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BY ELECTRONIC MAIL

July 22, 2025

Mr. Juan A. Rosario Hernández
Puerto Rico Public Housing Administration
Administrator

Re: Custom Group, LLC

Dear Mr. Rosario Hernández,

In accordance with the Contract Review Policy (the “Policy”) of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed amendment to the contract between the Puerto Rico Public Housing Administration (the “PRPHA”) and Custom Group, LLC (the “Proposed Amendment”).

After reviewing the Proposed Amendment, the Oversight Board concludes “Approved with Observations.” Observations related to the Proposed Amendment are set forth in Appendix A attached hereto.

Our review is solely limited to compliance of the Proposed Amendment with Section 204(b)(2) of PROMESA, which seeks to ensure proposed contracts promote market competition and are not inconsistent with approved Fiscal Plans. For the avoidance of doubt, the review performed by the Oversight Board does not constitute a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local; and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local.

In addition, the Oversight Board has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements under the applicable contract. Any material changes to the Proposed Amendment or the original contract must be submitted to the Oversight Board for review and approval **prior to execution**.

Date: 7/22/2025

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Recipient: Mr. Rosario Hernández

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information the Oversight Board was not directed to when the review was conducted. In addition, during the course of our review, we may receive information that we may refer to the relevant authorities.

This letter is issued only to the PRPHA and solely with respect to the Proposed Amendment.

Sincerely,



Jaime A. El Koury
General Counsel

APPENDIX A

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PRPHA – CUSTOM GROUP, LLC

Fiscal Plan Alignment

This review covers the Proposed Amendment to the contract between the PRPHA and Custom Group, LLC (the “Contractor”) for program management services in connection with the Federal Emergency Management Agency’s (FEMA) Disaster Recovery Program, which includes managing and administering repair and relocation projects.

The original contract (2023-000079), which stems from competitive procurement process AVP-RFP-21-22-01, has a maximum payable amount of **\$2,913,520.68** and a term from its date of execution until **December 3, 2024**, with two allowable one-year extensions. We remind PRPHA that any extensions contemplated under the original contract must be submitted to the Oversight Board for review and approval prior to execution in accordance with the Policy.

The first amendment to the contract, which was executed on August 21, 2023, modified the Contractor’s name from Custom Homes, Inc. to Custom Group, LLC.

The second amendment to the contract, which was executed on December 11, 2023, included additional accounts to pay compensation, assigned the Contractor PRPHA’s remaining FEMA funded projects for its management and administration, and granted flexibility in the original billing rates for key staff and personnel identified in the original contract. Namely, it eliminated identified limits on the number of employees per position (previously 1), maximum workable hours per month per position, and the total amount that can be billed per month per position, without altering the maximum payable amount or the term.

The third amendment to the contract, which was executed on November 12, 2024, increased the maximum payable amount by **\$6,032,072.65** to \$8,945,593.33 and extended the contract term until **December 31, 2025**.

The Proposed Amendment, which constitutes the fourth amendment to the contract, increases the maximum payable amount by **\$7,711,204.11** to **\$16,656,797.44** to cover the costs of additional personnel and execute implementation packages No. 1, 2, and 3, composed of 100 total FEMA projects that correspond to 88 unique FEMA Project Worksheets, without altering the term.¹

We note that the original contract had a maximum payable amount of **\$2,913,520.68** which, with the Proposed Amendment, has increased by more than 100% without conducting a new competitive procurement process. As you know, the Oversight Board is tasked with ensuring that proposed contracts and amendments promote market competition. Conducting competitive procurement processes ensures market competition and best prices.

¹ Implementation package No. 1 manages and administers 20 Design and Build, Category E (Building Structures) projects. Implementation package No. 2 manages and administers 38 Bid-Build, Category E (Building Structures) and Category G (Recreational Areas) projects. Implementation package No. 3 manages and administers 42 Design Services, Category E (Building Structures) projects.

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The PRPHA has certified that the Proposed Amendment shall be covered entirely with federal funds stemming from FEMA for disaster recovery, which are allocated in **Account No. FEMA-4339/Various PW & DAC 1400-10-000/1400-12-000**. As such, the Oversight Board’s review indicates that the PRPHA has sufficient budgeted funds in Fiscal Year 2025 to cover the cost of the Proposed Amendment as of the date of this letter.

This determination does not consider the extent to which total available funds will be subsequently encumbered by the PRPHA throughout the applicable term. Consequently, we rely on the PRPHA’s budget certification for purposes of this review.

The PRPHA is expected to inform the Oversight Board of any budgetary differences other than those specified in Appendix A to the Policy (Contract Submission Questionnaire) and to request a re-review of the Proposed Amendment should any changes occur.

Finally, the following observations are based on 2 CFR 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” and other relevant federal funding requirements.

Observation	Suggested Action
1. An independent cost estimate (“ICE”) dated after the opening bids for bid #AVP-RFP-21-22-01 was provided in the initial submission.	The ICE should be maintained in the procurement file. The PRPHA should ensure ICEs are conducted prior to the opening bids of any contract.
2. The following items were provided subsequent to the initial submission in response to a request for information: a. Hourly/by employee breakdown for the Proposed Amendment b. PW breakdown for the third amendment c. Cost reasonableness analysis for the third amendment	All documentation and information provided in the initial submission along with subsequent responses should be maintained in the procurement file.
3. An active SAM.gov debarment check was not provided for the subcontractor Helena Marquez. However, documentation was provided indicating that registration for this subcontractor has been initiated. Additionally, the Proposed Amendment includes a standard clause addressing suspension and debarment requirements.	The PRPHA should conduct regular debarment checks on all contractors and subcontractors and maintain the documentation in the procurement file.

This review was conducted on the basis of information submitted by the PRPHA. The Oversight Board has not independently verified the information included in the submission. Should the

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Oversight Board become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.