



Where We Are Today and What's Next in EOHLC Oversight: PMR and AUP

Mass NAHRO conference
September 9, 2024

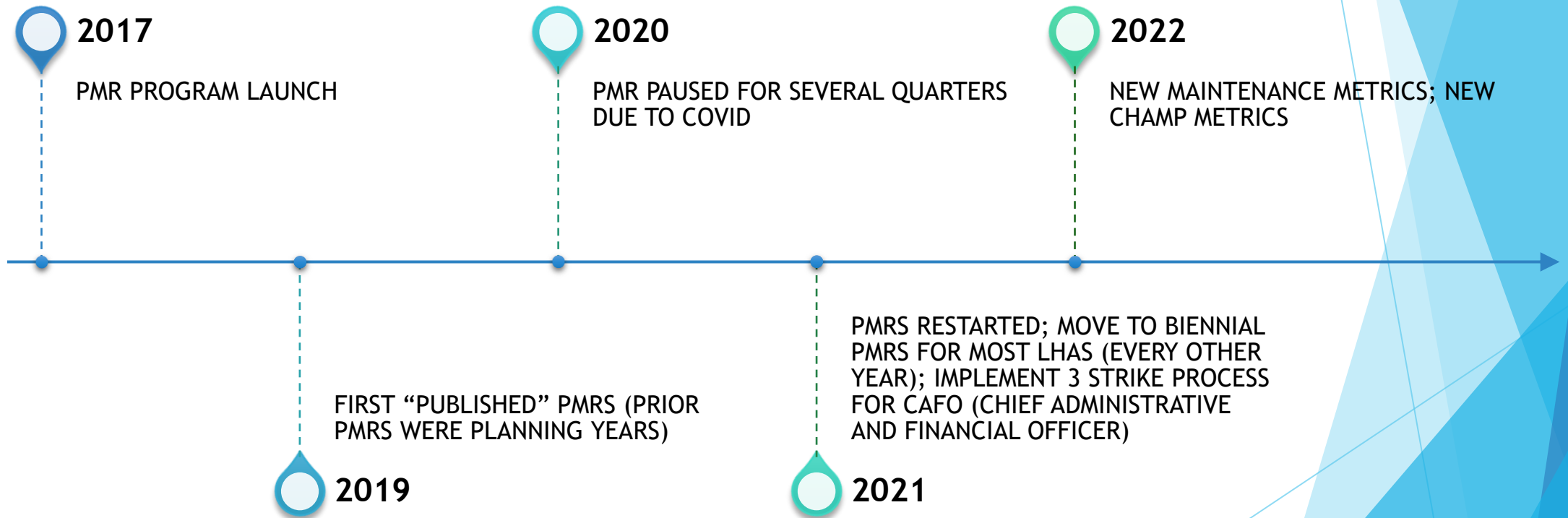
Goals

- ▶ Performance Management Review (PMR)
 - ▶ Overview of context and overall LHA performance
 - ▶ Preview of changes to PMR effective 6/30/2025
- ▶ Agreed Upon Procedures (AUP)
 - ▶ Overview of context and overall LHA performance
- ▶ Resources for PMR and AUP

PMR Legislative Context

- ▶ In 2014, Chapter 235, “[An Act Relative to Local Housing Authorities](#)” was signed included a new law (M.G.L. Ch. 121B, Sec. 26B)
 - ▶ Required the Executive Office of Housing and Livable Communities (EOHLC) to establish and implement an annual performance-based monitoring program that evaluates key operational benchmarks at Local Housing Authorities (LHAs).
 - ▶ EOHLC, in conjunction with external stakeholders, developed the Performance Management Review (PMR) program.

Evolution of the PMR



Overview of PMR

Highlights:

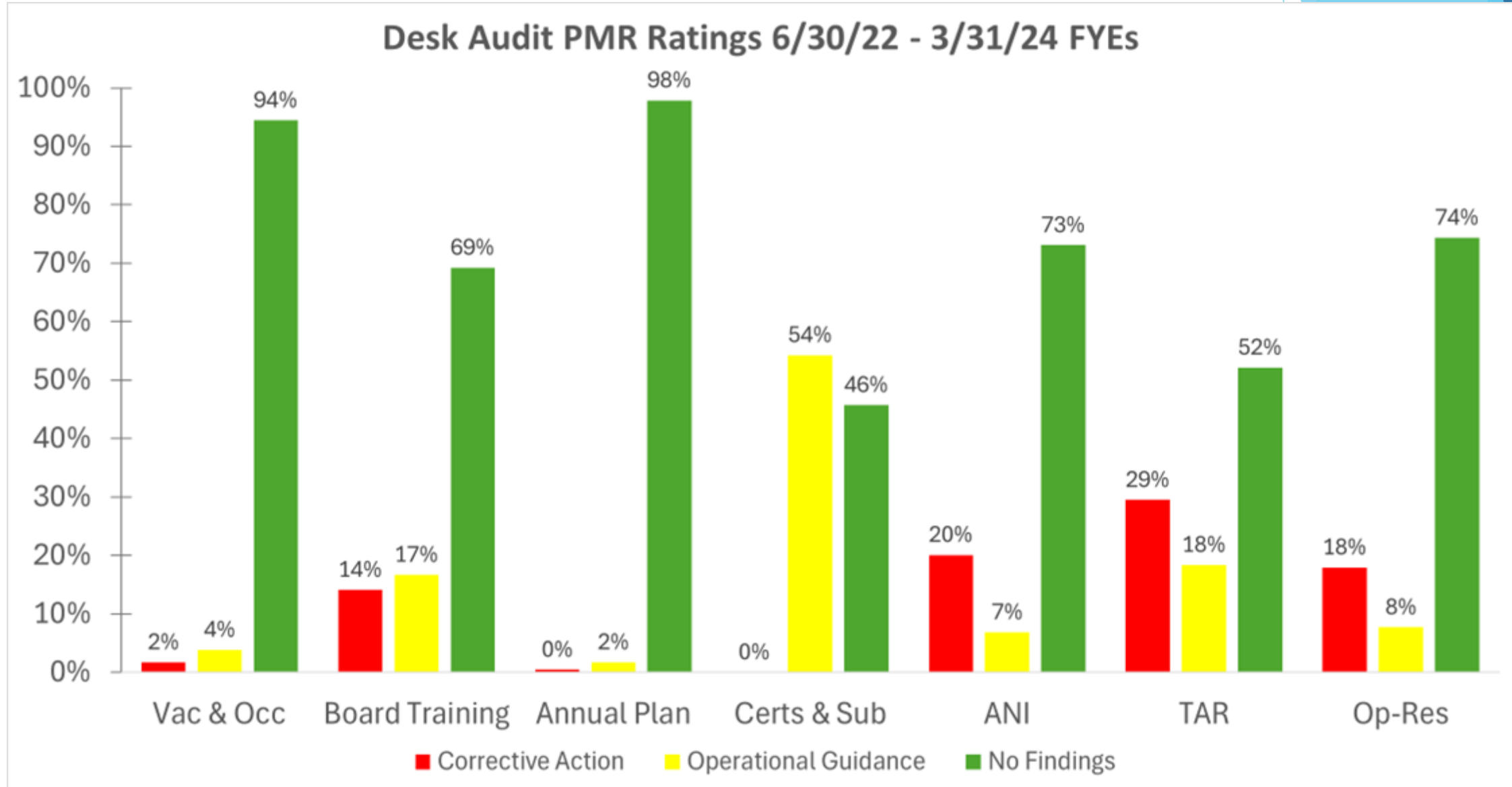
- ▶ Introduced a performance-based biennial cycle (i.e., every other year) New PMR facilities criteria officially went into effect in June of 2021.
- ▶ Added Administrative Criteria:
 - ▶ Staff Certifications and Trainings
 - ▶ Paper application data entry
 - ▶ Vacancy Ledger/ CHAMP usage
 - ▶ Fair Housing requirements
- ▶ Shifted Capital Spending from percentage of formula funding spent to timely submission of Capital CFAs

Highlights:

- ▶ New PMR facilities criteria officially went into effect in June of 2022.
- ▶ EOHLC consolidated PMR facilities criteria, going from 14 to 8 metrics.
- ▶ EOHLC shifted focus from work order administration to a blended review that placed higher emphasis on actual property conditions.
- ▶ Several criteria are now scored based on the number of health and safety findings cited during an inspection of LHA units and common areas.

Overview of Facilities PMR

PMR Administrative Performance

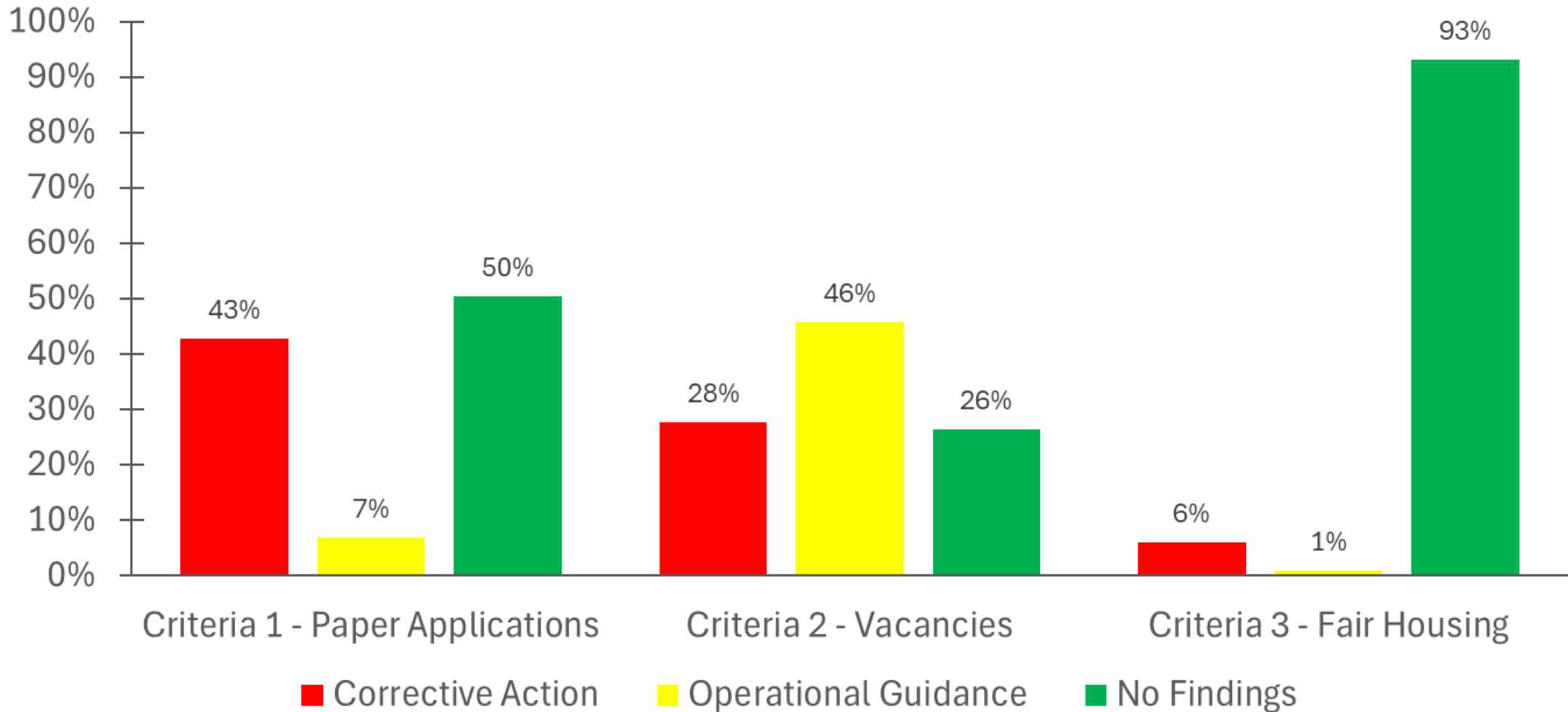


PMR Administrative Performance Recap

- ▶ LHA perform best:
 - ▶ Timely Annual Plan submission
 - ▶ Cumulative Adjusted Occupancy Rates are above 98%
- ▶ Areas needing continued support and technical assistance:
 - ▶ Tenants Accounts Receivable
 - ▶ Consistent timely entry of Certification and Submissions

Tenant Selection/CHAMP Performance

CHAMP PMR Ratings 6/30/22 - 3/31/24 FYEs



Tenant Selection/CHAMP Performance Recap

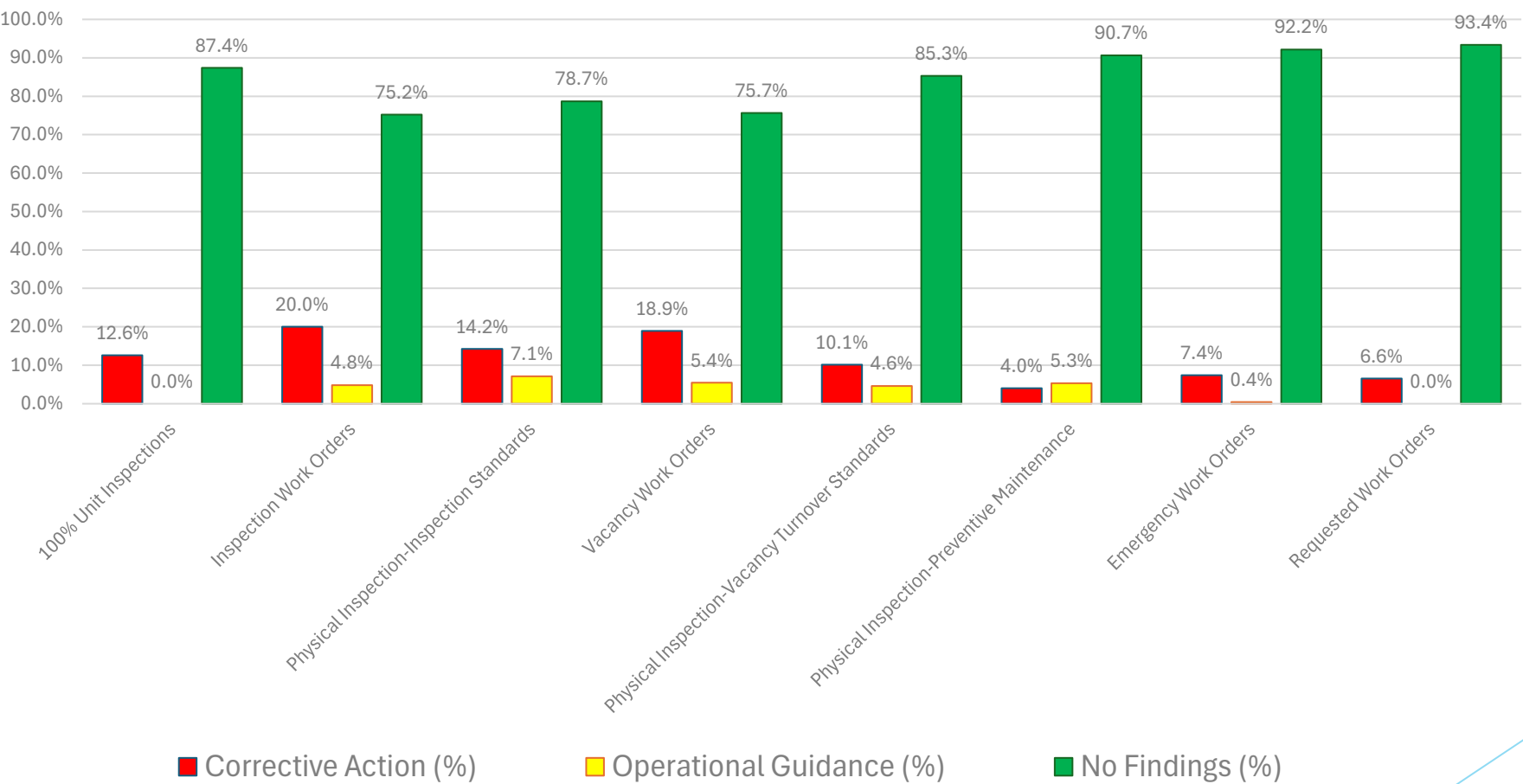
- ▶ Newer measures to PMR
- ▶ Criteria rolled out through a series of planning years
- ▶ Varied performance across LHAs
- ▶ Consistent data entry across two systems is challenging (i.e., between the Vacancy Ledger and CHAMP)
- ▶ Continued EOHLC technical assistance and guidance needed

Physical Condition Performance Recap

- ▶ LHAs scored exceptionally well in 3 criteria!
 - ▶ Emergency Work Orders (work completed within 48 hours)
 - ▶ 92% No Findings
 - ▶ Tenant Requested Work Orders (Work Completed within 14 days)
 - ▶ 93% No Findings
 - ▶ Preventive Maintenance (Inspections of Exteriors, Building Systems, Common Areas)
 - ▶ 91% No Findings

LHA Facilities Performance

PMR Maintenance Criteria 2022-2024



Areas of Focus

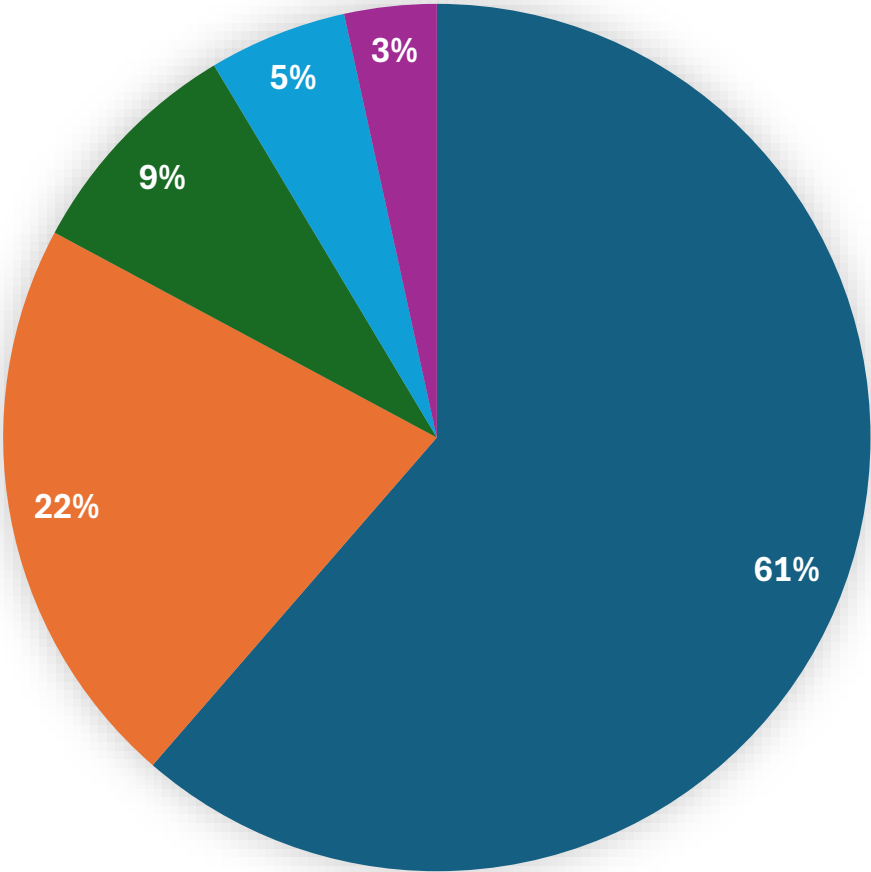
Criteria 2- Inspection Forms and Work Orders

- Use acceptable form
- Dated within FY under review
- All work cited during an inspection results in a work order and/or lease follow-up.
- All work is completed within correct timeframe.

Criteria 4- Vacancy Work Orders

- All work performed in a vacant unit must be reflected on a vacancy work order.
- Vacancy must be turned over in less than 30 days or have an approved waiver in place.

Highest Frequency of Maintenance Calls (reported by LHAs 2022-2024)



■ Plumbing Back-Ups ■ Heating and Cooling Systems ■ Manual Entry ■ Lighting ■ Fire Alarm Systems

Data Collection

- ▶ Data collected on frequent maintenance calls helps guide EOHLC policy decisions on maintenance and capital improvements.
- ▶ EOHLC can use PMR data to help guide targeted funding for capital components
 - ▶ Example: The majority of reported maintenance calls suggest original cast iron sanitary lines are failing across the state and could be a viable option for future targeted capital funding awards.
- ▶ EOHLC uses collected data to continue to provide improved technical assistance.

PMR in the Future

- ▶ Cycle 25 Changes (effective 6/30/25)
- ▶ Public Housing Notice later this fall.
- ▶ ANI changes - updating the calculation and threshold
 - ▶ Change will remove penalty for variability of retained revenue
- ▶ Address PMR score cascading
- ▶ Changes to scoring weighting
 - ▶ Maintenance from 44% to 50% of total score
 - ▶ Physical conditions on site from ~25% to ~33% of total score
- ▶ EOHLC physical inspection sample size will increase based on LHA size
- ▶ Units inspected by EOHLC will be selected at random on the day of the PMR
- ▶ New Criteria: planning year for Preventive Maintenance administrative review

Updates to Desk Audit Criteria for FY25

KEY CHANGE:

Adjusted Net
Income

DETAILS

▶ Changing Threshold

- ▶ Change threshold from 10% to 15% variance
- ▶ Give Operational Guidance or Corrective Action for exceeding variance threshold, no longer looking at those under the variance threshold (i.e. old $\pm 10\%$ to $\pm 15\%$)

▶ Updating Calculation

- ▶ Adjust the calculation by reducing income by revenue listed in a/c #3693 in - Other Revenue - Energy Net Meter and a/c #3691 Other Revenue Retained
- ▶ These accounts are hard to forecast and changes due to utility prices and weather led to LHAs exceeding the variance threshold.

Adjusted Net Income (ANI) New Calculation

Account #		Class
2700		Net Income
3691	- (subtract)	Other Revenue Retained *CHANGE*
3693	- (subtract)	Other Revenue - Energy Net Meter *CHANGE*
4611	+ (add)	Equipment Purchases - Non Capitalized
4541	+ (add)	GASB- Employee Benefits
4542	+ (add)	GASB- Pension Expense
4610	+ (add)	Extraordinary Maintenance
4801	+ (add)	Depreciation Expense
	= (equals)	Adjusted Net Income
4000	/ (divide)	Total Expenses
	= (equals)	Adjusted Net Income as a % of Total Expenses

KEY CHANGE:

Address PMR score
cascading

DETAILS

- ▶ Currently, not performing in one measure may cause a ripple or cascade to receive Corrective Action in another measure
- ▶ EOHLC will minimize the cascading effect of late submissions of reports has on PMR criteria - ANI, Operating Reserve, TAR, and certain inspection criteria.

KEY CHANGE:

Update our scoring methodology

DETAILS

- ▶ Physical Conditions and Procedures will comprise 50% of the total PMR score (an increase from 44%) and Administrative Functions will comprise 50% of the total PMR score (a decrease from 56%)
- ▶ Individual measures will have consistency in the values assigned to them, with some criteria weighted due to EOHLC's belief that they are key indicators of the housing authority's ability to operate safe housing
- ▶ Weighted criteria include:
 - ▶ Overall Occupancy and 3 Physical Conditions criteria, which are based on inspections performed by EOHLC staff

Updates to Maintenance Criteria for FY25

KEY CHANGE:

The sample size for physical inspection will increase. EOHLC will adjust the number of physical inspections conducted, based on LHA size.

WHY?

- ▶ Enhancing EOHLC inspections will better determine the effectiveness of LHA operations and ensure LHA residents live in safe and sanitary housing.
- ▶ Continuing LHA success in the administrative aspects of PMR allows EOHLC to enhance our focus on unit and property conditions.
- ▶ Reduced frequency of PMRs (from every year to every other year in most cases) allows EOHLC staff more time on-site for expanded physical condition review and technical assistance.

Physical Inspection Sample by LHA Size

LHA SIZE	CURRENT	NEW
Small (1-199 Units)	7 administrative reports 3 physical inspections	7 administrative reports <i>7 physical inspections</i>
Medium (200-499 Units)	10 administrative reports 4 physical inspections	10 administrative reports <i>10 physical inspections</i>
Large (500-999 Units)	15 administrative reports 6 physical inspections	15 administrative reports <i>15 physical inspections</i>
Very large (1000+ units)	15 administrative reports 6 physical inspections	15 administrative reports <i>Physical Inspection- Minimum of 2 units per development</i>

KEY CHANGE:

All units inspected by EOHLC will be selected at random on the day of the site visit.

WHY?

- ▶ Random inspections will provide a greater level of transparency into LHA operations and property conditions
- ▶ Random inspections are considered industry standard and align closely with the inspection practices of HUD and many other affordable housing providers.
- ▶ All residents must be notified of the upcoming PMR and the possibility of inspection.
- ▶ LHAs will continue to receive advance notification of units selected for the administrative portion of the review.
- ▶ The units listed on the notice are for the purposes of the administrative review only and are unlikely to be selected for physical inspection.

KEY CHANGE:

New Criteria/Planning Year

EOHLC administrative review of
LHA Preventive Schedule

This criteria is not yet final and
subject to change.

WHY?

- ▶ Every LHA should have a comprehensive Preventive Maintenance Plan and schedule of work that includes all the tasks necessary to maximize and preserve existing LHA components
- ▶ Every LHA preventive maintenance schedule must contain the six (6) core components as outlined in [Public Housing Notice 2022-10](#)

PMR in the Future

- ▶ PHN coming soon with complete details
- ▶ Be on the look out
 - ▶ *PHN announcements via Constant Contact*
 - ▶ *Further discussion at EOHLC Monthly presentation and/or FMS Office Hours*

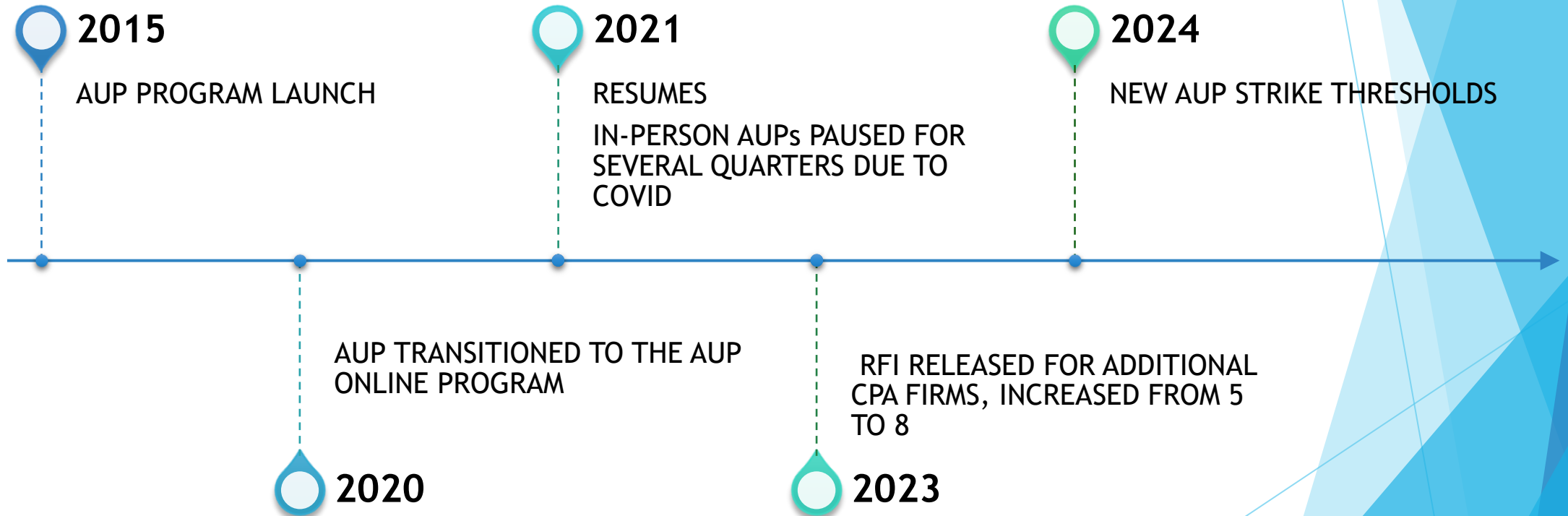


Agreed Upon Procedures (AUP) Updates - 2020-2024

AUP Legislative Context

- ▶ In 2014, Chapter 235, “An Act Relative to Local Housing Authorities” was signed into law (M.G.L. Ch. 121B, Sec. 26B)
 - ▶ Each LHA must contract with an independent external certified public accounting (CPA) firm annually to perform “Agreed Upon Procedures (AUP)” review of the LHA’s financial records.
 - ▶ The review must be posted on the LHA’s and EOHLC’s websites once it has been completed.

Evolution of the AUP



AUP Updates 2020 - 2024

- ▶ 2020 - Moved the AUP process to a new web-based platform
 - ▶ Reduced procedures from 86 to 66
 - ▶ Reduced criteria from 8 to 7
 - ▶ Cash Management and Operating Subsidy criteria have been reorganized into a new General Accounting Criteria making the 8 criteria AUP into a 7 criteria process.
 - ▶ Financial Procedures consolidated into the new General Accounting section
 - ▶ Expansion of checking all accounts, not just some operating statement against the general ledger
 - ▶ Larger sample size of accounts payables. Individual sub-categories of capital, credit card and reimbursements eliminated

AUP Updates 2020 - 2024

- ▶ Three new procedures;
 - ▶ Operating reserve notifications to EOHLC per budget guidelines
 - ▶ Added to General Accounting
 - ▶ Check that LHAs have entered all vacancies in vacancy system
 - ▶ Added to Tenant Accounting
 - ▶ Accounts payables - added to AUP instead of PMR
 - ▶ Check supporting documentation against accounts payables lines in financial statements
 - ▶ Added to Accounts Payables

AUP Updates 2020 - 2024

- ▶ **2023 - 2024** RFI released for additional Accounting Firms to conduct AUPs & Release of New Accounting Firms pre-qualified to conduct AUPs
- ▶ **2024** - Chief Administrative & Financial Officer (CAFO) Program for AUP starting with FYE 2024
 - ▶ Updates on new AUP thresholds, ten (10) or more exceptions)
 - ▶ AUPs not performed/submitted for FY in review
 - ▶ AUPs 121 or more days late (9th - 12th month of your FYE)
 - ▶ For example - AUP 3/31/24, due to EOHLC November 30 2024, if the AUP is not submitted to EOHLC prior to the start of the next AUP 3/31/2025, the AUP is classed as late, and the LHA will receive a strike
 - ▶ If an LHA has a new Executive Director or Management Agent, the LHA will receive a Strike/No Strike letter, but will undergo an AUP the following year

AUP Changes & Improvements

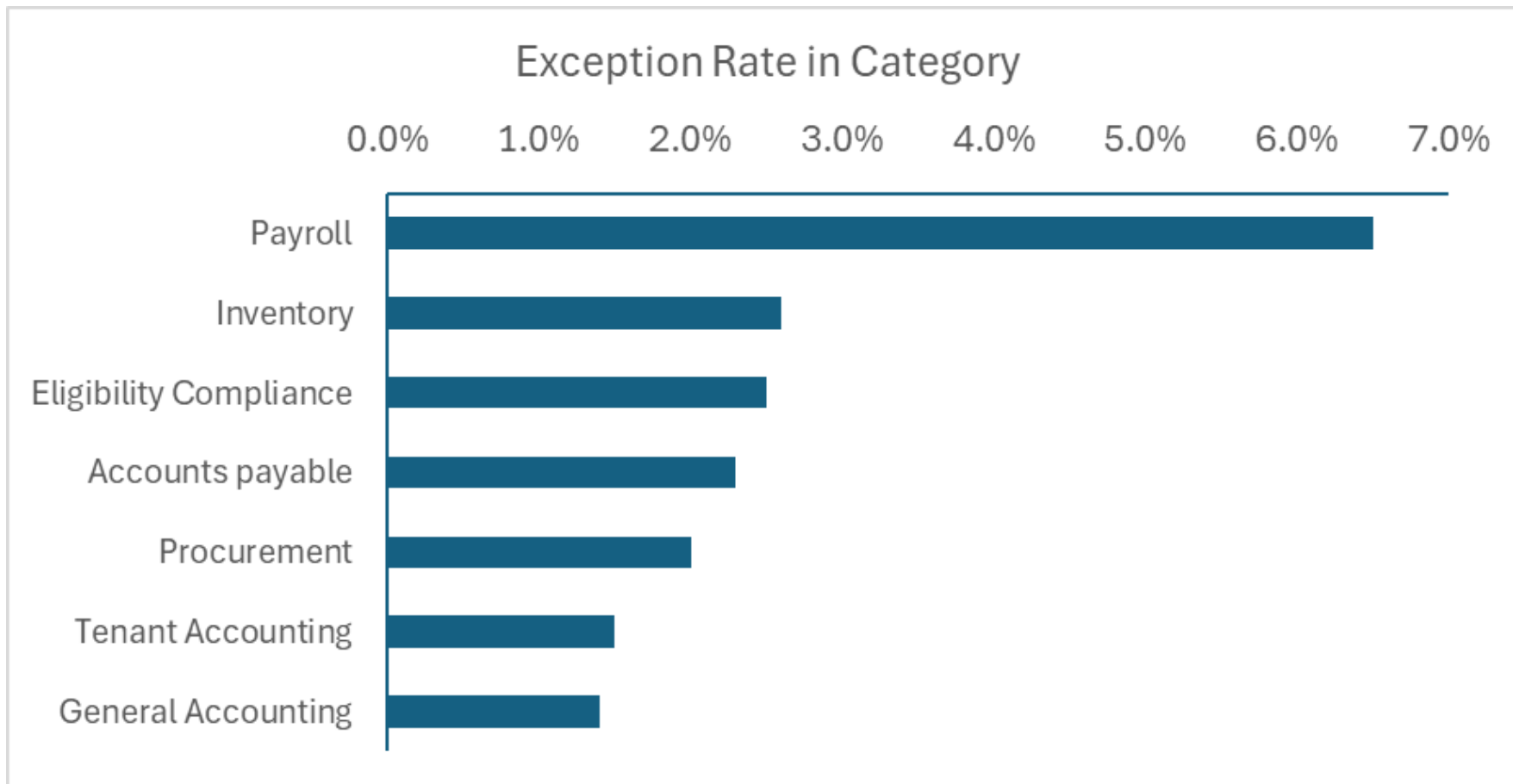
- ▶ In FY'2023 there were 158 LHA's with no AUP findings!
- ▶ Increase in Auditors;
 - ▶ We now have eight (8) Certified Public Accounting Firms (CPA) [2024-06](#)
 - ▶ Auditors onboard for five (5) year cycle
- ▶ Affordable Homes Act (AHA) recently enacted as [Law - Acts of 2024 Chapter 150](#)
 - ▶ Beginning with the 6/30/24 LHAs, we will be implementing a biennial AUP schedule, similar to PMR
 - ▶ The AUP "off-year" will be a PMR published year. So only one (1) review per year (unless an LHA exceed the strike threshold in either program)
 - ▶ EOHLC will release the cohorts very shortly

AUP - Auditors 5-Year Cycle

- ▶ The language in M.G.L. 121 B Sec 29 says “5 consecutive agreed upon procedures” . An LHA can use the same auditor for 5 straight AUPs, whether they're annual or biennial.
- ▶ Examples:
- ▶ With AUPs going to biennial, the same auditor can perform the AUP for all 5 AUP (2024, 26, 28, 30, 32), because those are the LHA's “5 consecutive “ AUPs. So essentially, the auditor is onboard for 5 biennial AUPs spanning 10 years.
- ▶ This will change where there is a strike. For example, 2024 (strike), 2025 (no strike), 2027 (no strike), 2029 (strike), 2030. In this example the LHA would have to stop using the auditor after the 2030 AUP.

AUP Trends & Reoccurring Exceptions

- ▶ The Categories receiving the most exceptions for 2020 - 2024, starting with the worst



AUP Trends & Reoccurring Exceptions cont.

- ▶ Within the 7 categories, the particular procedure(s) with the most exceptions;
- ▶ 1. Payroll
 - ▶ Top 5 +/- 3% of budgeted salary
 - ▶ EOHLC Approved Contract
 - ▶ Top 5 Compensation Form matches the WR-1
- ▶ 2. Inventory
- ▶ 3. Eligible Compliance
 - 1. The authority improperly calculated rent

AUP Trends & Reoccurring Exceptions cont.....

- ▶ 4. Account Payable
 - ▶ Costs are allowable (i.e. sales tax)
- ▶ 5. Procurement
 - ▶ Did not give any individual procedure exceptions count because there was nothing notable there. Nothing too bad or too good
- ▶ 6. Tenant Accounting
 - ▶ LHA recorded vacancies v.s. EOHLC On-line Vacancy System
- ▶ 7. General Accounting
 - ▶ Accounts Payable are in agreement with supporting documentation for Accounts Payable and accruals

References

- ▶ AUP Auditors
- ▶ AUP PHNs
- ▶ PMR PHNs

2024 - AUP Updated Pre-Qualified Accounting Firms (Auditors) List

Name	Address	Email	Phone Number
Gary Depace, CPA	212 Main Street Suite D Monson MA 01057	gary@depance.com	413-267-5223
Lisa Fallon, CPA	212A Main Street Monson MA 01057	lfallon@lisafalloncpa.com	413-893-9585
CliftonLarsonAllen LLP	Two International Place 22nd Floor Boston MA 02110	jennifer.cook@CLAconnect.com	617-984-8187
Thomas G. Flaherty, CPA	817 Washington Street, Ste 201 Braintree, MA 02184	tom@tomflahertycpa.com	781-843-2011
Marcum	100 Westminster Street, Suite 500 Providence, RI 02903	Michael.Guyder@marcumllp.com	401-600-4500
Maletta & Company, CPAs	43 Enterprise Drive Bristol CT 06010	jason@malettacompany.com	(860) 582-6715 x 120
Fenton, Ewald & Associates PC	280 Hillside Avenue Needham MA 02492	tewald@feacpa.com	Office: (781) 444-6630
Rodney Jean- Baptiste, CPA	842 Morton Street Boston, MA 02126	rodney@financetec.com	(617) 379-3372

PHN References - AUP

PHN #	SUBJECT	DATE
<u>2020-26</u>	Program Update for Agreed Upon Procedures (AUPS)	July 1, 2020
<u>2021-12</u>	Agreed Upon Procedures (AUP) Updates	June 24, 2021
<u>2022-11</u>	New Agreed Upon Procedures (AUP) requirement for Section 8 New Construction Substantial Rehabilitation (S8 NCSR) Properties	July 6, 2022
<u>2023-20</u>	RFI Released for Additional Accounting Firms to Conduct AUPs	October 23, 2023
<u>2024-06</u>	Release of New Accounting Firms pre-qualified to conduct AUPs	April 30, 2024
<u>2024-10</u>	Chief Administrative & Financial Officer (CAFO) Program for AUP starting with FYE 2024	June 27, 2024

PHN References - PMR

PHN #	SUBJECT	DATE
<u>2016-06</u>	Performance Management Review Preparation	4/6/2016
<u>2016-08</u>	Tenant Satisfaction Survey	4/19/2016
<u>2016-16</u>	Preparing for the PMR: LHA Annual Inspections and Work Order System	6/2/2016
<u>2016-36</u>	Performance Management Review Launch	11/10/2016
<u>2017-15</u>	Tracking PMR in Real Time	7/13/2017
<u>2018-08</u>	PMR Second Year Clarifications	3/21/2018
<u>2019-01</u>	Revisions to PMR Criteria for 1st Publishing Year	1/18/2019
<u>2020-17</u>	Extension of Certain DHCD Required Certifications and Submissions Deadlines	4/13/2020
<u>2020-19</u>	Changes to 12/31/2019 FYE Performance Management Review due to State of Emergency	4/23/2020
<u>2020-25</u>	Temporary Changes to Performance Management Review (PMR) Program	7/1/2020
<u>2020-38</u>	Tenant Selection Criteria in Performance Management Review	11/19/2020
<u>2021-13</u>	Updates to Performance Management Review	2/23/2022
<u>2021-14</u>	CHAMP Fair Housing PMR Criteria	7/14/2021
<u>2021-17</u>	Reasonable Accommodation Policy	8/9/2021
<u>2021-21</u>	Language Access Plan	10/27/2021
<u>2022-03</u>	Fair Housing Marketing Plan	2/10/2022
<u>2022-09</u>	Updates to Performance Management Review (PMR) for 2022 Cycle	6/14/2022
<u>2022-10</u>	Revised PMR Maintenance Metrics	9/28/2022
<u>2023-09</u>	Updates to Performance Management Review (PMR) for 2023 Cycle	7/12/2023
<u>2024-10</u>	Changes to Chief Administrative and Financial Officer (CAFO) Program for AUP starting with FYE 2024 and Updates to Performance Management Review (PMR) for 2024 Cycle	6/27/2024

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Thank you!

Questions?