

# *What to Do with Performance Management Review (PMR) and Agreed Upon Procedures (AUP) Data?*

Laura Taylor, Director, Bureau of Housing Management

Gretchen Haupt, Program Coordinator, Bureau of Policy and Program Development

Wayde Porrovecchio, Director of Finance

# AGENDA:

AUP Results

LHA View (to be released soon)

PMR Results

Retained Revenue

# AUP Program Overview

# What Do We Look at for AUP?

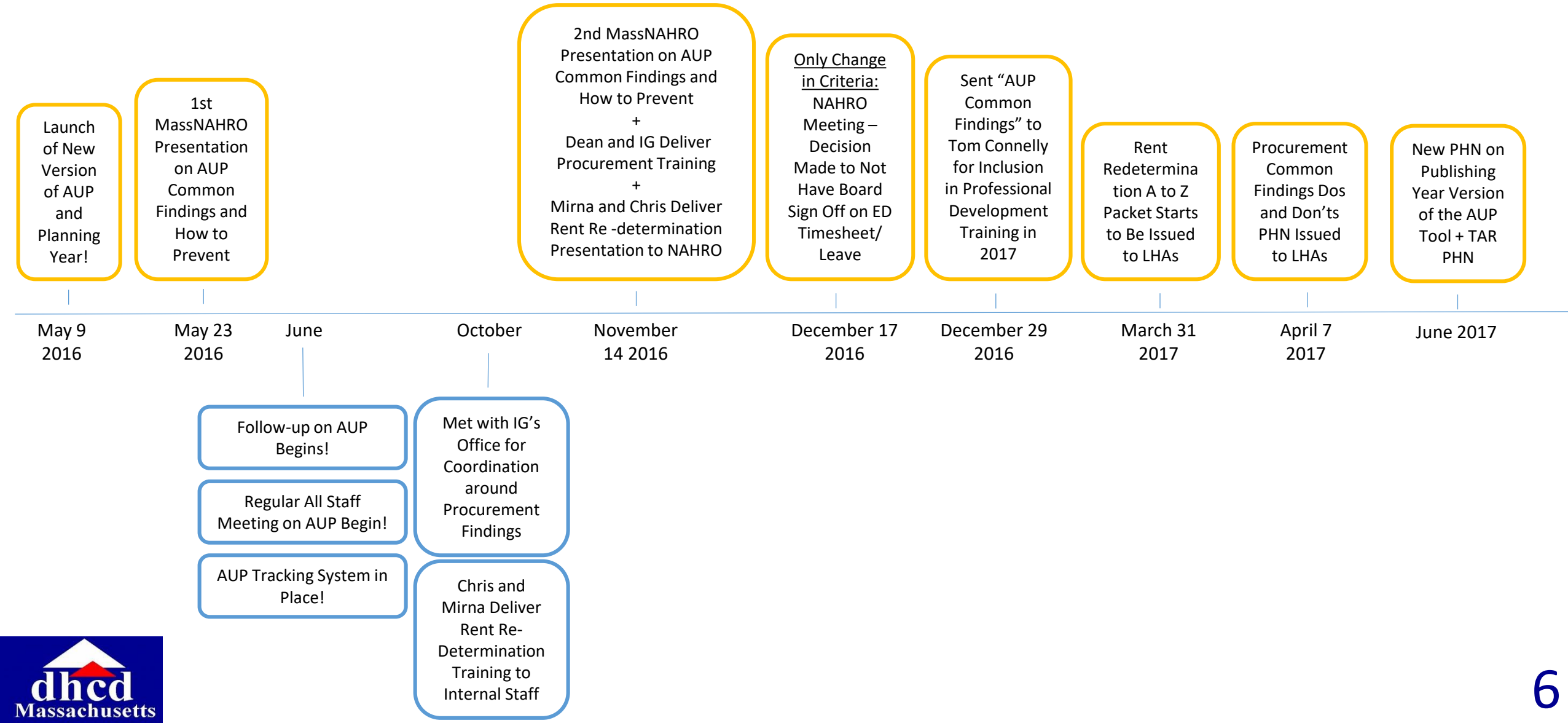
- The eight criteria of the AUP excel tool are:
  - **Rent Collection** (includes Segregation of Duties for Rent Collection and Tenants Accounts Receivables)
  - **Payroll** (includes Top 5/Salary, Timesheets, and Tracking/Accounting for Leave)
  - **Accounts Payables** (includes testing a sample of Operating, Capital, Credit Card and Employee Reimbursements)
  - **Inventory** (includes maintaining a Fixed Asset Listing as well as a Depreciation Schedule)
  - **Procurement** (includes following Procurement Law/maintaining Contract Registrar)
  - **Cash Management** (includes testing bank statements match General Ledger)
  - **Operating Subsidy** (includes checks on the Accuracy of the ANUEL and Subsidy Worksheet)
  - **Rent Re-Determination** (includes timeliness of annual rent re-determination, accuracy of rent calculations, and timeliness of notices)

# For each procedure, the auditor marks an “E” for an exception or an “NE” for No Exception.

- The AUP excel tool automatically calculates the rating for each of the eight criteria of the AUP.

		Criteria	B. Payroll/Fringe Benefits	
Number of Category Exceptions:		0	Category Rating:	No Findings
Procedures	<b>A. Wage Reconciliation</b>	<b>Category</b>		
	1. Verify analytically (not to exact amount) that FYE-end wages gross payroll reported on the LHA's General Ledger for all programs and all employees matches actual wage amounts reported on Forms 941 and WR-1 (state and federal filings).			No Exception Found
	2. Look at DHCD-approved budget <i>Schedule of All Salaries and Positions "Report"</i> in HAFIS and identify five highest paid salaries from all funding sources. Verify analytically (not to exact amount) that it matches the amount reported at FYE on the Schedule of Positions and Compensation form (LHA should have a copy on file; DHCD refers to this as the Top 5 form). Verify the amount reported on the Schedule of Positions and Compensation (Top 5) form matches the amount reported on Forms 941 and WR-1.			
	<b>B. Select a Single Pay Period:</b>			No Exception Found
1. Trace timesheets/timecards to the payroll register.			No Exception Found	
2. Test for completeness and accuracy.				
3. Proper controls and approvals are in place, i.e. employees sign timesheets, the Executive Director signs off on employee timesheets, and the Executive Director maintains a timesheet.				
<b>C. Obtain a compensated absences liability schedule:</b>			No Exception Found	
1. Test for consistency with personnel policy (personnel policy required per Contract for Financial Assistance (CFA) and Management Plan IIa2) and reconcile to Balance Sheet (51-2) and General Ledger. Verify analytically future liabilities for employee benefits (particularly GASB 45 and GASB 68) are properly reflected on Operating Statement (51-1) and Balance Sheet (51-2).			No Exception Found	
2. Proper controls and approvals are in place, i.e. Executive Director approves employee compensated absences.				
3. Compensated absences should be tracked apart from the timesheets, and verification with timesheets should be performed.				
4. Accrued and Accumulated leave time matches. Time is accruing as it should.				

# AUP Program Internal and External Activities



# AUP Results (High Level)

# Sample Sizes

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- 12/31/15 FYE – 60 LHAs
- 3/31/16 FYE – 40 LHAs (not everyone)
- 6/30/16 FYE – 58 LHAs (not everyone)

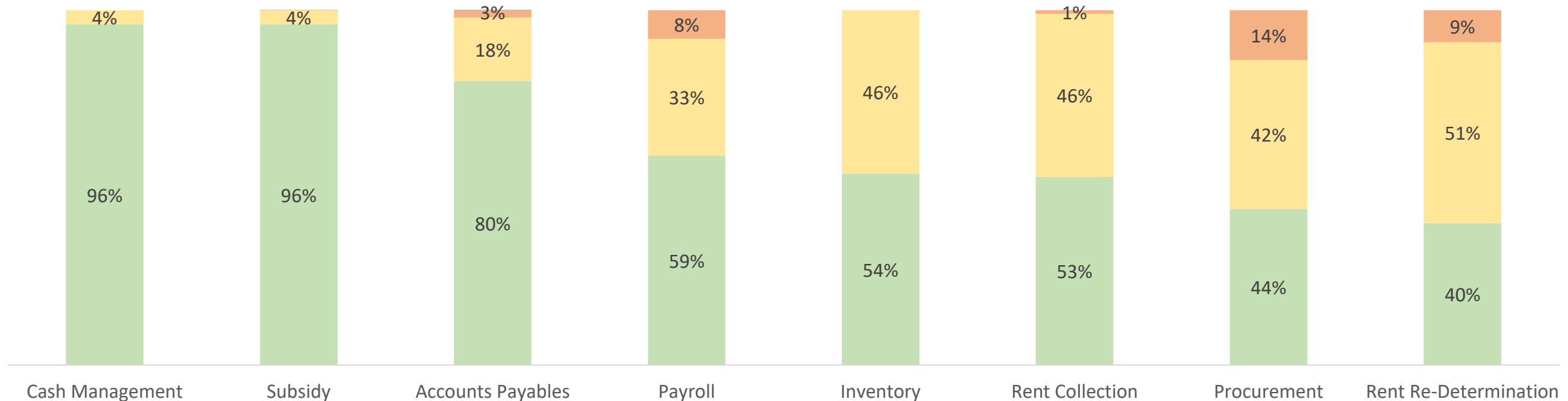


# Procurement and Rent Re-Determination continue to be top two criteria with exceptions for the AUP.

- Procurement has the highest levels of “Corrective Action,” however the threshold is lower for this criteria, with only two exceptions leading to “Corrective Action” compared to the threshold of three for most other criteria.
- Payroll and Rent Re-Determination have the highest rates of exceptions across various categories within that criteria. Roughly 1 in 10 have exceptions in all three categories of payroll and at least 3 of the 4 categories of rent re-determination.

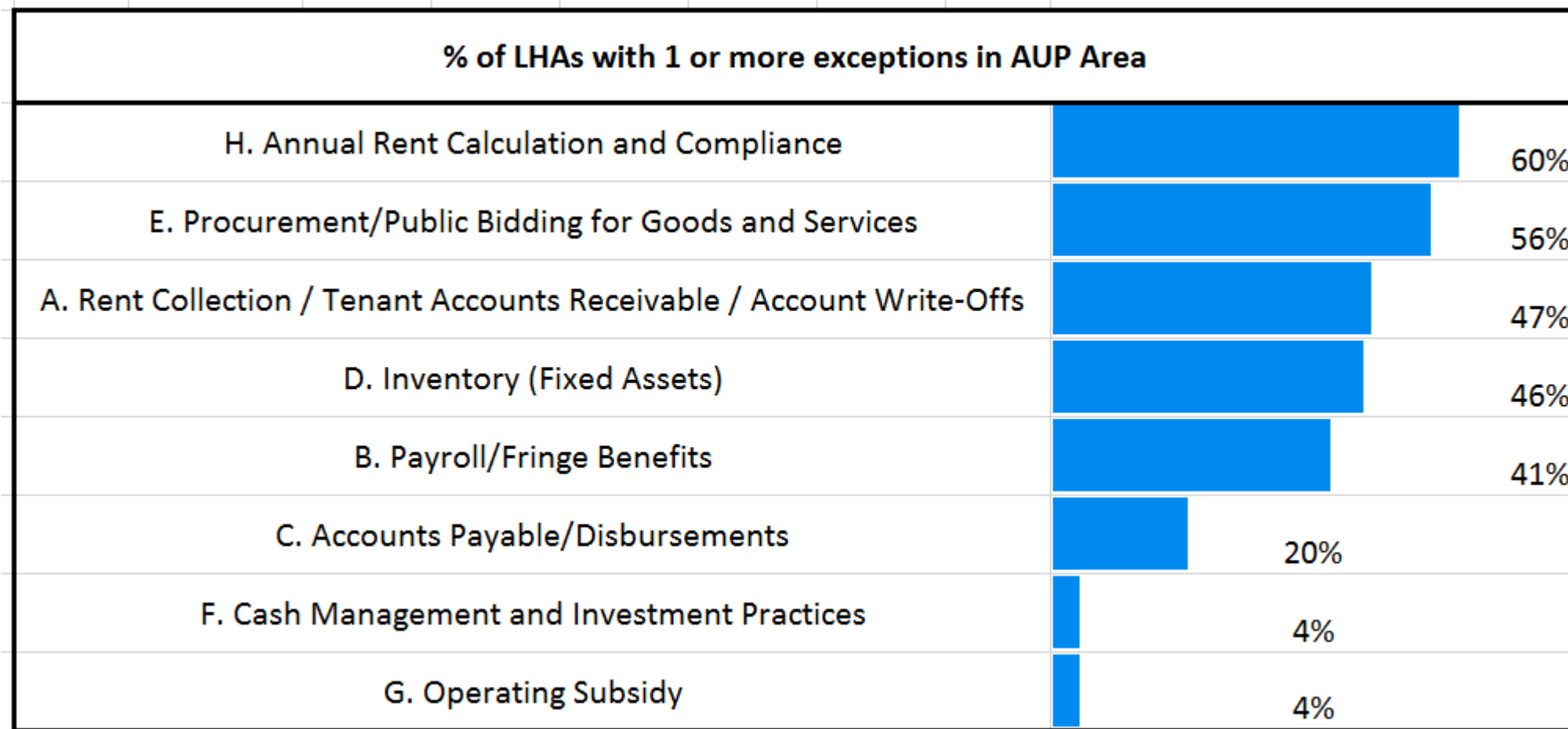
## AUP Results 12/31/15 and 3/31/16 and 6/30/16 Combined

■ No Findings    ■ Operational Guidance    ■ Corrective Action



# Annual Rent Re-Determination and Procurement top the list, with over half of LHAs with findings in these areas.

- Nearly half also have issues with Rent Collection/TAR and with Fixed Asset/Depreciation Schedules.



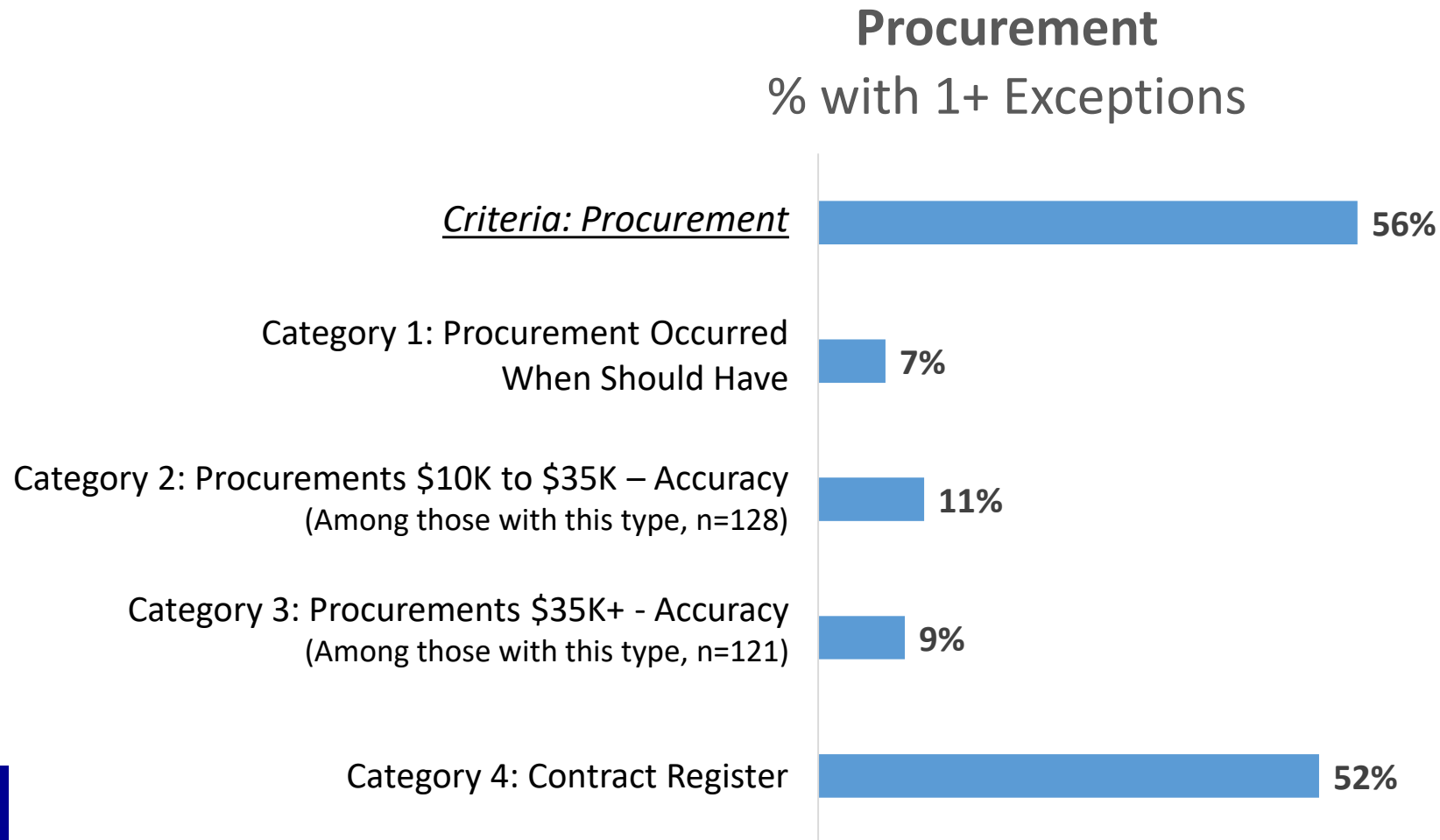
# AUP Results

## Detailed

# Procurement

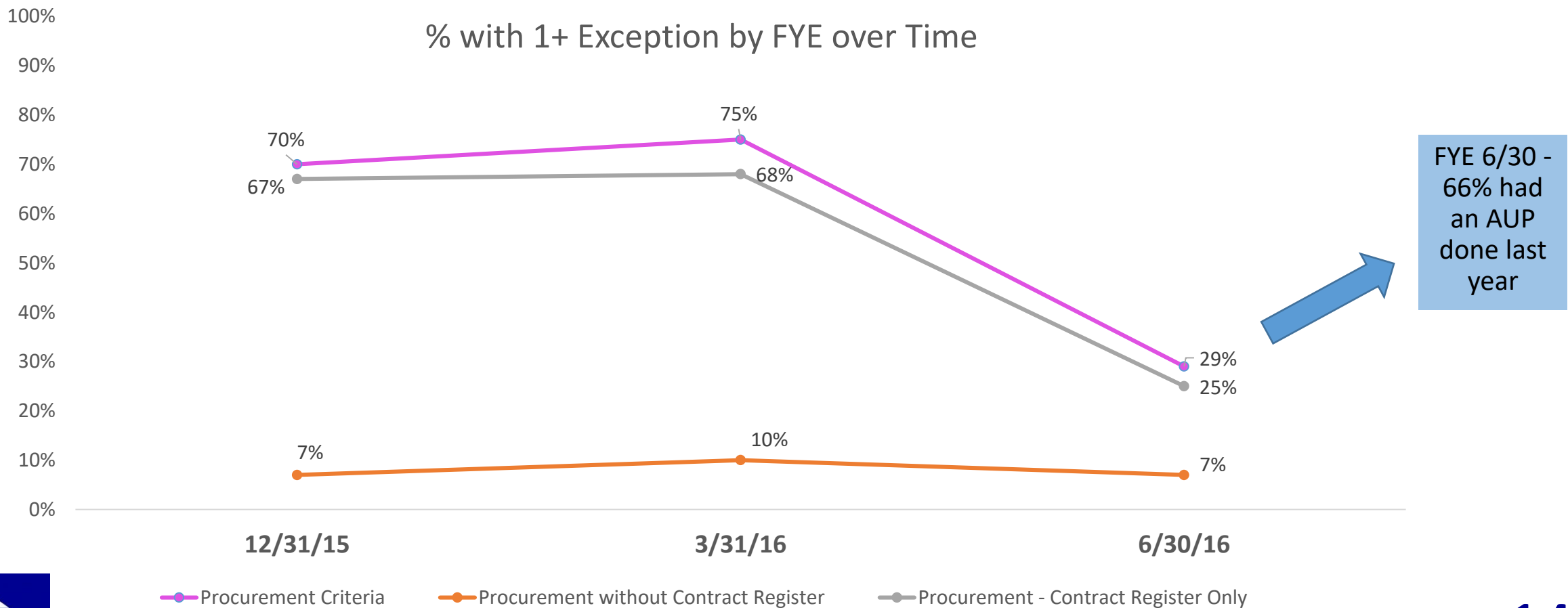
# The contract register receives the most exceptions in this criteria by far.

- Still, around 1 in 10 LHAs have issues with the accuracy of their procurements.



# A reduction in findings for the Contract Register is the reason for the drastic improvement in procurement criteria.

- 66% of FYE 6/30/16 AUPs had a previous AUP where they were flagged for this issue, which might explain the large reduction in findings for this area.



# Procurement Criteria

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## **How DHCD Will Help:**

- Template Contract Register Upon Request
- Procurement Specialist, Dean Harris
- Dean will hold procurement trainings for those who request it

## **What LHAs Can Do - Common Exceptions for Procurement:**

- Board Approval of Contracts (prior to being initiated)
- Posting on Goods and Services Bulletin for Contracts Over \$100K
- Newspaper Advertisement 2 weeks prior

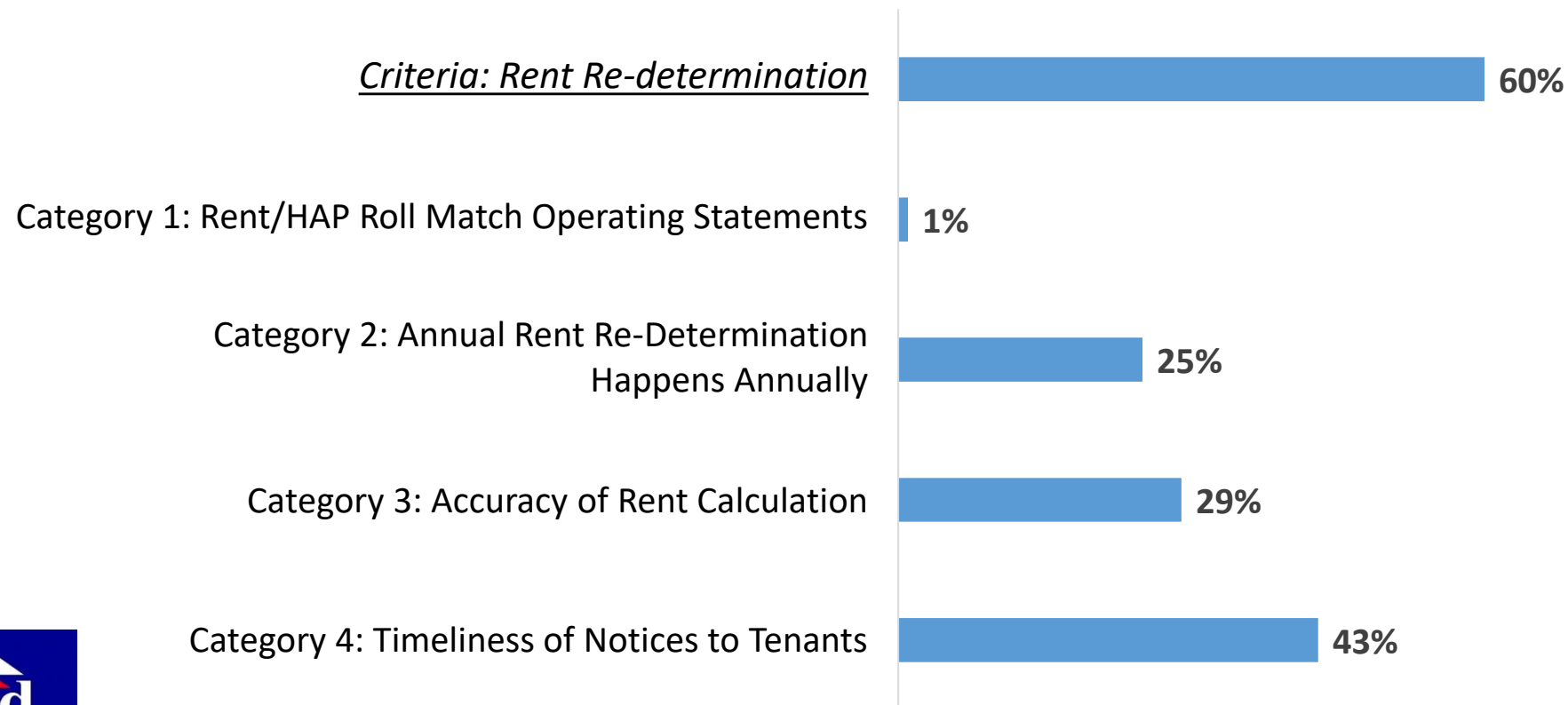
# Rent Re-Determination



# 6 in 10 LHAs have an exception in Rent Re-Determination. Most likely, for timeliness of notices.

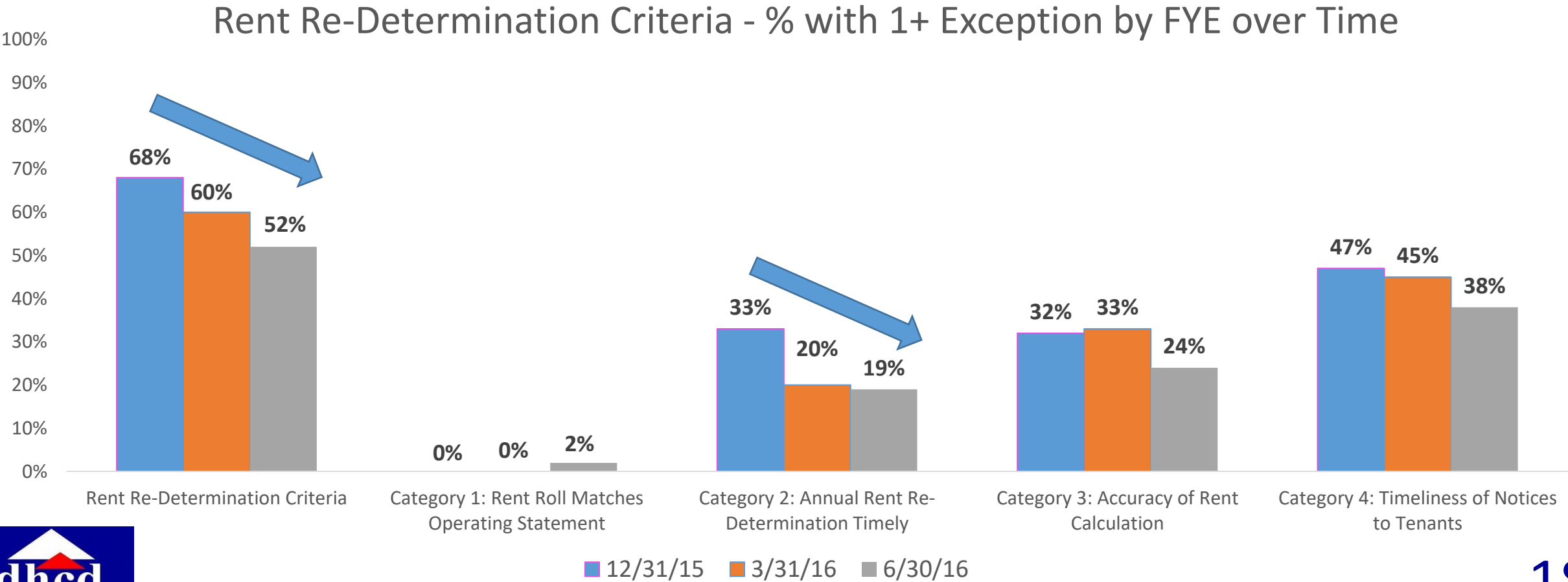
- Though 1 in 4 had exceptions being timely with annual rent re-determinations and/or calculating rent accurately.

## Rent Redetermination % with 1+ Exceptions

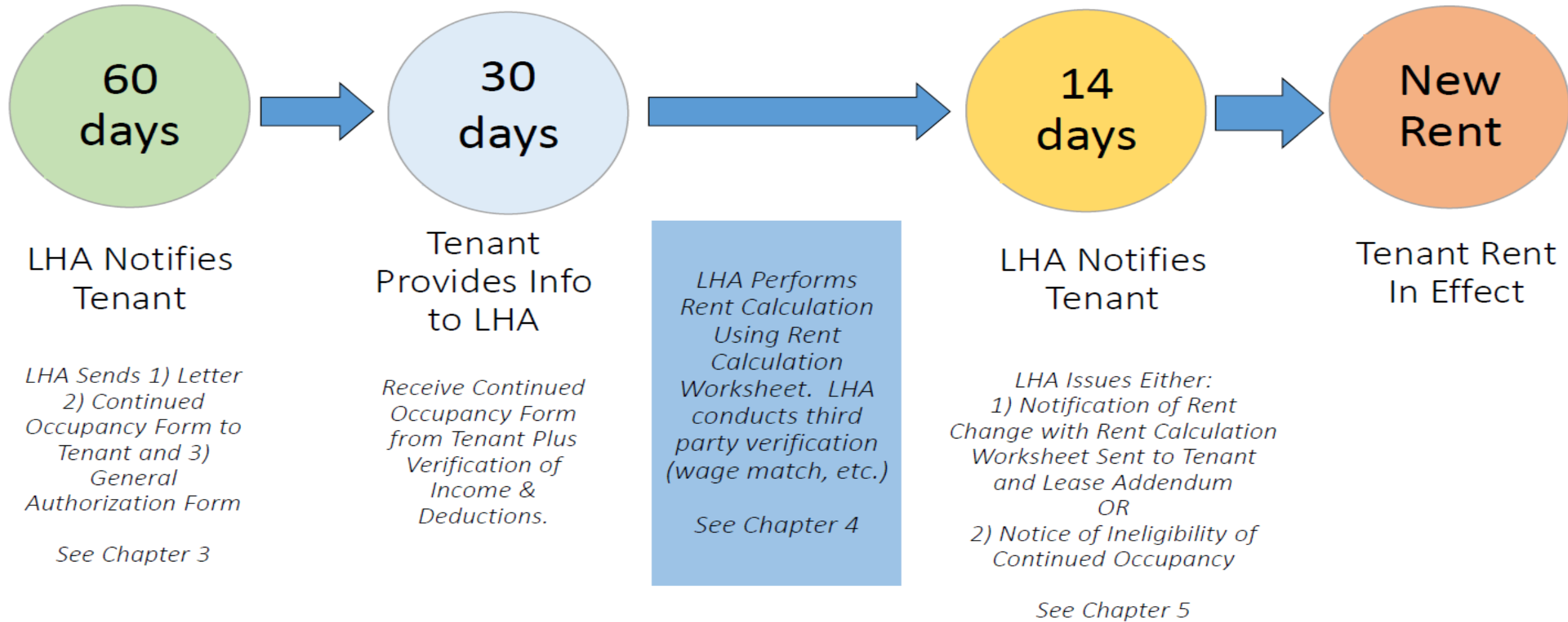


Fewer exceptions in this category is mainly driven by the fact more LHAs are timely with their annual rent re-determinations.

- Still, accuracy of rent calculations and timeliness of notices have only seen slight improvements.



# Rent Re-Determination Process



# Rent Re-Determination Criteria

## **How DHCD Will Help:**

As of the End of March – Rent Re-Determination packet A to Z is starting to be issued to LHAs. It includes:

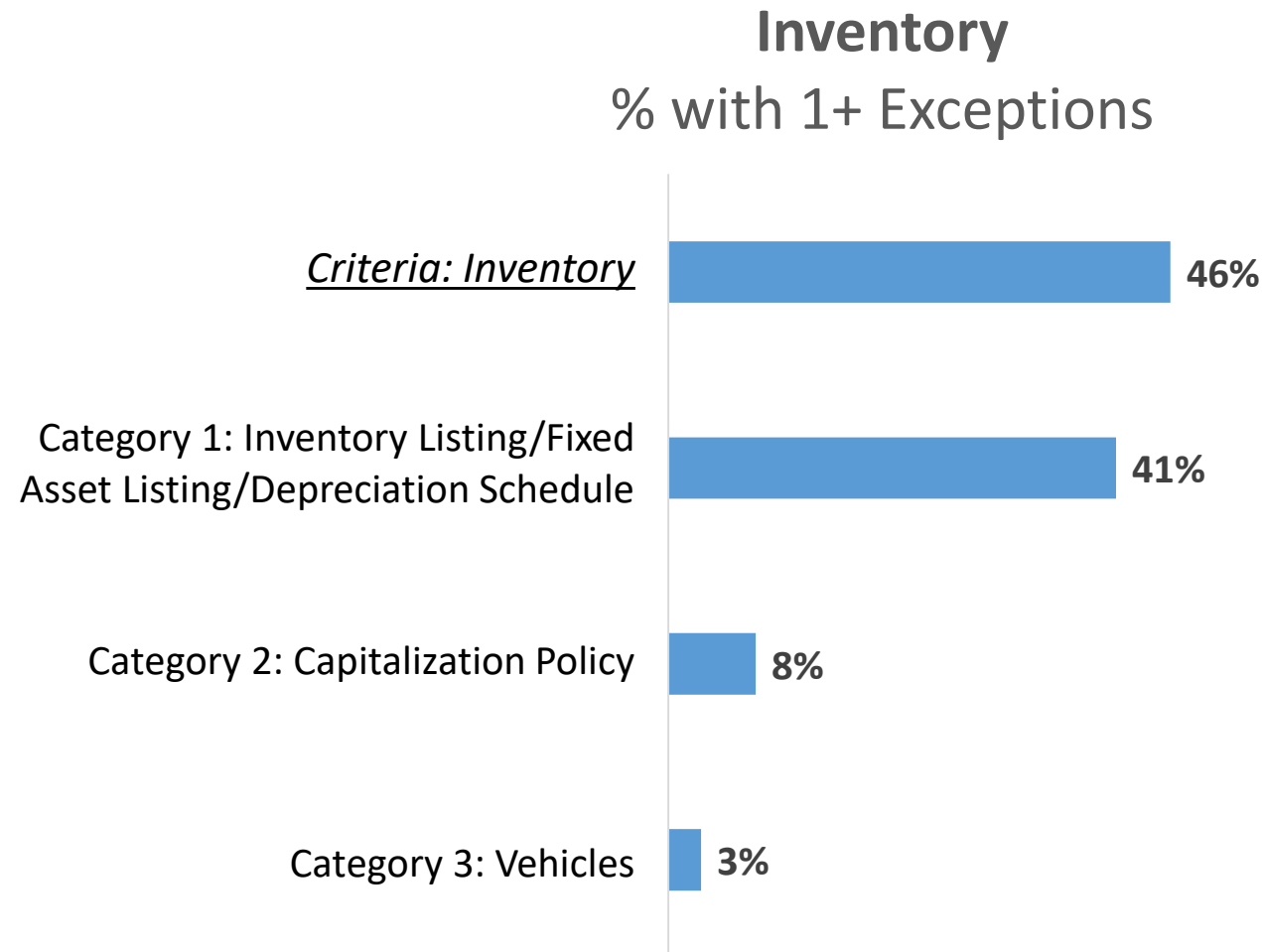
- 1) An Overview of the Redetermination Process A to Z
  - 2) Helpful Aids/Resources to Help LHAs Calculate Rent More Accurately
  - 3) Sample Notices and Explanation of the Regulations around Rent Re-Determination Notification to Tenants
- 
- DHCD to Explore What Software Vendors Have to Offer In The Area of Rent Calculation
    - How Many LHAs are using their software to help them calculate rent?
    - How Can We Partner with Software Vendors in this area?
  - Regional Trainings on This Topic by Mirna

## **What LHAs Can Do - Common Exceptions for Rent Re-Determination**

- 60 Day Notices to Tenants Were Not Timely
- 14 Day Notices to Tenants Were Not Timely
- Lease Addendums Were Not Properly Executed
- Attend a Rent Calculation Training If Unsure of Rules Around Rent Calculation

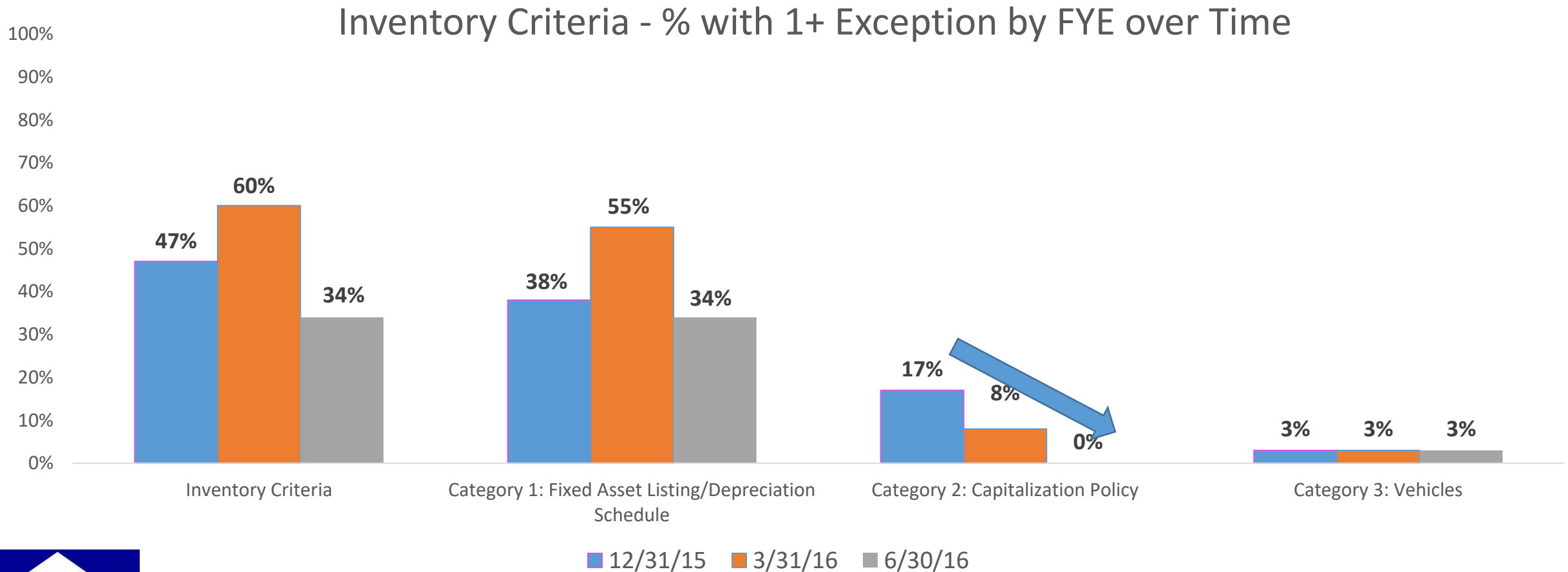
# Inventory

# Exceptions are most likely to be found in one of the various asset listings that are maintained by the LHA.



# Fewer findings in this category is mainly driven by a drop in findings related to the LHA's Capitalization Policy.

- The main area of findings continues to be around the LHA's Inventory Listing and/or Fixed Asset Listing/Depreciation Schedule, and the number of exceptions in this area has not changed much over time.



# Policy Implications – Inventory Criteria

## **How DHCD Will Help:**

- Issue PHN with detailed information about keeping track of assets in your:
  - 1) Inventory Listing
  - 2) Fixed Asset Listing
  - 3) Depreciation Schedule

## **What LHAs Can Do - Common Exceptions for Inventory**

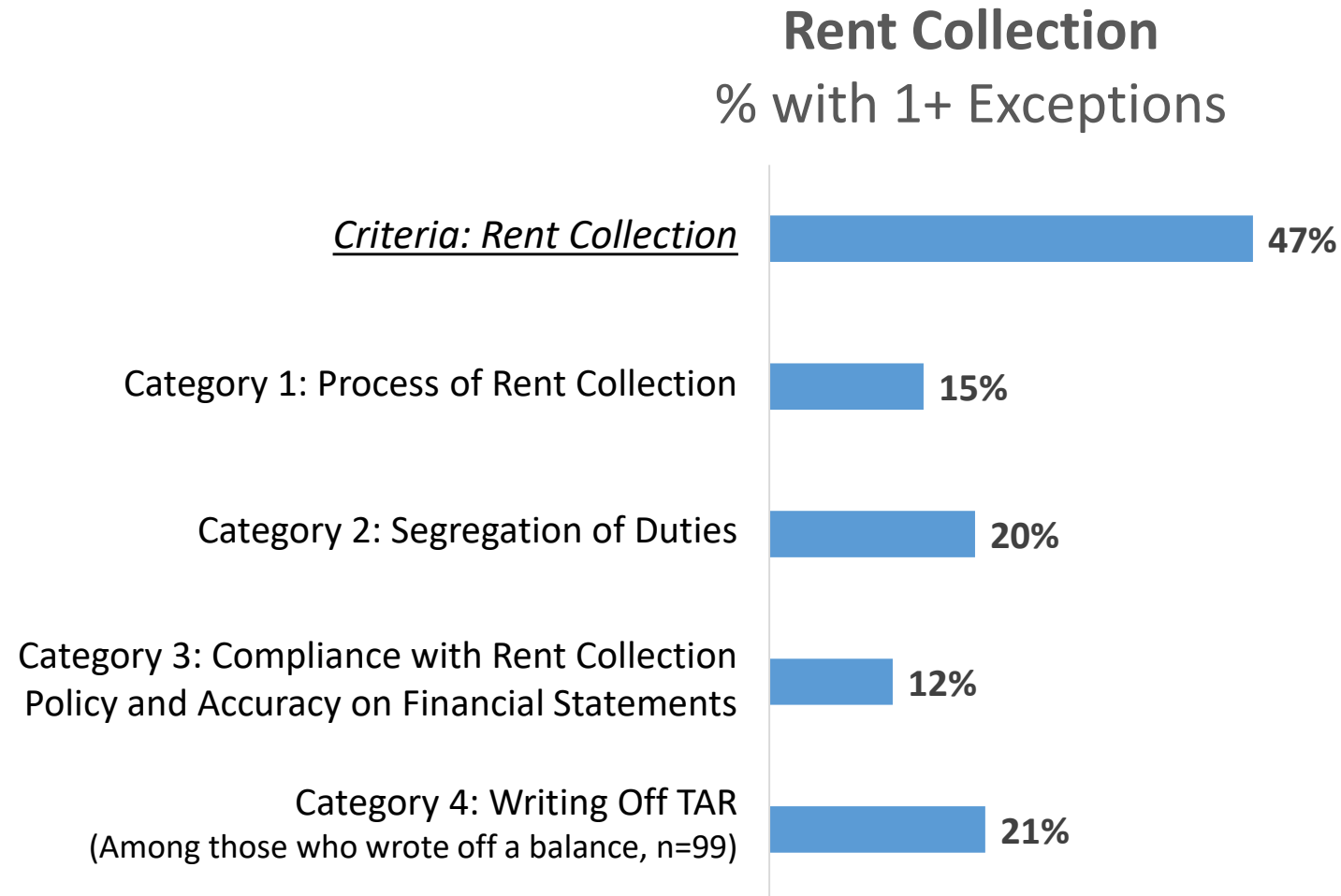
- Check your Fixed Asset Listing/Depreciation Schedule To Confirm is Up to Date (if you have purchased new assets or disposed of old assets, make sure to inform your fee accountant)
- Inventory Listing should include both capitalized and non-capitalized assets (stoves, refrigerators, etc.), including a tag with LHA-assigned number
- For vehicles include make/model/year



# Rent Collection

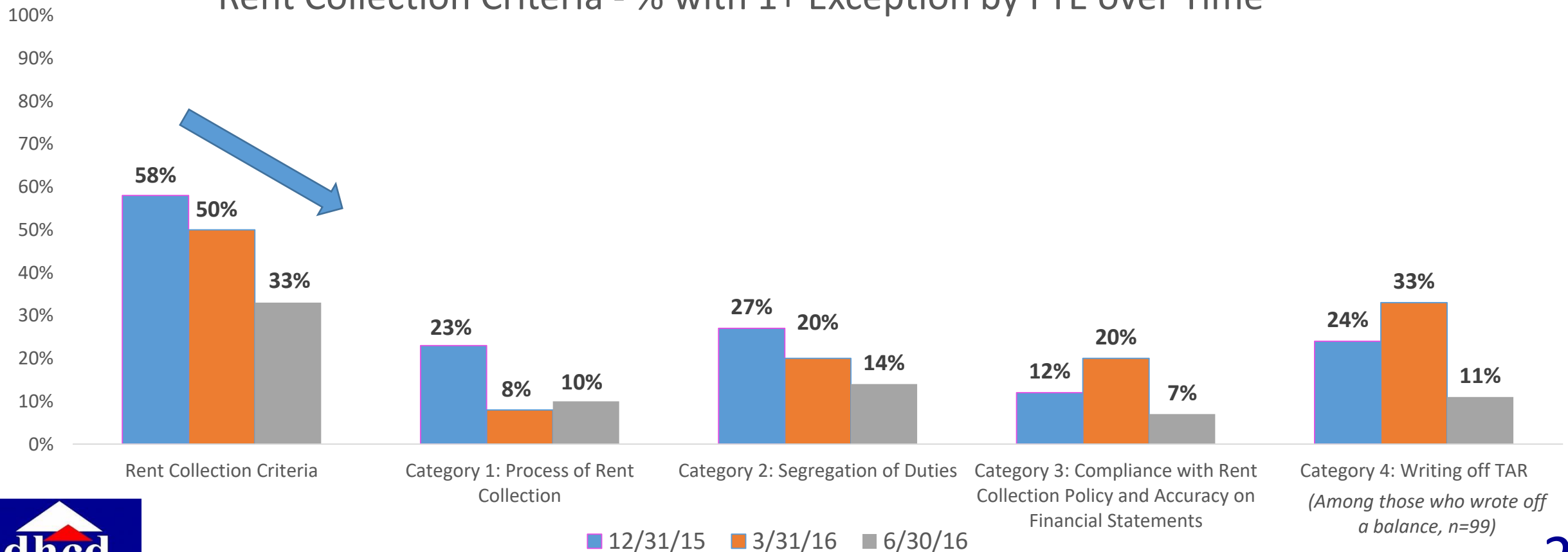
# Exceptions for this criteria are pretty evenly distributed across categories.

- 1 in 5 have issues with writing off TAR correctly.



The number of findings in rent collection are half of what they were for 6/30/16 FYE vs. 12/31/15 FYE.

Rent Collection Criteria - % with 1+ Exception by FYE over Time



# Rent Collection Criteria

## **How DHCD Will Help:**

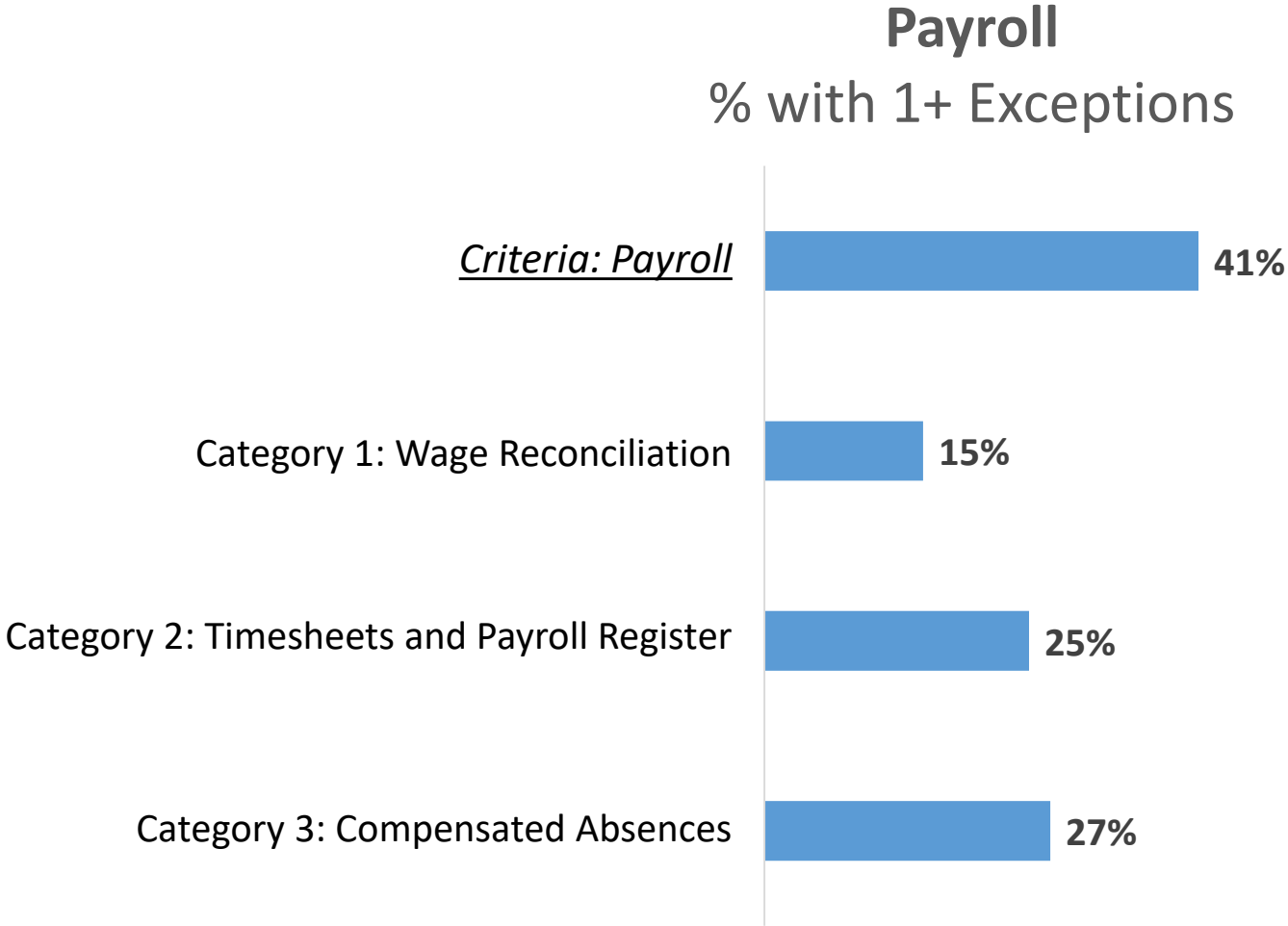
- A PHN on Tenants Accounts Receivables (TAR) will be released in June which will clarify the rules about writing off uncollected accounts.

## **What LHAs Can Do - Common Exceptions for Rent Collection/TAR**

- For small LHAs, institute mitigating controls and use your fee accountant for an independent check
- Log of Rent lacking information/detail
- Record date of rent received; not date logged in accounting software
- Pre-paid rents should not appear within TAR (talk to your fee accountant)
- Rent Collection efforts not in compliance with LHA Rent Collection Policy, i.e. 14 day notice when tenant hasn't paid
- All computers must have passwords
- Wait a year for TAR write-offs
- Cash must be deposited daily (or weekly if only one administrative employee)

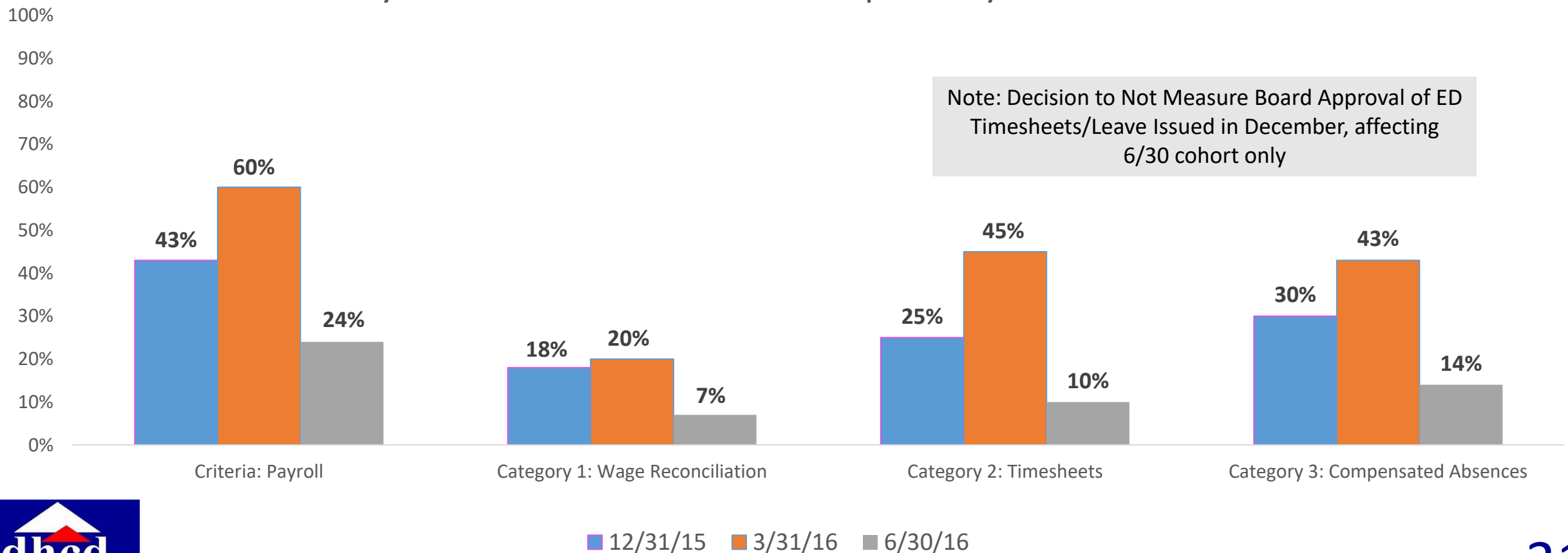
# Payroll

Proper controls around timesheets and proper tracking/accounting for compensated absences are main exceptions for this criteria.



# However, the number of exceptions for the Payroll criteria are dropping across all three categories.

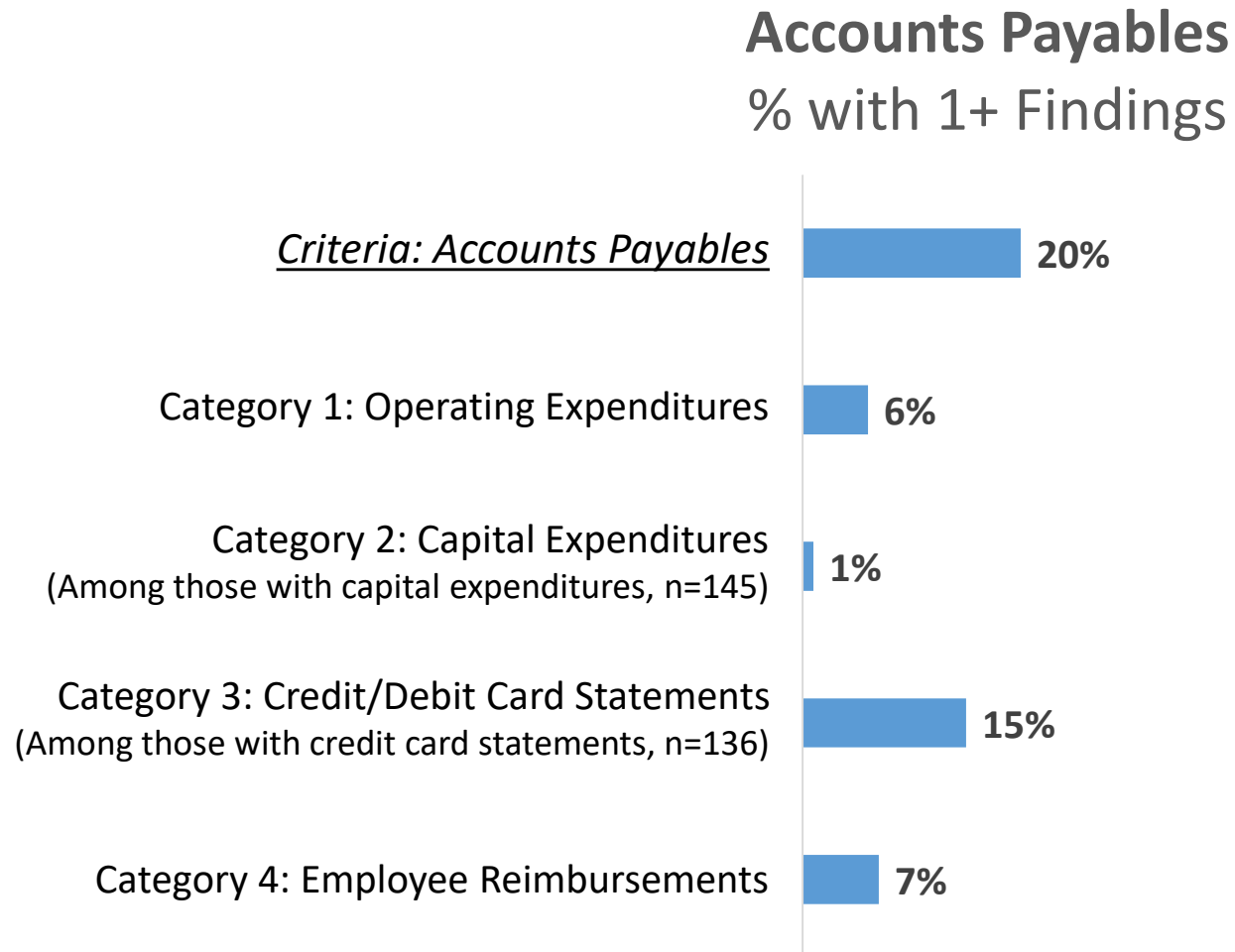
Payroll Criteria - % with 1+ Exception by FYE over Time



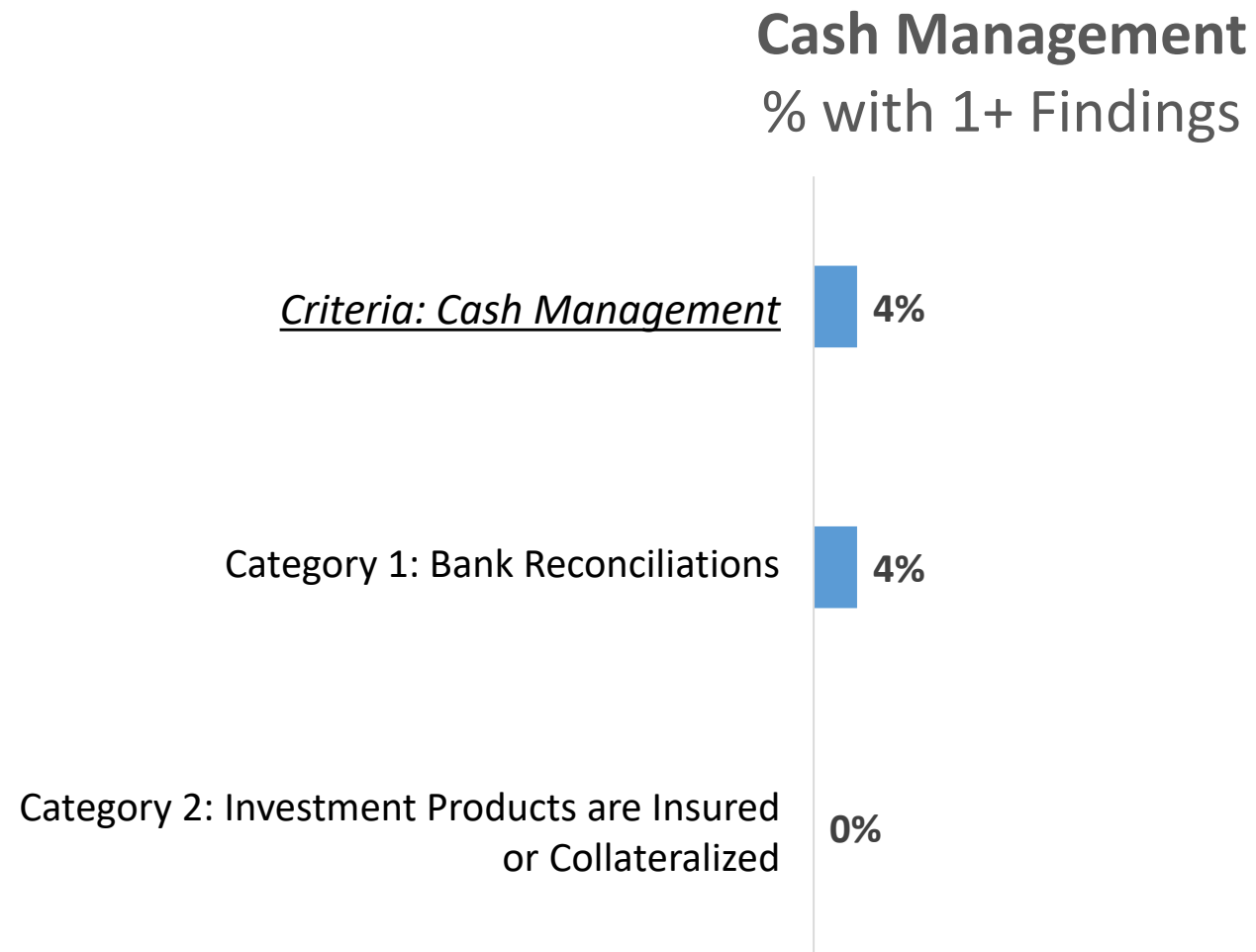
# Remaining 3 Criteria



# Credit Cards are the most likely to have exceptions.

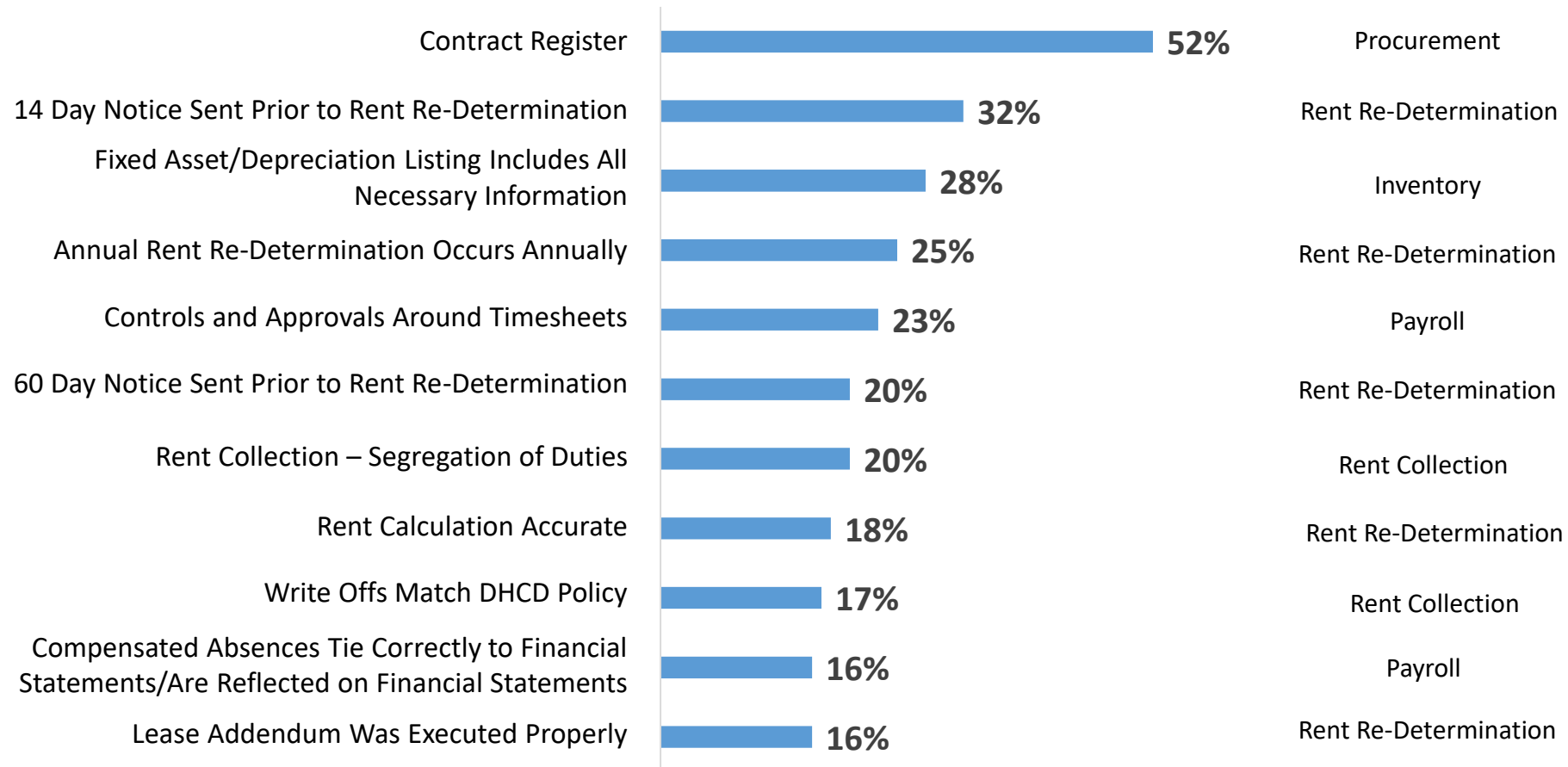


# The testing of the reconciliation of the General Ledger to Bank Records shows a high rate of compliance.



# Top 11 Procedures with Exceptions

## Top 11 Procedures with Exceptions (among 158 LHAs) % with 1+ Exceptions



# PMR Data Results

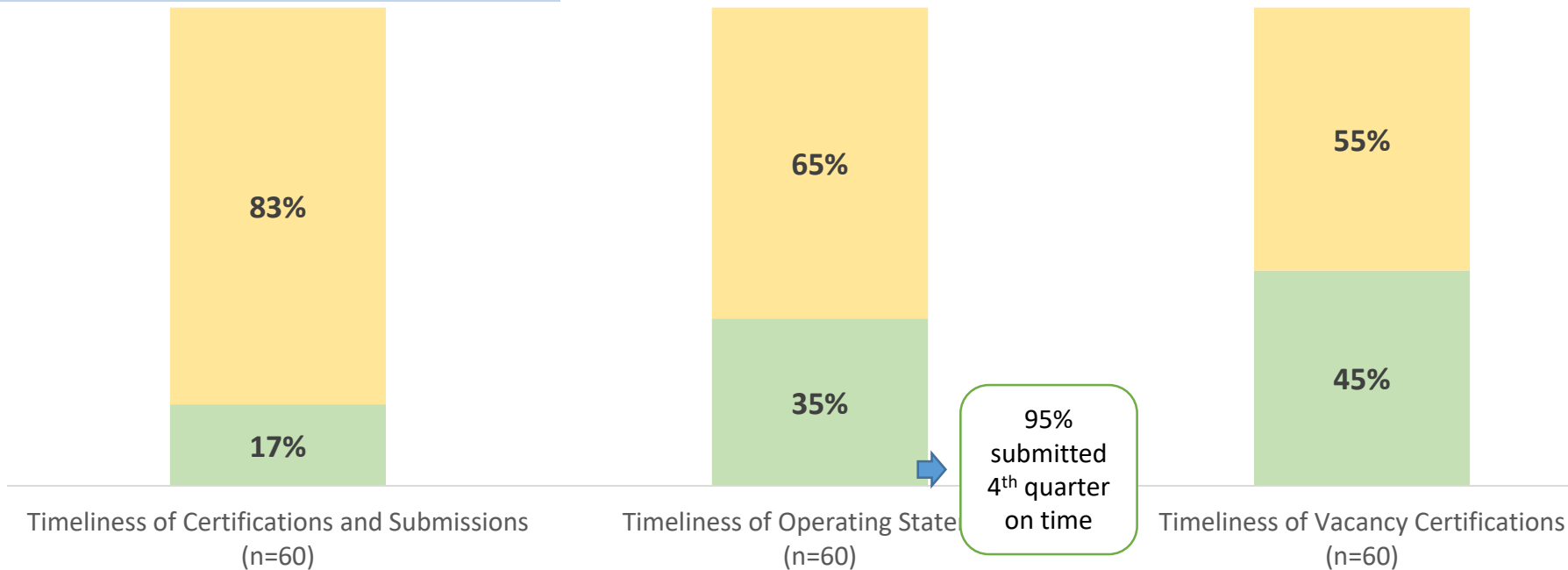
# Roughly 1 in 5 are timely with reporting.

Criteria – No Findings:  
Operating Statements within 45  
days of QE  
Vacancy Certs by end of month  
following QE

## Certs and Submissions Criteria for FYE 12/31/16

Note:  
No “Corrective Action” on  
this criteria

■ No Findings      ■ Operational Guidance



# Set Outlook Reminders!

## Step 1 – Set Appointment:

Right click here. Select New Appointment or New All Day Event.

Set on days operating statements and vacancy certifications are due.

## Step 2 – Set Reminder:

For the reminder field you can set it to remind you anywhere from a few hours ahead to a week or more.

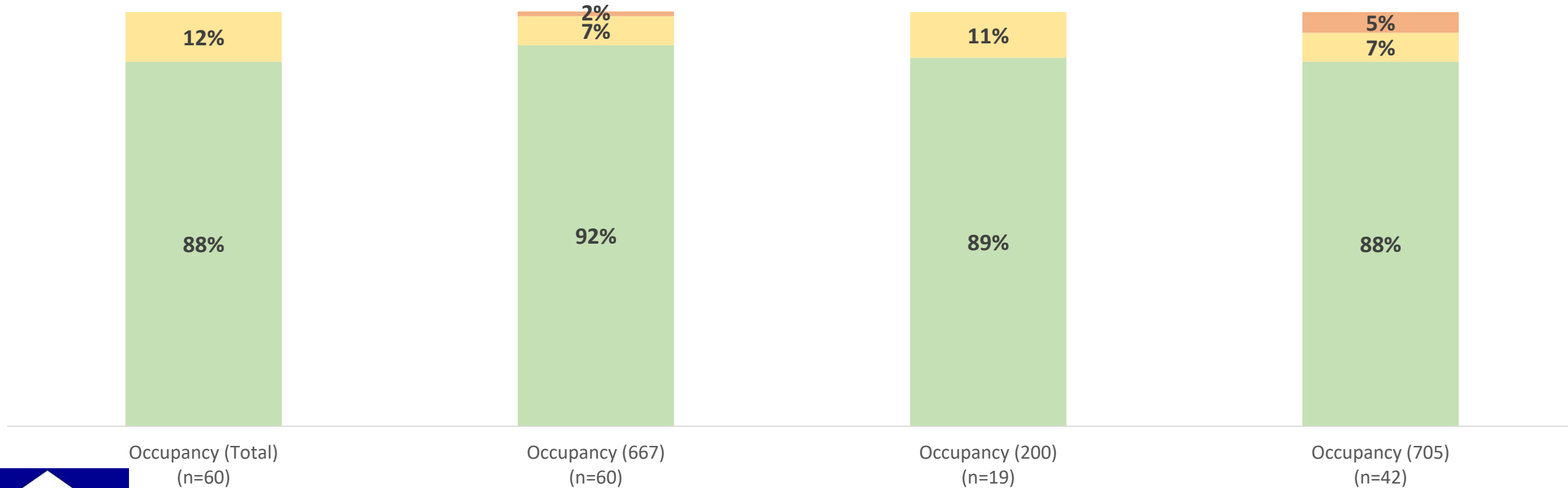
The screenshot shows the Outlook calendar interface. On the left, there's a 'New Appointment' sidebar with a calendar for May 2025. The main calendar view shows the week of May 26-30, 2025. A blue arrow points to the calendar grid. Below the calendar, there's a 'Reminder' field in the appointment form, which is set to '1 week'. Another blue arrow points to this field. The appointment form also shows 'Show As: Free' and 'Recurrence' options.

# The vast majority of LHAs receive a rating on “No Findings” for the Occupancy criteria of their PMR.

Criteria – No Findings:  
Adjusted Occupancy Rate is  
at or above 98%

## Occupancy Ratings for FYE 12/31/16

■ No Findings ■ Operational Guidance ■ Corrective Action



# Three-quarters of LHAs received a rating of “No Findings” for the Operating Reserve criteria of their PMR.

## Operating Reserve Criteria for FYE 12/31/16

n=60

Criteria – No Findings:  
Operating Reserves are 20%+

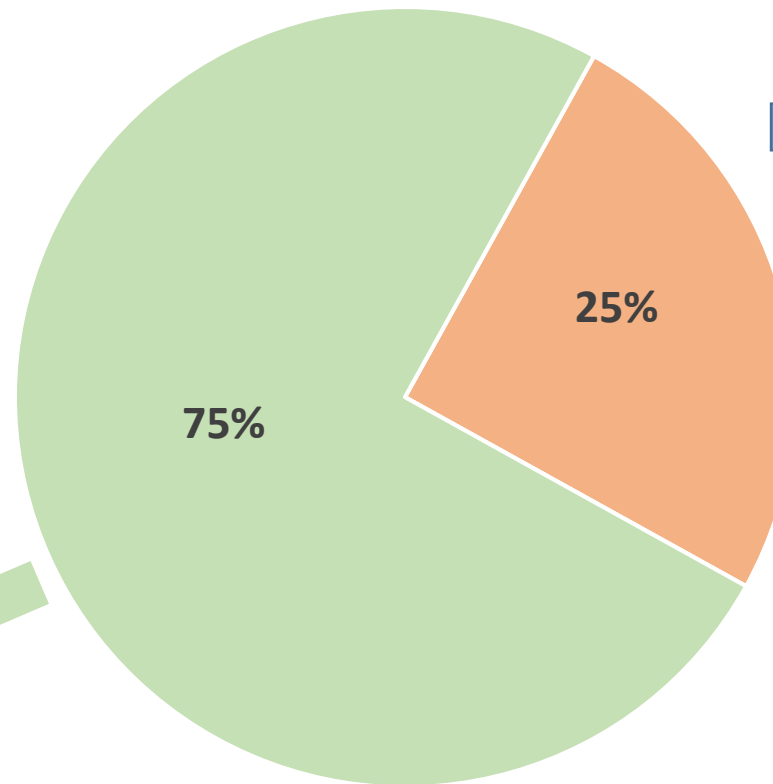
Note:  
No “Operational Guidance”  
on this criteria

### Of those with “No Findings”

- Average Reserve Levels are at 105% of Full Reserve
- 13 of 45 are over 100% of Full Reserve

### Top 4:

679% (Large)  
320% (Small)  
301% (Small)  
221% (Medium)



Corrective Action    No Findings

### 15 with Corrective Action

3 Received It for Being Late

Of 12 With Low OR:  
Average Level is 6%

### Bottom 4:

-3% (Small)  
0% (Small)  
1% (Small)  
5% (Small)



# The vast majority of LHAs received a rating of “Corrective Action” for the Budget to Actual Variance criteria of their PMR.

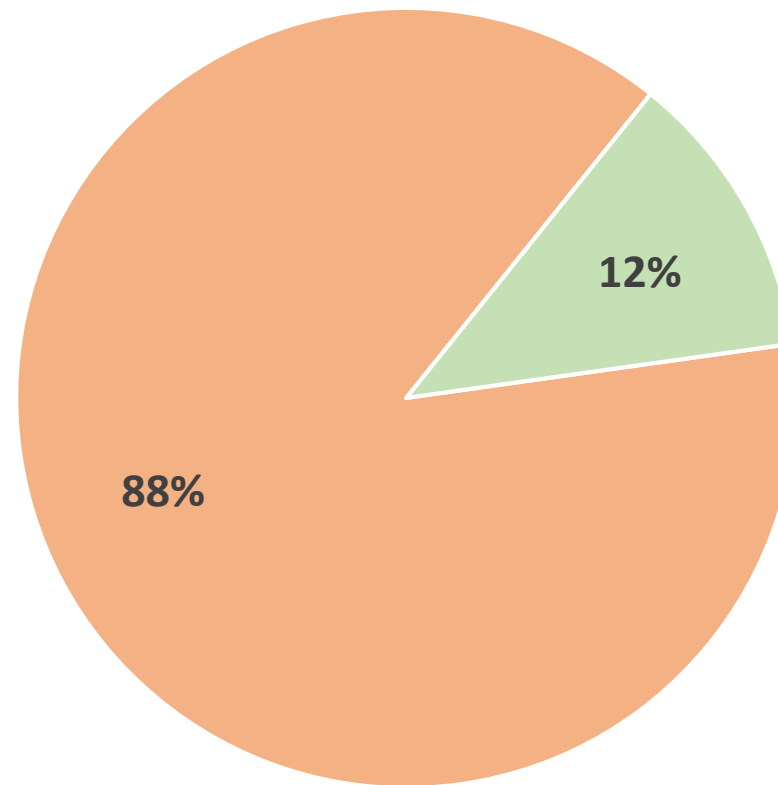
## Budget to Actual Variance Criteria for FYE 12/31/16

n=60

Criteria – No Findings:  
Within + or – 10% on “Total”  
line items on  
Budget/Operating Statement

Exception 1:  
Total Utilities Can Be Less  
Than -10% Under Budget

Exception 2:  
Total Other Expenses Can Be  
Greater Than 10% as long as  
Operating Reserves 20% or  
greater



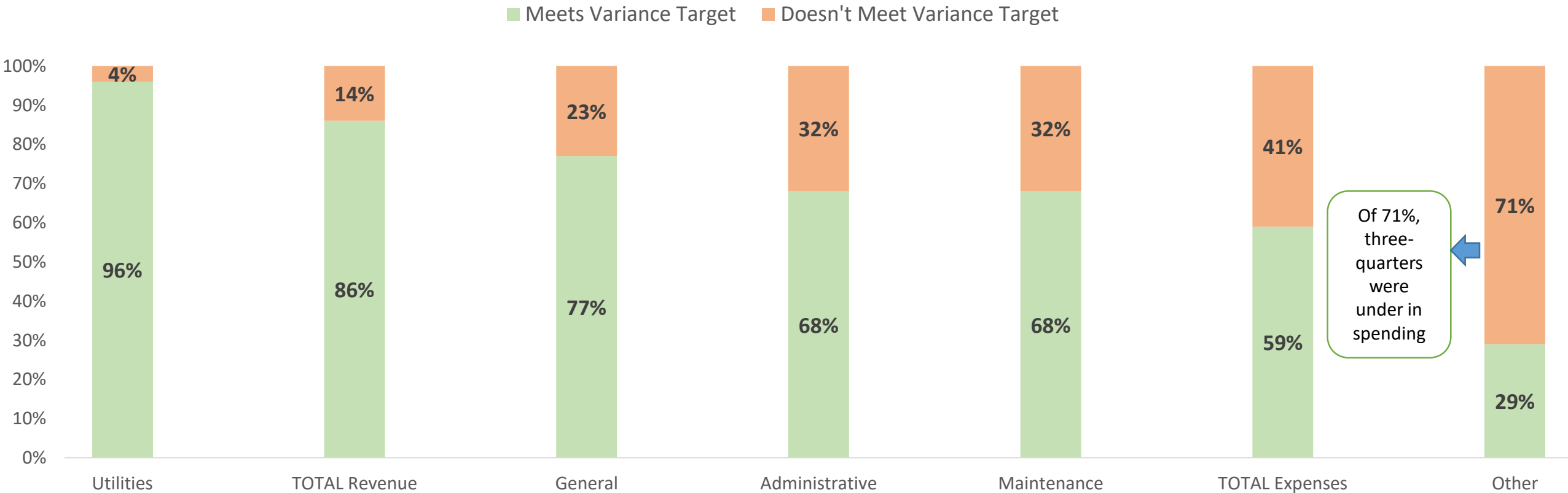
Note:  
No “Operational Guidance”  
for this criteria

Corrective Action    No Findings

# Total Other Expenses, which includes Extraordinary Maintenance, has the highest number out of variance.

- One-third of LHAs do not meet the variance target for their Administrative and Maintenance costs.

## Budget To Actual Criteria for FYE 12/31/16



# Retained Revenue

# Retained Revenue - Eligibility

## Eligibility for Retained Revenue Housing Authority

**An Eligible LHA is an LHA whose:**

- Operating reserve is above the maximum reserve level (above full reserve).
- Does not owe DHCD money, **and**
- Had retained revenue at the end of the previous fiscal year.

**Note:** Management rating of “acceptable performance” use to be a criteria. DHCD temporarily suspended the LHA rating system, due to the implementation of the Performance Management Review (PMR). All LHAs currently receive a rating of “Unrated.” In the future, management rating may be a condition of retained revenue status.

# Retained Revenue - Eligibility

## Maintaining Your Reserve as a “Retained Revenue” LHA

- If operating reserve is used for a modernization project, the LHA will not have to comply with the full reserve rule, **but**
  - LHA reserves will need to be at
    - Rebuild their operating reserve:
      - 50% of the operating reserve level in year 2,
      - 70% in year 3,
      - 90% in year 4 and
      - 100% at year 5 to qualify
- Any additional taking of reserves starts the process again.

# Retained Revenue – Budget Flexibility

## Retained Revenue Housing Authority

Allows for Budget Flexibility:

- Ability to add staff positions—Service Coordinators & Family Self Sufficiency Coordinators
- Can budget above the Allowable Non-Utility Expense Level (ANUEL)
- Budget not scrutinized
- Can spend operating reserves

**Note:** If using operating reserves for operating expenses, must budget the expenses in the appropriate line items, because monitoring for good performance (PMR).

# Retained Revenue – Conditions for Budget Flexibility

- 12 Conditions for Budget Flexibility:

1. Meet the definition of an eligible LHA
2. Submitted a Capital Improvement Plan (CIP) approved by DHCD's modernization and housing management staffs;
3. Certified that it is, and will remain, in compliance with all state procurement laws;
4. Operate a preventive maintenance plan approved by the Bureau of Housing Management;
5. Has and strictly follows an annual unit and property inspection program;

# Retained Revenue – Conditions for Budget Flexibility

- 12 Conditions for Budget Flexibility:

6. Complies with DHCD's policy limiting the use of state funds for out of state travel;
7. Set up a restricted maintenance reserve account at year's end for any excess cash generated by state program budgets. Spending from this account will be allowed if it is consistent with the DHCD approved Capital Improvement Plan;
8. Limits Executive Director salary increases in compliance with DHCD budget guidelines;
9. Follows DHCD hiring guidelines for all staff hires;
10. Make appropriate charges to each line item as allowed in DHCD budget guidelines



# Retained Revenue – Conditions for Budget Flexibility

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- 12 Conditions for Budget Flexibility:

11. Limits maintenance salaries on state budgets to Department of Labor and Workforce Development (DLWD) rules or as allowed by the Budget Guidelines or existing salaries as approved in existing collective bargaining agreements; and
12. File accurate budgets and operating statements within the required time frame.

# Retained Revenue & Budget Guidelines

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- FY2010 DHCD Budget Guidelines, allowed LHAs to use Operating Reserves for operating expenses (with operating reserve floor at 20%)
- LHAs required to budget expenses on appropriate line items
- Retained Revenue status gives same budget flexibility, but more restrictive

**Thank You!**