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## CHAPTER 12. REAL ESTATE ASSET MANAGER (REAM) CONTRACT

### SECTION I - POLICY

- 12-1 Property Management. The services of Real Estate Asset Managers (REAMs) will be obtained by contract to manage all acquired and abandoned Secretary-Held properties in the custody of HUD.
- 12-2 Fair Housing and Equal Opportunity. In its award of contracts, it is the Department's policy to strictly observe the FHEO policy described in paragraph 1-2. Additionally, REAMs should be encouraged to use Treasury-approved minority financial institutions.

### SECTION II - INTERNAL CONTROL OBJECTIVES

- 12-3 REAM Compliance. REAMs comply with relevant program requirements and their performance is periodically evaluated by the Field Offices.

### SECTION III - GENERAL

- 12-4 Contracting for Property Management. It is the Department's policy to contract for the management of all acquired properties, using the latest version of the Headquarters' provided contract format, to the extent practical. Such contracts are not to be construed as exclusive listings, and override commissions are prohibited. (This does not apply to test programs and other activities with special Headquarters' authorization.)

The terms Real Estate Asset Manager (REAM) and Area Management Broker (AMB), as used herein, are synonymous. Instructions in this handbook regarding either the REAM or AMB apply equally to the extent provided by the particular contract document.

- 12-5 Field Office Responsibility. The CPO is responsible to the Field Office Manager for:
- A. Surveying communities for qualified property managers.
  - B. Recommending services beyond the standard REAM contract to be provided by contractors.
  - C. Coordinating procurement planning, award, and administration activities with the Regional Contracting Division (RCD). When delegated procurement authority, Field Office personnel may directly perform these activities. In the latter instance, the RCD is available to provide technical assistance in dealing with particular procurement problems such as solicitation development, bid/proposal evaluation, dealing with protests and appeals, terminations, etc.
  - D. Monitoring contract performance and related Field Office staff activity.

- E. Segregating responsibilities to ensure that the same person does not determine the need to procure, inspect, and authorize payment for goods or services.
- F. Rotating Government Technical Representatives (GTRs) on an irregular basis, thereby enhancing REAM monitoring and decreasing opportunities for collusion between staff and a REAM.

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#### SECTION IV - SELECTION OF REAL ESTATE ASSET MANAGERS (REAMs)

##### 12-6 Program Issues Relevant to Contractor Selection:

- A. Desired Contractor Experience. While potential bidders/offerors may not be prequalified, those specializing in management are preferred to those that are sales oriented. Interested firms must demonstrate successful experience in managing the type and volume of single family properties for which HUD expects the contractor to be responsible in an average month under the contract.
- B. Contractor Capacity. All prospective bidders/offerors must be allowed to submit a bid/proposal, including those holding another HUD management contract. REAMs who bid/propose on another contract may be awarded that contract if they demonstrate the capacity and qualifications to handle the cumulative number of properties involved.
- C. Limitations - Term of Contract. REAM contracts cover an initial base period and optional years. Total combination of the base and option periods are established in the formats provided by Headquarters but may not under any circumstances exceed a total of five years. Exercising of contract options must be in accordance with the FAR and the applicable clauses of the contract.

##### 12-7 Types of Property Management Contracts:

- A. Real Estate Asset Management (REAM) Services. Field Offices are to use this type of contract as the primary vehicle when soliciting for management services for single family acquired properties. Therefore, prior to the expiration date, or the end of the option period for current AMB contracts, Field Offices are to procure for management services using the REAM format.

Compensation for REAM services specified with an (x) in Section C of the contract (Statement of Work) is based on a flat fee

(fixed price). Payment is to be made in two installments: one at listing and one at closing.

- B. Exclusive Listing Broker Services. In situations where properties entering HUD's inventory may be marketed more effectively and expeditiously if management and sales responsibilities are handled exclusively by an asset manager, Field Offices may enter into exclusive management and listing contracts if it will benefit the marketing effort. This type of contract shall be in addition to existing management contracts the Field Office may have in place.

Under this format, contractors advertise HUD properties and post their "For Sale" signs. All bids to purchase properties, whether opened by the contractor or by HUD, will be opened at a prearranged time and place with the public invited. The GTR shall ensure that the entire sales process is conducted in full compliance with Handbook 4310.5 REV-2, Chapter 10, paragraphs 10-17 and 10-19.

The cost for performing many of the routine management duties included under this format are borne by the contractor. Reimbursable management duties are paid from the sales proceeds at closing.

- C. Contract Formats. The Headquarters' Office of Procurement and Contracts (OPC) maintains standard formats for frequently used property disposition contracts (containing statements of work and other PD Program requirements). The standard REAM format must be used to obtain management services for single family acquired properties. In using the REAM or other standard formats, provisions and clauses may be added to fit local conditions and/or the results of negotiations with offerors. However, the resulting solicitations or contracts must not delete or revise format requirements, except for

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revisions necessary to comply with changes to the FAR or HUDAR, without first consulting with Housing's Office of Management in Headquarters.

- 12-8 Methods of Contracting. In accordance with the FAR, Field Office staff must exercise good judgement in selecting one of the following methods of contracting to best meet HUD's needs:

- A. Negotiation (FAR Part 15) is the procurement method used when the Field Office wishes to award a contract on the basis of a qualitative evaluation of each offerors' technical and management capabilities as well as their proposed price. The solicitation (Request for Proposals - RFP) must disclose all

evaluation factors (and their relative weights/importance) to be used by HUD in selecting the contractor. This procurement method is the primary vehicle Field Offices will use to procure REAM services. The standard REAM solicitation/contract format is structured to attract and select firms that can provide high-quality single family property management services.

- B. Sealed Bidding (FAR Part 14) is the procurement method under which contract award is made to the lowest-priced responsive/responsible bidder, in accordance with terms of the solicitation (Invitation for Bids - IFB). When contracting for REAM services, the sealed bidding method may be used only when the Field Office has determined that it lacks the capacity to conduct a competitively negotiated procurement (RFP). This determination must be documented in the contract file.
- C. Small Purchases (FAR Part 13) is a simplified method for soliciting quotes and awarding a purchase order to buy supplies and/or services when the cost involved will not exceed \$25,000. This method is appropriate for isolated or scattered site areas or where the area to be covered has a very small number of properties. Generally, the solicitation of three quotes satisfies the FAR requirement for competition. Larger purchases may not be divided and conducted as small purchases as a means to circumvent the use of any required formal contract procedures.

#### 12-9 Key Steps in Awarding Contracts:

- A. Publicize. In accordance with FAR Part 5, all contract actions exceeding \$25,000 must be synopsisized in the Commerce Business Daily. Also, an advertisement in local newspapers or other appropriate media may be used to attract potential sources. For REAM solicitations, Field Offices should request interested sources to complete Form HUD-9733, Real Estate Asset Manager Qualification Data (Appendix 43).
- B. Develop Contract Specifications. A statement of work or other specification detailing required contractor tasks and levels of performance is a key component of any solicitation. For REAM services, use Section C of the standard format to select any optional service items appropriate to local needs. FAR Part 9 - Contractor Qualifications, permits the incorporation of special standards of responsibility, on an as needed basis, into solicitations. Special standards concerning rental, financial reporting, supervising, repairs, and facilities are incorporated in the REAM format. Field Offices may add additional special responsibility standards to the format, as required, such as state required licensing, but care must be exercised to ensure that overly restrictive standards are avoided.

When developing contract specifications, it should be noted that each newly acquired property must be appraised by an industry-recognized appraisal source either through Headquarters' national contract for appraisal services or by another source under contract with the Regional or Field

Office.

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- C. Issue Solicitation (Request for Proposals/Invitation for Bids, as applicable). The solicitation is the only means of communicating HUD's requirements to prospective contractors. By providing uniform information to all those wishing to compete, all firms are treated in an equitable manner. All information needed to develop a bid/proposal must be included in the solicitation.
- D. Conduct A Pre-Bid/Proposal Conference. Such conferences should be held with prospective bidders/offerors as a group to review key provisions of the solicitation and performance requirements of the expected contract. A complete record of the conference must be maintained and copies provided to everyone who received a copy of the solicitation. For REAM services, it is important to review accounting and procurement requirements and all key property management tasks. During the conference, the Field Office should provide estimated costs and quantities for recurring services such as debris removal, winterization, lawn maintenance, etc.

12-10 Key Issues in Administering Contracts:

- A. Contract Modifications (FAR Part 43) are written changes to the terms of a contract. A contract modification may be necessary to effect changes such as: alterations to the contractor's duties/responsibilities; contract prices/terms of compensation; geographic area boundaries covered by the contract; or, other contract terms and conditions. All contract modifications must be in writing and signed by an authorized contracting officer.
  - 1. Any change (increase or decrease) in contract prices/contractor compensation must be commensurate with the alterations to the contract, i.e. relative benefit to HUD and the contractor.
  - 2. The contract file must document the purpose of all modifications, and the results of any negotiations which may have taken place.
  - 3. Contracts cannot be modified to extend the expiration date without proper justification.
- B. Contract Terminations (FAR Part 49). All formal contracts (e.g., the REAM contract) incorporate standard FAR clauses dealing with Termination for Convenience of the Government and Termination for Default. All contract terminations must be in writing and signed by an authorized contracting officer.

1. Convenience terminations are used when HUD no longer has a need for the services and/or supplies being provided by the contractor. If used, the contractor is paid for all work successfully completed as of the termination's effective date, as well as the reasonable costs associated with bringing performance to an end. The contracting officer must request the contractor to submit a termination proposal and negotiate a final settlement of all contract costs.
  2. Default terminations are used when a contractor fails to perform or violates a contract requirement, e.g., violates a specific prohibition against purchasing HUD properties managed under the contract. There must be substantial documentation of the contractor's unsatisfactory performance or sufficient evidence of breach of contract to sustain a default termination.
- C. Debarment, Suspension, Ineligibility and Other Sanctions. Appropriate use shall be made of available administrative sanctions in the Property Disposition Program in strict accord with FAR Subpart 9.4 (Debarment, Suspension, and Ineligibility) and HUD's implementing regulations at 24 CFR Part 24.

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#### SECTION V - KEY CONTRACT ELEMENTS

##### 12-11 Accounting Procedures.

- A. Contracts Must Incorporate SAMS Accounting procedures. Field Offices must ensure all BEAM contracts incorporate appropriate SAMS accounting procedures. Conduct a briefing with the contractor to ensure correct accounting procedures under the Single Family Accounting Management System (SAMS). The requirements to be implemented are:
1. REAMs must forward all Form SAMS-1106, Invoice Transmittal and Form SAMS-1106C, Invoice Transmittal Continuation, directly to the Field Office for review and approval. Information must be accurately completed in accordance with the GTR's instructions. Incomplete data may cause a delay in payment.  
  
NOTE: The total management fee and reimbursable items are to be shown on separate SAMS 1106. The fee is reported to Internal Revenue Service by the SAMS contractor.
  2. REAMs must maintain a work order log for all work ordered within their contract authority as determined by current

Headquarter's policy and the Field Office.

3. REAMs are to forward a copy of the transmittal log for the applicable month's contracting activity for Field Office review to ensure that all work ordered is appropriate.
  4. REAMs do not use Form HUD-2542, Purchase Order, to pay for expenditures within their contract spending authority. REAMs are to use the Form SAMS-1106 and Form SAMS-1106C if appropriate.
  5. REAMs must submit an invoice covering their earned management fees' accompanied by a completed Form SAMS-1106 to be received by the Field Office no later than the tenth day of the month following the reporting month.
  6. REAMs must forward all invoices from new vendors to the Field Office, accompanied by Form SAMS-1111, Vendor information or 1115, Property Manager/Closing Agent Information.
- B. Vendor Files. Under SAMS, payments cannot be made to vendors unless those vendors are established on the appropriate vendor files. Forms SAMS-1111 and 1115, are used to create the vendor's files in SAMS. Field Offices must assure that the information is correct. Incorrect data may cause a delay in payment to the contractor. The REAM must be advised that possible delays in payment may occur when processing new vendors not yet established in SAMS.
- C. Signature Card, SF 210. Before payment is processed, The Certifying Officer must have a current SF 210, Signature Card, on file with the SAMS contractor.
- D. Documents Submitted to the SAMS Contractor. Only original documents which serve as supporting documentation for the payment schedules sent to Treasury are to be submitted by the Regional/Field Office to the SAMS contractor. Offices should maintain copies of all documents sent to the SAMS contractor.
- 12-12 Imminent Hazard. The contractor shall ensure that any condition which presents a health or safety hazard is identified and corrected, or corrective action initiated, within 24 hours of discovery. (See paragraph 3-14 E. for a description of imminent hazards.) The contractor's responsibility begins on the date the contractor is notified that the property is assigned and

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continues through the time the property is no longer the responsibility of the contractor, generally the day of closing. The

contractor shall, at its own expense, eliminate conditions which can be remedied at a cost of less than \$50. Hazardous conditions over \$50 will be eliminated by the contractor at HUD's expense.

Requests to HUD for reimbursement shall contain a certification that the work was necessary, that the price paid was reasonable, that there was sufficient competition and that the work was completed satisfactorily. The request should also be accompanied by the supplier's invoices.

- 12-13 Repairs by the REAM. No repairs, except emergency repairs, may be performed by the REAM without prior Field Office authorization. Field Offices may have the REAM perform repairs such as spruce-up (paint, carpet, cleaning) or other repairs (limited remodeling, roofing) as long as the cost of a single item or total cost of series of related items does not exceed the Headquarters' approved maximum after the Additional Repair Authorization Letter (Appendix 48) has been approved by the GTR. Offices shall forward the original authorization letter to the REAM and place a copy in the case binder along with the approved Disposition Program.

Field Offices are strongly encouraged to inspect properties prior to authorizing repairs in order to confirm the need and appropriateness of the repairs. These inspections may be made by Field Office staff; fee inspectors or REAM monitors.

A. Reimbursement. When repairs are performed by the REAM, payment will be handled as a reimbursement which will be in addition to the REAM's management fee. Field Offices may request that the Contracting Officer disallow and not reimburse the REAM for costs that are inappropriate, unnecessary, unreasonable in nature or amount, or for work not satisfactorily performed, or the price is not sufficiently justified. Questions or problems with payment of the REAM should be brought to the attention of the CPO.

B. Inspection of Completed REAM Repairs. Field Office staff, fee inspectors or REAM monitors must inspect a minimum of 25 percent of all repairs performed by the REAM to ensure that work was completed satisfactorily. Form HUD-9519, Acquired Property Inspection Report, must be completed by Field Office staff or other contractor inspector when inspecting repairs performed by the REAM.

- 12-14 Repairs by Subcontractors. The REAM is authorized to subcontract repairs. Upon ordering, the REAM shall, as a minimum, enter chronologically into a Work Order Log the following information:

Work order number	Date work ordered
FHA Case Number	Property address
Date repair authorization	Work requirement(s)
Sub-contractor's name	Dollar amount of work order
Name of person ordering work	Project completion date
Actual completion date	Transmittal number

A. Inspection of Subcontractor Repairs. The REAM must inspect 100 percent of repairs completed by the subcontractor. In addition

to REAM inspections, Field Office staff, fee inspectors or REAM monitors must inspect a minimum of 25 percent of all properties repaired by subcontractors. Form HUD-9519, Acquired Property Inspection Report, must be completed by the REAM and Field Office staff or contractor inspector upon completion.

- B. Payment of Subcontractors. Where the REAM subcontracts the work, payment will be made directly by HUD to the subcontractor. Notwithstanding prior approvals, the Field Office may initiate action through the Contracting Officer to disallow or withhold payment for any subcontract work determined to be inappropriate, unnecessary, or unreasonable in nature or amount, or for work not satisfactorily performed, or the price is not

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sufficiently justified. Questions or problems with payment of subcontractors must be brought to the attention of the CPO.

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#### SECTION VI - MONITORING THE REAM CONTRACT

- 12-15 Monitoring the REAM. Monitoring of REAM contracts and prompt, affirmative action to correct problems, is an important responsibility of the Field Office. Review the prohibited activities shown on Form HUD-9842, Real Estate Asset Managers - Prohibited Activities (Appendix 63) and refer to REAM monitoring requirements shown in this chapter and in HUD Handbook 4310.27, Property Disposition Real Estate Manager Operational Handbook. Field Offices must take appropriate action when REAMs fail to perform in accordance with the terms of their contract.
- 12-16 Monitoring Responsibilities of the Regional Office. Regional Offices have the responsibility of following up on a regular basis to assure that Field Offices are consistently and uniformly monitoring REAMs. To ensure that this task is being performed, Headquarters will continue to review the Regional Office's oversight actions through regional reviews.
- 12-17 Monitoring Responsibilities of the CPO.
- A. Annual Evaluation of the REAM. Every year in the month prior to the contract's anniversary date, the CPO or, at the CPO's

discretion, Senior Realty Specialists, will evaluate every REAM (except those with contracts in effect less than three months), using the Guide for Monitoring of Real Estate Asset Managers (Appendix 41). The CPO's Annual Evaluation of AMB, Form HUD-9537 (Appendix 45) may be used when evaluating existing AMB contracts; this form will, however, become obsolete with the expiration of the last AMB contract. Annual evaluation does not substitute for regular monitoring and guidance of REAM performance, nor does it preclude warranted referrals to the Inspector General, Contracting Officer or Equal Opportunity Officer.

1. The overall rating will reflect consideration of the relative importance of specific areas of performance rated on the form; and primary emphasis will be on typical sustained performance.
  2. Details of problems and prescribed corrections must be added in the comment section.
    - a. One copy to the REAM, along with a cover letter specifying items rated less than satisfactory, with target dates for correction. The CPO must discuss personally with the REAM all items rated high or moderate (AMBs rated unsatisfactory), documenting that discussion.
    - b. One copy for individual REAM contract file for review by the Regional Insured Housing Management Specialist.
    - c. One copy to the Contracting Officer.
- B. REAM Contract File. A REAM Contract file must be maintained and thoroughly documented. It must include the following, as appropriate: A copy of the REAM contract; copies of the CPO's Annual Evaluation of the AMB (Form HUD-9537); a copy of the Guide for Monitoring of Real Estate Asset Managers (Appendix 41); documentation of any instruction, guidance, or monitoring provided to the REAM; and any other documentation which reflects contract performance. Oral instructions should be documented by a memorandum to the file.

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The proper maintenance of the REAM contract file is necessary to support monitoring requirements, extensions under the contract option clause or, as necessary to act on inadequate performance.

- C. Acting on Inadequate Performance. REAMs must be informed of

all improvements needed. This and all other monitoring must be documented in the individual REAM contract file to support follow-up reviews, extensions under the contract option clause, or contract termination. The CPO must ensure that performance deficiencies are corrected in a timely manner and, as necessary, recommend administrative sanctions or termination for default in accordance with the FAR, Part 49, Subpart 49.5. The basis for all administrative action must be thoroughly documented in the REAM contract file. The REAM Contract File must show that the contractor's unacceptable performance is reflected in inspection reports, letters to the REAM, documentation of discussions and worksheets measuring performance. This information is necessary to support the decision to terminate for default. See paragraph 12-10 B. for additional information on contract terminations.

- D. Annual Verification of Rent Collections. Verify the Accuracy of Rent Collection Reports submitted by the REAM by an annual sampling of 10 percent of all leases through direct mail. The questionnaire should ask tenants what amount of rent they are paying and when was the last date a payment was made. Field Offices are to maintain complete and accurate rental records, including copies of all executed leases, and monitor monthly rent collections and delinquencies.

Field Offices (not the REAM) must approve all rent agreements and notify the occupants of the rent amount. All leases must be signed by either the Director, HM Division or CPO (not REAM). Field Offices must maintain a copy of each executed lease in the appropriate case file.

- E. Review of Realty Specialists/Government Technical Representatives (GTRs)/PD Staff Monitoring REAMs. The CPO must monitor, review, and document performance of Realty Specialists/Government Technical Representatives (GTRs) and other personnel directing REAM activities. The following support for these duties is required:

1. Within sixty (60) days after contract award, conduct an initial monitoring for the purpose of determining frequency of reviews in accordance with the risk ranking factors indicated in paragraph 12-19.
2. File documentation of any instruction, guidance or monitoring provided each REAM. Oral communications should be documented by a memorandum to the file.
3. Site inspection of properties must be made by the CPO or his delegate at least quarterly to check performance of REAM and Realty Specialists. Findings must be documented.
4. By the 20th of each month, the CPO must prepare and submit a Form HUD-9524, Monthly Inspections of Acquired Properties (Appendix 51) to the Regional Director of Housing for review. The Form HUD-9524 is to reflect inspections made by Field Office staff, fee inspectors or REAM monitors during the preceding month.

12-18 Monitoring Responsibilities of the Realty Specialist/(Government Technical Representative (GTR)). As directed by the CPO, the Government Technical Representative (GTR) is responsible for assuring, through liaison with the REAM, that the technical and financial aspects of the terms and conditions of the contract are fulfilled. Detailed guidance for GTRs is

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contained in HUD Handbook 2210.13 REV. 3, Government Technical Representative Handbook, and is summarized below:

- A. Orientation. All REAMs, regardless of previous contracts, must have an orientation and briefing session within 30 days of award of contract and at least annually thereafter. This must cover at least the following:
  - 1. All services to be performed or obtained by REAMs and applicable time frames.
  - 2. Preparation of all required forms.
  - 3. Policies and methods of disposition.
  - 4. Procurement of supplies, materials, repairs, and services.
  - 5. Accounting procedures (See paragraph 12-11).
  - 6. Policies and requirements of repair programs.
  - 7. Causes for termination of contracts.
- B. Contract Monitoring. Careful monitoring is necessary in the following areas:
  - 1. Review and Evaluation. Review all documents submitted by REAMs to see that documents are accurate, complete and timely. Follow-up as necessary to make corrections, identify irregularities and obtain compliance.
  - 2. Procurement and Administration of Property Repairs and Maintenance. Ensure that:
    - a. Subcontractors are properly rotated among all qualified contractors and competitive bidding is obtained for reimbursable subcontracting services.
    - b. There is no splitting of requirements to avoid HUD approval limitations.

- c. Procurement records are adequate.
  - d. Repair specifications are being prepared and are adequate.
  - e. General Specifications are included with repair specifications (see Appendix 36).
- 3. Duplication of Work. There is no unnecessary or duplication of repairs or maintenance work.
- 4. Inspection. The work of subcontractors is inspected to ensure proper completion of repairs and maintenance work.
- C. Technical Direction. Provide technical direction and oversight to ensure that:
  - 1. Specifications are clear and not restrictive;
  - 2. The contractor adheres to requirements of the General Specifications (Appendix 36);
  - 3. The quality of work is adequate;
  - 4. The work is performed timely;
  - 5. Inspection of the work is prompt; and
  - 6. Payment is processed promptly.

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- 7. Corrective action is initiated as necessary to enforce any contract requirements which are not being met.
- D. Ongoing Maintenance.
  - 1. The REAM is properly securing and maintaining properties.
  - 2. Property inspections are being made by REAMs in accordance with the terms of the contract.
- E. Inspection.
  - 1. Preferred Monitoring Method. The best method for monitoring the REAM's work is through actual inspection of work in all stages of performance and wherever the work is being conducted, i.e., at the contractor and subcontractor sites. Regular inspections are necessary in order to increase the opportunity to detect and prevent fraud, waste and mismanagement by REAMs and subcontractors.

Where adequate staff, travel funds, time, and the ability to contract out inspection services is available, the preferred monitoring method is monthly on site inspection of 10 percent of properties assigned to each REAM, in each stage of processing. At the direction of the CPO and upon the advice of the Realty Specialist, the 10 percent should increase as necessary up to 100 percent for high risk REAMs or REAMs whose performance is currently unsatisfactory.

Realty Specialists and/or contractor inspectors will review and inspect properties as often as necessary to ensure that all aspects of the REAM's performance comply with the objectives of the PD program. As feasible, Field Offices may contract for property inspection services such as fee inspectors or REAM monitors. Where there are major or continuing problems, a representative of the REAM will be required to accompany the HUD or contract inspector.

Inspect properties in the following categories:

- a. Newly assigned, for which initial services have been performed as specified in the contract. Verify accuracy of Form HUD-9516-A, Initial Inspection Report-Condition of Property (Appendix 16).
  - b. Where repairs are nearing completion or completed.
  - c. For which repair specifications have been prepared by fee specification writers. (Inspection is to determine that specifications are acceptable.)
  - d. That have been inspected by contract inspectors. (To check their performance.)
  - e. That have recently had lawn care completed.
  - f. That are held off the market, rented, or listed but unsold. (To determine whether properties are being properly maintained or vandalized.)
  - g. Secretary-held mortgage properties assigned for custodial duties.
2. Risk-Based Monitoring. Where 10 percent of on-site inspections is not possible because of the limitations of staff; travel funds, time, or the inability to contract out inspection services severely impairs the ability to perform on site review, monitoring resources must be targeted to inspection of those REAMs which are most at risk of nonperformance or whose performance is currently unsatisfactory.

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Guidance to assist in targeting on site inspections based upon risk management is provided in paragraph 12-19 and Appendix 41.

3. Inspection Reports. All inspections must be documented on either Form HUD-9519, Acquired Property Inspection Report (Appendix 28), or Form HUD-9519-A, Property Maintenance Inspection Report (Appendix 44), and given to the CPO within two workdays of inspection.

The Form HUD-9519 is to be used to document all types of inspections relating to contract work on acquired properties. The Form HUD-9519-A is to be used to document routine property maintenance inspections only.

The CPO's copy of the Form HUD-9519 and Form HUD-9519-A reports may be retained in a separate property inspection file for each REAM; however, a copy of any inspection report which reflects inadequate performance must also be included in the REAM contract file.

- F. Review REAM Office Records and Procedures, particularly to ensure compliance with fiscal requirements of the REAM contract. See Appendix 41, Guide for Monitoring of Real Estate Asset Managers, which must be signed and placed in the REAM file in the Field Office. Appendix 47, Form HUD-9529, Checklist for HUD Review of AMB Office, may be used until the Field Office's last AMB contract expires.)
- G. Provide a fully documented written report to the REAM within five (5) working days of each review and place a copy in the REAM's contract file to support follow-up reviews, contract termination or recommendations to extend under the contract option clause. File documentation shall include all instructions, guidance or monitoring provided to the REAM during the life of the contract.
- H. Document oral communications, deficiencies or needed performance improvements with a memorandum to the contract file. CPOs must ensure that performance deficiencies are corrected in a timely manner and, as appropriate, recommend administrative sanctions or termination for default. Unacceptable performance with proper documentation can result in termination of the contract.
- I. Develop a control log to record overall results of REAM reviews and include target dates for follow-up reviews for the purpose of ensuring that corrective action has been taken to resolve any noted deficiencies. CPOs or designees are responsible for data entries. The control log must be maintained and include at least the following information:

REAM's Name

Contract Number

Award Date	Date Review Scheduled
Actual Review Date	Review Performance By
Overall Rating	Number of Findings
Date of Follow-up Review	Number of Cleared Findings
Date of Cure Notice	Termination Date

The control log may be maintained on an automated system, but a current hard copy must be maintained in the REAM Contract File and the automated file must be easily retrievable.

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12-19 Risk-Based Monitoring.

- A. On-Site Office Review. To determine the frequency of on-site office reviews which are necessary to proper monitoring, assign a risk ranking factor to each REAM contract within sixty days after the contract award and annually thereafter to determine high, moderate or low risk. Use the definitions on pages 7 and 8 of Appendix 41 to develop the ranking factors for REAMS and add additional criteria as deemed appropriate. Results from prior reviews, untimely performance, excessive costs, volume of properties being managed and the sales turnover rate for properties managed by each REAM should be used to determine the frequency of on-site office reviews by using the following scale:

Risk Ranking	Frequency of Reviews
High	Monthly
Moderate	Quarterly
Low	Semi-annually

In implementing the risk analysis, give various weights or counts as deemed appropriate.

- B. Focus on Problem Indicators by utilizing reports from the Single Family Accounting Management System (SAMS) when performing on-site reviews. Poorly performing REAM should be targeted for more frequent and more thorough reviews. Prior to scheduled reviews, retrieve all SAMS reports that are necessary and review previous months SAMS reports to determine if a pattern of weakness has developed.

To monitor problem areas the table below provides a cross-reference between problem indicators related to REAM performance and reports that are available through SAMS. In order for the SAMS report to be effective, input must be maintained and updated on a daily basis. Reports which enable such monitoring of REAMS include:

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POTENTIAL  
PROBLEM AREAS

SAMS REPORTS/PERFORMANCE MEASUREMENT DATA

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REAM is not  
maintaining  
property, resulting  
in property not  
selling.

Cases Listed But Unsold Report (DM/RP/US)  
- Lists properties listed for sale but are  
unsold after 15 days from the date listed  
and the number of days they have been listed.  
From 16-30 and over 30 days, report also  
lists number of times properties are  
reanalyzed.

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Invoices submitted  
by the REAM are not  
accurate.

Monthly REAM Billing Report (CM/RP/PB)  
- To verify the accuracy of the REAM's  
monthly invoice for management services.

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Extensive repairs  
not cost effective.

Profit/Loss Report by Acquisition Cost  
(DM/RP/PL) - Provides a summary of the  
dollar amount spent on a property from  
acquisition to sales closing.

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SECTION VII - SAMS PROCESSING PROCEDURES

- 12-20 General. Data pertinent to processing, managing and monitoring REAM contracts and subcontractors is entered in SAMS on a current basis and SAMS reports are used to analysis REAM performance. Refer to the SAMS User Handbook for data entry instructions and examples of data screens and reports.