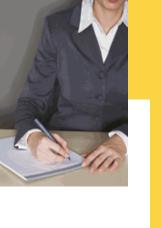# MOR's Are BACK!

North Tampa Housing Development Corporation

AUGUST 15, 2016
SAHMA REGIONAL MEETING
JACKSONVILLE, FL

Talking Points

- MOR Process Overview

- What has Changed in the MOR Process Since the PBCA Last Performed an MOR

- What to do to Prepare for an MOR

- MOR Response Process Overview

- Top 10 Findings

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MOR Process Overview

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MOR Process Overview

- The MOR Process Consists of:

  - Scheduling

  - Desk Audit

  - On-Site Review

  - MOR Report

  - Owner Response

  - Response Review

  - Notification of Incomplete / Complete Response

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What is an MOR?
MOR – Management and Occupancy Review

- The MOR is an on-site review and is one of the integral mechanisms of project monitoring used to ensure that owners/agents comply with Program and Regulatory requirements.

- The primary responsibility of reviewers is to assess management and oversight of multifamily housing projects.

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MOR Process Overview

- The MOR also includes:
  - An up-front civil rights monitoring for HUD's Office of Fair Housing and Equal Opportunity (FHEO).
    - Not currently part of the MOR process in Florida.
  - Information gathering on State Lifetime Sex Offender Statistics.

- Reviewers conduct the MOR Using form HUD-9834.

MOR Process Overview

- The Form HUD-9834 is formatted to review the following categories:

  A. General Appearance & Security

  B. Follow-up and Monitoring of Project Inspections

  C. Maintenance and Standard Operating Procedures

  D. Financial Management/Procurement*

  E. Leasing and Occupancy

  F. Tenant/Management Relations

  G. General Management Practices

  * Note: PBCA's do not review category D.

MOR Process Overview

- The Form HUD -9834 also includes:
  - Addendum A – used to review tenant files
  - Addendum B – used for the up-front civil rights monitoring/review (not currently being used)
  - Addendum C –provided to owners/agents prior to the MOR listing documents to have ready for review during the MOR
  - Addendum D – used to gather State Lifetime Sex Offender Statistics

MOR Process Overview

- MOR Score:
  - Each category and the Overall Score is assigned a rating of:
    - Superior
    - Above Average
    - Satisfactory
    - Below Average
    - Unsatisfactory

  - Each Category is provided with a numerical score based on the assigned rating:
    - Superior 90-100
    - Above Average 80-89
    - Satisfactory 70-79
    - Below Average 60-69
    - Unsatisfactory 0-59

  9 *Rating descriptions are available in HUD Handbook 4350.1Ch 6.*

MOR Process Overview

- Each category is weighted when determining the Overall Score:
  A. General Appearance and Security 10%
  B. Follow up and Monitoring of Project Inspections 10%
  C. Maintenance and Standard Operating Procedures 10%
  D. Financial Management/Procurement 25%
  E. Leasing and Occupancy 25%
  F.   Tenant/Management Relations 10%
  G. General Management Practices 10%

- PBCA's do not review category D and do not include it when determining the overall score.

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MOR Process Overview

- There is a mathematical equation completed to determine the value of each category's score.
  - Example: General Appearance and Security receives an above average and is assigned a score of 80.
    80 is multiplied by 10% = value of 8

- The values of each individual category are added together and another equation is completed to determine the overall score.

MOR Process Overview

- PBCA conducted MOR's are based off a total weighted percentage of 75% instead of 100% since category D is not reviewed by PBCA.
  - Total of category values is divided by 75%
    - Example
      A. General Appearance and Security 8
      B. Follow up and Monitoring of Project Inspections 8
      C.   Maintenance and Standard Operating Procedures 7
      E. Leasing and Occupancy 20
      F.   Tenant/Management Relations 7
      G. General Management Practices 7
      Total value 57 divided by 75% = 76
          Satisfactory Overall Score

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What has Changed in the MOR Process Since the PBCA Last Performed an MOR

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What has Changed?

What is different since the PBCA last conducted an MOR at your property?

- The Form HUD-9834
    - HUD released a major revision in 2012 that impacts the On-Site Review portion of the MOR process.
        - Includes numerical scoring information.
        - Incorporates items the PBCA was reviewing, but was not included on the HUD-9834 such as EIV.
        - Includes new questions and a new section.
    - HUD released a minor revision in 2016 with relatively low impact.
        - Includes a few new questions, removed a few questions that had been added in 2012, and rewords some questions.

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What has Changed?

How do the collective changes to the HUD-9834 impact the PBCA conducted On-Site Review?

A. General Appearance and Security

- No Changes/No Impact

B. Follow-Up and Monitoring of Project Inspections

- No Changes/No Impact

C. Maintenance and Standard Operating Procedures

- Minor Changes/No Impact

D. Financial Management/Procurement

- No Impact on PBCA conducted MOR as PBCA still does not review this section.

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What has Changed?

E. Leasing and Occupancy

- **Lots of Changes/Medium Impact**
  - Incorporates questions and subsections for items reviewers were already required to review.
  - Includes some new questions or more detailed questions on some items already being reviewed.
  - Includes new questions for some items not previously reviewed.

What has Changed?

- Added questions regarding Application:
  - Does application ask if any member is subject to a lifetime state sex offender registration program in any state?
  - Does the application ask for a listing of states where the applicant and members have resided?
  - Is the Supplement to Application form included?

- Added more detailed questions regarding Waiting List:
  - Specifically added questions or detail to questions regarding preferences, did selection recognize applicable preferences and when preferences were applied were they properly documented?

What has Changed?

- Added instructions to specifically ask to see copies of advertisements.

- Added language to lease questions asking if Lease Addendums not issued by HUD have been HUD approved.

- **2 New Sections added** regarding <u>EIV</u> that address EIV documents, EIV security, EIV procedures, and EIV reports.
  - Most of the added questions in the EIV sections were already items being reviewed. However, there are some new questions and/or questions that ask for more detail than may have been reviewed in the past.

What has Changed?

- Does the owner/agent terminate access promptly (within 30 days) when user no longer has a valid need for EIV access?

- Does the owner/agent keep in the tenant file the Tenant Consent for Disclosure of EIV information signed by tenant and 3rd party when 3rd party assists in recertification process?

- Does the owner/agent have a procedure to report any occurrence of unauthorized EIV access or security breach to the <u>HUD National Help Desk</u>?

- **NEW Section and NEW Questions added** for TRACS and EIV Security Requirements:
  - Does staff log on using their own user name and password when accessing Secure Systems?

What has Changed?

- Have staff with access to EIV and/or TRACS in Secure Systems completed the required security awareness training each year and is there a signed Rules of Behavior?

- Have staff with access to the EIV system completed the hard copy authorization form HUD-52676 when access was initially granted and completed the EIV online authorization form annually (coordinators) or semi-annually (users) as required?

- Have staff who use EIV reports, but do not access the EIV system in Secure Systems, completed the security awareness training annually and is there a signed the Rules of Behavior?

- For new staff, or staff that was given access to EIV or TRACS within the last year, was the security awareness training completed before access, or within 30 days of being given access and signing the TRACS and EIV ROB?

What has Changed?

- Added "as well as other files that contain EIV reports" to the files locked and secured in a confidential manner?

- **New Question added**, Is documentation relating to individual domestic violence, dating violence, or stalking, kept in a separate file in a secure location from other tenant files?

<u>File Review Summary in E. Leasing and Occupancy</u>
(filled in based on the file reviews)

- Multiple Changes/Little to No Impact
  - Incorporates questions for items reviewers were already required to review.
  - Includes new questions or more detailed questions on some items already being reviewed.

What has Changed?

- Added wording "**as required in Handbook 4350.3, applicable Notices, and any changes to the CFR**" to the question do files contain all required documentation.

- Added questions regarding EIV reports and EIV discrepancy follow up.

- Added questions about signed acknowledgements for specific documents including HUD 9887 Fact Sheet, LPB Disclosure, Resident Rights and Responsibilities Brochure, EIV and You Brochure, and HUD Fact Sheet How Your Rent Is Determined.

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What has Changed?

F. Tenant/Management Relations
- No Changes/No Impact

G. General Management Practices
- Minor Changes/No Impact

What has Changed?

Addendum A -Tenant File Review Worksheet
- Multiple Changes/Little to No Impact
  - Mostly incorporates questions for items reviewers were already required to look for:
    - Supplement to Application form
    - Acknowledgement for required documents
    - EIV reports and the necessary discrepancy follow up documentation resulting from the various required reports
    - Sex offender screenings in each stated resided

What has Changed?

Addendum B – Checklist of On-Site Limited Monitoring and Section 504 review
- No Changes/No Impact to the Form HUD-9834
- Not currently part of the MORs in Florida

Addendum C – Documents to be made available by Owner/Agent
- Some Changes/Some Impact
  - Mostly incorporates documents the reviewer was already asking for such as EIV documents.
  - There may be some documents that were not asked for before, but are now because of the changes/additions to questions on the HUD-9834.

What has Changed?

Addendum D – State Lifetime Sex Offender Statistics

- **New Section**/Some Impact
  - Requires the reviewer to gather information on State Lifetime Sex Offenders on the property regarding number of offenders living on-site, when they were admitted, when they became offenders, evictions initiated due to offender status, and number of evictions upheld in court.

What else has changed?

- Change 4 to HUD Handbook 4350.3 released
  - Reissued November 27, 2013 with some updates.
    - Ensure you have the most recent version of Change 4.
  - Most changes add new regulations into the Handbook that were already in place through the issuance of Notices (SSN, EIV, VAWA…).
  - Some changes are new with Change 4 and do affect items reviewed during MOR's.
    - Ensure changes are implemented and necessary documents are updated accordingly.

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What has Changed?

- Some items from Change 4 to be aware of (list is <u>not all inclusive</u>):
  - VAWA protections, Owner/Agent procedures, and Tenant obligations need to be included in the Tenant Selection plan and House Rules.
  - Lease addendums must be approved by HUD.
    - Includes Live-In Aide Addendums, Pet Language Addendums, and other owner implemented addendums.
  - Acceptable DHS documents to be supplied by a non-citizen changed, removed I-688 Temporary Resident Card and I-688B Employment Authorization Card.
    - Declaration form was updated as well to remove these documents.

What has Changed?

- Acceptable sources of verification of disability narrowed.
- 3rd party verification definition revised to include documents provided by tenants (if generated by a 3rd party).
  - Bank statements
  - Check stubs
  - Bills from Doctors, etc.
- Owners must request/obtain independent 3rd party verification directly from the source and can not use tenant-provided documentation even if generated from a third-party source in certain situations (as outlined in Chapter 9, 9-10).
- Chapter 9 replaced with EIV regulations.

What has Changed?

Notices, Memos, and Final Rules

- Multiple Notices, Memos, and/or Final Rules have come out since the last time PBCA's did MORs.
  - Majority of these issued prior to 2013 were incorporated into HUD Handbook 4350.3 Change 4.
    - Be aware of the ones issued prior to Change 4 that were not incorporated.
  - There are several since Change 4, including some that do have an impact on items reviewed during an MOR.
    - Some of these to be aware of (list is <u>not all inclusive</u>):
      - Passbook rate changed to .06%.
      - Tuition definition revised.

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What has Changed?

- TRACS user guide updated for 202d includes new chapter 7 with old 4350.3 Chapter 9 items.

- SSN requirements revised for children under 6 added to a household on the waiting list within 6 months of MI.

- HUD clarified cannot use arrest record as sole basis for rejection or eviction.

What to do to Prepare for an MOR

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Be Informed!

Be Proactive!

Be Informed

- **What will the reviewer be reviewing?**
  - MOR Form HUD-9834 is available on HUDclips at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/forms/hud9a
    - Download and Print a copy of the form.
    - Read through the form so you know what will be reviewed.
    - Use the form as a guide when you are doing a self-Audit of a property.
    - Make sure on-site staff review/learn the form so they know what will be reviewed.

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Be Informed

- **What guidelines will the reviewer follow?**
  - Multifamily Asset Management and Project Servicing Handbook 4350.1 Chapter 6 is available on HUDclips at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgh/4350.1
  - The Rent and Income Determination Quality Control Monitoring Guide for Multifamily Housing Programs (Guide) is available at:

    http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_20477.pdf
    - Read through the guidance that reviewers are required to follow so you know how and why a reviewer does what they do.

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- **What new items/documents will the reviewer be looking for?**
  - HUD has implemented various email systems that you may register for including the <u>RHIIP Listserv</u>. Once registered you will receive emails on upcoming changes as well as current issues. You can sign up for the RHIIP Listserv at: http://portal.hud.gov/hudportal/HUD?src=/subscribe/signup&listname=Multifamily%20Housing%20RHIIP%20(Rental%20Housing%20Integrity%20Improvement%20Program)%20Tips&list=MFH-RHIIP-TIPS-L
  - You can also sign up for <u>Florida HUD Office </u>emailing list at:http://portal.hud.gov/hudportal/HUD?src=/subscribe/signup&listname=Multifamily%20Housing%20Industry%20Partners&list=JAX-ORL-MF-HSG-L to receive information issued from FL Multifamily HUD office.

Be Informed

• Check HUDClips periodically available at:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips

- There is a link to Notices where you can check for new Housing Notices that may affect your program.
- There is also a See What's New link on the right side that you can click on and it will list all the changes/updates to HUDClips in the last 30 days.

Be Informed

- Save/Print all listserv notifications that come through.
- Save/Print all relevant Housing Notices posted.
- Read them in a timely manner.
- Incorporate the changes immediately and be sure to follow any implementation guidance provided.
- Ensure site staff is aware of any changes that will need to be implemented at the site level.
- Provide training as needed.
- Follow up to ensure the required changes have been properly incorporated at each site.

Be Informed

- **What is the Section 8 program type of the property and what regulations apply?**
  - Section 8 NC
  - LMSA and Preservation
  - PDSA
  - 515/8
  - 202/8
  - Substantial Rehab
  - State Agency (HFDA)

Be Informed

- <u>Know the program specific requirements for the property</u> as they vary from program to program.
  - Lease and Lease Requirements
  - Security Deposit
  - Income Limits
  - Preferences
  - Clientele to be Served
  - Definitions
  - Late Fees
  - Pet Rules

Be Informed

- How do you know what your program requirements are?
  - HUD Handbook 4350.3 available on HUDClips under Handbooks.
    - Make sure all on-site office staff have the HUD Handbook 4350.3 and know how to use it.
  - Program specific CFR's available on HUDClips under the Code of Federal Regulations link.
    - The HUD Handbook 4350.3 Chapter 1Figure 1-2 lists the applicable CFR for each program type.

Be Informed

- **Where are the controlling documents and what do they say?**
  - HAP Contract
    - <u>Original</u> and Current
  - Regulatory Agreements
  - Use Agreements

NOTE: PBCA's only conduct MOR's to ensure compliance with Section 8 requirements and HAP Contract. When PBCA's conduct an MOR other controlling documents will only be referenced if need be. However, HUD will always look for compliance with these controlling documents so you need to be aware of the requirements of all controlling documents.

Now you are Informed! Time to be Proactive!

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Be Proactive

Preparation for an MOR should be ongoing, not just limited to the days and weeks prior to the scheduled date.

However, it is a best management practice to take the time once an MOR has been scheduled to review the property and all required documents to ensure everything is in order, new items have been implemented, and regulations are being complied with; and take any necessary corrective actions prior to the On-Site Review.

Be Proactive

- MOR's are scheduled at least 30 days in advance.
  - Begin preparing for your MOR immediately upon scheduling.
    - Make sure you are **<u>informed</u>** of all program requirements and aware of new requirements.
  - A written confirmation will be sent out along the Addendum C at least 14 days prior the to the on-site review date.
    - Gather all documents/items listed on Addendum C.

Be Proactive

- Ensure you have all documents listed and locate any missing items.

- Review all documents for compliance with <u>current and **NEW**</u> regulations.
  - Update and/or implement any documents as needed.

- Review all policies and procedures for compliance with <u>current and **NEW**</u> regulations and <u>current and **NEW**</u> site practices.
  - Update and or implement any documents as needed.

Be Proactive

- Review staff practices for compliance with <u>current and **NEW**</u> regulations and procedures.
  - Provide all needed training/instruction to staff as necessary to correct deficiencies in staff practices.

- Review the physical condition of the site as well as the last REAC inspection.
  - Make all necessary repairs.

- Review last MOR to ensure all corrective actions have been completed/implemented.
  - Ensure all 100% file reviews required have been completed and necessary corrections made.
  - Correct any/all repeat/recurring deficiencies.

Be Proactive

- Take the 9834 and do a pre-MOR self audit.
  - Correct any deficiencies found during your self audit.
- If tenant files are not regularly audited for compliance do a 100% file review, if time allows (use the Addendum A as guide). If files are regularly audited, or time will not allow a 100% review, then do a random sample. And follow up with other files as needed.
  - Ensure all required documents are in the files, calculations are correct, necessary documents are signed and dated etc… and make all necessary corrections.

Be Proactive

On day of MOR be Present and Ready

- Be on-site during the MOR.

- Have all requested documents ready and available for review at the start of the review.

- Pull files and additional documents as requested including obtaining documents/information from the home/corporate office if needed.

- Be available to answer any questions.

- Participate in questionnaire interview and be prepared to discuss or explain any item as needed.

- Be present for and participate in the close out meeting.

Be Proactive

The key for preparation for an MOR and continued success and compliance is to remain informed and proactive after the MOR concludes and through out the year/years between MORs. It is an ongoing process that requires periodic review and follow up that should not be limited just to the MOR process.

MOR Response Process Overview

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Response Overview

Provide a Complete and Timely Response
- Timeframe for responding:
  - 30 days from the date of the MOR report.
    - Submit responses to tampageneralmailbox@cgifederal.com

- Consequences for not responding on time:
  - HUD is required to flag Owner/Agents that do not provide a response within 30 days.

- Appeal process:
  - Owner/Agent has the right to appeal a below average or unsatisfactory overall score, and it must be received within 30 days from the date of the MOR report.

How do you provide a complete response?

- Your response needs to include all items specifically asked for in the corrective action for each finding.

- Each finding needs to be addressed whether it has been completed or not. An explanation must be provided along with the progress on each finding that has not been completed.

- Your response needs to include a cover letter and all supporting documentation, summaries, and written certifications requested for each finding.

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How does the MOR get closed out?

- After the initial response is reviewed, the process repeats until all findings are completed.

  - An Incomplete Response letter will be sent outlining what findings are still open and what is needed to close the finding and Owner/Agent will have 30 days from the date of the letter provide another response.

  - Once all the findings are closed, a closure letter will be sent.

Top 10 Findings

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Top 10

1. EIV reports (both master file reports and tenant file reports) not being printed/maintained as well as documented when required.
2. EIV policies and procedures do not include all required items.
3. Missing or insufficient verification of one or more factors.
4. Calculation errors (annual amounts and asset value/income).
5. Waiting list errors (missing information & insufficient comments).
6. Missing screenings required in the Tenant Selection Plan and/or not screening for criminal or sex offender registration in all states the applicants have resided in.
7. Document/Form Errors (missing, not correctly/completely filled in, and/or not current version).
8. Not marketing in accordance with the AFHMP.
9. Excessive vacancy and/or vacancy lengths.
10. Lease addendums not HUD approved.

Questions???