
CHAPTER 4. ON-SITE MONITORING DURING CONSTRUCTION

4-1. RESPONSIBILITY. The HDG Program Coordinator or a Multifamily Housing Representative will take lead responsibility for coordinating on-site HDG monitoring. Specific areas may be the responsibility of other field office staff. For example, the Valuation Branch and Architectural and Engineering Branch, may perform site inspection and review of personal benefit expenses. Owner compliance with relocation requirements are the responsibility of the Relocation Specialist within the Division of Community Planning and Development.* Fair Housing and Equal Opportunity staff have responsibility for concerns within their jurisdiction. Compliance with Federal Labor standards are the concern of the Labor Relations staff. The lead reviewer may take the monitoring responsibility in these disciplines, provided the Specialist is consulted on the conclusions. The team leader shall prepare the monitoring report with written input from other staff involved in the monitoring process.

The on-site review enables HUD staff to:

- (1) visit the project site to review blueprints and conduct inspections for conformance with the approved development configuration;
- (2) examine the owner's records for compliance with grantee imposed guidelines for tenant eligibility and rent determinations;
- (3) examine the adequacy of grantee fiscal recordkeeping systems and tenant eligibility and rent determination mechanisms;
- (4) ensure the establishment of effective grantee oversight by identifying short-comings in existing mechanisms and recommending or requiring improvements.

4-2. TIMING AND REPORTS. Conduct on-site monitoring at least once during the construction period. More than one monitoring visit may be appropriate, depending on the complexity of the project and HUD's evaluation of project progress.

* Note: Monitoring procedures for reviewing relocation and real property acquisition activities are explained in HUD Handbook 1373.1, Rev 1, Relocation and Real Estate Monitoring Handbook.

The GPR provides information on the extent of the construction progress. If the GPR fails to indicate that construction has begun, schedule on-site monitoring after project evidentiary materials have been approved by the Office of General Counsel (OGC) or after receiving notification that the grantee has grant approval for early construction start. Ideally, the on-site visit should occur when construction is sufficiently underway to make meaningful determinations about compliance with program requirements.

Pay special attention to projects which have received HUD approval for early construction start (see Appendix 2, "Early Construction Start Requirements"). Encourage the grantee to submit the HDG evidentiary documents as soon as possible to avoid unnecessary construction delays due to the unavailability of the HDG funds.

Complete (HUD Form 5005) and submit it to Headquarters as the report for on-site monitoring. Record relevant comments in the available space. When there are negative conclusions, a monitoring letter prepared in accordance with Chapter 2, paragraph 2-4 of this Handbook must also be submitted to Headquarters. HUD Form 5005 is designed to review the effectiveness of fiscal and management systems and to aid the grantee in the establishment of such mechanisms to fulfill its responsibilities under the Grant and Settlement Agreements.

- 4-3. SOURCE DOCUMENTS. If possible, coordinate the on-site monitoring and desk monitoring so that the on-site visit provides independent verification and a basis for analysis of GPR information. The information in the Grant Agreement, project application, Owner/Grantee Agreement, and the latest GPR and desk monitoring report must be reviewed carefully before an on-site visit.
- 4-4. CONDUCTING THE MONITORING VISIT. Announce and conduct monitoring visits using the procedures outlined below.
 - (a) Notification to Grantee. Notify the 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 visit, who on the grantee's staff should be available, and which records will be reviewed. Further, 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. Prior to the visit, arrange dates and times for meetings and interviews with the grantee and owner.

- (b) On-Site Procedures. The following process is recommended:
 - (1) meet with appropriate grantee officials to explain the

visit's purpose and propose a schedule;

- (2) review grantee files as necessary to make appropriate determinations;
- (3) visit project site to determine that:
 - (i) the project is being built as specified;
 - (ii) construction progress is on schedule; and
 - (iii) a sample of the owner's files indicates that income verification, eligibility determination, rent calculations and tenant payments meet the requirements of the Grant Agreement and evidentiary commitments;
- (4) hold a closing conference with the appropriate local officials to present preliminary conclusions resulting from the visit. Advise the grantee of any findings requiring corrective actions;
- (5) Upon return to the field office, complete the Post Monitoring Actions prescribed in Chapter 2, paragraph 2-4 of this Handbook.

4-5. CONTENT. Use on-site monitoring for the HDG Program to determine:

- (a) if the project site, number and bedroom distribution of units and structural type, and the number and bedroom distribution of the lower-income units, match Grant Agreement specification;
- (b) if the rents charged are consistent with the Rent Mechanism and if eligible tenants occupy the lower income units;

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- (c) if any required relocation assistance is being provided in compliance with the Grant Agreement and applicable Federal regulations;
 - (d) if the project design and construction is in compliance with Section 5.04 of the Rehabilitation Act of 1973. For projects which went to bid for a construction contract after July 11, 1988, there are minimum percentages of lower-income units which must be designed for use by the mobility impaired and by visually or hearing impaired as well as building handicapped accessibility requirements.
 - (e) if the project is in compliance with Federal wage rate standards

and the grantee is effectively enforcing these standards;

- (f) if the project is in compliance with Fair Housing and Equal Opportunity requirements, including the Affirmative Fair Housing Marketing Plan, the Minority and Women Business Development Plan and all applicable anti-discrimination requirements relating to race, age, sex, family composition, previous local residency and other criteria;
- (g) the adequacy of the grantee's project management system for overseeing the requirements of the Owner/Grantee Agreement and 24 CFR 850.75 and 850.77. HUD's review will encompass, but may not be limited to, the following concerns:
 - (1) adequacy of the grantee's mechanism to monitor rent and Personal Benefit Expense increases, review income certification is and recertification, verify lower and very low-income occupancy, and monitor draws against any Project Investment Accounts;
 - (2) evidence that the grantee has a financial management system in place for, but not limited to, the following:
 - (i) to ensure compliance with the Federal requirement to minimize the time lapse between funds drawn down and disbursement;

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- (ii) to prevent use of HDG funds for administrative costs;
 - (iii) to determine that developer/contractor vouchers or invoices reflect charges for eligible costs;
 - (iv) to track the receipt and disbursement of Program Income, e.g., loan payments (see Section 8.04 of the Grant Agreement for a definition of Program income);
 - (v) to ensure that Program Income Is used for eligible purposes (24 CFR 850.71).
 - (3) evidence that HDG funds were drawn down in accordance with the applicable leveraging ratio and drawdown procedures of the memorandum, dated December 5, 1985 "HDG Program Policies: Construction/Drawdown Period", (see appendix 4);
 - (4) overall grantee performance complies with the Grant Agreement and HDG regulations;
- (g) progress in accomplishing the goals of Exhibit E of the Grant

Agreement; and

- (h) the accuracy of the information reported in the Grantee Progress Report.

HUD Form 5005 is to be completed and submitted as the monitoring report.