



HUD Section 8 PBRA FINAL Recommendation Report

Prepared for HUD by Deloitte
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The data contained in this report is not based on Deloitte's viewpoint. It represents the research collected and conversations held with HUD's PBCA team. Because our scope does not include a cost buildup, this document does not serve as a formal cost-benefit analysis. Therefore, our recommendations do not include cost benefit trade-offs. This report includes data that shall not be disclosed outside of the Government and shall not be duplicated, used, or disclosed in whole or in part. This restriction does not limit the Government's right to use information contained in this data if it is obtained from other sources without restriction. The data subject to this restriction are contained in this entire report.

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ACRONYMS

| | |
|----------------|---|
| ACC | Annual Contributions Contract |
| AQL | Acceptable Quality Level |
| CA | Contract Administrator |
| CAOM | Contract Administration Oversight Monitor |
| CICA | Competition in Contracting Act |
| CMS | Centers for Medicare & Medicaid Services |
| CO | Contracting Officer |
| COR | Contracting Officer Representative |
| CREC | Custom Records Extension Component |
| DHS | Department of Homeland Security |
| DME | Durable Medical Equipment |
| DoD | Department of Defense |
| FAR | Federal Acquisition Regulations |
| FASS | Financial Assessment Subsystem |
| FC | Functional Category |
| FFS | Fee for Service |
| FHA | Federal Housing Administration |
| FSS | Federal Supply Schedule |
| FY | Fiscal Year |
| G&A | General and Administrative Expense |
| GAO | Government Accountability Office |
| HAP | Housing Assistance Payment |
| HFA | Housing Finance Agency |
| HHS | Department of Health and Human Services |
| HUD | U.S. Department of Housing and Urban Development |
| HQ | Headquarters |
| IDIQ | Indefinite Delivery, Indefinite Quantity |
| iMAX | Integrated Multifamily Access Exchange System |
| IPERA | Improper Payments Elimination and Recovery Act |
| iREMS | Integrated Real Estate Management System |
| LIHTC | Low Income Housing Tax Credit |
| MAC | Medicare Administrative Contractor |
| MF | Multifamily |
| MFT | Multifamily for Tomorrow |
| MHPI | Military Housing Privatization Initiative |
| MITs | Multifamily Information and Transactions Standard |
| MOR | Management and Occupancy Review |
| NOFA | Notice of Funding Availability |
| OCPO | Office of Chief Procurement Officer |
| OGC | Office of General Council |
| OIG | Office of Inspector General |

| | |
|--------------|---|
| OMB | Office of Management and Budget |
| OMH | Office of Multifamily Housing |
| PBCA | Performance-Based Contract Administrators |
| PBCS | Performance-Based Contract Services |
| PBRA | Project-Based Rental Assistance |
| PBV | Project Based Vouchers |
| PHA | Public Housing Agency |
| PWS | Performance Work Statement |
| QIO | Quality Improvement Organization |
| RAD | Rental Assistance Demonstration |
| RCS | Rent Comparability Studies |
| REAC | Real Estate Assessment Center |
| REIT | Real Estate Investment Trust |
| SOW | Statement of Work |
| TO | Task Order |
| TRACS | Tenant Rental Assistance Certification System |
| USDA | U.S. Department of Agriculture |
| XML | Extensible Markup Language |

Executive Summary

Under the Section 8 Project-Based Rental Assistance (PBRA) program, the Department of Housing and Urban Development's (HUD) Office of Multifamily Housing (OMH) provides monthly rental assistance payments on behalf of 1.2 million households throughout the United States. These payments are made to over 17,000 private landlords, who are primarily responsible for assuring that the tenants receiving assistance are eligible for assistance under the terms of the Housing Act of 1937, as amended. HUD currently engages Performance Based Contract Administrators (PBCAs) through 53 Annual Contribution Contracts (ACCs) to perform the day-to-day monitoring and oversight of approximately 90% of Housing Assistance Payment (HAP) contracts that govern the relationship with participating property owners. As a result of recent litigation, the courts have established that these services must now be obtained through the use of competitive contracts processes that are fully compliant with the Competition in Contracting Act (CICA) and Federal Acquisition Regulations (FAR).

HUD engaged Deloitte Consulting LLP to assist in developing a new strategy for obtaining Performance Based Contract Services (PBCS), and to provide this recommended acquisition strategy. In developing the strategy, Deloitte conducted research and analyzed PBCA operating structures, PBCS stakeholders, and procurement options based on the research. This report provides the research methods used, research observations, an evaluation of potential options, and a recommended acquisition strategy.

Research observations are presented in Section IV. However, several themes appeared throughout the research and established context for the recommendations.

Competition - A review of leading practices indicates that competition can be used to achieve both the lowest cost and better service, particularly for well-defined, repetitive tasks. Because the stakeholders that we interviewed agreed that a significant goal is better service (to the residents, to the properties, to HUD), we placed high emphasis on acquisition structures that motivate and incentivize contractors to improve service and cost.

Under FAR, HUD has the ability to modulate the level and confines of competition to protect services it values. Mechanisms for modulating competition include evaluation factors for contractor selection (where levels of service can take precedence over price), specific directions in the scopes of work, and application of cost reasonable standards (that is, analysis to prevent awards for predatory pricing).

An implication of using competition to improve service and cost is that HUD should seek procurement structures that enhance the number and innovation levels of suppliers. This is one reason that other agencies have found that regional groupings work by increasing the number of suppliers for a given locality.

Flexibility - HUD faces intense pressure on the appropriations allocated for PBCA services. A particular concern is that services may not degrade gracefully if PBCA funds are reduced, and may hit breakpoints at which individual service components may have to be cut. For this reason, and also to allow innovations and improvements to be introduced easily, we looked for acquisition structures that could be flexible.

The flexibility of an IDIQ structure provides many options. In the event of funding cuts, HUD can employ the tools used by the private sector to maintain service while lowering costs: automation, division of labor, economies of scale, streamlined processes, and performance incentives. Flexible procurement structures also address uncertainties in the actual Section 8 unit subsidies. When a property faces financial pressure, many owners are tempted to cut precisely the “invisible” things that PBCA’s are supposed to be monitoring - maintenance may be deferred, tenant protections and treatment eroded, and accurate reporting of problems stopped. Under such circumstances, HUD will benefit from flexible procurement structures that increase the ability to adjust priorities, conduct objective studies, allocate special interventions to specialists, and so forth.

Continuous Improvement – Obtaining PBCA services through a new acquisition process provides HUD the opportunity to focus on its objectives of high quality contract administration, lower improper payments, and portfolio management. A competitive and flexible structure allows HUD the opportunity to analyze, innovate, and continually improve. PBCAs should be viewed as valuable, but ultimately replaceable, partners who are held accountable for providing Best Value services to HUD as their customer. The flexible structure is useful when HUD seeks improvement at the portfolio level and strives to define and achieve new goals. Together, competition and flexibility provide a foundation from which continuous improvement can occur, and it should become a principle of Multifamily Asset Management’s culture.

* * * * *

Our contract requested that we provide recommendations regarding 1) contract type; 2) acquisition vehicle; 3) geographic approach; 4) potential for small business utilization; 5) inclusion of potential best practices; and 6) commercial tools readily available in the marketplace. At HUD’s request, Deloitte also considered the option of HUD performing the services with internal resources. Through our research, Deloitte found that the implementation time and the required coordination of significant levels of staff hiring, facility and overhead, new IT systems and travel budgets, created multiple potential points of failure and is not recommended.

Recommendation on Contract Type, Acquisition Vehicle, Geographic Approach, and Potential for Small Business Utilization

Deloitte’s research indicates that after a year or more, additional pricing data, HUD knowledge, and industry adaptation will make the PBCA procurement environment more advantageous to HUD. As a result, we recommend that HUD begin with an initial structure, and after consideration, adapt the structure in a second subsequent phase. Each recommended phase is presented below:

Initial Phase:

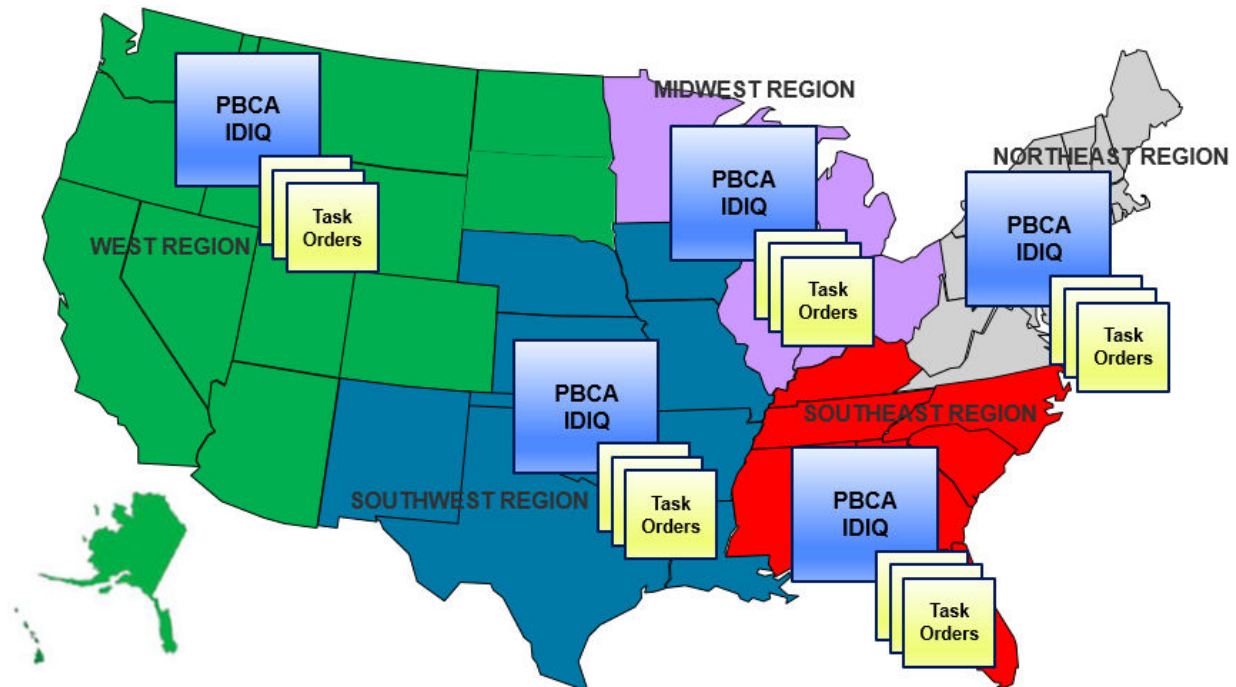
- A. *Procure PBCA services through up to three multiple award Indefinite Delivery, Indefinite Quantity (IDIQ) contracts in each of the five regional areas.* An IDIQ is an instrument of flexibility. Under an IDIQ, HUD can select up to three qualified applicants who will then submit proposals for individual task orders. This results in up to 15 total IDIQ contracts signed across the regions. This allows HUD flexibility to change task orders and structures as

the program and HUD’s monitoring capabilities evolve over time. HUD can bundle or unbundle the various PBCA services into a better configuration for price and quality. To decrease disruption, services could remain bundled for initial task orders, and, subject to market research, be unbundled over time. Using five contracts instead of the current 53 substantially reduces the workload on HUD program and contracting staff. Additionally, the five regions are recommended to match HUD’s five Multifamily for Tomorrow Transformation regions to facilitate monitoring and knowledge transfer.

- B. *Compete IDIQs on a full-and-open basis, with Best Value Tradeoff evaluation criteria.* Throughout our stakeholder interviews, the themes of better service and cost efficiency were repeatedly raised. Competition may accomplish lower costs and better services. We recommend that the IDIQs be competed in full and open competition to provide HUD with the widest possible supplier pool. Based on market research and assessment of qualified small businesses, HUD must consider full and open after exclusions of sources for a set-aside if conditions are met. Non-cost evaluation factors such as capability, past performance, local presence, and demonstrated value allow HUD to evaluate potential vendor qualifications for specific tasks and holistic approaches as desired.

Award under multiple-award IDIQs qualifies the supplier for proposing on task orders. For each individual task order, the smaller qualified group can then propose aggressive prices and services with the evaluation factors determining the outcome. This two-step process also reduces the resource burden on HUD contracts and program staff. By judiciously selecting evaluation criteria for individual task orders, HUD can retain aspects of protected suppliers: willingness to invest in the long term, ability to hire for the long term, and retention of knowledge.

Multiple Award IDIQs for Each HUD Region, and Task Orders for Each IDIQ



- C. *Include fixed unit prices and labor category rates in IDIQ pricing.* Fixed unit pricing allows HUD to track pricing across regions, drive further discounts, and more carefully estimate future costs. To allow for flexibility, labor category rates are recommended for pricing tasks that do not allow for a fixed unit price, or for new structures of CA services needed over time. Over time, the pricing discounts requested under task orders often result in cost savings due to the elimination of pricing anomalies.
- D. *Use task orders under the IDIQ to achieve flexibility and competition.* Multiple concurrent task orders can subdivide regions or unbundle CA tasks. Initially, bundling all tasks within a task order is recommended, as it is consistent with current CA practices and minimizes disruption and transition time. However, regions can initially be subdivided to match HUD satellite offices or vendor capabilities in a region, which allows for a larger number of active vendors without the need to oversee additional contracts. Over time, tasks can be unbundled to reduce costs or capture efficiencies, and task unbundling can be tested regionally before nationwide implementation. Task orders further competition by promoting discounts from IDIQ rates and the ability to file protests for a task order under \$10M is very narrow.

Subsequent Phase:

As noted above, Deloitte’s research indicates that after a year or more, additional pricing data, HUD knowledge, and industry adaptation will make the PBCA procurement environment more advantageous to HUD. At an appropriate future time, multiple award National IDIQs could provide supplemental oversight resources to HUD or allow national performance of PBCA task(s) when risk of failure is low.

If effectively unbundled at the region level, nationally issued task(s) can provide greater consistency and cost savings. These could potentially include, but are not limited to, voucher renewal and payment, HAP Contract Renewal, and a subset of tenant communications help desk available seven days a week, 24 hours a day, or other tasks susceptible to automation.

A cross-cutting national oversight contractor can supplement HUD resources and analyze work through focus on quality assurance, process analysis and improvement, troubleshooting, and contingency operations. A national contractor can also be responsible at a national level for data analytics separate from the entities performing the day-to-day work.

Recommendation on Leading Industry Practices

Conduct Extensive Market Research. Extensive market research should be conducted to assess how to most successfully structure the IDIQs. At the very least, HUD should determine, for each of the seven task areas: (a) industry practices regarding the bundling or unbundling of services, (b) which tasks require local knowledge or presence or governmental unit involvement, and (c) whether small businesses can perform any of the tasks.

Utilize Performance-Based Contracting. Switching to a performance-based methodology could help control costs, drive better value and delivery, and shift risk to suppliers.

Open and Transparent Communication with Industry Throughout the Procurement Process. Maintain open and transparent communication with Industry through events, such as Industry Days, Pre-Proposal Conferences, notices to FedBizOpps, releasing a draft RFP, etc.

Include Key Personnel at the IDIQ Level. HUD should require named Key Personnel, including a Program Manager, to oversee the entire IDIQ. A lead should also be required for each task in the event HUD unbundles tasks.

Award a Task Order with the IDIQ. This allows HUD to evaluate a task order with the IDIQ, and forces industry to provide a competitive and realistic price for the accomplishment of the work of the task. This will also strengthen HUD's ability to effectively select the most technically qualified vendors.

Add a 'Cross-Cutting' National Oversight Layer. Creating a national oversight layer could minimize the amount of time and effort HUD would need to use to oversee the PBCA services.

Recommendation on Commercial Tools

Allow PBCAs to innovate on their use of commercial software products or investment in custom software solutions. PBCAs have had many years to address workflow and software solutions. Although an industry-wide solution could promote standardization and data collection, efficiencies resulting in increased performance and decreased costs are more likely to occur when PBCAs design their own workflow and software solutions rather than conform to using a required software product.

Explore the Use of Data Reporting Standards and Data Transaction Standards. Defined data reporting standards will create consistency for PBCAs operating in multiple areas, and allow HUD to aggregate performance data from all PBCAs. Utilizing or expanding existing XML multifamily data transaction standards could allow PBCAs to transmit data from disparate information technology systems to HUD in a machine-readable format.

I. Introduction

The Department of Housing and Urban Development (HUD) has engaged Deloitte Consulting LLP to assist in developing a strategy to acquire Performance Based Contract Administrators (PBCAs) in support of the Section 8 Project-Based Rental Assistance (PBRA) program within the Office of Multifamily Housing (OMH). Deloitte's research and review of the PBRA program was performed during the period of February 4, 2016 through April 7, 2016.

HUD seeks a recommended acquisition strategy that utilizes a competitive contracts process fully compliant with the Competition in Contracting Act (CICA) and the Federal Acquisition Regulation (FAR). The strategy will enable senior HUD management to make an informed decision on the overall approach for obtaining these services without any pre-conceived preference.

To develop the strategy, Deloitte conducted research and analyzed PBCA operating structures and procurement options. This report provides the research methods used, research observations, an evaluation of potential options, and a recommended acquisition strategy.

II. Background/Current State

The Section 8 PBRA program provide subsidies for affordable multi-family (MF) rental developments to lower rental costs for low-income families and to help offset preservation and improvement costs associated with the properties. As stated in the TO PWS, under the PBRA program, HUD's OMH provides monthly rental assistance payments on behalf of 1.2 million households throughout the United States. These payments are made to over 17,000 private landlords, who are primarily responsible for assuring that the tenants receiving assistance are eligible for assistance under the terms of the Housing Act of 1937, as amended.

Since 1999, HUD has relied on the support of PBCAs to provide the day-to-day monitoring and oversight of about 90% of these contracts. The existing PBCA program has evolved, and now HUD has 53 separate ACCs with State Finance Agencies and local housing agencies. These ACCs define the roles and responsibilities of the services and limit PBCA eligibility to State and local housing agencies. The ACCs are Cooperative Agreements that, when compared to traditional procurement contracts, have a more flexible process, fewer regulations to follow, and minimal process reviews. As a result of recent litigations, the courts have established that these services must now be obtained through a competitive procurement process that is fully compliant with the CICA and the FAR.

PBCAs are currently responsible for the following tasks:

- Conducting management and occupancy reviews (MORs)
- Adjusting contract rents
- Reviewing and paying monthly vouchers from Section 8 owners
- Renewing HAP contracts
- Responding to health and safety issues (resident help desk)
- Following up on results of physical inspections of Section 8 projects
- Providing reports and certifications, including:
 - Submitting Section 8 budgets, requisitions, revisions and year-end statements
 - Submitting audits of the PHA's financial conditions
 - Reporting on PHA operating plans and progress

The Office of Inspector General Audit Report 2010-LA-0001 (IG Audit Report) indicated that the ACCs for PBCA services did not appear to provide HUD the best value for the dollars spent on these services. HUD reported that the ACCs currently cost about \$273M a year. Through various internal stakeholder interviews, it was noted that the current ACCs are perceived to be generous and that HUD may be overpaying. It was also noted through external stakeholder interviews and Industry Day One-on-One sessions, that "leftover" funds are sometimes used outside of the ACC scope of work, but within the affordable housing mission.

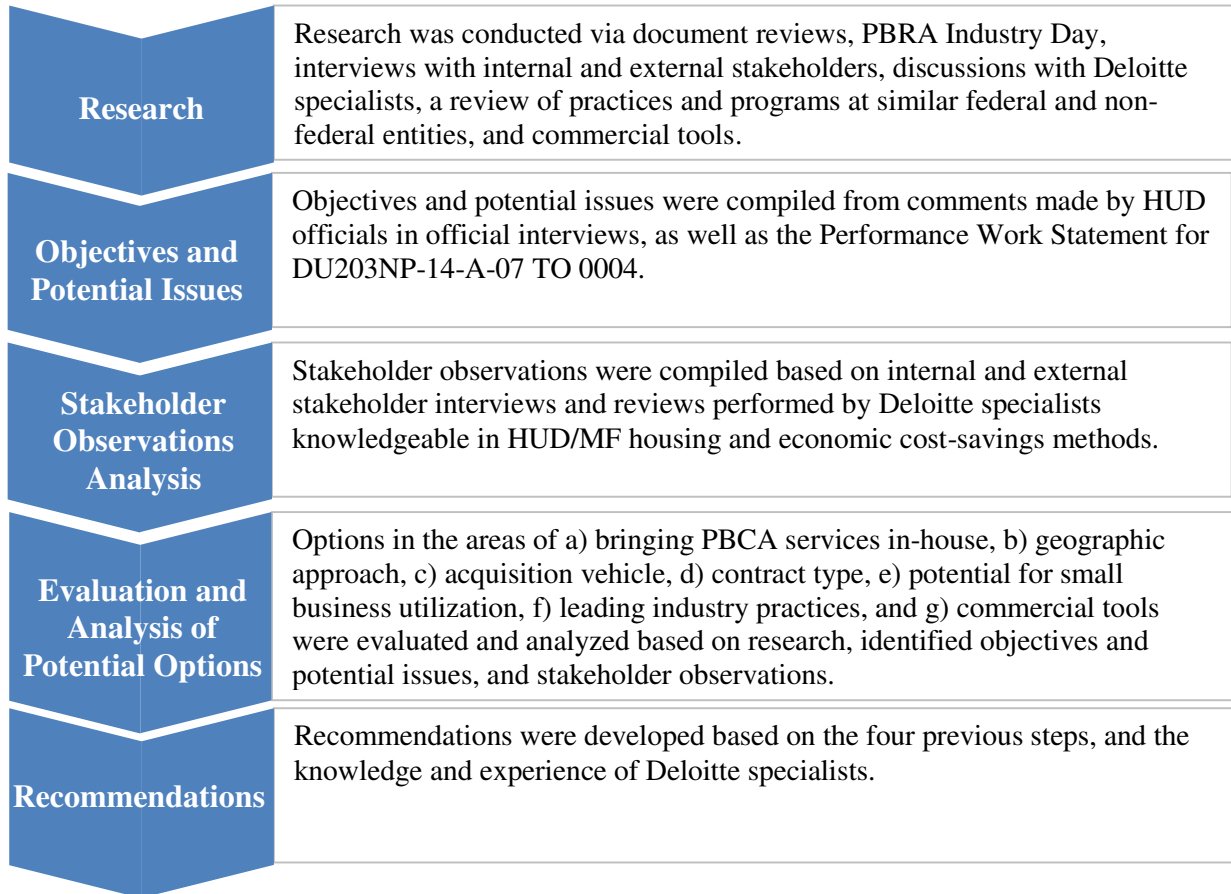
The workload associated with awarding 53 ACCs and monitoring the performance of each PBCA is accomplished in HUD's field offices. Since it is such a large workload spread across several areas, it creates many potential areas for inconsistencies, a lack of standardization, and a large administrative burden.

The difficulties in monitoring the performance of each contractor make it difficult to assess if HUD is receiving the best value. The ACCs do not do a good job of identifying risks and

defining success, as they are not truly monitored in a performance based manner. The IG Audit Report indicated that HUD was paying about a third of the money as incentives, sometimes for tasks that were included in the PBCAs' basic fee, and indicated a misalignment of funds within the program. Even if the ACCs were re-defined with lower fees, the other downfalls of this structure still remain, including multiple layers of profit and monitoring without enough oversight and monitoring, a large administrative burden, and the high cost of monitoring numerous PBCAs.

III. Strategy Methodology

Deloitte used the five-step methodology presented below to analyze the program and develop the recommended strategy:



IV. Research Observations

Deloitte research included document reviews, participation in HUD’s PBRA Industry Day, conducting interviews with internal and external stakeholders, conducting discussions with Deloitte specialists, a review of practices and programs at similar federal and non-federal entities, and a review of available commercial tools. Details of the research are presented in Appendix A. For analysis, research observations are structured into two categories: Objectives and Potential Issues, and Stakeholder Observations.

A. Objectives and Potential Issues

The Task Order PWS defined that the objectives of this analysis address the following:

- Performing High Quality Section 8 Contract Administration
- Monitoring PBCA Performance and the Section 8 Portfolio
- Reducing Improper Payments
- Performing a FAR compliant procurement

Accordingly, research was organized around each objective and identifies HUD sub-objectives and potential issues on objectives as presented below.

Objective 1 - Performing High Quality Section 8 Contract Administration

With PBCA responsibilities affecting approximately \$6 billion of annual rent subsidies, it is important that contract administration be performed at a high quality level.

Identified Sub-Objectives and Potential Issues:

| Sub-Objectives | Potential Issues |
|--|---|
| <ul style="list-style-type: none"> • Consistent task performance across the portfolio • CA tasks are performed as efficiently as possible • Potential risks are identified and mitigated or escalated prior to problems emerging • Residents have a mechanism to make HUD aware of property issues • Local property knowledge be available to HUD Regional and Satellite offices • Improper payments are minimized • Leverage private sector capabilities and solutions | <ul style="list-style-type: none"> • Task performance requires specialized knowledge of HUD regulations and handbooks • Limited HUD staff restricts HUD’s ability to perform the tasks themselves • Some PHAs have geographic service area restrictions • Subsidy disbursements require PBCA fidelity bond coverage |

Objective 2 - Monitoring PBCA Performance and the Section 8 Portfolio

HUD must monitor PBCA performance and must monitor the Section 8 portfolio in terms of program mission and requirements.

Identified Sub-Objectives and Potential Issues:

| Sub-Objectives | Potential Issues |
|---|--|
| <ul style="list-style-type: none"> • Consistent PBCA oversight • Reduced PBCA monitoring burden • Asset centric portfolio monitoring • Reliable portfolio monitoring data • Affordable housing preservation • Stakeholder consideration of residents and owners/agents • PBCA task performance comparison • PBCA task cost comparison | <ul style="list-style-type: none"> • HUD MF reorganization structure • HUD MF reorganization implementation • HUD HQ MF staff levels • HUD systems information: REMS, TRACs, LOCCS • HUD Risk Rating System |

Objective 3 – Reducing Improper Payments

This includes monitoring owner performance in the certification of tenant eligibility, calculation of tenant payments and Section 8 subsidies, verification of tenant income, and in the resolution of potential errors in tenant certifications and subsidy billing amounts.

Identified Sub-Objectives and Potential Issues:

| Sub-Objectives | Potential Issues |
|---|--|
| <ul style="list-style-type: none"> • Accurate tenant eligibility • Accurate tenant subsidy calculation • Resolution of voucher processing issues • Accurate rent adjustments • Correct data collection | <ul style="list-style-type: none"> • Restricted MOR performance • Site knowledge and resources |

Objective 4 – Performing a FAR Compliant Procurement

This includes ensuring that the procurement is FAR compliant, minimizes risk of a protest, and brings the best value to HUD and the program. In preparing recommendations, Deloitte did not interpret any court ruling or determine if potential solutions complied with any court rulings. Additionally, Deloitte did not provide any legal services or legal interpretations, and did not review or consider potential solutions in terms of the Housing Act of 1937, as amended.

Identified Sub-Objectives and Potential Issues:

| Sub-Objectives | Potential Issues |
|---|--|
| <ul style="list-style-type: none"> • FAR compliance • Timely contract awards to minimize HUD costs • Able to adjust to unanticipated Appropriation reductions • Minimize protests • Meet HUD socio-economic procurement goals • Encourage competition and innovation • Effectively use incentives and disincentives • Provide for Work Statement adjustments • Provide flexibility to include additional HUD subprograms (202, 811) in the future • Value for Money • Enabler of operations, not inhibitor | <ul style="list-style-type: none"> • PHAs generally do not have experience with FAR and FAR operational requirements • Time intensive requirements of FAR procurements |

B. Stakeholder Observations

Deloitte also organized research identifying stakeholder priorities related to contract administration. Five stakeholder groups consisting of HUD, Owners and Agents, Residents, Industry-PHAs and Industry-Private Sector were explored with observations presented below.

| Residents | HUD | Owners / Agents | |
|--|---|--|---------------------------|
| <ul style="list-style-type: none"> • Want affordable shelter • Want consistent application of requirements and rules • Want to be respected and heard | <ul style="list-style-type: none"> • Wants to best serve the mission • Wants to stop “overpayment” as soon as possible • Is still transforming Multifamily Asset Management • Believes PHAs are capable partners • Would struggle to conduct 53 procurements | <ul style="list-style-type: none"> • Want to know the rules and have consistency • Want a “painless” process <ul style="list-style-type: none"> • Fewest points of contacts / fewest changes over time • Least interference with their operations • Want HUD to hear them and work with them | |
| <th data-bbox="415 730 813 783">Industry - PHAs</th> <td data-bbox="836 730 1234 1064"> <th data-bbox="836 730 1234 783">Industry – Private Sector</th> </td> | Industry - PHAs | <th data-bbox="836 730 1234 783">Industry – Private Sector</th> | Industry – Private Sector |
| <ul style="list-style-type: none"> • Are motivated – want the work and ready to reduce fees • Are unfamiliar / not ready for FAR based procurement • Are expecting protests | <ul style="list-style-type: none"> • Don’t expect to “prime”, but would love if they could • Are prepared and eager to work with PHAs • Are numerous enough to provide options to PHAs • Bring significant talent and solutions | | |

Through the research, the follow common themes emerged across all stakeholder groups:

- The residents are the number one priority and they can best be served through better property management.
- The program can benefit from standardization of inspections, reporting, processing, and oversight.
- The program can benefit from automation and leveraging technology, such as electronic signatures.
- HUDs systems (iRems, TRACS, iMAX, etc.) are dated and often lag behind HUD handbooks, rules, and regulations.
- The program can benefit from increased oversight.
- Rent adjustments, voucher processing and payments, renewing HAP contracts, and subsets of the tenant call center do not need local presence or knowledge.
- Although state-based agencies share in HUD’s mission, other entities can perform the services as long as they are incentivized to keep local knowledge and presence as a priority.
- PBCA services should be paid based on results, not just procedures.

V. Evaluation and Analysis of Potential Options

Through the application of research results, we evaluated and analyzed multiple options assessing solutions for the following areas:

- Geographic Approach through an analysis of current PBCA tasks
- Acquisition Vehicle
- Contract Type
- Potential for Small Business Utilization
- Comments and Observations on Leading Industry Practices from Private and Government
- Commercial Tools Readily Available

Additional options were analyzed, some of which were determined to not be feasible. A more in-depth analysis of options is provided in Appendix B.

A. HUD Brings PBCA Services In-House

Although Deloitte's recommendation is to focus on strategies for procuring PBCA services, Deloitte considered the issue of HUD bringing the capability to perform the services in-house, rather than continuing to acquire PBCA services.

Observations

Prior to acquiring PBCA services in 1999, HUD performed the tasks related to the PBRA program oversight internally. Performing the PBCA tasks in-house, rather than acquiring from external suppliers poses complex issues involving cost, risk, and control. Although a final decision to bring PBCA services in-house requires a thorough assessment, certain quantitative and qualitative aspects can be considered through the research we conducted.

Resources needed to provide these services will vary due to differing property conditions, local costs, structures, etc. We have not performed a "cost buildup", which is part of the government's procurement process. Based on conversations with stakeholders, it was assessed 1 FTE for every 9-10 properties could serve as an industry average for broad estimating. For 17,000 properties, this would require HUD to hire approximately 1,700 – 1,888 FTEs. HUD's Congressional Justification for the 2017 budget shows 2,717 FTEs requested for the Office of Housing at an average salary and expense cost of \$144,699 per employee. This implies that the required in-house cost could range from \$246M to \$273M before the consideration of HUD administrative FTEs, PBCA specific systems, additional training and additional travel for MORs. As the recent annual spend for PBCA services before the rebid was reported to us at approximately \$273M, it does not appear that major cost savings would result from performing PBCA tasks in-house.

From a qualitative perspective, adding 1,700 to 1,888 FTEs could represent a 63-69% expansion in Office of Housing FTE staffing. This could require significant effort in recruiting and training, as well as a significant expansion of facilities and systems. Additionally, Federal employment regulations create inefficiencies in adequately staffing the PBCA requirements in the time required. The effort required to coordinate such a large number of staff, facilities and systems also creates a risk that assumption of PBCA duties would need to be delayed due to delay of a single critical component.

Assessment of Relative Merits

We have not performed a make or buy analysis or a spend analysis and we do not present any cost-benefit tradeoffs. Based on our stakeholder and general research we see unclear monetary benefits and significant logistical risks in bringing PBCA services in-house. It is considered that the services are better acquired through a competitive process.

B. Geographic Approach

Through the assessment of the CA services (details provided in Appendix B), different potential geographic breakouts were considered in order to fulfil HUD’s needs in the most efficient and cost effective manner. Five options were considered:

| National | Regional | Bidders Create State | Characteristic Breakout | Individual States |
|---|---|--|---|--|
| CA services performed at the National level | CA services performed at a Regional Level | Suppliers select any state combination | CA services set by housing characteristic such as rural / urban | CA services performed at the State level |

Assessment of Relative Merits

Consolidating by supplier created blocks, housing characteristic, or by state creates multiple issues including a high administrative burden for HUD, complex procurement and evaluation processes, higher costs, and the risk of not finding suppliers for all states and areas. These options can result in up to 50+ contracts and several procurements. These options may also discourage small businesses from proposing on the work based on the complexity of the structure although each contract may be a more manageable size than a national contract. For these reasons, it was assessed that these options may likely not fulfill HUD’s needs.

Consolidating at a National level has a potential for significant cost savings through improved buying power, and provides assumed standardization and a very low administrative burden for HUD staff. It could result in one procurement that can be managed by the time spent by one – two total FTEs (time being split between a Contracting Officer (CO), Contract Specialist, and Contracting Officer Representative (COR)) within HUD HQ. It may also likely result in a loss of local knowledge and presence, and create less strategic alignment with individual states and HUD’s MF Regional structure. A national contract creates the risk of a single point of failure, and could potentially affect the payment of subsidies to property owners nationwide. Additionally, a contract of that size may discourage small businesses from proposing on the work.

Consolidating at a regional level is assessed as the recommended option and can create significant cost savings while maintaining the local knowledge and presence. It allows HUD to align PBCA services to the five regions of the MFT transformation, and potentially recognize better service to residents, partners, and stakeholders through standardization, improved risk management, and efficiency.

PBCA Task Assessment

Currently, all PBCA tasks are performed under one scope of work. As further options are assessed, it will be noted which tasks do not require local knowledge or presence, and can potentially be “unbundled” and performed at a national level.

Many interviewees indicated that Voucher Processing and Payments could benefit from the standardized process and enhanced communication that could be achieved through using one national contractor. In some states, HAP contract renewals are subcontracted to private companies, and many interviewees indicated that this task could be performed at a national level. Many interviewees also indicated that rent adjustments could be performed by a national contractor.

Our research showed that local presence and knowledge is more important for Management Occupancy Reviews (MORs), physical review follow-up, and reports and certification. These tasks can result in better resident service, better property condition, and lower improper payments when the contractor has local presence and knowledge.

For the tenant call center, our research suggests that only portions of it can be awarded to a national contractor. Although a national contractor can allow for cost savings through scalable efficiencies, the lack of localized knowledge could make it more difficult to establish positive relationships with residents. Research and professional judgement indicates that a contractor with local knowledge could better address resident issues, and that only call centers for emergency issues could best be performed at a national level.

Although additional market research will need to be completed to fully evaluate which task areas can be performed nationally, it can be assessed through our research that HUD could award voucher processing and payment, HAP Contract Renewal, Rent adjustments, and a subset of tenant communications help desk services into national IDIQs. Performing these services in a contract structure that does not require local presence or knowledge does not appear to negatively impact the residents, the properties, or the property owners. Consolidating these tasks at a national level could create a more efficient and consistent way of providing these services and could result in potential cost savings. However, it could also provide the risk of a single point of failure, and should be considered when confidence in performance ability is high.

C. Acquisition Vehicle

Contract vehicles can be structured to assist with incorporating streamlined acquisition methods. These streamlined methods can help reduce the time for completing the contract award. All contractors under any of these vehicles will be subject to Contractor Performance Assessment Reporting System (CPARS) reports that assess a contractor’s performance and provides a record for a certain period of time. Each assessment is based on objective facts supported by program and contract management data, including cost performance, customer comments, quality reviews, technical interchange meetings, financial assessments, management reviews, operations reviews, functional performance evaluations, etc. These reports act as an incentive for Contractors to deliver a high level of performance. Five acquisition vehicle options were considered (details provided in Appendix B).

| Single, Standalone Contract | Indefinite-Delivery / Indefinite-Quantity (IDIQ) | Government-Wide Acquisition Contract (GWAC) | Blanket Purchase Agreement (BPA) | Basic Ordering Agreement (BOA) |
|--|--|---|---|--|
| One contract awarded to one vendor covering all PBCA tasks | Provides for an indefinite quantity of supplies and services during a fixed period | Enables federal agencies to buy cost-effective and innovative solutions for IT requirements | Not a contract, but a simplified method of filling repetitive needs in small quantities and dollar values | Not a contract, a written understanding including terms description of services/methods for ordering |
| | FAR Subpart 16.504 | FAR Subpart 17.5 | FAR Subpart 13.303 | FAR Subpart 16.703 |

Assessment of Relative Merits

Blanket Purchase Agreements and Basic Ordering Agreements would not suit PBCA services as they may use GSA schedules and may likely preclude potential suppliers with technical experience and past performance from proposing as prime contractors. A GWAC could be considered if certain CA services related to automation or other IT requirements were broken out from the larger set of tasks. For these reasons, a GWAC, BPA, or BOA would not fulfill HUD’s needs.

A single, standalone contract may be appropriate for these services, but allows for less flexibility and competition. Our stakeholder interviews noted that it is difficult to predetermine the precise quantities of services needed. Without this information, acquiring these services on a single contract may necessitate a cost-reimbursement arrangement, and result in higher risks to HUD. One risk includes the potential for a single point of failure. It may also offer HUD less diverse service capabilities, and could result in less competition and less innovation if new suppliers found it difficult to enter the market.

For the current CA services, an appropriate vehicle would be an IDIQ. Because precise quantities of services cannot be predetermined, but recurring needs are anticipated, an IDIQ provides HUD flexibility to fulfill its needs. FAR Subpart 16.504 indicates a multiple award preference, although an IDIQ can be a single award IDIQ or multiple award IDIQs.

An IDIQ also provides the flexibility to use a rolling admission of contractors to give new industry partners the opportunity to participate. Periodically, HUD can assess the quality of performance of each IDIQ holder, the number, value and complexity of work assigned and amount of competition achieved. If the assessment determines it is in the best interest of the Government, a decision can be made to add additional IDIQ holders. Conversely, if a contractor is not performing at a level satisfactory to HUD, the option year for that contractor does not need to be exercised.

HUD has the flexibility to structure task orders such that tasks requiring regular communication with the owners/agents be awarded one contractor if it is assessed that a structure of that nature would be in the best interest of HUD and the stakeholders. Otherwise, HUD can create a communication plan that indicates who to contact for which types of issues based on the

contractors who win the awards. The recommendation is to award all tasks under one task order initially prior to potentially unbundling tasks in future task orders.

With multiple award IDIQ contracts, it is possible that not all awardees will have work for a period of time. This encourages the vehicle holders to submit the strongest team at the best possible price every time to maximize their chances of winning. Being a vehicle holder of this IDIQ does not preclude vendors from working other contracts while waiting for a chance to win a task order, and vehicle holders often retain their best staff through other contracts when necessary. Although it requires a large investment of time and money to compete for and win an IDIQ and Task Orders, the benefits of a holding an IDIQ for a contractor often outweigh the potential of not being awarded much work.

D. Contract Type

A wide selection of contract types are available. They are grouped into two broad categories: fixed-price and cost-reimbursement (included within cost-reimbursement is time & material / labor hour contracts) (details provided in Appendix B).

| Fixed Price | Cost - Reimbursement | Time & Material / Labor Hour |
|--|---|--|
| Contractor agrees to deliver services at a price – maximum risk is on the contractor | Provides for payment of allowable incurred costs and used when requirements cannot support a fix price contract – maximum risk is on the Government | Can be used when it is not possible to estimate the extent or duration of work, or to anticipate costs |
| FAR Subpart 16.2 | FAR Subpart 16.3 | FAR Subpart 16.6 |

Assessment of Relative Merits

Managing contractor costs for all PBCA services under a cost-reimbursement contract would require significant HUD oversight and administration to ensure that only permissible costs are paid and that adequate overall cost controls exist. This would pose the highest amount of risk to HUD. With cost-reimbursement contracts, the Government is not guaranteed a completed end item or service within the estimated cost, and there is a cost risk of not being able to fully assess the payment need for services each month. In a cost-type contract, the contractor has little incentive to keep spending to a minimum and there is limited certainty as to what the final cost will be. From a fixed-price perspective, PBCA services have been acquired for many years, so there is a lower risk of uncertainty. Based on these factors, and because many PHA providers may not have an approved accounting system allowing for cost-reimbursement type contracts, a fixed price type contract is beneficial to HUD.

Since the program needs to be flexible, Time & Materials and/or Labor Hour task orders should also be allowed within the vehicles, but only when absolutely needed due to an inability to accurately estimate the extent or duration of the work, or the inability to anticipate costs. Having FFP and Time & Material and Labor Hour options available will allow HUD to select the most suitable contract type for balancing cost, the uncertainty of requirements, and the delivery risk

for each task order. It will also allow for a hybrid of contract types within task orders for maximum flexibility.

E. Small Business Utilization

Through research of the program and the CA tasks, the potential for small business utilization was assessed to include not setting aside any portion of this work for small businesses, a partial small business set aside, or a total small business set aside (details provided in Appendix B).

| Full and Open | Small Business Set Aside | |
|--|--|--|
| | Partial | Total |
| Large Contractors will be required to meet or exceed HUD’s small business subcontracting goals | A portion of the work must be set aside for a small business concern if conditions are met | The entire effort must be set aside for a small business concern if conditions are met |
| | FAR Subpart 19.502-3 | FAR Subpart 19.502-2 |

Assessment of Relative Merits

Only a preliminary assessment for small business utilization can be made without performing market research to identify qualified small business vendors. Based on initial research, it is believed that there is not a reasonable expectation that two or more small businesses would submit proposals for the full scope of PBCA services. The requirement at a regional level is too large and complex for a small business to perform successfully without teaming with other companies who can supplement the requirements. There does, however, seem to be small businesses who perform some of the PBCA services, indicating that part or parts of a multiple award vehicle may be set aside for small business concerns, or that one or more contract award can be reserved for small business concerns. With additional market research, it can be assessed if small businesses can create teams that can cover the entire PBCA task scope in order to assess whether the requirement can be set aside. If market research shows that 2 or more small businesses are likely to submit proposals for the requirement, they can subcontract up to 49% of the work to a large business.

If no set aside, or a partial set aside is used, large prime contractors should be required to meet or exceed HUD’s small business goal. A small business plan would be required in the solicitation and should be part of the evaluation criteria.

Based on the task assessment completed above, Voucher Processing and Payments, HAP Contract Renewal, Rent Adjustments, and a subset of the call center may be further assessed for small business set aside. For the areas where market research has assessed there to be more than two responsible small businesses, the sampling of appropriate NAICs codes are listed below.

| NAICS | Title | Potential PBCA Related Tasks | Size Standard |
|--------|--|---------------------------------|---------------|
| 522320 | Financial Transactions Processing, Reverse, and Clearinghouse Activities | Voucher Processing and Payments | \$38.5M |
| 531320 | Office of Real Estate Appraisers | Rent Adjustments | \$7.5M |
| 541350 | Building Inspection Services | Physical Review Follow Up | \$7.5M |
| 541990 | All other professional, scientific, and technical services | Various | \$15.0M |
| 561422 | Telemarketing Bureaus and Other Contact Centers | Tenant Call Center | \$15.0M |
| 624229 | Other Community Housing Services | Various | \$15.0M |

F. Comments and Observations on Leading Industry Practices

Through research and professional judgement, several areas were identified as potentially benefitting the PBCA effort. These practices were analyzed to assess which ones applied to the program, and which ones needed more information to fully assess the impact.

Competition. The FAR advocates for competition (FAR Part 6) and CICA governs competition in federal procurement contracting. By competing this work, HUD can achieve the best value, improve contractor performance, and promote accountability for results. Full and open competition is required by FAR Subpart 6.1 unless an exception applies. Through the potential three IDIQ contracts within each of the five regional areas, competition is achieved at the vehicle level, and again, at the task order level potentially resulting in further savings.

Conduct Extensive Market Research. Extensive market research should be conducted to assess how to effectively structure the IDIQs. At the very least, HUD should determine, for each of the seven task areas: (a) industry practices regarding the bundling or unbundling of services, (b) which tasks require local knowledge or presence or governmental unit involvement, and (c) whether small businesses can perform any of the tasks.

Utilize Performance-Based Contracting. Switching to a performance-based methodology could help control costs, drive better value and delivery, and shift risk to suppliers. Performance based contracting is a results-oriented method that focuses on quality and results. It may tie contract renewals or extensions, and potentially payment, to the achievement of specific, measurable performance standards and requirements based on Acceptable Quality Levels (AQLs) agreed to or set by HUD. In this structure, AQLs can be used to ensure the outcomes of MORs, renewals, and other tasks are focused on the quality and results. For example, these AQLs can ensure that contractors are not just providing a standard report, but are also incentivized to report additional issues found with properties during an MOR. Placing the focus on performance and results will ensure that contractors fulfill the requirements leading to optimal outcomes for HUD.

This type of contracting utilizes Performance Work Statements (PWS) instead of Statements of Work. A PWS allows a contractor to decide how work will be accomplished, which further allows for innovative approaches, efficiencies in work, better value and delivery, and potential cost savings. This also promotes more open and interactive communication with industry throughout the acquisition process, and increases an understanding of the requirements.

Open and Transparent Communication with Industry throughout the Procurement Process.

Maintaining open and transparent communication with Industry through events, such as Industry Days, Pre-Proposal Conferences, notices to FedBizOpps, etc. will ensure HUD is gathering information from industry sources throughout the process. Releasing a draft solicitation for industry review and comment prior to final release gives industry the opportunity to prepare and know what to expect when the final solicitation is released. It encourages communication between HUD and industry and allows HUD to be aware of any potential issues that may end in protests.

Include Key Personnel at the IDIQ Level. HUD should require named Key Personnel, including a Program Manager, to oversee the entire IDIQ for each vendor. A lead should also be required for each task in the event HUD unbundles tasks. The inclusion of Key Personnel encourages proper oversight and successful overall performance and delivery of work. The inclusion of detailed requirements for Key Personnel roles provides HUD with professionals who have extensive experience for delivering the types of services required. This provides a broader set of experience and innovative ideas to the program at a lower execution risk. Key Personnel are not required to be available throughout the duration of the IDIQ. They can be replaced with approval from the CO and/or COR allowing for the vendor to remain flexible as well.

Best Value Tradeoff evaluation. To maximize the quality and availability of services provided to HUD, the most highly qualified vendors should be chosen for the IDIQs. In addition to cost factors, a Best Value Tradeoff evaluation allows for the evaluation of important non-cost factors, and permits a more holistic view for comparison across potential suppliers. Evaluation factors for the IDIQs should include experience and past performance. Critical success factors of technical experience should include performing tasks of similar scope, magnitude, and complexity. Detailed parameters of past performance should also be provided to further demonstrate and evaluate experience. It is recommended that offerors identify three past performance examples within the past five (5) years that are similar in scope, magnitude, and complexity to the work.

Maintain fixed unit pricing at the IDIQ level, as well as multiple labor categories. This will allow flexibility on how contract awardees provide the most effective services in the most cost efficient manner. Some items under the PBCA services can be broken out into fixed units. Two examples of this are MORs and rent adjustments. Each MOR and rent adjustment can have a fixed unit price for completing the effort. Fixed unit pricing allows HUD to track pricing across regions, drive further discounts and more accurately estimate future costs.

The wide variety of tasks needed to satisfy the scope of work will require diverse experience and skill sets. As requirements evolve over the life of the contract, required skill sets will likely increase. Maintaining multiple labor categories will make it easier for HUD to acquire the diverse contractor experience and skills needed to execute the varied CA tasks. The fixed unit prices and the staffing mix needed outside of those fixed unit prices will be used to assess the firm fixed price of the task orders.

Award a Task Order with the IDIQ. This allows HUD to evaluate a task order with the IDIQ, and forces industry to provide a competitive and realistic price for the accomplishment of the work of the task. This will also strengthen HUD's ability to effectively select the most technically qualified vendors.

Begin the Movement to Standard Data Models for All Services. To the extent the data models are not standardized, the PBCA contract process provides a vehicle for requiring adoption. The benefits of improved communication, interoperability, and lowered barriers to entry for new suppliers (through lower IT adoption costs) could be expected to reduce PBCA costs overall.

The practices listed below provide potential benefit, but require additional research or experience with the new procurement structure prior to being recommended or adopted.

Add a ‘Cross-Cutting’ National Oversight Layer. Creating a national oversight layer could minimize the amount of time and effort HUD would need to use to oversee the PBCA services. This layer can focus on quality assurance, process analysis and improvement, troubleshooting, and contingency operations. Based on Deloitte’s research, as well as feedback from internal interviewees, a national oversight layer could address the limitation concerns HUD faces in terms of resources and administration as it was stated several times that HUD does not have the resources to provide extensive oversight to current PBCA services. For example, currently, HQ receives “Hot Topic” reports from each PBCA. A national oversight level can receive this information, address certain issues with the contractor, compile the information, and provide one list to HUD.

Consider the use of Remote Centers of Excellence (COEs) to standardize execution of critical cross-program tasks. Remote Centers of Excellence can be used to standardize the execution of selected cross-program work streams in a way that achieves consistency in the development of work products, improves the overall quality of outputs, and streamlines individual processes. Remote COEs can also drive cost efficiencies by leveraging labor in lower cost markets.

Explore Consolidation with Other Federal Multifamily Programs. Primarily, this will involve other HUD programs (Section 202, LIHTC, etc.) and USDA rural multifamily (particularly Section 515/8’s). There are opportunities to increase collaboration among agencies and these programs that may result in efficiencies. The challenges this presents are extensive and include statutory barriers; aligning resources, policies, and requirements; and ensuring oversight.

G. Commercial Tools

Deloitte researched commercial tools available in the marketplace, and tools and automations used by current PBCAs. Deloitte performed an internet search of available tools, and discussed tools and automations during external and internal stakeholder interviews.

For performing and managing PBCA tasks, PBCAs generally rely on a combination of customized systems, tracking mechanisms, and a limited number of commercial software products. Customized systems often involve document focused workflow processing systems used elsewhere, or excel tracking systems.

- The leading commercial tool is reported to be HDSsoftware, which has provided PBCA specific software since the beginning of the PBCA program. HDSsoftware addresses management of PBCA specific tasks including PBCA invoice preparation and a module for accepting and processing TRACS transmission files from owners and agents. HDSsoftware appears well known and liked by PBCAs, but user levels were not collected.

- Gilson Software Solutions, founded by a previous owner of HDSsoftware, performs many of the same PBCA functions through its CA Partner Module, but appears much less widely used.
- IPM Software provides their CaTRAC'r product for voucher processing and is used by PBCAs and TRACs service bureaus who perform voucher processing as subcontractors for PBCAs. The CaTRAC'r product addresses PBCA voucher processing functions including accepting and reviewing certifications and vouchers, transmitting certifications and vouchers to HUD/TRACS and disbursing payments to owner/agent via electronic funds transfer.
- Proprietary systems have been reportedly developed by several PBCA service providers, including some private sector firms. While reference was made to firms seeking to sell their systems to HUD or industry participants, there is a substantial difference between proprietary and commercial solutions, and access to a competitors system or performance data could create conflicts.

Data Transaction Standards

Each PBCA currently collects and stores data based on their individual system requirements and work flow needs. This provides flexibility to the PBCA, but does not support the consolidation and analysis of data across the entire program. While HUD requires PBCAs to make entries into its Integrated Real Estate Management System (iREMS), useful PBCA task information and performance data is either reported only via the monthly invoice or not at all. A notable item is the PBCA log of resident calls and responses to health and safety issues. These contains direct resident information not found elsewhere in the portfolio management structure, which can be useful in evaluating both PBCA and owner/agent performance.

A data transaction standard defines the data to be collected and the format and structure for it to be transmitted to another party. It allows each party to structure and store their data in any way they chose, but defines how to "map" it into a ubiquitous text file in a manner where it can be readily loaded into the receiving party's data structures. Many data transaction standards utilize Extensible Markup Language (XML) for this purpose, including current standards defined by HUD and the National Multifamily Housing Council. Additionally, HUD had previously worked to define an XML standard to assist PBCAs in receiving iREMS data.

Through definition within task orders, the contracting process provides the opportunity for HUD to establish a data standard that defines an expanded set of task performance data, and requires data submission. The data, used either within larger systems, or loaded into spreadsheets, can help HUD expand knowledge for portfolio management and for refining the contracting process. These benefits should be sufficient to offset the cost of implementation, but should be evaluated.

Data transaction standards within the multifamily industry and other HUD XML efforts provide a potential resource. HUD has previously used XML standards including:

- REAC's FASS PH XML Initiative for PHA financial statement collections
- The Homeless Data Exchange HMIS Data Standard
- LIHTC project and tenant data collection

Within the multifamily housing industry, HDSsoftware currently uses XML exports within their Tax Credit module, and the National Multifamily Housing Council has established the Multifamily Information and Transactions Standard (MITS) the following functions:

- Core Data
- Custom Records Extension Component (CREC) Implementation
- Lead Management
- Property-Marketing/ILS
- Renters' Insurance
- Accounts Payable
- Collections Version
- Lease/Application
- Resident Screening
- Resident Transactions
- HFA Low Income Housing Tax Credit Data Standard

As HDSsoftware uses XML in certain non-PBCA modules, and HUD has held PBCA-focused XML data sharing working groups for iREMS data in the past, there is small risk of PBCAs being unfamiliar with XML data transaction standards. HUD would need to determine the data to be collected, and work with its information technology group to specifically define the data fields and the transaction standard. The standard would require periodic review and maintenance.

VI. Recommendations

The recommended strategy considers the objectives and constraints, and stakeholder observations presented in Section IV and the option evaluations presented in Section V. Factors were considered without ranking, however, competition and flexibility emerged as primary factors across the analysis. Competition is important to secure high performance at a potentially better price. Flexibility is important because HUD is completing its Multifamily for Tomorrow Transformation and, with PBCA fees calculated as an overall percentage of the subsidy, has not had the data available to evaluate pricing at the task level or to evaluate the impacts of unbundling services. The recommended Multiple Award IDIQs can be a long term, flexible solution.

A. Geographic Structure, Contract Type, Acquisition Vehicle and Small Business Utilization

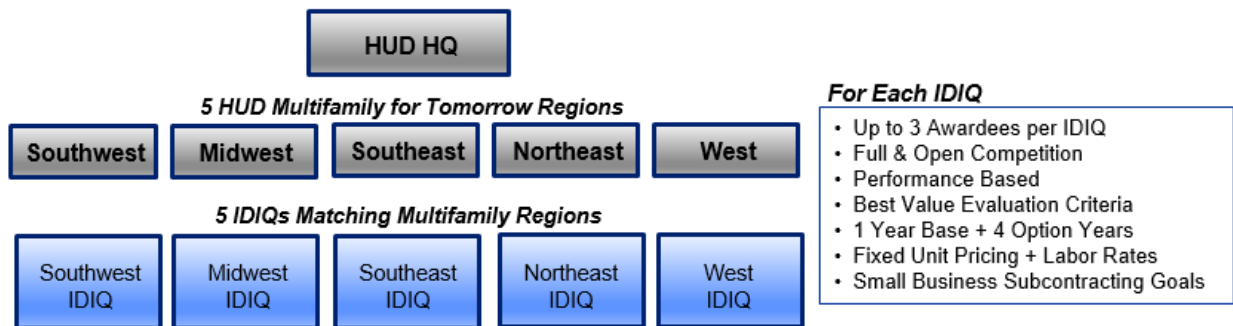
Deloitte’s research indicated that after a year or more, additional pricing data, HUD knowledge, and industry adaptation will make the PBCA procurement environment more advantageous to HUD. As a result, we recommend that HUD begin with an initial structure, and after consideration, adapt the structure in a second subsequent phase. This two-phase, “Initial” and “Subsequent” approach is discussed below.

- For the initial phase, Deloitte recommends conducting a full and open competition to award five regional IDIQs based on Best Value Tradeoff evaluation criteria. Each IDIQ is recommended to use fixed unit pricing plus labor rates, and contain small business subcontracting goals.
- The subsequent phase could occur in one or more years, after HUD evaluates pricing and better establishes monitoring under its transformed structure. At a future time, a National IDIQ could provide supplemental oversight resources to HUD or allow national performance of PBCA task(s) when risk of failure is low.

Details of the phases appear below.

Phase 1 - Initial

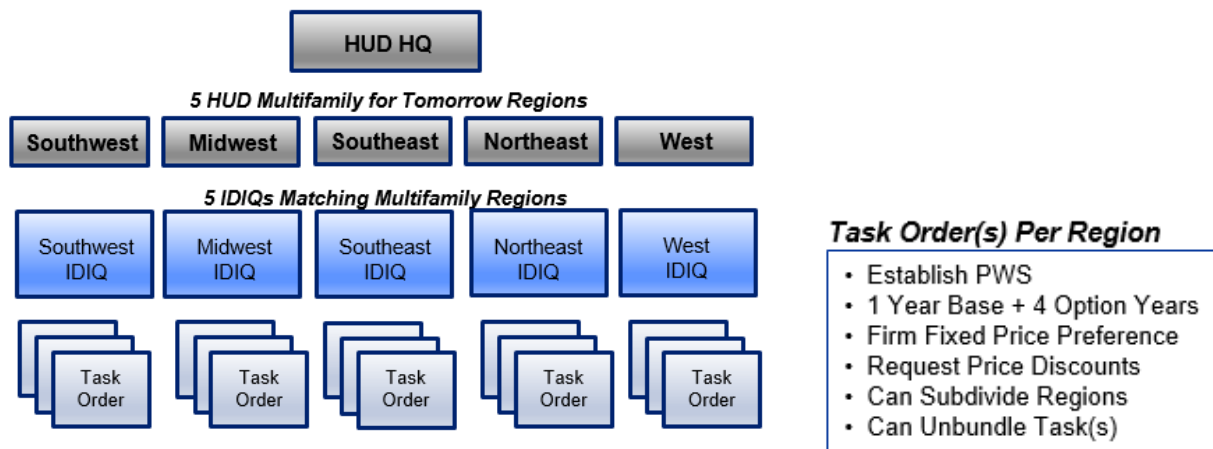
1. Utilize up to three IDIQs within each of the five regional with the characteristics detailed below.



| Benefits of up to three IDIQs within each of the Five Regional areas: |
|---|
| <ul style="list-style-type: none"> • A regional structure matches HUD’s structure to facilitated monitoring, requires fewer procurements, and increases buying power for reduced costs |
| <ul style="list-style-type: none"> • Up to three awardees provides flexibility, further competition, and discounts without program disruptions |
| <ul style="list-style-type: none"> • Full and Open competition may encourage higher quality goods and services at lower prices |
| <ul style="list-style-type: none"> • Performance Based Contracting drives better value and delivery through focusing on results |
| <ul style="list-style-type: none"> • Best Value Tradeoff evaluation criteria allows HUD to evaluate non-price factors and promotes a more holistic view for comparison |
| <ul style="list-style-type: none"> • 1 base plus 4 options years permits flexibility to change the structure |
| <ul style="list-style-type: none"> • Potential for on-boarding contractors throughout the life of the IDIQ as deemed appropriate |
| <ul style="list-style-type: none"> • Fixed unit pricing allows task pricing comparison within and across regions so best value is easily assessed and labor categories allow for flexibility and oversight of the task |
| <ul style="list-style-type: none"> • Small business subcontracting goals supports HUD requirement |

2. Utilize Task Orders within the IDIQs

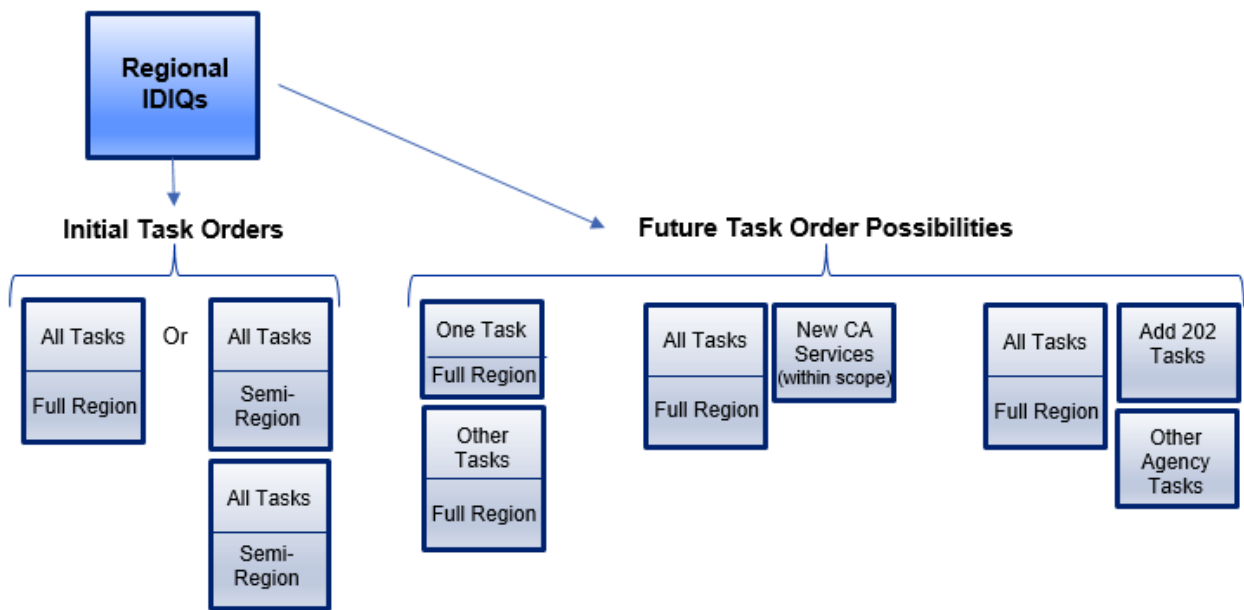
Initially, bundling all tasks within a task order is recommended, as it is consistent with current CA practices and minimizes disruption and transition time. However, regions can initially be subdivided to match HUD satellite offices or vendor capabilities in a region, to allow for more current vendors without overseeing additional contracts.



| Benefits of Utilizing Task Orders: |
|---|
| <ul style="list-style-type: none"> • PWS promotes a results oriented work structure |
| <ul style="list-style-type: none"> • Further competition promotes discounting from IDIQ rates and drives down costs |
| <ul style="list-style-type: none"> • Multiple concurrent task orders can unbundle CA tasks or subdivide regions |
| <ul style="list-style-type: none"> • Short term task orders can provide flexibility in restructuring tasks, regions or rebidding pricing |
| <ul style="list-style-type: none"> • Task order awards allow for quick turnarounds, short evaluation times, and low administrative burden |
| <ul style="list-style-type: none"> • Task orders can be sole sourced for follow-on-work, or to ensure continuity allowing for flexibility when switching vendors or re-bidding task orders |
| <ul style="list-style-type: none"> • Ability to file protests for a task order under \$10M is very narrow |

3. Flexibility of Task Orders Over Time

Over time, tasks can be unbundled to reduce costs or capture efficiencies, and task unbundling can be tested regionally before nationwide implementation.

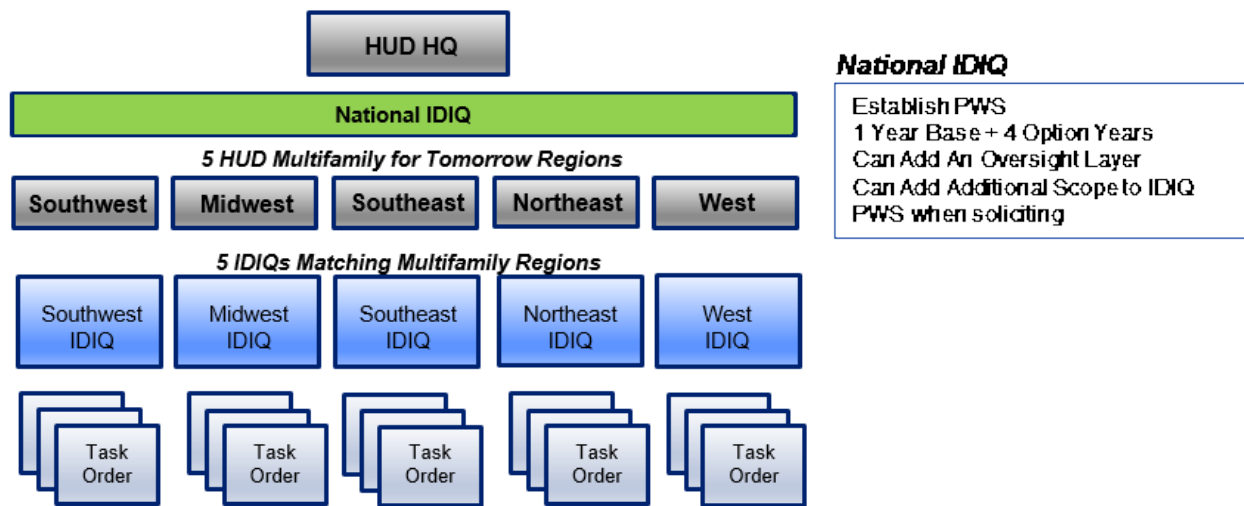


| Benefits of Flexibility of Task Orders Over Time: |
|--|
| <ul style="list-style-type: none"> • Initially bundling tasks remains consistent with current CA practices and minimizes disruption and transition time |
| <ul style="list-style-type: none"> • Regions can be subdivided to match HUD satellite offices or vendor strengths in a region |
| <ul style="list-style-type: none"> • Tasks can be unbundled to reduce costs or capture efficiencies |
| <ul style="list-style-type: none"> • Unbundling can be tested regionally before nationwide implementation |
| <ul style="list-style-type: none"> • New tasks or new portfolios can be added <u>within the overarching scope of the IDIQ</u> |

Phase 2 – Subsequent

At an appropriate future time, multiple award National IDIQs and/or single, stand-alone contract could provide supplemental oversight resources to HUD or allow national performance of PBCA task(s) when risk of failure is low.

1. Multiple award IDIQ contracts can be executed at a National Level for PBCA task(s) that can be performed at that level. These tasks can potentially be Voucher Payment and Processing, HAP Contract Renewals, Rent Adjustments, and portions of the call center.
2. A separate contractor can be awarded multiple award IDIQs or a single, stand-alone contract to provide oversight of the program services.



| Benefits of Multiple Award National IDIQs and/or a Single, Standalone Contract: |
|--|
| <ul style="list-style-type: none"> • If successfully unbundled at the region level, nationally issued task(s) can provide greater consistency and cost savings |
| <ul style="list-style-type: none"> • A cross-cutting national oversight contractor can supplement HUD resources and optimize work through focus on quality assurance, process analysis and improvement, troubleshooting, and contingency operations |
| <ul style="list-style-type: none"> • New services or portfolios can be added to the scope of the national level PWS during the solicitation phase |

B. Leading Industry Practices

Conduct Extensive Market Research. Extensive market research should be conducted to assess how to most successfully structure the IDIQs. At the very least, HUD should determine, for each of the seven task areas: (a) industry practices regarding the bundling or

unbundling of services, (b) which tasks require local knowledge or presence or governmental unit involvement, and (c) whether small businesses can perform any of the tasks.

Utilize Performance-Based Contracting. Switching to a performance-based methodology could help control costs, drive better value and delivery, and shift risk to suppliers. It may tie contract renewals or extensions, and potentially payment, to the achievement of specific, measurable performance standards and requirements. Through the use of a PWS, contractors decide, with approval by HUD, how work will be accomplished, which further allows for innovative approaches, efficiencies in work, better value and delivery, and potential cost savings.

Open and Transparent Communication with Industry throughout the Procurement Process. Maintaining open and transparent communication with Industry through events, such as Industry Days, Pre-Proposal Conferences, notices to FedBizOpps, etc. will ensure HUD is gathering information from industry sources throughout the process. Releasing a draft solicitation for industry review and comment prior to final release gives industry the opportunity to get prepared and know what to expect when the final solicitation is released. It encourages communication between HUD and industry and allows HUD to be aware of any potential issues that may end in protests.

Include Key Personnel at the IDIQ Level. HUD should require named Key Personnel, including a Program Manager, to oversee the entire IDIQ. A lead should also be required for each task in the event HUD unbundles tasks. The inclusion of Key Personnel encourages proper oversight and successful overall performance and delivery of work. The inclusion of detailed requirements for Key Personnel roles provides HUD with professionals who have extensive experience for delivering the types of services required. This provides a broader set of experience and innovative ideas to the program at a lower execution risk.

Award a Task Order with the IDIQ. This allows HUD to evaluate a task order with the IDIQ, and forces industry to provide a competitive and realistic price for the accomplishment of the work of the task. This will also strengthen HUD's ability to effectively select the most technically qualified vendors.

Add a 'Cross-Cutting' National Oversight Layer. Creating a national oversight layer would minimize the amount of time and effort HUD would need to use to oversee the PBCA services. This layer can focus on quality assurance, process analysis and improvement, troubleshooting, and contingency operations. Based on Deloitte's research, as well as feedback from internal interviewees, a national oversight layer would address the limitation concerns HUD faces in terms of resources and administration as it was stated several times that HUD does not have the resources to provide extensive oversight to current PBCA services. For example, currently, HQ receives "Hot Topic" reports from each PBCA. A national oversight level can receive this information, address certain issues with the contractor, compile the information, and provide one list to HUD.

Begin the Movement to Standard Data Models for All Services. To the extent the data models are not standardized, the PBCA contract process provides a vehicle for requiring adoption. The benefits of improved communication, interoperability, and lowered barriers to entry for new suppliers (through lower IT adoption costs) could be expected to reduce PBCA costs overall.

C. Commercial Tools

Allow PBCAs to innovate on their use of commercial software products or investment in custom software solutions. PBCAs have had many years to address workflow and software solutions. Although an industry-wide solution would promote standardization and data collection, efficiencies resulting in increased performance and decreased costs are more likely to occur when PBCAs design their own workflow and software solutions rather than conform to using a required software product

Explore the Use of Data Reporting Standards and Data Transaction Standards. Defined data reporting standards will create consistency for PBCAs operating in multiple areas, and allow HUD to aggregate performance data from all PBCAs. Utilizing or expanding existing XML multifamily data transaction standards could allow PBCAs to transmit data from disparate information technology systems to HUD in a machine-readable format.

Appendix A: Research Details

This section presents research results and does not necessarily represent the views of Deloitte.

A.1 Document Review

Deloitte analyzed the essential and non-essential notices, guidance, current contracts, opinions, and rulings that were either directly related to the PBRA program or those that had an impact on the PBCA tasks. To support our baseline understanding of areas that affect the PBRA program, Deloitte's review included, but was not limited to, the following:

- Federal Acquisition Regulations
- Competition in Contracting Act
- Section 2 and section 8(b)(1) as defined in the United States Housing Act of 1937, as amended
- The United States Federal Court of Appeals, Massachusetts Housing Finance Agency v United States
- HUD Office of Inspector General (OIG) Audit 2010-LA-0001, *HUD's Performance-Based Contract Administration Contract Was Not Cost Effective*
- HUD's Invitation for Submission of Applications: Contract Administrators for Project-Based Section 8 Housing Assistance Payments (HAP) Contracts
- Improper Payments Elimination and Recovery Act (IPERA) of 2012
- Office of Management and Budget (OMB) guidance in Appendix C of Circular A-123
- Annual Contributions Contract: Project-Based Rental Assistance (2000)
- Annual Contributions Contract: Project-Based Rental Assistance (2012)
- Instructions for the Annual Compliance Review checklist for Performance Based Contract Administrators (2008)
- Section 8 Renewal Policy Guidebook (2015)
- HUD OIG Audit 2015-FO-0005, *HUD Did Not Comply With IPERA Due to Significant Deficiencies in Its Reporting and Risk Assessment Processes*
- Policy Requirements and General Section for HUD's Fiscal Year (FY) 2012 Notice of Funding Availability (NOFA) for Discretionary Programs

A.2 Industry Day

Deloitte attended the PBRA Industry Day where HUD provided a brief history of the program, and discussed the need for FAR compliance, potential best practices, and discussed the program's outlook. The purpose of Industry Day was to solicit best practices that included ideas on how to utilize commercial products and services, reduce costs, improve PBCA performance, and reduce the need for high levels of oversight. In keeping with those goals, HUD allowed for one-on-one sessions where industry could present their ideas to HUD. Industry attendees included incumbent PBCAs, Public Housing Agencies (PHAs), and Housing Finance Agencies (HFAs), trade associations, and large and small private companies.

Overarching themes heard throughout Industry Day:

- The residents are the number one priority and they can best be served through better property management.

- The program can benefit from standardization of inspections, reporting, processing, and oversight.
- The program can benefit from automation and leveraging technology, such as electronic signatures.
- HUDs systems (iRems, TRACS, iMAX, etc.) are dated and often lag behind HUD handbooks, rules, and regulations.
- The program can benefit from increased oversight.

Common themes heard from the incumbents of the program:

- The program was running successfully and no changes were needed, indicating that PBCA consistency and continuity is crucial.
- The wellbeing of state residents is part of a PHA and HFA mission that would be lost if HUD awards to other entities.
- Local presence is essential in performing the tasks.
- HFAs bring the ability to refinance and recapitalize properties, and investing in PBRA properties provides them with additional insight into the maintenance of the properties.
- Past Performance will be an important part of the evaluation.
- Did not feel the program needed to be competed.
- Breaking out the tasks is not advised due to the amount of time and effort that went into developing these relationships and structuring the program.

Common themes heard from private sector:

- Breaking out tasks could be a good way to get small business participation and will gain efficiencies.
- Many of these tasks can be done by private sector and do not need local presence.
- Full and Open competition is preferred.

Deloitte also drafted a questionnaire, which was disseminated by HUD to the Industry Day attendees. The purpose of the questionnaire was to solicit feedback from the larger group, to include attendees that were not able to participate in the one-on-one sessions. The questionnaire also allowed respondents to provide feedback that they may not have shared in person. The questionnaire asked respondents to answer the following:

- What is your organization's primary relationship to the Section 8 PBRA program?
- What industry best practices should be encouraged or incorporated into the PBRA program?
- Provide suggestions for increasing the effectiveness of, or reducing the cost of, contract administration.
- Provide suggestions for HUD's oversight and monitoring of contract administrators and potential private sector service providers.
- What private sector concepts can be leveraged for the implementation of the new process?
- Identify concerns regarding the PBRA program.

Deloitte analyzed over 40 of the respondent's submissions, which included Trade Associations (4), PBCAs (28), and Private organizations (10). The ideas provided in the questionnaire largely

mirrored the consistent themes discussed in the one-on-one sessions. However, two additional areas of improvement were discussed deeper - standardization and technology. Respondents suggested that standardized inspections, reporting, processing, and oversight would lead to improved implementation of the program and reduced costs in the long run. The respondents also suggested that HUD reduce the manual burden by removing the need for paperwork and utilizing electronic signature where possible. Additionally, it was suggested that HUD update its systems (e.g., iREMS, TRACS, iMAX, etc.) as they are dated and often times lag behind HUD handbooks, rules, and regulations. One respondent referenced the use of the Housing Act of 1937, as amended, which could allow for FAR Subpart 6.302-5 to apply (Authorized or required by statute allows for other than full and open competition).

A.3 Interviews: Internal & External Stakeholders

Deloitte conducted stakeholder interviews that were focused on improving the PBRA program and the acquisition of PBCA services.

Deloitte conducted 12 HUD stakeholder interviews that included Multifamily (MF) leadership at HUD Headquarters (HQ), Office of Asset Management and Portfolio Oversight, and Contract Administrator Oversight Monitor's (CAOMs) from HUD field offices. Deloitte did not interview any staff from Office of the Chief Procurement Officer (OCPO), Office of General Counsel (OGC), or the Office of the Assistant Secretary for Housing.

Common themes found through these interviews are listed below. These statements do not represent the views of Deloitte, but represent statements made by stakeholders during these interviews.

- In order to monitor PBCAs on their performance, reviews and subsequently incentives should be tied to the quality of the Performance Based Contract Services (PBCS) (e.g., processing rent adjustments, reviewing Rent Comparability Studies (RCS), responding to tenant complaints, etc.).
- HUD should still require the performance of each task, but evaluate the efficiency of performing and reviewing each task.
- State based agencies share in HUD's mission and bring stronger local affordable housing market knowledge than private sector firms or out of state PHAs.
- Although state based agencies share in HUD's mission, other entities can perform the services as long as they are incentive to keep the local knowledge and presence as a top priority.
- Evaluations of CAs should account for demonstrated local experience, not just presence in state to avoid CAs that win as prime and subcontract out PBCS to out of state PBCAs (i.e., a prime should get the contract on their own merit).
- Since preservation is a main goal and the tenants, owners, managers, and residents are the real stakeholders, HUD should shift from a reactionary incentive model to a proactive system that incentivizes owners to keep good property and low complaints.
- Although consistency is important, HUD should not overlook the fact that each area has different needs. The program would benefit from a standard process across HUD offices, while maintaining creativity and flexibility.
- If HUD is prioritizing the residents' needs and wellbeing, CAs should be incentivized to find troubled areas, and shepherd the issues to resolution.

- HUD should pay based on results, not just procedure.
- HUD should consider the role of an ombudsman and tenant advocate.

Additionally, to gain an industry perspective, Deloitte conducted interviews with external stakeholders that included four current PBCAs, three trade associations, and two private sector companies that provide PBCA and PBCA related services.

The information provided by the industry largely mirrored the information provided during the one-on-one sessions at HUD’s Industry Day. The highlights of the feedback provided during the external stakeholder interviews are as follows:

- PHAs are not familiar with responding to processes or requirements for bidding on or servicing contracts procured under FAR.
- PBCAs are generally amenable to payment being made on a per task basis rather than as a percentage of the subsidy.
- Interviewees would welcome a standardization of PBCA requirements.
- Interviewees would welcome standardization of data/invoices submitted to HUD.
- Interviewees believe that unbundling PBCA tasks is inconsistent with a holistic approach to portfolio management, but believe that, for certain tasks, economies of scale could reduce cost of service.
- The lack of MORs has been costly and detrimental as site managers and owners rely on MORs to confirm their methods and controls.
- Understanding local politics is a significant component of understanding local housing and can only be gathered through broad experience with the markets.
- Participants expect that protests will be filed regardless of the procurement methods used.
- Certain HFAs do not charge asset management oversight fees (usually 25 bps) on properties that are HFA financed and within the HFA serviced PBCA portfolio.
- Certain HFAs regularly meet on a regional basis to share knowledge and best practices.

A.4 Comparable Structure Research

Deloitte researched several Government and Non-Government programs to analyze comparable structures and assess leading industry practices from Public and Private Sector. The majority of these programs are instances where the Federal Government is to distribute subsidies to a large number of people.

Government Housing

HUD Public Housing

HUD Public Housing is managed at the HUD HQ level. The field offices provide middle management functions, and the property management is handled by a PHA hired through an ACC. The PHA is the owner and management agent that holds these contracts with HUD. Compensation is handled as an operating subsidy with the management fee and incentive bonuses built into that subsidy.

| Points to Consider |
|--|
| <ul style="list-style-type: none"> • PHA handles property management • ACCs are used • Field Offices handle middle management functions |

HUD Rental Assistance Demonstration (RAD) Program

The HUD RAD program is a voluntary program that seeks to preserve public housing through PHAs with access to more stable funding to make needed improvements to properties. Public housing units across the country requires more than \$26 billion in repairs, but they do not have enough funding for PHAs to keep up with these repairs. This program gives the PHAs a way to rehabilitate or repair the properties without getting additional money from Congress.

The properties can be managed through one of two types of HUD funding contracts tied to a building: Section 8 project-based voucher (PBV) or Section 8 PBRA. PBV units receive administrative fees. HUD headquarters handles the overall account management, HUD regional offices and the 53 ACCs manage the PBV funded properties, and HUD headquarters and Regional Offices manage the PBRA funded properties. There are currently about 81,000 approved property managers.

| Points to Consider |
|--|
| <ul style="list-style-type: none"> • Changes to the PBRA Program could potentially impact this • 53 ACCs |

USDA Section 515 Rural Rental Housing Program

Section 515 Rural Rental Housing program under the United States Department of Agriculture (USDA) is authorized by the Housing Act of 1949 (42 U.S.C. 1485). The program subsidizes affordable housing for very-low, low, and moderate income families. It provides payments to owners of USDA-financed Rural Rental Housing or Farm Labor Housing projects on behalf of the low-income tenants unable to pay their full rent. The program receives \$1 billion annually in funding and serves roughly 13,000 properties. Program oversight is performed at the headquarters level and program compliance is monitored by the local USDA offices. A management fee, which is an allowable expense paid from the housing project’s general operating account, compensates the management agent for services provided to the project. There is an occupied unit fee per unit per month, which incentivizes the agent to maximize occupancy. There are also add-on fees.

| Points to Consider |
|--|
| <ul style="list-style-type: none"> • Program is authorized by the Housing Act of 1949 |

Multi-Family Real-Estate Investment Trusts (REIT)

A MF REIT is a company that uses individual or corporate investments to own residential apartment buildings. Most MF REIT companies will oversee operations of the properties, often times using property managers to handle the day to day interaction with residents. These companies are a for-profit model of how a regular income stream can be generated from owning and operating a property. REITs pay much of their earnings in the form of cash distributions to their shareholders. Overall account management is handled at the REIT Corporate Headquarters. Middle management is handled either internally or by a third part asset manager. Property managers identify themselves as working for the REIT management entity. REIT retains property management agreements with tenants and hires a sub-agency provider to fulfill some or all property management tasks, paying the third-party a portion of the fees collected from tenants. REIT outsources all property management tasks and the third-party identifies itself as

working for the REIT management entity, offering maximum flexibility for the REIT to maintain its brand identity.

The cost of hiring a property manager is typically a percentage of the monthly rent, plus various fees for incidental services, such as a “leasing fee,” which covers the effort and expense associated with marketing the apartment to prospective new tenants. There may also be a vacancy fee (in case the apartment is not generating any income), or an initiation fee. Typically, the base fee ranges from five to ten percent of the monthly revenue (and the cost is tax deductible). The property management fee to a percentage of the rent incentivizes the property manager to keep the property occupied with high-quality tenants.

| Points to Consider |
|--|
| <ul style="list-style-type: none"> Open to private industry All property management tasks are outsourced |

Low Income Housing Tax Credit (LIHTC)

The Low Income Housing Tax Credit (LIHTC) program is an affordable housing program that incentivizes private owners to create and maintain affordable housing. For the LIHTC program, tax credits are provided by the federal government to each state on a per capita basis. A developer will apply for the tax credits, and will usually enter into a limited partnership with investors, to sell the tax credit in exchange for a cash infusion that helps them develop or rehabilitate properties. These properties are usually layered with other state and federal affordable housing programs such as, Section 8, 202, 11, HOME, etc. The management of these properties are usually performed by a private companies that have experience managing low-income and mixed financed properties. Similar to MF REITs, the cost of hiring a property manager is typically a percentage of the monthly rent plus fees. The services provide outside of typical property management include compliance with reporting requirements and regulations, such as periodic confirmation of income eligibility, rent restriction, and exclusions if a tenant fails to remain program eligible. This process of determining initial eligibility and re-examination is critical, as failure to comply can result in the loss of a tax credit.

| Points to Consider |
|--|
| <ul style="list-style-type: none"> Tax credits are provided to each state on a per capita basis Layered with other affordable housing programs |

Department of Defense (DoD) Military Family Housing

As of FY 2007, the Department of Defense (DoD) housed approximately 10 percent of its families on-base, and owned and operated about 134,000 housing units worldwide. In addition, privatized housing is where roughly 24 percent of members live and this number is increasing. About 3 percent of Service members live in 801/802 leased housing. Service members living off base in private sector/community housing, or in "military privatized housing", are entitled to a basic allowance for housing (BAH). BAH is funded through the annual Military Personnel (MILPERS) appropriation.

The manager or owner of the privatized housing acts as a rental property manager in the civilian community. Service members sign a lease for privatized housing and pay the rent directly to the owner. DoD's long-standing policy is to rely first on the private sector for its housing, paying housing allowances to its Service members, where roughly 63 percent of military families live.

DoD provides military housing in areas where private-sector housing falls short, considering cost, commuting area, and other established criteria. Government housing is owned and maintained by the DoD. In these cases, it operates barracks for unaccompanied personnel, military family housing for members with dependents, and temporary lodging for Service members changing station or on temporary duty. While you will not pay rent or utilities in government-owned housing, you will not receive a BAH.

| Points to Consider |
|--|
| <ul style="list-style-type: none"> • Military personnel have the option to live in base housing or off base • Basic Allowance Housing covers the cost for off base housing |

FAR-Based Non-Government Housing

DHS Enterprise Acquisition Gateway for Leading Edge Solutions II (EAGLE II)

EAGLE II is a multiple award IDIQ, specifically designed as the preferred source of Information Technology (IT) services for the majority of the Department of Homeland Security’s (DHS) enterprise infrastructure and initiatives. EAGLE II IT service solutions include three functional categories (FCs): FC1 – Service Delivery; FC2 – IT Program Support Services; FC3 – IV&V. Through the end of calendar year 2015, \$1.96 Billion in task orders had been awarded. Under this IDIQ, DHS components may issue orders on a CR, TM, LH, and FFP basis. Oversight of this effort is done at the DHS level and its sub-agencies. Program compliance is handled at the DHS HQ level within the Acquisitions Office. Currently, 73 contractors deliver the services across the functional categories. Each functional category is separated into two tracks - large and small businesses. Task orders are competed or issued on a sole source basis.

| Points to Consider |
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| <ul style="list-style-type: none"> • Separated into three functional categories, each with its own set of contractors • FAR Based • Award dates vary by functional category and track (Staggered) |

Department of Health and Human Services(HHS)/CMS Quality Improvement Organizations

The Medicare Quality Improvement Organization (QIO) Program under the Centers for Medicare and Medicaid (CMS) was created by statute in 1982 to improve quality and efficiency of services delivered to Medicare beneficiaries and promote high quality, efficient, and person-centered care for Medicare beneficiaries. The annual funding for the program is \$458,600,000 and the program services 14.6 million Medicare Fee-For-Service (FFS) beneficiaries.

The QIO Program will allocate funds to best support the Agency’s agenda for improving quality and efficiency of care. The core contract will provide for state-based activities that support national goals and priorities, and although it will be similar it may not be identical for each state, depending on state-specific needs. The contractor holding the core contract in each state is the Medicare QIO. The use of project-based contracts will increase, to address specific opportunities for improvement or reduction in variation or project work that supports implementation of Quality Improvement Roadmap strategies. National contracts will have greater responsibility for results at the state and project level, and for national partnership and infrastructure activities that support the Roadmap strategies and national campaigns.

This is a multiple award IDIQ with Cost Plus Fixed Fee task orders and is awarded to 14 organizations nationwide each with a five year contracts.

| Points to Consider |
|--|
| <ul style="list-style-type: none"> • FAR Based • Full and Open competition after exclusion of sources • Was not protested • State based activities – different needs per state |

HHS/CMS Medicare Administrative Contractor (MAC)

A Medicare Administrative Contractor (MAC) is a private health care insurer that has been awarded a geographic jurisdiction to process Medicare Part A and Part B (A/B) medical claims or Durable Medical Equipment (DME) claims for Medicare Fee-For-Service (FFS) beneficiaries. CMS relies on a network of MACs to serve as the primary operational contact between the Medicare FFS program and the health care providers enrolled in the program. MACs are multi-state, regional contractors responsible for administering both Medicare Part A and Medicare Part B claims. MACs serve as the primary operational contact between the Medicare FFS program and approximately 1.5 million health care providers and suppliers. MACs process Medicare claims, enroll health care providers and suppliers in the Medicare program, educate providers and suppliers on Medicare billing requirements, and answer provider and supplier inquiries. Collectively, the MACs process nearly 4.9 million Medicare claims each business day, 1.2 billion Medicare FFS claims annually, 210 million Part A claims and more than 1 billion Part B claims and disburse more than \$365 billion annually in program payments. The program serves 37.5 million Medicare FFS Beneficiaries. Oversight and compliance of the program is managed by the CMS. There are currently 12 A/B MACs and 4 DME MACs. They are FAR Based multiple award Cost Plus Award Fee IDIQ contracts. The amount of award fee earned by the MAC is based on a comprehensive evaluation of the MAC’s performance against specific, written quality measures and evaluation criteria. Legislation required that the contracts were increased from five to ten years.

| Points to Consider |
|--|
| <ul style="list-style-type: none"> • Contracts run for ten years • FAR Based • Contracts separated into regional jurisdictions • Protests have occurred • Similar to housing, health care is a “high touch” endeavor involving individuals and families |

HUD Section 8 PBRA FINAL Recommendation Report

| Comparative Structure Observations | | | | | | | |
|---|--|---------------------------------------|---------------------------|---|--|--|---------------------|
| Federal Agency | Program | Contract Vehicle | Contract Type | Geographic Approach | Small Business Utilization | Leading Industry Practices | Commercial Tools |
| Multifamily Housing Programs | | | | | | | |
| HUD | Public Housing | 3200 ACCs | Non FAR Based | National | Small business participation | - Oversight is at HHQ level - Incentives Used | Commercial Software |
| HUD | Rental Assistance Demonstration | HUD Funding Contract PBV or PBRA | Non FAR Based | National and Regional | Small business participation | - HUD administers all contracts directly | Construction Tools |
| USDA | Section 515 Rural Rental Housing | Rent Subsidies | Non FAR Based | National and Regional | Small business participation | - Oversight at the HQ level - Incentives Used | |
| IRS | Multi-Family Real-Estate Investment Trusts | Private company managed | Non FAR Based | IRS Oversight at National Level | Small business participation | - Separate Asset Manager level for oversight - Incentives for property managers | |
| IRS | LIHTC | Private company managed | Non FAR Based | IRS Oversight at National Level | Small business participation | - Separate Asset Manager level for oversight - Incentives for property managers | |
| DoD | Military Housing | Contracts with construction companies | FAR based and Non-FAR | DoD Oversight | Small business participation is encouraged | - Private sector administers the program | |
| Other FAR-Based Federal Programs | | | | | | | |
| DHS | EAGLE II | Multiple Award 5 year IDIQ | FAR Based CR, FFP, TM, LH | National HQ Oversight | SDVOSB, 8(a), Hubzone, SB tracks | - SB Tracks - IDIQ separated into categories | |
| HHS/CMS | Quality Improvement Organizations (QIOs) | Multi Award IDIQ 5 year contracts | FAR Based, CPFF | Regional contracts provide national coverage | Small business participation | Allows for consistency, while still allowing for specialty state needs. | |
| HHS/CMS | Medicare Administrative Contractor | Multi Award IDIQ 10 year contracts | FAR Based, CPAF | Regional contracts separated into jurisdictions | Small business participation | - Fee based on quality measures - Full and Open | |

Appendix B: Analysis Details

Many of the options we analyzed were proven to be not feasible based on our research.

The first area Deloitte assessed is to continue acquiring the services or to bring the services in-house.

Performing the PBCA tasks in-house, rather than acquiring them from external suppliers poses complex issues involving cost, risk, and control. Although a final decision to bring the services in-house or acquire them requires a thorough assessment from multiple perspectives, certain quantitative and qualitative aspects can be assessed through the initial research conducted within the scope of this assignment.

Quantitative aspects should include onboarding the needed resources, the availability and capacity of facilities, travel costs and follow-on expenses resulting from quality or other unforeseen issues, etc. Qualitative factors call for a more subjective assessment and should include the quality of services, the possibility of modifying this decision in the future, the impact of the decision on the stakeholders, and the time it will take HUD to establish the infrastructure and hire the required staff.

Internal stakeholders indicated that HUD does not have the capacity to bring the work in-house. HUD would need to recruit, hire, and train personnel to take on the PBCS. Federal employment regulations create inefficiencies in adequately staffing the PBCA requirements in the time required.

If the services are acquired, HUD will be able shift these types of risks to the responsible suppliers. HUD will not need to hire additional staff, increase facility capacity or systems, or worry about travel costs.

| PRO | CON |
|--|--|
| <ul style="list-style-type: none"> • Low chance of litigation/protests <p>Once staffing/training is complete:</p> <ul style="list-style-type: none"> • Lower cost • Better quality • Consistency • Unique characteristics • Better time management | <ul style="list-style-type: none"> • Quality of service is dependent on the capability of the vendor, as well as the technical capacity of the Government buyer • Time consuming and costly process of finding and training staff • Travel funds restrictions could hinder MOR performance. • HUD does not have the resources to handle this work • HUD does not have the facility availability or capacity to handle the additional staff and work • HUD does not have the infrastructure set up to track the paperwork or monitor the program. • Risk of Section 8 PBRA Program failing is 100% on HUD. |

Geographic Approach

Option 1. One National Contractor. The ultimate consolidation would be a single contractor. Presumably, that contractor would use local subcontractors for certain tasks, but the overall driver would be a tendency towards centralization. While the centralization of purchasing

maximizes buying power and cost savings for HUD, it was noted through our interviews that one contractor would not be well received. Through this model, there is a high probability that only a large private contractor could implement such a nationwide contract, leaving the state and local agencies to only be potential subcontractors. Although this would create consistent oversight over the states, geographic regions would not be able to tailor items based on location as the consistency would be set at a national level.

| PRO | CON |
|--|---|
| <ul style="list-style-type: none"> • Potential for low G&A expenses and other cost savings • Maximizes buying power • Increases consistency • Fewer procurements and contractors for HUD to manage • Allows future changes to be adopted quickly • Nationwide emphasis on the portfolio as a whole | <ul style="list-style-type: none"> • Loss of local, personal knowledge of properties, managers, tenants • High possibility of litigation/protest • Single point of failure • Harder for small businesses and new entrants to compete nation-wide • A protest can delay award for the whole country |

Option 2. Regional Contractors. Many agencies balance scale efficiencies with local presence by organizing their field offices and their contractors into regions. HHS does this, for example, with their MAC's. HHS has had a history of contractor protests, and the regional structure allows the disruptions to be contained to a specific geographic area, and not affect the whole country. For HHS, regionalizing can also allow some activities, such as program integrity data operations, to achieve a necessary critical mass. For HUD, consolidating services at a regional level still increases buying power and achieves cost savings, and regionalization can facilitate monitoring matching PBCA configuration to HUD's new Multifamily for Tomorrow (MFT) transformation of Regional Offices.

| PRO | CON |
|--|---|
| <ul style="list-style-type: none"> • Still get significant reduction in G&A costs and other cost savings • Fewer procurements and contractors for HUD to manage • Can match the HUD MFT Regional Office Structure • Increases buying power • Enhances communication across the region | <ul style="list-style-type: none"> • Still some loss of local, personal knowledge of properties, managers, tenants • Likely chance of litigation/protests from current holders of ACC |

Option 3. Bidders Can Create Their Own Blocks of States. This has already occurred to some extent with contractors, such as Quadel, providing PBCA management for several states. This allows large states to manage their own affairs, while small states can avoid the overhead costs of maintaining a full-time staff infrastructure. Unfortunately, this may result in certain states not having coverage, and allows the possibility for up to 53 separate contracts. Allowing bids to be submitted in an open structure will complicate and increase the evaluation period, which will prolong the term of the current ACCs. Additionally, it could result in a double solicitation process if certain states do not receive coverage through the blocks that were submitted.

| PRO | CON |
|---|---|
| <ul style="list-style-type: none"> Matches size of PBCA contractor to the smallest efficient collection of states Incentivizes PBCA contractors to innovate and compete for the favors of particular states Possibly lowest PBCA price due to higher levels of competition | <ul style="list-style-type: none"> Perhaps less stable PBCA coverage over time, or at least greater turnover, due to competition Possibility of no coverage for certain states Longer evaluation period Risk of litigation/protests if several bidders priced a certain state and it gets blocked with one set instead of the other |

Option 4. Consolidate based on Characteristic. While PBCA tasks are currently performed on a state basis, the tasks can also align to niches allowing a specialization for different type of housing, such as rural or urban. This option will bring a greater knowledge of certain housing types, but it could potentially result in higher travel costs. One vendor handling all rural or urban properties will need to travel across the states for site visits, MORs, etc.

| PRO | CON |
|--|---|
| <ul style="list-style-type: none"> High levels of innovation and competition Possibly better attention and service to properties with particular needs | <ul style="list-style-type: none"> More complex procurement process and evaluation Lower levels of cross-subsidization (some would consider this a “pro”) Less continuity in PBCA management Lose value of consolidation the more atomized the portfolio becomes Higher travel costs |

Option 1C-5. Consolidate by State (50+ contracts): This would be similar to the current process posing similar concerns. The national portfolio would only be consolidated at the state level.

It can be assumed that there are a large number of different offices with costly attendant overhead, and inconsistent back office operations, procedures, and computer systems.

| PRO | CON |
|---|---|
| <ul style="list-style-type: none"> Alignment of PBCA contract with political boundaries and interests, and with state laws | <ul style="list-style-type: none"> Loss of scale efficiencies that could be achieved with more consolidation High administrative burden for HUD staff |

Acquisition Vehicle

Contract vehicles can be structured to assist with incorporating streamlined acquisition methods. These streamlined methods can help with reducing the time for completing the contract award.

Option 1. Indefinite-Delivery/Indefinite-Quantity (IDIQ) Contract (FAR Subpart 16.504). An IDIQ provides for an indefinite quantity of supplies and services during a fixed period of time. An IDIQ can streamline the process and speed service delivery. It is cheaper to get an IDIQ in place, then to try to assess the needs as they come along during the year and issue them in smaller contracts or through change orders. It can reduce the need to predict future demand and

allow the flexibility to rapidly respond to emerging needs. The contract will require HUD to order and the contractor to furnish at least a stated minimum quantity.

| PRO | CON |
|--|--|
| <ul style="list-style-type: none"> No administrative burden to justify not having a full and open competition Saves negotiation time Allows for flexibility for on-boarding / off-boarding of potential vendors | <ul style="list-style-type: none"> Modifications are needed to change the terms of the agreement A minimum is required for each IDIQ awarded |

Option 2. Blanket Purchase Agreement (BPA) (FAR Subpart 13.303). A BPA is not a contract, it is a simplified method of filling repetitive needs for supplies or services in small quantities and dollar values.

| PRO | CON |
|--|--|
| <ul style="list-style-type: none"> No administrative burden to justify not having a full and open competition Individuals outside the contracting activity may be authorized to place orders Bulk funded purchase requests may be used in lieu of individual purchase requests for each requirement Reduce procurement lead time Terms and Conditions already negotiated in GSA schedules Eliminate need for preparing solicitations and synopsising the acquisition | <ul style="list-style-type: none"> Purchases under BPAs have a ceiling amount Contractors should have a GSA Federal Supply Schedule Contract |

Option 3. Government-Wide Acquisition Contract (GWAC) (FAR Subpart 17.5). A GWAC enables federal agencies to buy cost-effective and innovative solutions for information technology (IT) requirements.

| PRO | CON |
|---|--|
| <ul style="list-style-type: none"> Cost-Effective Can expedite ordering Promotes innovative solutions Streamlined contracting No FedBizOpps posting requirements for the ordering agency Reduce procurement lead time | <ul style="list-style-type: none"> Must be run out of GSA, NASA, or NIH Requires a fee to use – fees are higher for those agencies that require the host agency to award and administer the tasks Agencies are limited on how much they can use each GWAC |

Option 4. Basic Ordering Agreement (BOA) (FAR Subpart 16.703). A BOA is not a contract, but rather a written instrument of understanding that includes terms and clauses, descriptions of services, and methods for ordering.

| PRO | CON |
|--|---|
| <ul style="list-style-type: none"> • Can expedite ordering • Can be reviewed annually and revised as necessary | <ul style="list-style-type: none"> • No commitment • Contractors should have a GSA FSS Schedule |

PROCUREMENT CATEGORY: CONTRACT TYPE

Observations

A wide selection of contract types are available. They are grouped into two broad categories: fixed-price contracts and cost-reimbursement (Time and Materials/Labor Hours) contracts.

Option 1. Fixed Price (FAR Subpart 16.2). Under a fixed price contract, the contractor agrees to deliver the product or service required at a price not in excess of the agreed-to maximum. This contract type is used when the risk involved is minimal or can be predicted with an acceptable degree of certainty. Maximum risk and full responsibility for all costs are placed upon the contractor. This provides for the maximum incentive for the contractor to control costs and perform effectively. This also imposes a minimum administrative burden on HUD resources.

- Firm fixed price (FFP): The price is not subject to any adjustment.
- Firm fixed price, level of effort: The contractor provides a specified level of effort over a stated period of time on work that can only be stated in general terms, and the government pays a fixed dollar amount.
- Fixed-price with economic price adjustment. Allows for upward and downward revision of the stated contract price if there are adjustments based on established prices, actual costs or cost indexes of labor or material.
- Fixed-price incentive: Allows for adjusting profit.
- Fixed-price with prospective price redetermination: A FFP for an initial period of contract deliveries or performance, with prospective redetermination of the price for subsequent periods of performance.
- Fixed-ceiling-price with retroactive price redetermination: A fixed ceiling price and retroactive price redetermination within the ceiling after the completion of the contract.

| PRO | CON |
|---|--|
| <ul style="list-style-type: none"> • Cost responsibility is placed wholly on contractor. • Shifts risk to supplier • Least burdensome contract type for HUD • Low risk to HUD | <ul style="list-style-type: none"> • Requirements and specifications must be definite • Lacks flexibility in pricing and performance |

Option 2. Cost Reimbursement (FAR Subpart 16.3). Cost-Reimbursement contracts provide for payment of allowable incurred costs. These contracts are used when circumstances do not allow the Government to define requirements sufficiently enough to allow for a fixed-price type contract. The Government incurs additional cost risks with this contract type and an additional

burden of managing the contractor’s costs. In addition to this, Contractor’s must have an adequate accounting system to bid on cost reimbursement type contracts. This may remove the possibility of current PBCAs being able to bid as a prime contractor.

In addition to this, documentation will need to be written to justify using any other contract type outside of FFP placing more administrative burden on HUD.

- Cost: No fee
- Cost-sharing: No fee and is reimbursed only for an agreed upon portion of allowable costs.
- Cost-plus-incentive-fee: Provides for a fee consisting of a base amount fixed at inception of the contract and an award amount.
- Cost-plus-award-fee: Provides for a fee consisting of a base amount fixed at inception of the contract and an award amount.
- Cost-plus-fixed-fee: Provides for payment to the contractor of a negotiated fee that is fixed at the inception of the contract.

| PRO | CON |
|---|---|
| <ul style="list-style-type: none"> • Economical if contractor is efficient and conscientious in performance • Ceiling amount may not be exceeded • Government pays only incurred costs | <ul style="list-style-type: none"> • Does not encourage effective cost control by supplier • Heavy technical administration monitoring • High risk to Government |

Option 3. Time and Materials, Labor-Hour (FAR Subpart 16.6). These contract types can be used when it is not possible to estimate the extent or duration of the work or to anticipate costs.

- Time and Materials: A Time and Materials contract provides for acquiring supplies or services with direct labor hours and actual cost of materials. It may be used only when it is not possible to accurately estimate the extent or duration of the work or to anticipate costs.
- Labor Hour: A labor-hour contract is a variation of the TM contract, where materials are not supplied by the contractor.

| PRO | CON |
|--|---|
| <ul style="list-style-type: none"> • Can fulfill a special need that no other contract type can serve • Requires a price ceiling that contractor is not to exceed except at own risk | <ul style="list-style-type: none"> • Based on best efforts, not completion • Risk lies with HUD to monitor • Does not encourage effective cost control by supplier |

PROCUREMENT CATEGORY: SMALL BUSINESS UTILIZATION

Option 1. Provide large contractors with small business goals. Large prime contractors will be required to meet or exceed HUD’s small business goal. A small business plan will be required in the solicitation and it should be part of the evaluation criteria.

| PRO | CON |
|--|--|
| <ul style="list-style-type: none"> • Large businesses will have more capacity to handle a program of this size • This will contribute to HUD small business prime contract goals | <ul style="list-style-type: none"> • This will not allow HUD to contribute to its small business subcontracting goals |

Option 2. Small Business Set Aside (FAR Subpart 19.502). The government must assess if there is a reasonable expectation that offers will be received from at least two responsible small business concerns and award will be made at fair market price. Market research must be completed in order to assess if there are at least two small business concerns that will likely bid on all or part of the effort.

Option 2a. Partial Set-Aside. A portion of the effort can be set aside for small businesses if market research shows that small businesses are available for certain tasks under the larger effort.

Option 2b. Total Set-Aside. This would set aside the entire effort for small businesses.

| PRO | CON |
|--|---|
| <ul style="list-style-type: none"> • This will allow HUD to contribute to its small business subcontracting goals • Potentially lowers costs as small businesses generally have lower overhead costs | <ul style="list-style-type: none"> • There is a risk in having a small business perform programs of this size • Extensive market research will need to be conducted to assess if small businesses can do the work |

PROCUREMENT CATEGORY: COMPETITION

The FAR and CICA allow for three potential options:

Option 1. Full and Open. The government must promote and provide for full and open competition in soliciting offers.

| PRO | CON |
|--|---|
| <ul style="list-style-type: none"> • No administrative burden to justify not having a full and open competition • Encourages higher quality goods and services at lower prices | <ul style="list-style-type: none"> • More timely acquisition process to solicit and evaluate • Increased acquisition cost |

Option 2. Full and Open after Exclusion of Sources. Particular sources may be excluded from a contract order to establish or maintain an alternative source(s) for the supplies or services being acquired. In order to exclude a source, the agency head must determine that the exclusion would a) increase or maintain competition and reduce the overall costs of the acquisition, b) be in the interest of national defense, c) ensure the continuous availability of a reliable source of supplies or services, d) satisfy a projected need based on history, or e) satisfy a critical need for medical, safety, or emergency supplies.

| PRO | • CON |
|---|--|
| <ul style="list-style-type: none"> • Provides a means to limit competition where other objectives are valued more highly • Allows for small business set asides | <ul style="list-style-type: none"> • Administrative burden to justify not having a full and open competition – justification • Pricing may be higher because sources are limited |

Option 3. Other than Full and Open. There are limited authorities that permit contracting without providing for full and open competition.

- Only one responsible source and no other supplies or services will satisfy agency requirements.
- Unusual and compelling urgency
- Industrial mobilization; engineering, developmental, or research capability, or expert services
- International agreement
- Authorized or required by statute
- National Security
- Public Interest

| PRO | CON |
|---|---|
| <ul style="list-style-type: none"> • Provides a means to limit competition where other objectives are valued more highly | <ul style="list-style-type: none"> • Administrative burden to justify not having a full and open competition |

Appendix C: Industry Day and Questionnaire Summaries

C.1 Industry Day Summary

| Industry Day Summary |
|---|
| <p>Morning Session Main Discussion Points:</p> <p>As an introduction, Priya Jayachandran, Deputy Assistance Secretary of Multifamily Housing, gave an overview of the process with an emphasis on Federal Acquisition Regulation (FAR) compliance, and named the residents as the biggest stakeholders of this program.</p> <p>Keith Surber, Acting Chief Procurement Officer, indicated that an Industry Day and Pre-Proposal Conference are different events. In this event, HUD is looking for ideas from industry, specifically industry best practices. HUD currently has over 50 PBCA contracts and Keith was involved with the first PBCA awards.</p> <p>Nancie-Ann Bodell, Director of the Office of Asset Management and Portfolio Oversight, introduced the Multifamily 2.0 transition, a risk based platform that focuses on responsiveness to stakeholders. Nancie-Ann stated that Management and Occupancy Reviews (MORs) have not been performed since 2011, but the portfolio is in good condition. Only 4.1% of properties are troubled, and 81% of that subset is at the low end of troubled. Some of the benefits of this program include: stabilization of neighborhoods, positive economic impact (e.g., jobs, etc.), and it also facilitates preservation of low-income housing stock. Less than 50% of the PBRA portfolio is HUD financed, the remainder is financed through private and other sources. Although it is a very successful program, there are some challenges HUD wants to address within the PBRA program. They are as follow: 1) reduction of improper payments to ensure financial integrity of the program - as of now, approximately only 2-2.5% of total payments are improper payments; 2) ensure efficiency by processing contract renewals and controlling program costs while providing adequate oversight on budget requests; and 3) maintain projects in acceptable condition and protect tenants.</p> <p>Stephen Martin, Director of the Assisted Housing Oversight Division, stated he was eager to welcome new providers of contract administration services. Stephen Martin stated that approximately 90% of properties have been processed under the Multifamily Assisted Housing Reform and Affordability Act (MAHRA). Additionally, he stated that saving money is very important, but the other objectives of the program are more important. HUD does not have the staff to manage oversight so the procurement should not require them to do heavy oversight.</p> <p>Keith Surber reviewed the objectives of the new PBCA procurement including: use of commercial products/services (COTS); standardization of quality assurance surveillance plan (QASP) for PBCAs; and Cost reduction – not as a primary objective but with the thought of providing value to the taxpayer. Keith stated that although the PBCA program is very successful, there are ways it can improve. Keith mentioned that applicable FAR Parts 3: Procurement Integrity, Part 10: Market Research, and Part 19: Small Businesses are very important. He stated that HUD’s Consultant, Deloitte, is assisting with market research. Keith stated that contractors, which are expected to include PBCAs, need to be registered in the System for Award Management (SAM) to perform Federal Contracting. Additionally, the current Annual Contributions Contracts (ACCs) can extend in 6 month increments and that they will definitely be extended more than 6 months.</p> <p>Karen Newton Cole, Director of the Office of Small and Disadvantaged Business Utilization, spoke briefly and encouraged HUD partners or interested parties to visit them as needed.</p> |

Industry Day Summary

Keith Surber spoke briefly about HUD's timetable for the PBCA procurement. He stated that the consulting contractor would take 7 months to present to HUD, and the solicitation would be released in 9-12 months. Once proposals are submitted, a 2-6 month evaluation period is expected. Section 202 and 811 projects are not part of this solicitation, but HUD would like a procurement that is flexible enough for them to be added in the future if needed.

Nancie-Ann Bodell stated that MORs will resume at the end of April. Nancie-Ann plans to meet with Priya Jayachandran during the week of 02/29/2016 to develop a communication plan. Nancie-Ann sees the PBCA role as more holistic and asset centric, rather than pure processing. She wants PBCAs to be more analytical and interactive with HUD staff to ensure properties are well kept.

Small business presenter George Carlisle discussed the possibilities of small business joint ventures as well as mentor protégé agreements. (Note that Mr. Carlisle incorrectly stated that Joint Ventures (JV) and Mentor Protégés (MP) were only for 8A (Business Development Program) companies. HUD may want to clarify that large businesses and small businesses can benefit from a JV or MP arrangement for this effort.)

One-On-One Session Highlights:

Recurring Themes - variations of these ideas were heard across the one-on-one sessions:

- A majority of one-on-one presenting entities stated that changes are not required for this program because it is already operating successfully.
- Many stated that there is a risk that owners and agents will leave the program if major or multiple changes are made. Therefore, PBCA consistency and the continuity with HUD is crucial.
- It was stressed that breaking up the program tasks is not advised due to the flow of knowledge that occurs across tasks, the burden owners and agents would face interacting with multiple contractors, and the time and effort that went into developing these relationships.
- The mission of PHAs and Housing Finance Agencies (HFA's) align with HUD's mission and the wellbeing of state residents would suffer if HUD used private companies or divided program tasks.
- HFAs bring the ability to refinance and recapitalize properties, and their investments in PBRA properties provides HFAs with additional insight into properties and market conditions.
- Presenters hope for a transparent procurement process where they understand HUD's goals and methods.
- Presenters expect future procurement protests regardless of the HUD procurement methods used.

Significant Ideas – these items represent thoughts and opinions presented on improving the program:

- That new procurement evaluation criteria should place a strong emphasis on past experience/performance, and that part of the experience should include bidder demonstration of erroneous payment reduction and preservation experience.
- Changing the voucher process to send funds directly to the agents/owners eliminates the risk of access to sensitive information (i.e., bank numbers) and reduces costs to the PBCA that could be passed on as savings to HUD.
- State-level procurements best serve HUD's mission.

Industry Day Summary

- That a local office/presence be included as a requirement for bidders.
- Dividing PBCA tasks within a region would be difficult, but would be best accomplished if performed under a shared services model.
- MORs could be performed as a separate task within or across different geographic areas.
- IT services could be procured by HUD on a national basis and provided to PBCAs.
- A national cloud based case management or Customer Relationship Management (CRM) solution could standardize work flows.
- Paperless processing (e.g. workflow management, electronic signatures, etc.) greatly reduces processing time where it is used.
- Standardized reporting and invoicing could provide benchmarks that could incentivize others and reduce costs. Completing the PBCA Guidebook would help with this.
- More focus is needed on affordable housing preservation. A national preservation manager could review the portfolio and perform proactive efforts.
- HUD Focus Groups in the past have helped substantially with consistency across the portfolio.
- Combining site-visits with LIHTC or other program monitoring reduces costs and interference with property operations.

Other Relevant Information:

- Conflicting views were expressed on the following issues:
 - HUD procuring only PHAs as Contract Administrators per the Housing Act of 1937 vs. procuring PBCAs via open competition.
 - Shortening PBCA engagement terms to address difficulty in long term staff retention vs. utilizing longer engagement terms (5 years plus extensions) that provide consistency.
 - HUD seeking bidders with specific PBCA task experience vs. bidders bringing new methods and capabilities.
- Some PBCAs also administer the Housing Choice Voucher (HCV) program in their areas and counsel potential residents on availabilities within project-based assistance properties.

C.2 Questionnaire Summary

Questionnaire Summary

Highlights:

- The PBCAs must be required to have robust reporting capabilities, which are uniform across all PBRA contracts. Changes to reporting or invoicing requirements should be easy to implement and monitor.
- HUD should provide more consistent guidance on PBCA voucher reviews. Some PBCAs do not resolve certain vouchering discrepancies and make payments solely based on the certifications received.
- The majority of the respondents have participated in the Section 8 program for many years and have multiple roles in federal and state housing contracts/ programs/projects.
- Technology is the most important thing to incorporate into the PBRA program. The Department's goal of monitoring should be realized through a better use of technology. The current method of review has no clear guidelines with limited use of technology. The monthly, quarterly and annual reporting is by large completed in paper form. The information is difficult if not impossible to analyze. There is also no standard for reporting information.
- Collaboration between HUD HQs, the HUD regions, Housing Authorities, PB Contract Administrators, Financing Authorities, Property Managers, Tenants is paramount.

Repeating Themes:

- The best way to reduce costs is to maintain the original territories and allow each territory to operate under the same contract. By maintaining the current structure and increasing collaboration, the Department will receive 53 professionals that are dedicated to reducing costs for the department.
- Splitting up the tasks of the contract among different entities (HUD staff, PBCA, and/or 3rd party contractor) will gain efficiencies. The questionnaire's indicated that it will be detrimental to a smooth work flow to try to coordinate the work of differing entities. The tasks do not completely stand alone, and by having the work completed by one entity, the communication among staff will be more efficient and effective than communication between entities.
- HUD should keep the current PBT tasks under one contract per jurisdiction/region and should not divide or break up tasks for servicing. Dividing the current PBTs up between multiple contracts will increase HUD's oversight responsibility and will lead to inconsistent interpretations and approaches.
- Standardization: HUD should use a consistent platform for the rollout of policy initiatives and the response to policy questions to encourage consistent application throughout the nation. By standardizing, the oversight requirements for HUD will decrease, and the owners/agents that have portfolios crossing jurisdictions will benefit from the consistent oversight. Local or regional variation introduces additional risk to HUD and contractors. HUD should adopt consistent invoicing/monthly reporting standards including the use of national invoice reporting steps.

Questionnaire Summary

- The Department’s goal of monitoring should be realized through a better use of technology. The current method of review has no clear guidelines with limited use of technology. The monthly, quarterly and annual reporting is by large completed in paper form. The information is difficult if not impossible to analyze. There is also no standard for reporting information.

Significant Ideas:

- Local offices as a requirement for the winning bidders.
- Teaming arrangements, subcontracts, etc. must be considered
- Small business participation – no small business set-aside is practical
- Based on the opinions that HUD has received from at least 20 state attorneys general, HLJD must be aware that any award made to an entity other than a PHA, with statewide authority could be subject to a state law challenge as to the awardee’s authority to perform the required services.
- FAR 6.302-5 Authorized or required by statute allows for other than full and open competition
- If tasks will be broken out, have the overarching tasks be provided to the individual PBCAs to lessen their load and standardize certain aspects.
- Contracts should vary state by state to accommodate different elements. This conflicts the statement of having standardized contracts.
- However, rural areas state that the PBRA program is much more difficult and much more costly to administer in smaller rural states. If the Department chooses to reduce the number of territories and ‘lump’ states together, the residents and owners in rural states will suffer.
- Consult and collaborate with the 11 states currently operating under the 2011 ACC.
- Consider giving PBCA contracts based on an ideal portfolio size, rather than only one for each state (*this is not the common theme*).
- Any new PBCA contracts should specify that the successful bidder staff maintain an office in the contract state or region.
- Eliminate the “Life-threatening” term for resident calls and focus on maintenance issues. Residents should be required to complete a work order prior to contacting the PBCA.
- A Fixed Price performance-based competition (such as Fixed Fee Incentive) is most appropriate for this procurement. Fixed fee incentive contracts encourage the contractor to explore best practices and to move resources to meet a particular need or to adjust to changes in regulations.
- Digitization: HUD should continue to explore digitization throughout the program, including developing a uniform policy for HUD/OA/PBCA as it relates to electronic signatures, communication, and document retention.
- Contract Renewal Processing: There are many steps in the renewal process where the PBCA must send a request to HUD and wait for their approval before moving forward. This can slow down the process and adds to the time it takes to complete a contract renewal.
- HUD should allow PBCAs to automatically implement Gross Rent (GR) changes upon receipt of a completed signed rent schedule or contract. This will significantly improve the voucher process, reduce overpayments in the case of rent reductions, and allow for more accurate payments.
- HUD should empower PBCAs with more authority to take corrective action when an owner or agent is out of compliance, provided that adequate notice is given.

Questionnaire Summary

- **Management Agent Approval:** Allow the PBCA to approve changes in a Management Agent when the Agent is currently approved in HUD's system and is in good standing. Also, have reporting capability that would provide information to follow up MA's that a renter has not paid their rent.
- **iREMS Data Access:** HUD should allow for data interface between the Contract Administrators' systems and iREMS. Having the ability to automate the data entry into iREMS "subsidy administration" and "asset management" screens will not only provide cost efficiencies but also improve data entry timeliness and accuracy.
- **Document retention policies:** HUD should establish a record retention policy that provides for the retention and destruction of documents and other records maintained by Contract Administrators.
- **New ownership changes:** Many properties change ownership and enter into long-term HAP contracts. Many times the new owner may take over ownership of a property and not understand the full responsibilities of the HAP contract, including the importance of having software that is in compliance with TRACS. They are also often unaware of EIV requirements. KHC recommends certain program information be provided at the beginning of the process when there is a change in ownership and/or management of a property to ensure the owners/managers understand and will fully comply with these requirements.

Best Practices:

- **On-Site Visits and Face-to-Face Interviews with Residents – Reducing Improper Payments; Maintaining Properties in Acceptable Condition; Protecting Residents.**
- **Business Process Automation Software – Processing Contract Renewals; Controlling Program Costs.**
- **Free Training for Owners and Managers – Reducing Improper Payments; Processing Contract Renewals; Controlling Program Costs; Maintaining Properties in Acceptable Condition; Protecting Residents.**
- **Consolidation of PBCA Tasks – Reducing Improper Payments; Maintaining Properties in Acceptable Condition; Protecting Residents.**
- **Creation of a Watch List group:** KHC, in partnership with the local HUD field office, Louisville Metro Housing, Lexington Housing Authority, and the Rural Development agency staff, created a "Watch List" group. This group comes together on a regular basis to identify problem properties in our state and how they can address these through multiple agency participation and combining of all resources. They feel this is a best practice that HUD could model in the future and possibly identify ways to be more proactive and identify and address problem properties before their housing conditions decline or, worse, move to foreclosure.
- **Quarterly Meetings/Conference Calls:** KHC and HUD partnered together several years ago in our state to create the Kentucky Partnership Council. This council has held quarterly meetings inviting property owners and managing agents to come together to discuss hot topics and new HUD regulation and policy changes. These meetings ensured that HUD policy was being applied consistently among all housing industry professionals, including HUD and KHC. They feel this is a best practice that should be incorporated into the procurement; thereby improving communication between HUD and the contract administrators. This will help to ensure consistency and reduce the need for oversight.
- **HUD look no further than to the Low Income Housing Tax Credit program monitored by Internal Revenue Service (IRS) for public/private sector partnerships and concepts. The Housing Credit program is the most important resource for creating affordable housing in the**

Questionnaire Summary

United States today. The Housing Credit program allows public goals, identified by each state's public agencies, to be achieved by leveraging private sector funding.

- As a means of quality control and training, incorporate peer review of contract administrator and other providers work.
- Centralized resident and community call centers: Provide a direct toll free line for resident and community concerns. The center is staffed with knowledgeable people who are familiar with the resources available throughout the state.
- Quality control and monitoring by external and internal auditors: Some HFAs are audited by both State and Internal auditors. These audits would reduce the need for high level oversight from HUD staff; with the exception of annual or less periodic inspections and testing or ACRs by HUD staff.
- Automated audit processes that allow Asset Managers to efficiently identify compliance errors and document them from finding through resolution. Implement the Rental Housing Integrity Improvement Project (RHIP) and continued with full implementation exceeding HUD reporting requirements.

Commercial Tools:

- CGI (subcontractor across multiple providers) has developed and utilizes proprietary software for the processing and tracking of all core tasks, including CGI's Contractor Administration Voucher processing system (CAVS) and Contract Administration Tracking System (CATS). A Quality Assurance module has been developed as well, which CGI's utilizes as an audit solution for quality control checks as part of our continuous quality improvement program. Online Portals: CGI has developed portals that provide HUD and owner/agents access to the status of core task processing. Owners/agents and HUD are able to retrieve the current status of core tasks along with historical information. KPI Risk Assessment Dashboards: In looking to continually improve the financial and physical health of the portfolio, HUD should utilize a property/portfolio key performance indicator (KPI) approach to increase awareness of troubled properties and PBCA performance.
- Entrepreneurial Operating System (EOS)
- HomeTelos, LP, (HTLP) In order to handle the difficult logistics of managing thousands of residential properties, FPHT created a technology product, HomeTracker®, the first web-based asset management system created to manage government single family assets. This tool allowed real time access to inspection reports, valuation reports, work orders and contracts to insure holding time was minimized and properties were sold at the highest execution. Through these single family contracts, FPHT also introduced Internet bidding for sale of property which was used by thousands of brokers. By 2004, FPHT was one of only two companies with an internal bidding and lottery component being utilized by other HUD M&M contractors. That bidding and lottery system has been adapted and used by other governmental agencies such as U.S. Forest Service, reflecting the adaptability of our protocols.
- The nationwide challenges of the PBCA could be addressed with standardization of processing and workflow parameters that could be reviewed and/or controlled by HUD. This standardization of processing requirements in conjunction with a workflow tool.
- Secure IT Vendors that can update HUD systems (iREMS, TRACS, IMAX, etc...) more promptly and efficiently - Many times, systems lag behind HUD handbooks, rules, and regulations.

Questionnaire Summary

- Use of electronic documents whenever and wherever possible which would include: i. Allowing for electronic signatures; ii. Implementation of systems and documents that allow O/As to electronically complete and submit renewals, rent adjustments, MOR responses, etc., online.

Other Relevant Information:

- In order to ensure high-quality applications, HUD allow sufficient time for applicants to assemble comprehensive and well-thought-out responses.
- Some items had respondents views that split from the one-on-one sessions:
 - Evaluation factor or tasks based upon preservation of the program; i.e. giving back to the community through community reinvestment initiatives.
 - The PBCA contract should not contain rate of MOR findings (referred to as “identified savings to HUD”) as a performance measure.
- Continuous Quality Improvement: CGI is ISO 9001 certified. ISO 9001 is an international standard that requires formalized, repeatable processes and continued performance improvement. As part of the Quality Assurance Surveillance Plan, HUD can incorporate continuous improvement standards and reporting for PBCAs as part of the regular invoice and reporting requirements.
- Data Security: HUD should require all contractors to comply with the National Institute of Standards and Technology standards for data security. Failure to adopt these standards opens HUD and their contractors to considerable risk.
- HUD should ensure that PBCAs have the ability to access and coordinate other federal and state resources to support assisted tenants and to maintain and improve assisted properties and their communities.
- Conflicts of Interest: HUD should not allow organizations to combine PBCA activities with other activities. Example: If an organization is conducting an MOR under the PBCA contract, on site reviews related to other interests, such as those related to tax credits or mortgages, should not be permissible.
- Performing risk-based Management and Occupancy Reviews (MOR) will decrease the number of staff needed for the MOR process and deliver savings on travel costs. Larger states with many small rural properties, so visiting properties that are performing well once every 2-3 years will help to reduce overall costs.