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CHAPTER 5. POST SETTLEMENT MONITORING

- 5-1. **RESPONSIBILITY.** The Assisted Housing Management Branch or the Loan Management Branch, as determined by the Director for Housing Management, will take the lead in conducting post settlement monitoring. Other field office staff (e.g., Area Counsel, Fair Housing and Equal Opportunity) should participate or be consulted regarding their respective jurisdictions on any monitoring concerns. The grantee has responsibility for oversight and enforcement of the Housing Development Grant requirements for the Project Term. HUD, in turn, reviews the grantee's performance to ensure compliance with the obligations set forth under the Grant and Settlement Agreements.
- 5-2. **TIMING AND REPORTS.** HUD on-site monitoring shall occur at least once every other year during the first four years. Thereafter, on-site monitoring shall occur once every four years through the project term. Where HUD has reason to believe non-compliance, visits shall occur more frequently.

A monitoring report (Attachment C) must be completed for each monitoring visit conducted. However, such reports need not be forwarded to Headquarters unless specifically requested. The reports should be maintained in the field office files for respective projects for reference during field office reviews.

- 5-3. **SOURCE DOCUMENTS.** After project settlement for each project, the entire file maintained by the Housing Development Division must be turned over to the Housing Management Division. However, the Housing Development staff person with the lead responsibility for monitoring each respective project shall provide assistance as necessary to ensure the orderly transition of responsibilities.

As a part of Housing Management's orientation, familiarity with the monitoring objectives and procedures set forth in Chapters 1 and 2 of this Handbook, the application, Grant Agreement and amendments thereto, the Settlement Agreement and, previous monitoring and audit reports is necessary. Additional source documents found in the project file include regulatory waivers, the Grantee Progress Reports which were required prior to project completion, the Owner/

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Grantee Agreement, and, if applicable, a delegation or agency agreement which empowers a separate agency or non-profit entity to perform grantee functions. In the event that a portion of the grant funds were invested in an Assisted Rental Payments account (ARP) or

Project Investment Account (PIA) to augment project operating income, the final investment agreement and investment plan should be made available. Copies of the three (1984, 1986 and 1987) HDG Application Packets and the regulations at 24 CFR Part 850 should be available as references.

5-4. CONDUCTING THE MONITORING VISIT.

- (a) Focus. When post settlement monitoring occurs, all grantee oversight and management systems should be in place and previous desk reviews and on-site visits, prior to settlement, should have ensured the adequacy of those systems. If, for some reason the project did not receive on-site monitoring during construction, make a more in-depth initial review to determine if such systems were established by the Grantee (See Chapter 4 for conducting such a monitoring visit).

Post settlement monitoring verifies that such systems are still operating efficiently and effectively by examining the owner's tenant management files and by reviewing the grantee records.

The Settlement Agreement and findings in previous monitoring and audit reports provide the best indication of particular project problem areas. Use such findings to plan an agenda for the first post settlement visit.

- (b) Notification to Grantee. Notify grantee at least two weeks prior to the date of the monitoring visit. Advise the grantee of the areas to be monitored, names of the HUD participants, dates of the visits, who on the grantee's staff should be available, and which records will be reviewed. Advise the grantee that the monitoring review will include a site inspection and a review of the owner's records for the lower-income units.
- (c) On-Site Procedures. Conduct entrance/exit conferences to commence and terminate the visit as follows:
- (1) meet with appropriate state or local officials and discuss the agenda;

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- (2) review grantee's files and documentation as necessary to make appropriate determinations;
- (3) visit Project site to review the owner's files for proper procedures;
- (4) hold a closing conference or other form of consultation

with the appropriate local officials to present preliminary conclusions resulting from the visit. Advise the grantee of any findings requiring corrective action; and

- (5) upon return to the field office, complete the post monitoring actions prescribed in Chapter 2, paragraph 2-4 of this Handbook.

5-5. CONTENT. Consider, but do not limit your review to, the following concerns:

- (a) investment and disbursement of funds from a Project Investment Account (PIA) or Assisted Rental Payment (ARP) accounts (Section 9.03 (e)(ii) and Exhibits B and C of the Grant Agreement, and/or the Investment Plan);
- (b) compliance with very low-income relocation requirements (Part I of the Application submission);
- (c) marketing in compliance with the Affirmative Fair Housing Marketing Plan (approved AFHMP);
- (d) maintenance of controlling ownership by women/minorities (the owner and/or grantee certification in the Application submission);
- (e) compliance with anti-discrimination requirements in tenant selection (24 CFR 850.151(d) and (i));
- (f) recertification of tenant Income, implementation of lower-income rent increases, adjustments to Personal Benefit Expenses, and maintenance of the designated number and bedroom distribution of lower-income units (Grant Agreement, Article I and Exhibit C, 24 CFR 850.31(f), 24 CFR 850.151(e) and (f));

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- (g) maintenance of financial records by owner and grantee (24 CFR 850.69, 850.73, 850.77);
  - (h) changes in participating parties which may affect the enforceability of HDG requirement (e.g., change in ownership); and, especially, compliance with the statutory prohibition on condominium conversions; and
  - (i) performance of any third party agency under a delegation agreement to implement administrative components of the HDG Program (Exhibits B and C of the Grant Agreement and the Delegation or Agency Agreement).

HUD Form 5006 is a suggested worksheet for post settlement monitoring.

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