

Chapter 3. Compliance Monitoring Review and Housing Quality Standards (HQS) Inspection Procedures and Requirements

This chapter discusses the Agency's procedures and requirements for the onsite Compliance Monitoring Reviews and Housing Quality Standards (HQS) inspections. During the period of affordability, the project must be in compliance with the local jurisdiction's reporting requirements and Housing Quality Standards (HQS).

On an annual basis, the Agency must perform onsite compliance reviews and HQS inspections to determine compliance with the property standards and to verify the resident information submitted by the Borrower and/or Management Company.

3.1 Compliance Monitoring Review Set-up

A. Compliance File Review

- Approximately thirty-days in advance, the Agency will send a written notification of the compliance file review with reports listed below to the Borrower or Management Company:
 - Unit Status Report;
 - Security Report and Applicant Screening Report (Exhibit 25); and
 - Affirmative Marketing Compliance Loan Program Assessment Questionnaire (Exhibit 26).
- The reports and questionnaire are sent to the Borrower or Management Company on an annual basis and are to be completed regardless of an onsite monitoring review requirement. The information contained in the reports and questionnaire will be reviewed by Agency staff to determine adequacy of security, applicant screening and affirmative marketing compliance. The reports and questionnaire are verified during the onsite monitoring reviews.
- One-week prior to the compliance file review, the Borrower or Management Company will submit the Unit Status Report with the information from the eligible resident files, Security Report, Applicant Screening Report and the Affirmative Marketing Compliance Loan Program Assessment Questionnaire to the Agency.
- The information submitted on the Unit Status Report will be entered into the Agency's Portfolio Management Database.

B. Review of Management Plan and Security Plan

- Agency staff will review the project's Management Plan and Security Plan prior to the onsite review.
- Agency staff may require monthly security narrative reports, including a log tracking the number of Security Calls and Incident Reports (Exhibit 27).

C. Agency Confirmation Call

- The day before or the morning of the onsite review, Agency staff will contact the Borrower or Management Company to confirm the appointment.
- To reschedule the file review, the Agency must be notified at least 24-hours prior to the date set in the notification letter.

3.2 Compliance Monitoring Review

A. Entrance Conference

Prior to reviewing the resident files, Agency staff will meet with the project manager to discuss issues relating to the compliance status of the project. Discussion and copies of documents will relate to the following:

- Are the resident selection procedures up-to-date and are they being followed?
- Is there an existing resident wait list?
- Are Equal Housing Opportunity Logos displayed prominently at the site?
- Have there been any changes in project forms or documents?
- Have there been any changes to the project rents?
- Have there been any allegations of discrimination?
- Affirmative Marketing documents (i.e., copies of advertisements);
- Resident wait list (active and up-to-date);
- Resident application form;
- Resident lease agreement;
- Resident selection procedures (if different from the original management plan); and
- Copies of Notice Non-Eligibility letters (if applicable).

B. File Review

- Agency Staff will view the location of the files and check to see if they are labeled and stored in a safe location. Once this has been accomplished, Agency staff will indicate to the project manager approximately twenty percent (20%) of the Agency-assisted files reported on the Unit Status Report for review.
- The following criteria will be used to examine the resident files:
 - Files will contain Household Composition and Determination of Eligibility forms, resident applications, lease agreements, income source documents, record of recertification (if appropriate), income calculation worksheet and/or calculation tape;
 - Determination of eligibility and income source documents are reviewed to confirm the correct calculation of the anticipated annual gross income;
 - All documents are signed and dated where appropriate;
 - The lease agreement conforms to the lease protections of each funding source; and
 - The income and rental rates documented in the files are the same as the Unit Status Report form submitted prior to the onsite monitoring.

C. Exit Conference

- After the file review is completed, Agency staff will meet with the project management staff to discuss compliance and noncompliance issues found during the review. This meeting will also give the project management staff an opportunity to ask questions or clear up any misunderstandings regarding noncompliance issues. The project management staff may receive information on:
 - Regulatory Agreement requirements;
 - Community resources to assist with marketing the low income units;

- Preliminary results of the monitoring; and
- Management Plan and Security Plan improvements.

3.3 Housing Quality Standards (HQS) Inspection Set-up

A. Compliance Unit Inspection

- Approximately thirty-days in advance, the Agency will provide a written notification of the HQS inspection from the Borrower or Management Company.
 - The Borrower or Management Company must provide a minimum 24-hour notice of entry to all Agency assisted units; however, the notice of entry should be issued at least three (3) days prior to the Agency inspection. The notice must be sent to all residents occupying the Agency assisted units.

B. Agency Confirmation Call

- The day before or the morning of the HQS inspection, Agency staff will contact the Borrower or Management Company to confirm the appointment and provide the specific (occupied and vacant) Agency assisted units that will be inspected.
- To reschedule inspections, the Agency must be notified at least 24-hours prior to the date set in the notification letter.

3.4 Housing Quality Standards (HQS) Inspection

A. HQS Inspection Requirements

- The Borrower and Management Company of rental housing assisted with Agency funds must ensure that the project is in compliance with the applicable property standards as outlined in 24 CFR 92.251 of the code, including all applicable Federal, State and local housing quality standards and code requirements.
- The HQS Inspection Guidelines (Exhibit 28) provide an outline of items that an Agency Inspector will verify during the inspection. The timelines for correcting the items are based on the severity of the item(s) found.

Note: Per the HQS guidelines Inspectors have the prerogative to identify and note item(s) that may not be listed in Exhibit 28.

- **Failed items**

Corrections within 24-hours:

Items that present an immediate health and/or safety hazard to the resident(s) must be corrected within 24-hours of verbal or written notification. For example, non-operational smoke detector, broken glass window or major plumbing issues. Please note Compliance Violations, Penalties and Actions, and Corrective Time Period in the Compliance Violations and Actions (Exhibit 29).

Inaccessible units/rooms, such as tenant altered locks/door knobs or if management is unable to locate appropriate keys, will be considered a *FAILED* unit/room/facility. In all instances the unit/room/facility key must originate with the Owner/Management.

Action: The Owner/Management must forward the Agency a copy of a tenant *Notice of Action* enforcing the key/lock rules, confirming the unit locks have been re-keyed and the Owner/Management is in possession of the original key to the unit/room. Additionally, the Owner/Management must inspect any inaccessible unit/room/facility and report the inspection results to the Agency within 24-hours or the next business day.

Corrections within 30-days:

Items that present a non-immediate health and/or safety hazard to the resident(s) must be corrected within 30-days of written notification. For example, strong unsanitary odor(s), extreme clutter, et cetera.

- **Notable items**

Corrections within 30-days:

Items that are in poor condition; however do not present a health and/or safety hazard to the resident(s) must be corrected within 30-days of written

notification. For example, unkempt unit, soiled carpets; damaged laminate surface, resurface sink/tub, inadequate lighting, appliances, filters or fans coated with grease or dust, et cetera.

- All items are subject to re-inspection by Agency staff for verification. Failure to repair or repairs which are incorrectly or poorly done will warrant an additional failed finding and the Borrower will be subject to the default provisions as outlined in the regulatory agreement.

B. Entrance Conference

Prior to inspecting the units, Agency staff will meet with the project manager to discuss issues relating to the property standards of the project.

C. Unit Inspection

- In most instances, the project's overall HQS status will be determined by inspecting a sample of twenty-percent (20%) of the Agency assisted units, all of the common areas (e.g., community room, swimming pool, laundry rooms, resident service center, etc.), and the project's exterior condition and general appearance.
- Units selected will be representative of the entire project with comparable features, most notably bedroom size, and will be reviewed to determine the project's overall compliance status.
- In the case of multi-building complexes, Agency staff will select comparable units from each of the buildings based on the size and number of bedrooms.

D. Exit Conference

- After the inspection of the Agency assisted units is completed, Agency staff will meet with the project management staff to discuss passed, emergency failed, failed, notable, and/or inconclusive issues found during the inspection. This meeting will also give the project management staff an opportunity to ask questions or clear up any misunderstandings passed, failed and/or notable issues. The project management staff may receive information on:

- Regulatory Agreement requirements;
- Property standard provisions; and
- Security and Property improvements.