

CHAPTER 16. FIELD OFFICE MONITORING RESPONSIBILITIES OF  
SUBSIDY CONTRACT ADMINISTRATORS

- 16-1. GENERAL. Where HUD is not the contract administrator, the HUD Field Office is responsible for monitoring the contract administrator to measure its performance and compliance. To assist the Field Office in this effort, a Checklist for Monitoring the Contract Administrator is found in Appendix 16. At a minimum, the Field office should conduct an annual on-site review of contract administrators within its jurisdiction whose performance has been marginally satisfactory or less than satisfactory, and once every two years for other contract administrators. Where the contract administrator operates in more than one Field Office's jurisdiction, e.g., State Agencies that operate through a state, the HUD Field Offices should coordinate their on-site reviews so as to eliminate duplicate reviews.
- 16-2. PURPOSE. The purpose of the on-site review is to assess the state Agency/PHA performance in overseeing the management of projects receiving HUD subsidy. The HUD Field Office will select the projects to be reviewed on site. The projects selected for a review should include a representative sample of the various projects from the contract administrator's portfolio. The Field Office should determine if the contract administrator is:
- A. COMPLYING WITH APPLICABLE LAWS, REGULATIONS, CONTRACTS AND OTHER LEGAL AGREEMENTS BETWEEN THE DEPARTMENT AND THE CONTRACT ADMINISTRATOR AGENCY, and is complying with the terms and conditions of the contract to administer the subsidy contract.
  - B. MONITORING THE PERFORMANCE OF THE OWNER AND MANAGEMENT AGENT.
  - C. COMPLETING THE CERTIFICATIONS REQUIRED UNDER THE HUD PROGRAMS.
  - D. PROVIDING APPROPRIATE SUPERVISION TO OWNERS AND MANAGEMENT AGENTS IN THE OPERATION OF HUD-ASSISTED PROJECTS.
  - E. MINIMIZING THE OPPORTUNITY FOR FRAUD, WASTE, AND MISMANAGEMENT.

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- F. PERFORMING THE REQUIRED ANNUAL ON-SITE MANAGEMENT REVIEWS AND PHYSICAL INSPECTIONS.

G. PERFORMING THE DUTIES AS DESCRIBED IN THIS HANDBOOK.

16-3. MANAGEMENT AND OPERATIONS ANALYSIS, The HUD Field Office's on-site review should include, but is not limited to, the following:

- A. Organization and Management. The HUD Field Office should review the contract administrator's policies, procedures, and organizational structure to determine if the appropriate mechanisms are in place to provide adequate management oversight of the project owner/management agent. The method used for monitoring project performance, owner's and management agent performance should be assessed for effectiveness.
- B. Financial Management. The HUD Field Office must determine the adequacy of the contract administrator's review of the annual audited financial statements, other financial reports, and where applicable, the response to HUD Office of Inspector General's audits. A random sample of annual audits should be reviewed by HUD Field Office staff.

16-4. ON-SITE REVIEW. At a minimum, the Field Office should determine that the contract administrator is complying with all of the procedures and policies described in this Handbook and is:

- A. COMPLYING WITH THE FOLLOWING:
  - 1. Performing required review of annual audited financial statement.
  - 2. Assuring the appropriate use of project funds.
  - 3. Requiring project owners to establish and maintain the reserve for replacement account.
  - 4. Processing rent increases, annual and special adjustments of rent in accordance with HUD guidelines and requirements.
  - 5. Re-examining tenant leases to determine if they are still in compliance with applicable requirements.

- 6. Reviewing the utility allowances annually.
- 7. Filing for and obtaining unit vacancy payments.
- 8. Conducting the appropriate management reviews and physical inspections.

9. Obtaining-the required Form HUD-2530, Previous Participation and Review Clearance (Appendix 17), of any principal before participation is allowed in the management and operation of HUD-assisted projects.

B. MONITORING OWNERS TO VERIFY COMPLIANCE WITH THE FOLLOWING:

1. Required marketing activities.
2. Required management and maintenance.
3. Proper use of project funds.
4. Income mix standards. The owner is required to rent 50% of the units to tenants who are below the median income level. If that is not possible, at least 20% of the units must be rented to tenants with income below the median income level. The contract administrator must be sure that the project owner/management agent is aggressively marketing the project in order to obtain the appropriate tenant mix.
5. Selection of eligible tenants is conducted with the instructions contained in HUD Handbook 4350.3.
6. Recertification of tenant income and family composition in accordance with instructions contained in HUD Handbook 4350.3.
7. Standards for terminating tenancy and lease modification in accordance with instructions in HUD Handbook 4350.3.
8. Excess income reporting and payments.

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9. Section 8 utilization requirements. The Field Office must verify that the contract administrator is not using or transferring unused Section 8 contract authority to other projects.
10. Review of vouchers.

16-5.REPORT OF FINDINGS AND RECOMMENDATIONS. A written report prepared by the HUD Field Office including a summary of findings, if any, and recommendations with regard to the contract administrator's operation, evaluation of its performance administering HUD programs, should be submitted to the contract administrator within 45 days after the

on-site review.

16-6.RESPONSE AND FOLLOW-UP. The contract administrator must respond, in writing, to the HUD Field Office that prepared the on-site review report of findings and recommendations within 30 days of receipt of the on-site review report. The response should set forth specific actions taken or planned. The HUD Field Office is responsible for following up and evaluating corrective actions taken by the contract administrator.

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