carrol has provided leadership for all area of affordable housing operations including public housing asset management, Section 8 HCVP and PB, Capital fund, technical services and modernization, work force and economic development, housing development and finance including oversight and responsibility of a \$275 million budget, homeownership programs, Human Resources, contract compliance, information technology and training. Carrol's keen understanding of quality assurance processes has made the SDHC a leader in the affordable housing field becoming one of the few affordable housing agencies to achieve high performing status.

We have identified the following individuals as the persons that will comprise the initial staff responsible for carrying out the quality assurance functions. The QA functions will be fully staffed with individuals that have extensive experience in conducting Quality Assurance reviews and broad knowledge of the Project Based Contract Administration requirements including detailed comprehension of all regulatory requirements under the 4350 Handbooks.

Quality Assurance Supervisor - KATHEE BESSINGER

With over 25 years experience with the SDHC Kathee has provided technical expertise and leadership in managing the SDHC Section 8 Program. As the Deputy Section 8 Director Kathee has prior Contract Administration experience having served as Contract Administrator for the Section 8 New Construction properties prior to transfer to the PBCA. She provided QA monitoring of those properties to ensure compliance with HUD handbook 4350.3.

Kathee has managed the Leasing, Occupancy, Inspection and Quality Assurance Teams consisting of 21 to 53 employees and approximately 14,000 Section 8 units; directly supervising supervisors and coordinators of the teams. Designed, implemented and manage the Quality Assurance Team responsible for conducting quality assurance audits, pursuing program fraud and abuse, conducting training, preparing procedural memos, monitoring and following-up on PIC/EIV reports, providing performance measurement reports and performing SEMAP activities.

Quality Assurance Supervisor - JUANITA CAUSBROOK

Currently the Inspection Coordinator for the SDHC, Juanita has been responsible for the direct supervision of the Section 8 inspection Department including monitoring inspections scheduling, tracking performance, scheduling and performing Quality Control Inspections, Providing statistical analysis of QA findings, ensuring lead paint prevention compliance, resolving owner/tenant issues and concerns, and performing QA audits of rent reasonableness to ensure integrity and compliance.

Quality Assurance Technician - ANITA SOLIS

Anita has served as a program analyst with the commission for over 10 years. She has been responsible for the implementation and coordination of the Section 8 Management Assessment Program (SEMAP), Anita has also been responsible for coordinating the HCVP file auditing process and serves as liaison with the external auditors. Anita has been responsible for Contract Administration and Field Monitoring for two multifamily housing developments under the Section 8 Renewal Policy and for the preparation of Short-term Basic Renewal and Mark-Up-To-Market Project Contracts for developments.

Element 8: File Method

SCHP will establish an electronic filing system for each contract included in the ACC. Files will include each relevant scanned document for segregated by IBPS task. The following controlling documents will be highlighted in our document imaging system:

- HAP Contracts (original)
- HAP Contract (initial MAHRA – if applicable)
- HAP Contract (Subsequent MAHRA (if applicable)
- Contract Renewal Requests – Form 9624
- Rent Schedules
- Budgets
- Form 9635 OCAF Worksheet
- Rent Comparability Studies
- Owner Notification Letter for Rent Adjustment

- Funding Request to HUD
- Regulatory Agreements
- Use and Occupancy Agreements
- Plans of Action
- Management and Occupancy Reviews (HUD form 9834) including CRC documentation
- HUD 92264 Multifamily Summary Appraisal
- Management Improvement Plan (MIP) (if applicable)
- Corrective Action Plan (CAP) (if applicable)

SCHP Quality Assurance staff will arrange the collection of controlling documents with HUD staff. Upon collection of the files, QA staff will scan each document into our data imaging system. A baseline log will be maintained for each of the 750 contracts indicating the availability status of each document. The Contract Administrator will notify the CAOM of all documents that have not been received during the baseline transition. The SCHP will work with HUD to reconcile the document log.

All working papers will be included in the file. This includes documents provided by the O/A to substantiate actions, calculation worksheets utilized by the Technician, and all written correspondence including e-mail. Quality Control files will be maintained for each contract. The QC files will contain the working papers for all quality reviews performed as well as documentation of findings and corrective actions taken.

Each file will have an electronic checklist cover sheet that will list the documents that the Technician is expected to use in fulfilling the business process. Following the conclusion of each process, the assigned Quality Assurance Technician will review the file for thoroughness. Concerns regarding performance will be brought to the attention of the Technician, Regional Manager, Area Manager or Contract Administrator, depending on the frequency and seriousness of the error.

PAST PERFORMANCE

Element 1: Successful Performance of Duties Similar to the Core Tasks

Southern California Housing Partners, LLC (SCHP) consists of two entities with extensive experience in the Affordable Housing industry, including managing and monitoring multifamily projects: San Diego Housing Commission, a high performing PHA that serves more than 75,000 low-income residents each year; and McKay Management Services, with management and monitoring experience in multifamily and mixed-finance properties, along with industry-leading innovative training solutions.

Partner Profiles

San Diego Housing Commission (SDHC) - The San Diego Housing Commission is a high-performing public housing agency working to expand affordable housing opportunities in the City of San Diego. Each year, the agency helps more than 80,000 lower income individuals with affordable housing through award-winning programs that benefit the city's economy and revitalize neighborhoods.

With 240 employees and an annual budget of \$265 million, SDHC applies its resources to three major areas of work:

- *Housing Assistance:* The agency helps more than 13,700 families pay rent in private housing each month. SDHC also owns and manages nearly 1,750 apartments and provides residents with academic support and career development tools.
- *Housing Finance Partner:* Through favorable financing and incentives, SDHC has helped nonprofit and for profit developers create nearly 25,000 homes, of which 12,000 units are currently affordable. Agency programs have enabled 4,300 families to buy their first homes and 10,000 to repair older homes. SDHC also assists in the development of supportive housing for vulnerable populations. The agency manages a \$213 million loan portfolio and has issued nearly \$1 billion in tax-exempt bonds.
- *Housing Policy Advisor:* SDHC helps shape the city's affordable housing programs by providing policy advice to the San Diego City Council, as well as initiating, monitoring or implementing municipal ordinances that advance affordable housing production and protect existing stock (e.g., inclusionary zoning, density bonuses, single room occupancy preservation, and condo conversion protections).

Multifamily Housing Development: SDHC also has an operational focus in multi-family housing development based on the following goals:

- Creating and preserving affordable rental housing
- Facilitating community and neighborhood revitalization efforts
- Increasing the development capacity of area nonprofit organizations
- Maximizing the leveraging of private sector funds

SDHC's Financial Services department currently has 20 employees. The department is divided into five functional areas: Budget; Audit; Internal Controls; Accounts Receivables; Grants Accounting; Payroll, Accounts Payable, and Investments; and Section 8 Accounting. Each section has an Accounting Supervisor, along with an Accountant and additional employees in each section depending on the workload.

For the PBAC accounting tasks, a Section 8 Accounting Supervisor will work under the supervision and direction of the Director of Finance. The Accounting Supervisor's tasks will include supervising

employees, coordinating the transition, coordinating with other supervisors to accomplish all necessary tasks, including setting up the banking relations, checking account, budgeting, payroll, and payment processing, and supervising the weekly payment processing.

McKay Management Services (MMS) - McKay Management Services is an affiliate corporation of Nan McKay and Associates (NMA), the industry leader in providing training and consulting through performance improvement solutions to the affordable housing industry. MMS has built on the knowledge and experience of NMA to provide performance excellence in program operations. MMS was created to expand the vision of NMA and provide direct operational improvement in the delivery of affordable housing services through a variety of methods including:

- Leading the development of best practices
- Innovation in technological solutions
- Re-engineered work processes and business systems
- Redesigned work processes

MMS specializes in assisting PHA's to successfully implement new and creative alternatives for the delivery of services, while sustaining overall operational improvements. Their experience in assisting housing agencies has provided an effective foundation for overall organizational change. The members of the MMS Team have expert knowledge of housing authority programs including multifamily and mixed finance, public housing operations and asset management, PHA capital programs including replacement housing, voluntary conversion and mixed finance development, along with the Housing Choice Voucher program and Section 8 Contract Administration.

MMS will be drawing on its affiliate company, Nan McKay & Associates, for its training expertise in multi-family housing regulatory requirements. NMA is San Diego-based and ranks among the top tier of training and consulting firms that support the nation's Public Housing Authorities and Subsidized Multi-family Housing Industry. NMA has a team of approximately 100 employees who offer approximately 350 instructor-led seminars and train more than 4,000 students in HUD regulations, as well as management and supervising skills. Additionally, NMA offers hands-on, customized workshops. Last year alone, NMA worked with more than 2,500 housing entities to help them improve performance their staff and operations capability.

NMA has been approved as an Authorized Provider by the International Association for Continuing Education and Training (IACET). Through this rigid certification process, NMA's training programs and trainers have been analyzed for effectiveness, and thus NMA's training programs have been measured against ten principle standards.

Key Personnel

Rick Gentry, SDHC, President & Chief Executive Officer **Project Role: President, San Diego Housing Partners**

Richard C. Gentry is President and Chief Executive Officer of the San Diego Housing Commission, a public agency working to expand affordable housing opportunities in the City of San Diego. Each year, SDHC helps more than 80,000 low-income individuals with affordable housing through award-winning programs that benefit the city's economy and revitalize neighborhoods.

Gentry has 36 years of experience in the affordable housing and community redevelopment field, including executive leadership positions at three housing authorities -- Richmond Redevelopment & Housing Authority, Austin Housing Authority, and Greensboro Housing Authority.

Most recently, he was Senior Vice President of Asset Management for the National Equity Fund in Chicago, Ill., the nation's largest non-profit Low Income Housing Tax Credit syndicator. He has also served as Vice President for Public Housing Initiatives at the Local Initiatives Support Corporation (LISC) in Washington, D.C., and he worked for several years in the U.S. Department of Housing & Urban Development.

Gentry's accomplishments include restoring the Austin and Richmond Housing Authorities to sound financial footing; participating in the development of Standard & Poor's rating system for housing authorities, now in use nationally; forging significant federal contacts; and providing testimony at congressional hearings on affordable housing issues.

Cindi Herrera, MMS Principal/President
Project Role: Vice President, San Diego Housing Partners

Cindi Herrera, MMS President, has over 30 years experience in the affordable housing industry. Cindi has proven herself as a change agent, having directed multiple complex operational improvement projects and innovative technological solutions throughout the U.S. and Puerto Rico.

Cindi has extensive experience in working with Section 8 both with Private Owners and with Public Housing Authorities. Cindi served as President/CEO of Franciscan Ministries, Inc. (FMI), a religiously sponsored subsidiary of the Wheaton Franciscan Healthcare System, a billion dollar corporation with over 13,000 employees. Cindi secured over \$90 million in capital for development of over 4,000 affordable housing units in four states, including six assisted living communities and multiple Section 8 Project Based Properties. As President and CEO of Franciscan Ministries (FMI), Cindi was responsible for 42 subsidiary corporations that owned Section 8 Properties in the States of Illinois, Iowa, Wisconsin and Colorado. FMI was one of the largest non-profit developers/property managers of HUD subsidized housing properties including Section 202, Section 811, 221(d)3; BMIR; and LIHPRA properties, most with Project Based Section 8 Contracts.

Cindi has extensive experience in managing Mixed Finance Redevelopment Projects. She currently oversees Program Management Services for the Greenville, SC, HOPE VI Projects; the North Charleston, SC, HOPE VI and Replacement Housing Projects; the Fulton County, GA, HOPE VI and Replacement Housing Projects and previously has provided similar services to the Savannah, GA, PHA, the DeLand, FL, PHA and the Detroit Housing Commission.

Cindi's recent roles include Project Director for NMA's HUD contract to provide HCV Financial Services to the Miami-Dade Housing Agency and also the Project Director for NMA's contract with the Puerto Rico Finance Agency, assessing the performance of their multifamily and HCV programs. Prior to this, Cindi served in the role of Senior Vice President of Housing Choice and Relocation at the Atlanta Housing Authority, where she was responsible for the strategic direction of the 16,000-unit HCV Program and the relocation of over 5,000 families from distressed public housing communities. Ms. Herrera led organizational improvements utilizing state of the art information technology solutions resulting in an electronic, paperless work environment and significantly improved customer service through implementation of a an agency-wide contact call center.

Cindi also served as the Project Director from 1997 through 2002 on a technical assistance contract with the Housing Authority of New Orleans, directing all management staff for the day-to-day operations of the HCV Program including contract administration of multiple Section 8 Project Based Properties. Ms. Herrera served as the Executive Director of three PHA's in northern Illinois and as the Executive Coordinator for the Illinois Association of Housing Authorities.

Cindi has over 20 years of Section 8 experience as a national trainer with Nan McKay and Associates where she has authored various training manuals. Cindi also served as a Professional Trainer of the 4350

Handbook and corresponding HUD regulations for the National Center for Housing Management (NCHM).

Carrol Vaughan, SDHC, Executive Vice President & Chief Operating Officer
Project Role: Contract Administrator, Vice President San Diego Housing Partners

Since 1999, Carrol has served as Executive Vice President and Chief Operating Officer of the San Diego Housing Commission, responsible for all aspects of agency operations, including affordable housing programs, facilities management, property/asset management, human resources, financial services, budgeting, organizational development and training, labor relations, purchasing, equal opportunity contracting, and information technology.

Carrol has created and implemented a range of innovative strategies that have earned the agency its reputation as one of the nation's best-managed public housing authorities. Her accomplishments include: maximizing the efficiency of agency operations through continual process re-engineering; developing a strategic business plan that encompasses a private-sector approach; and holding the agency's administrative costs to only seven percent.

Most recently, she was instrumental in crafting a groundbreaking proposal to remove the agency's apartments from the under-funded public housing federal program, which will allow the agency to protect its residents and leverage its real estate assets to build additional housing. In addition, she carried out the relocation of the agency to an environmentally friendly, transit-oriented office building in downtown San Diego.

Carrol has 32 years of experience in the affordable housing arena in San Diego and beyond. She has worked for the Housing Commission since 1989 (excluding a three year hiatus, when she served as vice president of a training/consultation firm specializing in housing authorities). From 1989 to 1996, she held consecutive positions as deputy executive director for two Housing Commission divisions (Operations and Housing Services). Her professional history also includes serving as executive director for two public housing authorities (in Statesville, North Carolina; and Ashland, Kentucky).

Michael Kramer, MMS Senior Consultant
Project Role: Program Director

Michael Kramer served as the State Program Manager for the Project Based Contract Administration portfolio with the North Tampa Housing Development Corporation, a related entity of the Tampa Housing Authority. Mike joined THDC when the Tampa Housing Authority began the contract with HUD for the PBCA program and was responsible for the transition of all contract administration activities and documents directly from the local HUD office. THDC was responsible for 460 properties with a total of 45,000 units throughout the state of Florida.

Mike provided leadership in taking a start-up HUD performance-based contract to successful full implementation. He was responsible for the supervision of management operations and for achieving acceptable quality standards of performance for all incentive-based performance tasks related to the monitoring of HUD Section 8 multi-family housing, including the renewal of contracts, performance of Management and Occupancy Reviews, and accurate verification and payment on billing vouchers. Mike's accomplishments in his role as the State Program Manager included achievement of all possible incentives under the contract with HUD.

Mike has a wide range of experience providing effective administrative leadership of federal housing programs, including the management of large tenant-based HCV programs, HUD multifamily housing and large Public Housing programs. Most recently Mike served as the Chief Operating Officer for the Housing Authority for the City of El Paso, TX. Prior to that Mike has served as the Associate Executive Director of

the Baltimore Housing Authority where he successfully recovered a troubled Section 8 Program of 12,000 vouchers and additional project based Section 8. Mike worked 28 years for the New York City Housing Authority and retired after having served as the Director of Operations Services, responsible for the operational planning of 180,000 units of Public Housing.

John Pfeiffer, SDHC Chief Financial Officer
Project Role: SDHP Chief Financial Officer

John Pfeiffer is a Certified Public Accountant with over 20 years experience in GAAP and GASB accounting. John is responsible for the oversight, preparation and reporting of financial statements; and the creation and implementation of long range financial projections and strategies for the Agency. Currently, John oversees an accounting staff of 20 individuals and an annual budget of \$275,000 million.

John also worked as the CFO for the Dallas Housing Authority and was the Controller for the North Texas Crime Commission and the Financial Manager for the Muckleshoot Indian Tribe. John has directed the selection, installation and/or conversion of multiple accounting software systems including Great Plains, MAS90, MIP, FrX, and Quicken; PeopleSoft and Yardi. John has also directed the installation of Microsoft and Novell networks.

Similar Projects

SDHC's Multifamily Compliance Monitoring – The San Diego Housing Commission has a Compliance Monitoring Unit that has been performing on-site management and occupancy reviews of Affordable Housing Projects for approximately 20 years. These reviews are conducted for projects located throughout San Diego County and cover 430 projects consisting of 14,000 units. The housing programs monitored for compliance include HOME Projects pursuant to the HUD 4350 requirements; projects funded by the San Diego Housing Trust Fund; projects financed with tax exempt bonds; and projects funded under the local “Density Bonus and Inclusionary Housing” Programs.

SDHC's monitoring procedures are governed by program regulations and project-specific Affordable Housing Agreements and legal Covenants, Conditions and Restrictions. A description of the monitoring work performed is detailed in Element 2 of this section of the proposal.

Minnesota State Affordable Housing Asset Management – MMS/NMA developed the Asset Manager™ for the Family Housing Fund, a Minnesota based foundation that provides funding for non-profit and community-based organizations that develop and manage housing for persons with special needs. The Asset Manager™ is a web-based application to monitor compliance with all funding requirements for the properties. This web-based application is used by over 500 agencies managing over 75,000 units in the state of Minnesota.

The application provides a single-point management tool to evaluate the current performance of an organization and property against industry standards. This web-based application is designed to improve performance and stabilize properties providing supportive housing services. The application assigns goals and tasks to provide solutions to identified gaps, and presents training resources to excel and achieve goals. All aspects of the organization are evaluated including the management organization, property management, property maintenance, finance and residents.

Performance standards for each assessment area have been developed. As the property and individuals' needs are assessed, as gap analyses are created, as resources are provided, and as action plans are developed, the funders are able to grasp the condition of the properties and target resources where they will be most needed.

The application allows agencies to manage their portfolios, projects, properties, units and tenants, to improve performance and long-term stability. The system tracks and reports a combination of annual, ongoing real-time data to create long- and short-term action plans, to sustain and improve ongoing operations, and ultimately assure cash flow. The system has built-in tools to assess, monitor and assure success in seven key areas:

- ✦ Organizational Board Leadership and Infrastructure
- ✦ Organizational and Property Finance
- ✦ Property Management
- ✦ Risk Management
- ✦ Organizational and Property Maintenance
- ✦ Record Keeping and Compliance
- ✦ Community Assessment.

Organizations are reviewed at multiple levels, including the organization as a whole, portfolios, projects, properties, units and tenants. The system has been deployed in Minnesota and is moving into a subsequent version with support from the MacArthur and McKnight Foundations. The system is schedule to be deployed in 12 states and will become a mandatory reporting tool for agencies receiving funding under these foundations.

MMS/NMA HUD RHIIP Training – MMS/NMA was the contractor selected by HUD to develop and administer the Multi-Family RHIIP Training. The training was conducted in conjunction with one of several HUD initiatives under the Rental Housing Integrity Improvement Project. The RHIIP initiative was a coordinated effort among the Office of Housing, Office of Public and Indian Housing, Office of Policy Development and Research, and the Chief Financial Officer. The training is designed to inform HUD staff and other Contract Administrators of policies and procedures that will assist them in detecting and reducing errors in the amounts of rental assistance payments made to owners.

The course is designed to provide training on family composition, eligibility, income and rent issues and interviewing skills to detect and reduce errors in the subsidy payments made by HUD. The two steps in reducing errors are: 1) knowledge of and familiarity with the information in Handbook 4350.3 Rev. 1, Change 1 and 2; *Occupancy Requirements of Subsidized Multi-Family Housing Programs related to RHIIP*; and, 2) practice in the principles and concepts of calculation of income and rent through case studies and conference calls.

At the end of the course, given the participant workbook, instruction, discussion and activities, participants will be able to utilize effective interviewing principles and accurately calculate income and rent and review calculations to determine accuracy to reduce errors in rent and income determinations.

MMS/NMA 4350.3 On-Line Training – MMS/NMA offer an e-learning course on-line for property managers of Section 8 subsidized properties. This course includes an overview of HUD's Multi-family Housing Programs along with regulatory instruction and case studies on the following:

- ✦ Fair Housing Regulations
- ✦ Program Eligibility Requirements
- ✦ Tenant Selection Plan Requirements
- ✦ Application Processing
- ✦ Income and Rent Definitions
- ✦ Recertification Process
- ✦ Billing Requirements
- ✦ Planning for the Management and Occupancy Review
- ✦ Conducting the On-Site Review

Tracking Rent and Income Determination Errors

MMS/NMA Uniform Physical Conditions Standards (UPCS) Training – MMS/NMA was one of HUD's original firms to provide certification of inspectors that perform the required Real Estate Assessment Center (REAC) inspections for HUD's Multi-family Subsidized Properties. Today MMS/NMA provides training to thousands of individuals from Property Management Companies on the UPCS requirements to assist them in preparing for the REAC inspections. The course objective include understanding the inspection protocol in order to identify and prioritize defects; understanding the REAC inspection procedures and expectations; how to improve the property's physical inspection score; and to assure that the property is compliant with HUD's goal to provide decent, safe and sanitary housing under the Multi-Family Housing Program.

Southern California Housing Partners Strengths

Relationship with the U.S. Department of Housing and Urban Development (HUD) - Collectively, SCHP has provided HUD with a range of expert consulting and training. Significant support to HUD includes the RHIPP training contract, technical and quality control contracting for the Disaster Housing Assistance Program (DHAP), the recent Miami-Dade financial services contract, the Stop-Loss contract, and the recently awarded \$6 million Asset Management e-Learning and training contract for Public Housing.

Unique Knowledge of HUD Regulations – SCHP partner MMS/NMA has staff researchers who track changes and issues in the housing market along with HUD regulations and policies, and the policy directions that HUD is pursuing. Through NMA's knowledge base, the agency is well versed in housing policies, allowing NMA to take very complex, constantly changing HUD regulations and convert them into comprehensible, operationally relevant products.

Experience with PHA Automated Systems – SCHP partner MMS/NMA has extensive experience developing and working with computer applications for PHAs. NMA has created e-Learning solutions and has worked with various data management subcontractors on large-scale projects. NMA's depth of knowledge includes technology architects that have provided consulting solutions to Fortune 1000 companies. NMA also offers the industry's only full-service Performance Management Program (PMP) with a full e-Learning Library. The PMP was developed as an online performance improvement and performance support system to help housing authorities assess, train and test their employees. For the PMP, NMA created the first competency model for all staff from the executive director to the housing specialist. In addition, NMA created assessments, skills tests and 360-degree surveys to review staff's current skills and knowledge. Targeted training, coaching and mentoring can then be given to the employees to improve their knowledge and skills and improve operations overall.

Element 2: Projects with Similar Scope in the Past Two Years

SDHC's Multifamily Compliance Monitoring

During the last two years, The San Diego Housing Commission has successfully performed duties substantially similar to the core tasks that the CA must perform under the Statement of Work. SDHC's ongoing Multi-Family Compliance Monitoring function requires SDHC to perform essentially the same tasks that will be required of the Contract Administrator. SDHC currently performs the following tasks for 430 projects, totaling approximately 14,000 units.

- **File Preparation:** Upon receipt of signed contract and/or CC&Rs, the Monitoring Unit puts together a file that normally includes the following:

- Program Requirements: Spells out the affordability restrictions the owner is bound to under their agreement.
 - Income and Rent restrictions (usually based on Area Median Income limit (AMI) published by HUD and levels for the project.
 - Number of required set aside affordable units broken down by bedroom size and AMI level.
 - Term of affordability restrictions.
 - Reporting frequency: All projects must report to the Monitoring Unit at least annually, some are required to report quarterly.

- Owner Certification of Continuing Program Compliance. This form is signed by owner/agent to certify the following:
 - The project was continually in compliance with the Covenants, Conditions, and Restrictions (CC&Rs) under the agreement.
 - The affordable units were occupied or held available for occupancy by eligible tenants.
 - The rents charged for the affordable units do not exceed the limit(s) prescribed by the CC&Rs.
 - The representations set forth in the attached occupancy report (listing the names of eligible tenants, annual income, move-in date and monthly rent) are true and correct to the best of their knowledge and belief.

- Tenant Forms: required forms to be utilized by owner for new move-ins and at the recertification process:
 - Tenant Income Certification (TIC) – to be completed by the head of household and signed by all adult household members.
 - Income Verification – The eligible income of all adult members of the household must be verified and counted when determining the annual income for a household.
 - Includes not only income from employment and benefits, but also income from assets.
 - Zero Income Certification – must be completed and signed by any adult household member (over 18 years old) who declare no income.

- **Owner/Manager Training:** During file preparation, the owner/manager is contacted to schedule a meeting to review program requirements and go over owner and tenant forms. At this point staff may advise owner of requirement to pre-approve (if applicable) initial move-ins, provide owner/manager with necessary forms and possibly begin monitoring the project for eligibility.

- **Initial/Move-in Approvals:** Upon project completion (new construction, rehabilitation work complete) the monitoring staff will begin the tenant approval process, if applicable.
 - Applications may be received via fax, e-mail and or postal mail and should include all the tenant forms listed above.
 - Staff will review each application for completeness (i.e. all adults signed form and all income and asset information is complete on TIC).
 - Documentation verifying income and assets listed on TIC are included with packet.

 - Staff will perform income calculation to determine that the household is within the maximum allowable income for the project.

 - Staff has a 48 hour oral approval turnaround time followed by a written approval within 5 to 10 working days.
 - Over 90% of all initial applications are approved via email and have a 24 hour turnaround time.

- **Initial Certification:** Owner/manager will be required to submit an initial certification of program compliance with the Housing Commission upon 90-100% lease-up of the affordable units.
 - Staff reviews the Certification of Continuing Program Compliance for the following:
 - Required number of affordable units are occupied or held available for occupancy by eligible tenants.
 - Contract rents are within the maximum limit(s) allowed for the project.
 - Total household income for each affordable unit is within the maximum income limit(s).
 - Staff compares pre-approved tenant packets with list of current tenants to verify that all have been pre-approved.
- **Quarterly Reporting:** If applicable, the owner/manager will be required to submit quarterly to the Housing Commission:
 - Certification of Continuing Program Compliance.
 - Review process is the same as Initial Certification.
 - Tenant packets for all move-ins during the quarter.
 - Review process is the same as Initial Certification
- **Annual Recertification:** If applicable, the owner/manager will be required to submit annually to the Housing Commission:
 - Certification of Continuing Program Compliance.
 - Site audit is scheduled upon review of annual certification report.
- **Site Auditing:** Monitoring Staff will contact owner/manager to schedule an appointment for an on-site audit to review the owner's procedures for directing and overseeing project operations. In addition, staff will monitor the adequacy of their procedures to carrying out day to day, front-line activities. Staff generally reviews a sample twenty five percent of the total project units. When necessary, staff may require from the owner to conduct a hundred percent internal review of the project files and report their results to the Monitoring Staff:
 - Review file for annual recertification of family income. File contains thorough documentation of continued eligibility.
 - Current recertification is compared to previous year's recertification to verify that all household and income changes have been properly documented and verified.
 - Rent roll is reviewed to verify that rents are within the limit(s) and coincide with the report submitted.
 - Files will be reviewed to ensure that they are organized and have complete and accurate documentation.
 - Visual inspection of security and general maintenance of project. Inspections for Housing Quality Standards are performed by the agency's Inspections Department when applicable or necessary.
- **Section 8 Rental Assistance Program (RAP) and Affordable Units:** When an affordable unit is occupied by a Section 8 participant, Monitoring Staff reviews owner requested rent increases which

are processed by RAP staff, in order to ensure that rent requested is within project rent restriction limit(s).

- **Program Violations:** Monitoring Staff conducts investigations of alleged program violations and notifies the owner/manager of how to correct problems. If necessary, Monitoring will conduct additional training of site management staff to avoid future potential fraud issues.
 - Staff performs necessary research to confirm or deny reported violation.
 - Collects pertinent documentation from reporting party and/or owner/manager.
 - Performs site audit if necessary.
 - If applicable, requests HQS inspection.
 - When fraud is identified, follow up will be conducted at the next recertification period until issues are cleared.
 - Staff will document file to identify a pattern of types of fraud for individual projects. Additional training may be provided as needed to avoid future potential fraud.
- **Additional Training:** At the request of the owner/manager Monitoring Staff will conduct ongoing staff training in a variety of subjects, including applicable income and asset calculation, program requirements, proper use of verification information and forms.
 - Available in person or via telephone.

The quarterly and annual recertification process repeats every quarter/year for the term of the agreement, typically 55 years.

Puerto Rico Housing Finance Authority (2007-present)

SCHP partner, MMS/NMA, conducted an assessment of the Performance Based Contract Administration (PBCA) performed by the Puerto Rico Housing Finance Authority (PRHFA). The assessment included review of the following performance requirements: Management and Occupancy Reviews; Rent and Utility Allowance Adjustments; Contact Renewals and Opt-Outs; Subsidy Voucher Processing; Tenant Complaints; and Physical Inspections and Follow Up. The work also assessed the overall organization structure that supports the Project Based Contract Administration. The assessment report provided multiple recommendations to improve the overall operations of the Contract Administration.

MMS worked with the Agency to develop a corrective action plan with timelines for implementation. Additionally, MMS worked with Agency staff over a six month period to develop and implement standardized operating procedures and provide training on the procedures developed.

Attachment II

BASIC FEE PERCENTAGE

I propose to provide the services required by this ACC within Southern California
(Name of State or U.S. Territory) for the following bid Fee:

1st of Initial 3 Year Term	
Basic Fee	1.7 % of the FMR

2nd of Initial 3 Year Term	
Basic Fee	1.7 % of the FMR

3rd of Initial 3 Year Term	
Basic Fee	1.7 % of the FMR

1st Renewal Year 1 Year Term	
Basic Fee	1.7 % of the FMR

2nd Renewal Year 1 Year Term	
Basic Fee	1.7 % of the FMR