



U.S. Department of Housing and Urban Development

Atlanta Multifamily Hub  
Five Points Plaza  
40 Marietta St.  
Atlanta, Georgia 30303-2806  
<http://www.hud.gov/local/atl/index.html>

July 17, 2009

Mr. George Joyner  
Executive Director  
Puerto Rico Housing Finance Authority  
P. O. Box 71361  
San Juan, PR 00936-8461

Dear Mr. Joyner:

SUBJECT: Annual Compliance Review Report  
Puerto Rico Housing Finance Authority  
Performance Based Contract Administrator  
San Juan, Puerto Rico  
ACC Number: PR800CC0001

Enclosed is the Annual Compliance Review Report of the Puerto Rico Housing Finance Authority (PRHFA), Performance Based Contract Administrator (PBCA) for Puerto Rico, which is the result of our review conducted June 1-4, 2009. During the review we interviewed the Contract Administrator staff, and documented the performance of PRHFA in the Annual Contributions Contract Core Tasks, and General Operations.

Mr. Robert W. Reavis, Director, Atlanta Multifamily Housing Hub led the Compliance Review Team (CRT). The CRT included Mr. Paul J. Deignan, Director, Operations Division; Ms. Sylvette A. Mendez, Director, San Juan Multifamily Program Center; Mr. Jose Ayala, Chief, Asset Management; Ms. Magaly Mendez, Senior Project Manager; and Project Managers: Ms. Evelyn Escobar, Ms. Lourdes Dominguez, and Mr. Roberto Valentin.

We found the overall performance of PRHFA during the ninth year of the ACC to be acceptable. However, based upon the results of the review the CRT has identified areas in need of improvement. The exceptions identified by the CRT were discussed at our close out meeting with PRHFA and are detailed in the attached Annual Compliance Review Report.

We want to thank you and your staff for your courtesy and cooperation during the review visit. We look forward to continuing our partnership with PRHFA into the remaining term of the ACC, in order to achieve HUD's goals and mission for the Section 8 Project-Based Program.

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PUERTO RICO HOUSING  
FINANCE AUTHORITY  
EXEC. DIRECTOR'S OFFICE  
*Yank*

Your response to the Annual Compliance Review Report must be submitted to the undersigned within 30 days of the date of this letter. If you have questions or need to discuss the issues prior to preparing your response, please contact Ms. Proto, Contract Administrator Oversight Monitor at (678) 732-2330, or Ms. Mendez, Director, San Juan Multifamily Program Center at (787) 766-5400, ext. 2058.

Sincerely,



Robert W. Reavis  
Director  
Atlanta Multifamily Housing Hub

Enclosure

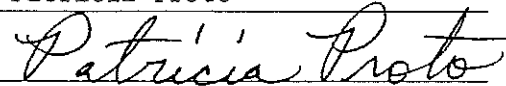
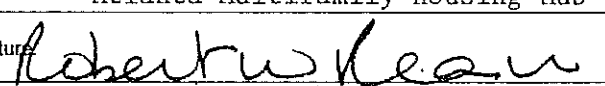
Cc: ✓ Mr. Luis O. Berrios, Executive Director for Multifamily Programs, PRHFA  
Ms. Magdalena Rucabado, Director, Asset Management, PRHFA  
Ms. Sylvette A. Mendez, Director, San Juan Multifamily Program Center  
Ms. Tammy Thomas, Desk Officer, HUD Headquarters

# Annual Compliance Review Summary Report

Name of PBCA: Puerto Rico Housing Finance Authority	Geographic Service Area: Puerto Rico	Name of Subcontractor, if applicable:
Date ACR Conducted: June 1-4, 2009	PB-ACC Review Period: 7-01-2008 - 6-30-2009	PBCA Fiscal Year End: 6-30-2009
Total Number of Contracts Assigned to the PBCA at the time of the ACR: 162	Total Number of Units under contract at the time of the ACR:	17,387 units

For each category, assess the performance by checking the appropriate column. A deficient rating is assigned when performance has been determined to be less than the Acceptable Quality Level (AQL) or when there has been a direct violation of the PB- ACC.  
Indicate A (Acceptable) or D (Deficient). Include target completion dates (TCD) for all corrective action items.

Category	A	D	TCD
<b>Annual Contribution Contract</b>	<input type="checkbox"/>	<input type="checkbox"/>	
Part I Management Requirements/General Operations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Part II Financial Management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Part III Certifications	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Part IV Management Capabilities and Quality Control	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Part V Systems	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30
Part VI Stakeholder Survey - "Reserved"	N/A	N/A	N/A
<b>Incentive Based Performance Standard (IBPS)</b>	<input type="checkbox"/>	<input type="checkbox"/>	
1- IBPS #1 Management & Occupancy Review	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
2- IBPS #2 Civil Rights Compliance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
3- IBPS #3 Rental Adjustments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
4/5- IBPS #4/5 Contract Opt-Out and Termination and Resident Data Sent to HUD	<input type="checkbox"/> N/A	<input type="checkbox"/>	
6- IBPS #6 Section 8 HAP Vouchers	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30
7- IBPS #7 Notice of Corrective Actions	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30
9- IBPS #9 Life Threatening Health and Safety Issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
10- IBPS #10 Non-Life Threatening Health and Safety Issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
12- IBPS #12 Annual Interest Earned Certification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
13- IBPS #13 Public Housing Agency Audit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
14- IBPS #14 Renewal of Expiring Section 8 Contracts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
15- IBPS #15 General Reporting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
16- IBPS #16 Monitoring of Physical Inspection Results	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Name of Contract Administration Oversight Monitor (CAOM): (Please type or print)  Name: Patricia Proto  Signature:   Date: 7-10-2009	Name and Title of Person Approving this Report: (Please type or print)  Name & Title: Robert W. Reavis, Director Atlanta Multifamily Housing Hub  Signature:   Date: 7/17/09
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**ANNUAL COMPLIANCE REVIEW REPORT  
PUERTO RICO HOUSING FINANCE AUTHORITY  
PERFORMANCE BASED CONTRACT ADMINISTRATOR  
SAN JUAN, PUERTO RICO  
JUNE 1-4, 2009**

The Compliance Review Team (CRT) reviewed the overall General Operations of Puerto Rico Housing Finance Authority (PRHFA), Performance Based Contract Administrator (PBCA), and the sixteen Incentive Based Performance Standards (IBPS). The Compliance Review Team found PRHFA's overall performance during the ninth year of the Performance Based Annual Contributions Contract (ACC) to be acceptable. However, the CRT has identified numerous deficiencies and weaknesses in the Subsidy Payments area. The following Report includes three findings dealing with the review, verification, authorization, notification of corrective action, and payment of the monthly Section 8 vouchers. HUD staff has had concerns regarding PRHFA's staffing in the Subsidy Payments area, with the Subsidy Payments Manager being on extended sick leave and the staff reporting directly to the Asset Management Director. Now a year later PRHFA has hired an Acting Subsidy Payments Manager effective May 21, 2009. Although the hiring of an Acting Director was much needed to provide full time supervision of the Subsidy Payments area; PRHFA must make the recommended improvements, increase staffing, and improve internal controls over the Subsidy Payments Division as recommended in the ACR Report.

We believe that PRHFA continues to face challenging times ahead and in order to perform in an acceptable manner it is imperative for PRHFA to have adequate and qualified staffing. As discussed during the ACR, the ACC represents an annual income to Puerto Rico of approximately \$2,700,000. PRHFA has been successful in accomplishing the requirements of the ACC in the past. However, PRHFA has also experienced some loss of income in the past due to disincentives and forfeiture of incentive fees during times when there was insufficient staffing to accomplish the ACC tasks within the required timeframes and in accordance with HUD regulations. The current Annual Contributions Contract Extension Amendment for contract administration services in Puerto Rico covers the period from July 1, 2009 through June 30, 2010. PRHFA needs to continue to perform under the ACC and we believe that adequate staffing is necessary and compliance with the recommendations made in the ACR Report is essential in order for PRHFA to accomplish this goal and the goals of HUD for the Section 8 Program. Therefore, we strongly recommend that PRHFA conduct a detailed analysis of the Subsidy Payments Division procedures and the LIVES system in order to implement the needed changes recommended in the ACR Report.

#### GENERAL OPERATIONS

The overall general operations were found acceptable. There are written procedures and internal guides, which apply to the tasks to be performed under the Performance Based Contract Administration initiative. PRHFA completed the tasks outlined in the 2008-2009 Work Plan as scheduled or as rescheduled with HUD approval. The Work Plan for 2009-2010 was submitted during the Review and found to be acceptable. Also, we received a copy of the annual Quality Control Audit Report issued May 29, 2009, by the PRHFA Audit and Compliance Office. The

results of the audit disclosed that PRHFA accomplished its responsibilities under the ACC; however, the auditors observed some areas in need of improvement and the recommendation was made for PRHFA to consider recruiting additional personnel in the Subsidy Payments area and HUD staff agreed. The auditors noted exceptions in the same areas as the CRT identified during the ACR. We request a copy of PRHFA's response to the Quality Control Audit Report be provided with PRHFA's response to this Report.

We received a copy of the fidelity bond (Comprehensive Crime Insurance policy), which had an expiration date of June 30, 2009. Please provide a copy of the new fidelity bond policy covering the period July 1, 2009 thru June 30, 2010, with your response to this Report. We received a Conflict of Interest Certification during the ACR, which states no Conflict of Interest exists with PRHFA and the PBCA portfolio.

Although the overall performance of PRHFA has been found acceptable, HUD staff has identified areas in need of improvement, and the exceptions noted are included in the following Report.

### PERFORMANCE OF ACC CORE TASKS

#### IBPS 1 and 2 – Management and Occupancy Review/FHEO Report

**Sample:** Valle Verde, RQ46H005008  
Torre Jesus Sanchez Erazo, RQ46T791003  
Parque de Lajas, RQ46R000012  
Egida del Medico, RQ46T821036  
Hogar San Antonio, RQ46T831009  
El Lago, RQ46R000007  
Villas del Caribe, RQ460002007  
El Verde Rowhouse, RQ460005035  
Los Robles Apartments, RQ460007072  
Jardines de Joanne, RQ460003006

#### **On Site Visits:**

Miramar Housing for the Elderly, RQ46T801001  
Los Hucares, RQ46R000026  
Villas de Florida I, RQ46R000008  
Jardines de Country Club, RQ460001030  
Hannia Maria Apartments, RQ46H005024  
Brisas de Loiza, RQ46R000022

**Outcome:** Identify and resolve areas of noncompliance with HUD regulations and other requirements.

**ACC Requirements:**

Schedule and conduct annual reviews of each project, using form HUD-9834 or other appropriate documentation.	Notify the jurisdictional HUD office by close of next business day of any potential fraud or potential violations of law identified during the review.
Evaluate the owner's operating policies and procedures following guidance in the appropriate HUD directives.	Prepare and submit to the owner and jurisdictional HUD office a written report, on form HUD-9834, or other appropriate HUD-required documents, within 30 days of the review, outlining any findings and recommendations for corrective action.
Verify compliance with HUD regulations and requirements regarding occupancy issues and verify that correct documentation is contained in each resident file to support claims for payments under the HAP contract.	Monitor implementation of corrective action.
Verify owner compliance with civil rights regulations, including Title VI, Title VII, the Americans with Disabilities Act, and Section 504 of the Rehabilitation Act of 1973.	Enter required information into HUD data systems.

The CRT found PRHFA performance in this area to be acceptable. HUD staff reviewed documentation on Management and Occupancy Reviews (MOR) and Owner Civil Rights Compliance, and conducted interviews with PRHFA staff to assess performance. Management and Occupancy Reviews and Owner Civil Rights Compliance are being conducted and reported as required by the Annual Contributions Contract (ACC). PRHFA documents Section 8 owner's compliance with civil rights regulations and Addendum B of HUD Form 9834 checklists are forwarded to the San Juan Multifamily Program Center and the Field Office's FHEO Division in a timely manner. Updates in the Integrated Real Estate Management System (iREMS) are acceptably performed. The MOR files were found organized and contained the necessary documentation to support findings and concerns addressed to the owners. PRHFA has established quality control procedures and conducted in-house desk reviews in all cases prior to the on-site visits.

Although the overall performance of PRHFA has been acceptable, the CRT has identified some areas in need of improvement and makes the following observations/recommendations:

1. The purpose of the MOR Report is to provide the owner of the project with written notification of the reviewer's conclusions. These conclusions regarding the quality of the O/A's calculations and determinations of annual income and rent, performance problems or issues related to income and rent determinations, and corrective actions necessary to resolve income and rent problems are an important part of the review report. Therefore, it is imperative that the findings, causes, corrective actions, errors, and other conclusions are clear, persuasive, and well documented. This final report is HUD's mechanism for ensuring that all deficiencies are corrected and errors are reduced.

2. The review report should include a detailed list of errors and findings, as well as information needed to enable the O/A to identify the error or finding, understand the required corrective action, and know what documentation or completed corrective actions must be provided to the reviewer. Documentation may include copies of signed, recalculated tenant certifications, copies of vouchers where corrective adjustments were submitted to HUD, or evidence that a tenant was repaid for overpayment of rent. The report will provide the owner with a timeframe for completing the corrective action and responding to the report.
3. If systemic errors or findings are discovered during the review, the review report must include a detailed list of errors and findings. All findings must be well supported. The report should identify the condition, error in procedure, or program violation; the criteria, HUD policy, or regulation breached; and the specific corrective action.
4. Part A, Addendum B, form HUD-9834 must be signed by the owner. Signatures for the owner are only acceptable from individuals with the legal authority to bind the ownership entity. If the signature authority is questioned at any point for any reason, the owner will be responsible for providing supporting documentation (i.e. letter from the owner's counsel or other legal document) granting legal authority to the individual to bind the ownership entity. This requirement will not be waived.

**IBPS 3 – Rental Adjustments**

**Sample:** Manuel A. Colon, RQ46T861001  
 Gianna Laura, RQ46H005022  
 De Diego Apartments, RQ46H005017  
 La Estancia, RQ460007134  
 Villas de Lomas Verdes, RQ46H005030  
 Egida Padre Jose D. Boyd, RQ46T871001  
 San Miguel Apartments, RQ460005053  
 Casa Aibonito, RQ462128205  
 Comunidad del Retiro, RQ460001032  
 Torre Jesus Sanchez Erazo, RQ46T791003

**Outcome:** Contract rent adjustments are timely and correct.

**ACC Requirements:**

***Budget-based adjustments***

Analyze the project's operating budget and supporting documentation for a rent adjustment to determine reasonableness according to guidance in HUD Handbook 4350.1.	If the HAP contract requires the owner to maintain a reserve for replacement, analyze adjustment to the monthly reserve for replacement deposit as required and recommend action to HUD.
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Document contract rent increases on a rent schedule (Form HUD-92458)	Verify accurate, timely completion and submission of the adjusted rent schedule by owner.
Analyze adjustments of the owner utility allowance schedule, if applicable.	Enter data into the appropriate HUD data system within five business days from completion of action.

***Annual Adjustment Factor (AAF)***

Determine the amount of annual adjustments in accordance with HUD requirements.	Validate comparability study if submitted by the owner to support a rent adjustment request.
Analyze adjustments of the owner utility allowance schedule, if applicable.	Verify accurate, timely completion and submission of adjusted rent schedule by the owner.
If the HAP contract requires the owner to maintain a reserve for replacement, analyze adjustments to the reserve for replacement, and recommend action to HUD.	Enter data into the appropriate HUD system within five business days from completion of action.
Approve or disapprove the amount of rent adjustment and provide written notification to owner.	

The CRT found PRHFA performance in this area to be acceptable.

**IBPS 4/5 – Section 8 Contract Opt-Outs and Terminations**

**Outcome:** Provide ongoing rental assistance to eligible residents in occupancy at the time of the opt-out.

**ACC Requirements:**

Inform the jurisdictional HUD office by close of next business day after notice by the owner that the owner has elected to opt-out of the HAP contract.	Obtain resident payment and family unit size data from the owner and provide it to jurisdictional HUD office within 3 business days after receipt of such information by the owner, and at least 90 days before HAP contract termination, for the purpose of obtaining Section 8 vouchers for residents.
Inform the jurisdictional HUD office of the PHA's recommendation to terminate a HAP contract because of owner default.	Coordinate efforts with the jurisdictional HUD to identify a PHA to administer tenant-based voucher assistance for residents.
Verify that the owner has complied with the HAP contract and current law on opt-outs.	Help residents who must move from the project arranging to receive tenant-based voucher assistance from the PHA that will administer such assistance.

There were no Contract Opt-Outs or Terminations processed by PRHFA during the Review period.



**IBPS 6/7 – Review/Pay Monthly Vouchers and Special Claims**

<b>Sample:</b>	Muneki I, RQ460003005	Dec-08
	Jardines de Joanne, RQ460003006.	Apr-09
	Hogar San Antonio, RQ46T831009	Apr-09
	San Anton Apartments, RQ46M000038	Apr-09
	Egida de la Concepcion, RQ46T841023	May-09
	Rio Grande Housing, RQ46T781023	May-09
	Los Hucares, RQ46R000026	Apr-09
	Posada del Angel, RQ46T801027	May-09
	Alturas del Senorial, RQ460005011	May-09
	Moca Housing, RQ46H005006	May-09

**Outcome:** Payments of Section 8 vouchers and claims are only authorized and paid for eligible covered units. Payments are made to owners by the first day of every month.

**ACC Requirements:**

*Verify and certify accuracy of monthly Section 8 vouchers (forms HUD-52670 & HUD-52670-A)*

Monitor owner follow-up efforts on discrepancies identified as a result of any income matching initiatives. HUD will provide discrepancy reports to the PHA.	Analyze required adjustments prior month's vouchers to determine accuracy and validity.
Monitor compliance by owners with requirements for entry of all resident certification and recertification data in TRACS.	Determine if authorized rent or utility allowance adjustments have been implemented timely and accurately.
Verify voucher submission by owner through the TRACS system by the 10 <sup>th</sup> day of the month preceding the month for which the owner is requesting payment.	Verify pre-approval of Section 8 Special Claims.
Verify through TRACS that the amount of housing assistance payment paid on behalf of each resident family is accurate.	Notify the owner, in writing, of any corrections required and track corrections.
Verify that all recertifications are completed by the owner in a timely manner and entered into TRACS.	Verify that owners are complying with current HUD rules and other requirements.
Verify that the owner's payment does not include any covered units for which Section 8 assistance has been abated.	

*Verify and authorize payment only on valid Section 8 Special Claims for unpaid rent, resident damages or vacancy loss:*

Analyze, verify and approve or disapprove owner claims in accordance with HUD regulations and other requirements; and using TRACS and information provided by the owner.	Return the HUD-approved claim to the owner for submission with the next owner voucher.
Enter data into a spreadsheet program for monitoring PRHA payments.	

The "Automation Rule" (24 CFR Section 108, Part 208) requires Section 8 project owners to request housing assistance payments by vouchers submitted monthly through the Tenant Rental Assistance Certification System (TRACS). Vouchers are due the tenth day of the month preceding the month for which the owner is requesting payment.

The PRHFA must verify the accuracy of the Section 8 voucher before paying the owner. Vouchers submitted to the PRHFA by the tenth of the month must be processed so monthly payments are made to the owner no earlier than the first of the month and no later than the first business day of the month.

The PRHFA monitors the owner's data in TRACS, including all Form HUD-50059s, Owner's Certification of Compliance with Tenant Eligibility, and Rent Procedures. It verifies that the amount of HAP paid on behalf of each resident is accurate and verifies that abated Section 8 units are not claimed on the voucher. The PRHFA also verifies that interim re-certifications, move-in/move-outs, and adjustments to prior claims for Section 8 assistance have been completed accurately and on time.

A Section 8 project owner may claim reimbursement from the PRHFA – to the extent provided in the HAP contract – for unpaid rent, resident damages, and vacancy losses on covered units. Eligible claims must be pre-approved by the PRHFA before being submitted with owner's monthly voucher.

**Finding 1: Controls over Section 8 Monthly Vouchers Were Inadequate:**

The PRHFA failed to perform in accordance with HUD requirements. This noncompliance occurred because the PRHFA's management did not implement adequate internal controls over its subsidy payments process and did not have adequate procedures for conducting quality control procedures.

**Amount Requested by Owner in Voucher does not agree with amount requested by owner  
on TRACS Voucher Detail**

**Alturas del Señorial – RQ460005011**

Part III - Breakdown of Assistance Payment Requested			HUD/CA Use Only
8. Type of Assistance	9. Number of Units in Billing	10. Amount Requested	11. Amount Approved
a. Regular Tenant Assistance Payments for (mo./yr.): 05/2009	118	76,418	
b. Adjustments to Regular Tenant Assistance Payments	9	-1,865	
c. i. Section 8 Special Claims for Unpaid Rent			
ii. Section 8 Special Claims for Tenant Damages			
iii. Section 8 Special Claims for Vacancies			
iv. Section 8 Special Claims for Debt Service			
d. Miscellaneous Accounting Requests			
e. Total Subsidy Authorized under instructions in Handbook 4350.3 Rev. 1		74,553	
Part V - Owner's Certification I certify that: (1) Each tenant's eligibility and assistance payment was computed in accordance			Part IV - Distribution of Subsidy Earned (HUD/CA Use Only) Amount Approved

Results of Voucher Summary Detail Query

Page 1 of 2

*U.S. Department of Housing and Urban Development  
TRACS Voucher Detail*

Contract/Project Number: RQ460005011  
Voucher ID: 0905021573

Project Name: ALTURAS DEL SENORIAL  
Voucher Date: 5/1/09

*Transmission Details*

Mailbox ID:	TRACM14853TRACM01837
Transmission Date:	4/29/09

*Payment Requested*

Total Regular Payment Amount: \$	78870
Total Adjusted Payment Amount: \$	7777
Voucher Unrequested Amount: \$	0
Total Miscellaneous Request Amount: \$	0
Total Special Claims Amount: \$	0
Total Voucher Amount: \$	86647

*Document Approved*

**Hogar Posada del Angel – RQ46T801027**

Part III - Breakdown of Assistance Payment Requested		9. Number of Units In Billing	10. Amount Requested	11. Amount Approved
<b>8. Type of Assistance</b>				
a. Regular Tenant Assistance Payments for (mo./yr.):	05/2009	47	\$33,481	
b. Adjustments to Regular Tenant Assistance Payments		4	\$495	
c. Section 8 Special Claims for Unpaid Rent				
i. Section 8 Special Claims for Tenant Damages				
ii. Section 8 Special Claims for Vacancies				
iii. Section 8 Special Claims for Debt Service				
d. Miscellaneous Accounting Adjustments			\$93,956	
e. Total Subsidy Authorized under instructions in Handbook 4350.3 Rev. 1				
Part V - Owner's Certification		Part IV - Distribution of Subsidy Earned (HUD/CA Use Only)		
Results of Voucher Summary Detail Query			Amount Approved	Page 1 of 2

**U.S. Department of Housing and Urban Development  
TRACS Voucher Detail**

Contract/Project Number: RQ46T801027    Project Name: HOGAR LA POSADA DEL ANGEL  
 Voucher ID: 0905021705    Voucher Date: 5/1/09

**Transmission Details**

Mailbox ID:	TRACM14853TRACM13438
Transmission Date:	4/29/09

**Payment Requested**

Total Regular Payment Amount: \$	32889
Total Adjusted Payment Amount: \$	-616
Voucher Unrequested Amount: \$	0
Total Miscellaneous Request Amount: \$	0
Total Special Claims Amount: \$	0
<b>Total Voucher Amount: \$</b>	<b>32273</b>

**San Antón Apartments – RQ46M000038**

for project-based exceptions (mm/yyyy)

Part III - Breakdown of Assistance Payment Requested			HUD/CA Use Only
8. Type of Assistance	9. Number of Units In Billing	10. Amount Requested	11. Amount Approved
Regular Tenant Assistance Payments for (mo./yr.): 04/2009	177	105,337	
Adjustments to Regular Tenant Assistance Payments	17	5,114	
i. Section 8 Special Claims for Unpaid Rent	1	562	OK
ii. Section 8 Special Claims for Tenant Damages			
iii. Section 8 Special Claims for Vacancies			
iv. Section 8 Special Claims for Debt Service			
Miscellaneous Accounting Requests			
Total Subsidy Authorized under instructions in Handbook 4350.3 Rev. 1		111,013	

Part IV - Owner's Certification I certify that: (1) Each tenant's Part IV - Distribution of Subsidy Earned (HUD/CA Use Only)  
 -Results of Voucher Summary Detail Query

**U.S. Department of Housing and Urban Development  
 TRACS Voucher Detail**

Contract/Project Number: RQ46M000038  
 Voucher ID: 0904019984

Project Name: SAN ANTON APTS  
 Voucher Date: 4/1/09

**Transmission Details**

Mailbox ID:	TRACM14853TRACM01837
Transmission Date:	3/26/09

**Payment Requested**

Total Regular Payment Amount: \$	108867
Total Adjusted Payment Amount: \$	58
Voucher Unrequested Amount: \$	0
Total Miscellaneous Request Amount: \$	0
Total Special Claims Amount: \$	562
Total Voucher Amount: \$	109487

**PRHFA failed to Verify through TRACS that the amount of the housing assistance payment paid on behalf of each resident family is accurate**

It was confirmed by PRHFA that 50059 data is verified against their own software, LIVES, instead of TRACS. PRHFA staff claimed that LIVES and TRACS are supposed to have the same data. This resulted in occasional missing data, such as move-outs, in TRACS. Also it resulted in some vouchers not being paid because of failure to comply with the TRACS percentage requirement.

**PRHFA failed to notify the owner of any corrections made as a result of their voucher review**

On letter dated January 26, 2009, the PRHFA was informed on this requirement. We stated March 1<sup>st</sup> as the effective date to provide time to develop their internal guidance. However, this was not implemented as of the date of our review. Reconciliation reports were generated and provided only to those owners/agents who required it. It was not provided to all owners. This resulted in owners/agents being unable to resolve their discrepancies between the HAP amount requested and the HAP amount approved by the PRHFA.

**Property Data Submitted to TRACS by PRHFA is not Accurate in Some Instances**

Property information such as, but not limited to, Property Name, Project Number, Management Agent is submitted to TRACS from PRHFA's own database. There are no controls to reconcile this data or to regularly confirm the same is still accurate. We found one (1) instance (Alturas del Señorial RQ46 0005011) where the FHA number submitted by the PRHFA was incorrect due to the fact this property paid off its FHA mortgage on January 30, 1998.

The owner is also transmitting a FHA number for this property. PRHFA must inform the owner to correct this data on site's software.

**PRHFA software makes it hard to submit certifications as they are completed**

50059 certification and voucher data are two (2) separate processes. HUD encourages owners/agents to forward 50059 certification data to HUD as processed throughout the month. Failure to do so might result in false double subsidy situations.

Contrary to iMAX, PBPRHFA software is not available 24 hours a day, seven days a week. Furthermore, the information transmitted by OAs is only processed during local business days and hours. This resulted in OAs not being able to timely obtain feedback on data transmitted and correct 50059 certification data, if needed, before transmitting the monthly voucher. Also, it would appear that the PRHFA is batching based on the voucher and holding the 50059 certifications until they appear on the voucher. This will result in TRACS not receiving a history of the property transactions. PRHFA must transmit each certification to TRACS as soon it is verified and it complies with HUD regulations.

PBPRHFA management agreed this situation must be corrected and is working on the development of a process.

**Corrective Action Required:**

PRHFA must develop and implement an internal control plan and procedural guidelines to ensure that monitoring of monthly Section 8 vouchers is performed in accordance with HUD requirements and that it documents follow-up efforts. The plans and guidelines must include, but it is not limited to, the following:

- Information in TRACS, both voucher and CERTIFICATION, must be regularly monitored to verify accuracy of the data.
- Internal tracking system to verify timely receipt of the voucher. The PRHFA **must** follow-up on delinquent vouchers until received.
- OAs must receive feedback on data transmitted **at least** on a daily basis, including local holidays, weekends and evenings.
- Reconciliation report must be submitted to **all** OAs on a monthly basis as soon as the voucher is submitted to TRACS for payment.
- Do not hold certifications until they appear on the voucher.
- OAs must be informed of any corrections/adjustments made as result of the voucher review.
- Have staff dedicated 100% to the PBCA initiative.
- Regular training sessions to staff.

**Finding 2: Controls over Special Claims Payments Were Inadequate:**

The Special Claims Processing Guide, HSG-06-01, provides the Department of Housing and Urban Development (HUD) field offices, Contract Administrators (PRHFA), and owners/management agents information they need to prepare, review and approve special claims. As part of its commitment to provide affordable housing, HUD recognizes that owners of affordable housing have a potential financial risk because of the limitation on security deposits and the need to adhere to waiting list requirements; therefore, owners should be reimbursed for their financial loss through the special claims process. Processing and approving special claims is the responsibility of the organization administering the assistance contract.

The Guide states: The owner/agent should request payment for an approved claim on the next scheduled voucher. However, payment must be requested within 90 calendar days after approval date of the claim. The voucher **must** include the assigned special claims ID number for the type of claim. **Failure to include the assigned special claim ID on the voucher, entering the incorrect claim type or requesting a special claim amount that differs from the approved amount will result in rejection of the voucher.**

The authority did not comply with HUD requirements. It paid Special Claims without being included in the voucher submitted by the owner. This noncompliance occurred because the authority is creating the information and forwarding it to TRACS from its own database. Also, it did not have effective controls in place to ensure that its staff verified inclusion of the required data and determined the correct assistance payment. As a result, the authority made housing assistance payments for units that did not meet HUD's requirements.

<b>Property Name: Joanne Apartments</b>	<b>Voucher: April 2009</b>
<b>Contract Number: RQ460003006</b>	
<b>Special Claims Submitted by Owner: ten (10) units billed in the amount of \$7,758.00 for Section 8 Special Claims for Vacancies. Form submitted: HUD-52670-A Part 1, Schedule of Section 8 Special Claims</b>	
<b>Special Claims Submitted by the PRHFA: one (1) unit approved in the amount of \$9,227.00 for Claim ID PR80009041241. Form submitted: HUD-52670-A part 5, Approved Special Claims for Schedule of Tenant Assistance Payments Due.</b>	

Based on information presented on above table, it would appear that: 1) PRHFA software is batching the number of units in billing for the approved special claims; and 2) PRHFA is paying special different claims id numbers under just one claim id. For example: the paid special claims shown by the PRHA is claim id PR80009041241 while it seems several paid units were approved under claim id PR800090401241. The later id was not included in the data shown by PRHFA software.

**Corrective Action Required:**

PRHFA must implement internal controls which ensure that payment of Special Claims meet HUD requirements, to prevent Section 8 funds from being spent without being billed. The internal controls must include, but it is not limited to, the following:

- Verify the OAs include with the monthly voucher all required forms for billing special claims. Reject the voucher if OAs fail to include the assigned special claim ID on the voucher, enter the incorrect claim type or request a special claim amount that differs from the approved amount. Follow-up for compliance must be provided.
- Assure the claim id is included in the voucher billing for the special claim.
- Regular training sessions to staff.

**IBPS 7 – Notice of Corrective Actions**

Both the Site and PRHFA software must be compatible with TRACS. If PRHFA software cannot accept or correctly process a legal transaction that TRACS accepts, the problem is one for the PRHFA to resolve. The record must not be rejected and the site must be paid if there are no other problems with the transaction. This is not to say that PRHFA may not refuse to pay on a certification that TRACS accepts but rather that PRHFA software limitations may not dictate what is paid and what is not paid.



As is well known, there are many areas of the Handbook 4350.3 REV-1 that are subject to differing interpretations. There are also technical areas of the handbook that have not benefited from a complete analysis from the point of view of software implementation. When in doubt, a request should be made to HUD to provide clarification based on the current clarification request process. If there is a delay in the response, common sense and flexibility, combined with an analysis of what TRACS allows should prevail.

Contract Administrators software vendors are encouraged not to follow the TRACS processing flow but rather to **process incoming certifications in effective date order**, following the TRACS rules to break ties when multiple certifications are effective on the same date or multiple partial certifications are submitted for one household in one tenant file. When doing so, it is good practice to treat a unit transfer as both a transfer out and a transfer in. At some time in the future TRACS will process the transfer out portion of a UT prior to processing MAT10 records.

Owner/agents must correct and retransmit certifications rejected by a contract administrator. PRHFA must transmit all non-fatal certifications to TRACS. **It is PRHFA's responsibility to ensure that the certifications are reflected in TRACS unless TRACS issues a fatal error.** As an aid in this process, owners should cooperate with CA requests to retransmit a certification as a correction or as a baseline if the site software is capable of doing so. In turn, PRHFA must respond to owner/agent's request to submit transactions that have been approved/paid by the PRHFA but that are missing in the TRACS database. Failure to do so can result in subsequent errors. For example, if a move-out transaction is not recorded in TRACS, submitting a move-in transaction for the same resident in another property could result in unnecessary and inappropriate errors.

Because of the terms of its contract with HUD, PRHFA is permitted to be more stringent in requiring the resolution of non-fatal errors than is HUD. For example, TRACS issues only a level-one discrepancy message when a certification does not calculate correctly. TRACS stores and reports its own calculated values in such cases--not the values submitted by the sites. The CAs mission is to provide a higher level of data quality ensuring accuracy and currency of tenant certification data.

PRHFA may check for additional errors that TRACS does not so long as the error conditions are in accord with handbook rules. Messages should be returned to sites using an error code that TRACS does not use. It is best not to use a code not currently in use by TRACS but whose numeric value is less than the greatest one that TRACS currently uses. If using a CE or F code for a new CA error, use a number greater than or equal than 800 (CE823, F0800) and contact owner/agents to tell them what the new errors are and how to deal with them.

#### **Finding 1: Controls over Notice of Corrective Actions Were Inadequate:**

The PRHFA failed to perform in accordance with HUD requirements. This noncompliance occurred because the PRHFA's management did not have adequate procedures for conducting quality control procedures.

**Returned messages did not follow required TRACS format**

Messages returned by the PRHFA to the OAs must follow format specified on the TRACS 202C MAT User Guide. Details can be found on Chapter 4 and Appendix B of the Guide. PRHFA's software failed to follow this standard formatting thus resulting in OAs, even HUD staff, having difficulty in understanding what which certifications were rejected and the accurate reason for rejection. This prevented OAs from timely correcting and resubmitting certifications back to the PRHFA.

There are three kinds of TRACS messages transmitted to the originating entity: **Fatal Error**, **Discrepancy**, and **Informational**. The TRACS message format is as follows (sample of each kind of message can be found on Appendix B of the Guide):

Field	Data
id *id TRACMnnnnn	(TRACSMail identification)
User Defined	(reserved for OA Defined Data)
User Defined	(reserved for OA Software Vendor)
User Defined	(reserved for OA Software Release/Version)
User Defined	(reserved for CA Software Vendor)
User Defined	(reserved for CA Software Release/Version)
User Defined	(reserved for Agency Defined Data)
Project Name	
Project Number	
Contract Number	
Unit Number	
SSN	(Head of Household SSN)
Name	(Head of Household Name)
Tenant Number	
Effective Date	The (re)certification effective date. (Hud-50059, Item #1)
Specific Message Text	This includes message type (fatal, discrepancy, or informational), message text, and additional message details if applicable.

Below is an example of error messages currently provided by the PRHFA software:

Project Num	Unit #	Rec #	Field with error	Field Contents	Error Found	S
		00003	295 MEMBERS	0	INVALID MEMBERS	F
		00003	305 IMPUTED AMT	000000	INVALID CALC IMPUTE AMT	F
		00003	325 DEPEND ALLOW	000960	DEPEND ALLOW INV CALC	F
		00003	353 BASIC RENT	003000	236 BASIC RENT NOT APPLICA	F
		00003	373 WAIVER	0000	WAIVER NOT VALED	F
RQ46R000020	D43	00004	400 ETHNICITY		INVALID ETHNICITY	F
		00005	400 ETHNICITY		INVALID ETHNICITY	F
		00006	400 ETHNICITY		INVALID ETHNICITY	F
		00008	075 DEPENDANTS	00	INVALID DEPENDANTS COUNT	F
		00008	077 TOTAL MEMBER	00	MEMBER + FOSTER > 14 MEMBERS	F
		00009	295 MEMBERS	0	INVALID MEMBERS	F
		00009	305 IMPUTED AMT	000000	INVALID CALC IMPUTE AMT	F
		00009	325 DEPEND ALLOW	000960	DEPEND ALLOW INV CALC	F
		00009	353 BASIC RENT	003000	236 BASIC RENT NOT APPLICA	F
		00009	373 WAIVER	0000	WAIVER NOT VALED	F
RQ46R000020	E53	00010	400 ETHNICITY		INVALID ETHNICITY	F
		00011	400 ETHNICITY		INVALID ETHNICITY	F
		00012	400 ETHNICITY		INVALID ETHNICITY	F
		00014	075 DEPENDANTS	00	INVALID DEPENDANTS COUNT	F
		00014	077 TOTAL MEMBER	00	MEMBER + FOSTER > 14 MEMBERS	F

### Corrective Action Required:

PRHFA must implement internal controls which ensure that notification of corrective actions and its software meet HUD requirements, to prevent delay in OAs submitting accurate data due to misunderstanding of what it is expected from them. The internal controls must include, but it is not limited to, the following:

- PRHFA must return all TRACS generated messages to owners without alteration.
- The owner must be notified of **any** corrections/adjustments made as a result of the PRHFA's review.
- PRHFA will review the owner's subsequent voucher submissions to verify that any changes made are reflected in subsequent vouchers.
- Returned messages must follow TRACS format requirements.
- If reporting a discrepancy, the next line must contain an action processed code that reflects the severity that the PRHFA attaches to the error – 1 through 4.
- PRHFA software needs to follow the specifications and not invent new error categories and methods of communicating information.
- If PRHFA software routinely fatals a resubmission of a MO record, it is necessary for the PRHFA to find a way to pass the MO on to TRACS in cases such as this where the household status has not changed but TRACS has reactivated it.
- When reporting a calculation error, report both the site submitted value and the PRHFA calculated value. The same goes for income limits, rent errors and similar discrepancies.

- PRHFA may not fatal or hold certifications that are legal per the specifications and acceptable to TRACS. Examples:
  - Split gross rent changes that are currently legal
  - MAT10 gross rent changes that the PRHFA software does not handle properly
  - Household splits and swaps that do not count as double subsidy situations per the TRACS 202C specifications
  - Children in joint custody
- If the PRHFA is unclear whether TRACS would accept a transaction, try submitting it for confirmation.
- PRHFA adjustments for rounding cannot be automatic unless PRHFA can prove it is right. Appendix H of the TRACS 202C Industry Specifications is the deciding document.
- Provide training to staff regarding PRHFA's responsibilities under the PBCA-ACC on this area.

**IBPS 8 – PROGRAM ON HOLD AT THIS TIME**

**IBPS 9/10 – Responding to Health and Safety Issues/Resident Concerns**

**Sample:** Miramar Housing for the Elderly, RQ46T801001  
 San Ignacio Housing Coop, RQ46L000016  
 Hogar San Antonio, RQ46T831009  
 Mayor Housing, RQ460002006  
 San Juan Park I, RQ46H005033  
 Las Americas Housing, RQ46H005027  
 Villa Esperanza, RQ46T841019  
 Jardines de Aguada, RQ46R000021  
 San Cristobal Apts, RQ46A001002  
 Coop. San Ignacio, RQ46L000016  
 La Hacienda Housing Coop, RQ46L000025  
 Villa Providencia, RQ46T851027  
 Multifamiliar Inmaculada, RQ46L000045

**Outcome:** Resolve health and safety issues and establish positive relations and communications with residents and the community

**ACC Requirements:**

Respond immediately to all life threatening health and safety issues.	Notify owner of all concerns and determine appropriate corrective action.
Respond to all non-life threatening health and safety issues within two (2) business days of notification during normal hours.	Monitor owner response to concerns and implementation of corrective actions.

Maintain tracking system from inquiries, responses and corrective actions and submit log to jurisdictional HUD Office with monthly invoices.	
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The CRT reviewed documentation on PRHFA's responses to Health and Safety issues and found that overall PRHFA performance has been acceptable. However, the CRT identified one deficient Life Threatening Health and Safety (LTH&S) complaint, where the owner/agent was not notified within one hour of PRHFA receiving the complaint as required by the ACC. The LTH&S complaint was referred by HUD staff for Villa Providencia (RQ46T851027) on 5-1-09 at 11:04 am and PRHFA contacted owner on 5-1-09 at 3:08 pm. A disincentive will be taken on the PRHFA May 2009 Invoice payment for IBPS 9 – Life Threatening Health and Safety. We recommend that PRHFA implement stronger internal controls in this area and clarify guidance to staff on the ACC requirements for LTH&S and NLTH&S issues.

#### **IBPS 11/12 – Section 8 Budgets/Requisitions/Revisions/Year-End Statements**

HUD Headquarters issued memorandum from Lanier M. Hylton, Director, Office of Housing Assistance Contract Administration Oversight, dated May 11, 2007, subject: Housing Assistance Payment Under/Over Payment Close-Out Procedures and Guidance for Annual Interest Earned Certification. The memorandum provided instructions to PBCAs for accomplishing the settlement process of HAP overpayments and interest earned. While the reimbursement of overpayments of HAP assistance was a one-time requirement in 2007, remittance of interest earned is required annually and replaces the year-end statement task, IBPS 12, as set forth in the PB-ACC. Therefore, per the instructions in the Headquarters Memorandum dated May 11, 2007, PBCAs are required to submit an Annual Interest Earned Certification, Attachment C within 45 days of the end of the PBCA's fiscal year. PRHFA received the Headquarters Memorandum and instructions in May, 2007, and the Memorandum is posted on the Section 8 Contract Administration website. Although the preceding information was included in the 2008 ACR Report issued July 3, 2008, PRHFA was late in complying with the requirements of IBPS 12 and a disincentive was assessed on the August 2008 Invoice payment. We recommend that PRHFA review the Headquarters requirements for the Annual Interest Earned Certification and remittance of interest earned to HUD within 45 days of the end of the PBCA's fiscal year; and comply with IBPS 12 requirements for 2009.

#### **IBPS 13 – Public Housing Agency Audit**

PRHFA submitted the required Audited Financial Statements to HUD in a timely manner.

**IBPS 14 – Renewal of Expiring HAP Contracts**

**Sample:** Los Hucares, RQ46R000026  
 Alturas de Penuelas, RQ46R000002  
 Barbara Ann Roessler, RQ46T801018  
 Egidia de la Concepcion, RQ46T841023  
 Muneki II, RQ460005025  
 Montblanc Gardens, RQ46R000015  
 Bethel Housing for the Elderly, RQ46T791009  
 Alamo Court, RQ460007055  
 Los Robles Apartments, RQ460007072  
 Villas de Navarra, RQ46L000026

**Outcome:** Expiring Section 8 contracts are renewed.

**ACC Requirements:**

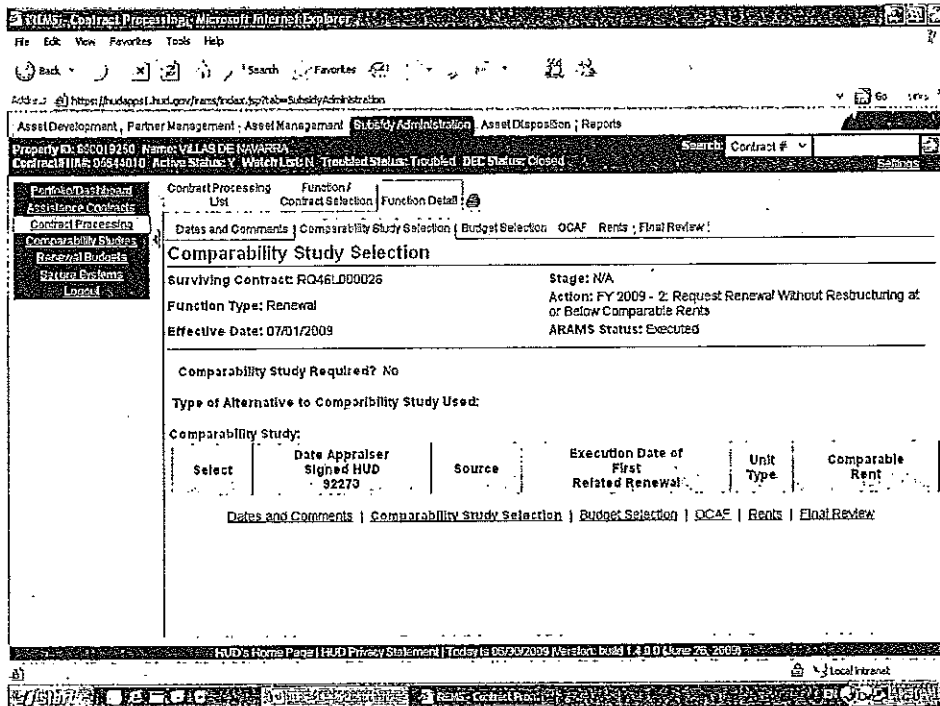
Verify that owners of projects with expiring Section 8 HAP contracts provide required notice to the PHA and project residents.	Prepare renewal HAP contract in the form required by HUD.
If the owner opts not to renew, take the actions under IBPS	After receipt of confirmation of funding for renewal from HUD, ensure the HAP contract is executed (signed) by the owner and the PHA.
Maintain copies of owner’s notice to PHA and project residents.	Execute and distribute copies of the HAP contract within one business week to the owner, jurisdictional HUD office, and PHA files.
If the owner chooses to renew, determine which available option (form of renewal authorized by HUD) the owner wishes to use and notify the jurisdictional HUD office.	

The CRT found that overall PRHFA is processing the Section 8 contract renewals in accordance with current HUD regulations and the timeframes required by the ACC. However, the CRT has identified some areas in need of improvement and makes the following observations/recommendations:

- RQ460005025 Muñeki Apartments
  - The tenant notification letter provided by the owner with the renewal package is in draft form.
  - PRHFA staff approved a budget based rent increase of 15.44% without forwarding it to HUD for final review and approval.

- RQ46L000026 Villas de Navarra

- PRHFA staff processed the HAP renewal with an incomplete package. The Request to Renew Using Non-Section 8 Units in the Section 8 Project as a Market Rent Ceiling was not included in the renewal request.
- iREMS was not properly documented. It says that a comparability rent study (RCS) is not required and it does not mention that an alternative comparability study was used.



RECOMMENDATIONS:

- The notice to tenants must be on the Owner’s or duly authorized representative’s letterhead and signed. It must be served by delivery directly to each unit in the project or mailed to each tenant. **Note: taping the Notice to the outside of each unit is not acceptable.** Moreover, if the population of the property speaks a language other than English, Owners are strongly encouraged to provide the notification letters in the appropriate language(s). Please refer to Chapter 11 of the Section 8 Renewal Guide for details.
- PRHFA staff must forward to HUD all budget-based rent increases where they (PRHFA) recommend an increase of over 5%. This includes budget based rent increases submitted with HAP renewals.

### IBPS 15 – General Reporting

PRHFA has submitted the invoices, monthly, quarterly, and annual reports, and work plan within the timeframes required by the ACC.

### IBPS 16 – Monitoring Physical Inspection Results

**Sample size:** Jardines del Carmen, 800019133  
Bonneville Residential, 800019063  
Coop. La Hacienda, 800019142  
Comunidad del Retiro, 800019081  
Jardines del Carmen, 800019133  
Los Robles Apartments, 800019162  
Vistas del Turabo, 800019257  
Las Americas Park I, 800019148  
Campeche, 800019068  
Los Flamboyanes, 800019158

**Outcome:** Verify completion of corrective actions based upon the analysis of the results of the annual physical inspections conducted on properties included in the ACC. Take legal Actions as directed by HUD for enforcement of the HAP Contract.

#### **ACC Required Post Inspection Activities:**

Provide follow-up with owner on violations and corrective Actions needed.	Notify jurisdictional HUD office of abatement of payment and specific reasons for the action.
Provide owner with time frame to correct violations.	Notify jurisdictional HUD office of the completion of required actions.
Work with owner to eliminate the deficiencies.	Take legal action as directed by HUD for enforcement of the HAP contract.
Abate payments when owner fails to correct violations within designated time period.	

The CRT reviewed ten REAC inspection files and found that PRHFA performs REAC inspection follow-up activities in an acceptable and timely manner. The files were well organized, and iREMS entries were completed timely and included in the files.