

STOP-LOSS

The following provides additional information for public housing agencies (PHAs) regarding the process to review stop-loss applications.

The stop-loss application process is coordinated by the Financial Management Division (FMD) of the Real Estate Assessment Center (REAC). In accordance with 24 CFR 990.255, Subpart H, Asset Management, the Department has hired an independent contractor to review all applications. The contractor is responsible for making an overall determination of successful conversion in accordance with the associated instructions and criteria listed in PIH Notice 2007-16, PIH Notice 2006-35, and PIH Notice 2006-14, and the Stop-Loss Submission Kit (July 12, 2006). The only criterion not evaluated by the contractor is No. 7, Risk Management Responsibilities Related to Regulatory Compliance, for which input is obtained from the local field office.

There are three (3) basic steps for the Stop-Loss review:

I. Preliminary Evaluation

- **Log-in.** All applications are first logged-in per date of receipt.
- **Completeness Review.** Once logged-in, the contractor reviews applications to determine if all required elements have been submitted. Any incomplete applications will be denied, the PHA will be notified accordingly, and no further review will be conducted. (Please refer to the July 12, 2006, Stop-Loss Kit, Attachment A: Checklist of Required Information).
- **Compliance with Risk Management Responsibilities Review.** FMD sends a notice to each field office for information related to Criterion No. 7, Risk Management Responsibilities.
- **Review of Financial Feasibility of Central Office Cost Center (COCC).** A member of the contractor's team, with a background in finance, will conduct a preliminary review of the feasibility of the COCC for all PHAs with 250 or more units and for small PHAs that adopt asset management with a COCC. The results of this review are provided either to the desk reviewer (see below) or the on-site reviewer (see below) to assist in the determination of successful conversion to asset management.
- **Desk Review (PHAs with fewer than 250 units).** The contractor will complete a review of the submission package for all PHAs with fewer than 250 units. The results of this desk review will result in a determination of (1) successful conversion to asset management, (2)

unsuccessful conversion to asset management, or (3) the need for an on-site review.

- **Desk Review (PHAs with 250 or more units).** The contractor will complete a review of the submission package for all PHAs with 250 or more units. All PHAs with 250 or more units who have submitted completed applications will then receive an on-site review.
- **Review of Operating Statements.** Each applicant must, based on a schedule previously published, supply HUD with a minimum of three months of operating statements for both the COCC and the projects. Once again, members of the contractor team, with experience with finance, will review these operating statements and, where appropriate, provide the results of their review to the desk reviewer and/or the on-site reviewer. Please note that no on-site reviews are scheduled until operating statements are received and reviewed.

II. On-Site Evaluation

- **On-Site Review.** The contractor will conduct an on-site review of (1) all PHAs with 250 or more units that successfully met the desk review criteria and (2) small PHAs where the results of the desk review warrant an on-site assessment. For agencies with 1,000 units or less, the review is expected to take one day. For larger agencies, the review may take two or more days. As indicated, the contractor is required to provide an independent recommendation as to the PHA's successful conversion to asset management, based on the identified criteria. To assist in making that determination, the contractor has developed a stop-loss reviewer checklist, which includes mandatory questions for both the desk review and the on-site review. That **Tool** is available at: <http://www.hud.gov/offices/pih/programs/ph/am/docs/stoplossosrck.xls>. PHAs should understand that this tool is solely for the aid of the contract team in conducting assessments; however, PHAs may find it useful in reviewing this check-list in preparation for an on-site review. (Because the tool is only a guide, the PHA can expect the contractor to ask questions not contained in the questionnaire that he/she feels is related to making a determination of successful conversion to asset management.)
- **Site Visit Itinerary.** Each site visit will begin with a kick-off meeting, at which time various logistics will be reviewed. It is expected that the kick-off meeting will be attended by the Executive or his/her designee. However, the PHA may find it helpful to include other senior staff. During the course of the visit, the reviewer will need to speak with staff familiar with the agency's financial reporting systems as well as personnel responsible for the oversight of the projects, including capital planning activities. The contractor will also visit one or more properties

and request to speak with on-site personnel. At the conclusion of the site visit, the contractor will hold an exit meeting.

- **Materials needed.** To assist the contractor in its evaluation, the PHA should have available for review (1) recent operating statements on its projects/programs and (2) information related to the review of project performance. The PHA should also be prepared to speak about any information included in the Stop-Loss submission.

III. Final Assessment

Upon completion of the steps I and II, the contractor will make a recommendation to the Department of a PHA's successful conversion to asset management. As a result of this recommendation, the Department will issue an approval or denial letter to the PHA. Included with the letter will be an evaluation report, indicating the grounds for the Department's final determination.