The Assisted Housing Team would like to thank you for your patience over the past year during our implementation of a new audit process and utilization of a new audit form. In mid-June of 2006, HUD issued a mandate requiring VHDA to immediately start using the Management Occupancy Review (MOR)-9834 form. The utilization of the 9834 Form has been a learning experience and a challenge for all of us. We appreciate your patience and look forward to a successful audit year for 2008.

The focus of this newsletter is to provide you with our most common findings when conducting audits as well as helpful hints to ensure your property does not have these findings in the future.

Let’s work together in 2008 to achieve that “Superior” audit rating!

### COMMON HUD MOR FINDINGS

**Tenant Selection Plans** – many plans do not include all required topics as outlined in Chapter 4-4 of the 4350.3. Please review this section of the handbook and compare your existing plan to ensure it includes the following:

- **Project Specific information**—especially preferences, income limits, citizenship, and social security number requirement. Procedures for accepting applications need to include specific information about when applications will be accepted, where, and how. Your plan should indicate that accommodations will be made for applications to be taken via another method besides on-site. It may be necessary to mail, fax, and allow pick up of application package.

- **Unit Transfer Policy** needs detail to include move-in versus transfer and the 4350.3 Change 2 requirement that the project must bear the expense of moving costs associated with Reasonable Accommodation transfers. Please remember utilities are not included in this cost.

- **Fair Housing Act**—Please state the project/company policy as it relates to Section 504/Fair Housing and include Elderliness as a protected class for Virginia as per the Virginia Fair Housing Act. Be sure to include all seven categories as shown on the HUD poster.

- VHDA recommends that the owner/management have its legal counsel review the Criteria to ensure that there are no possible fair housing issues.

**Addendum B-Fair Housing and Equal Opportunity Section** – This document is often times not completed and signed by owner or authorized agent of owner. The Site Manager is typically not an unauthorized agent for the owner. Please prepare in advance and download the HUD 9834 form from the HUD website.
www.hud.gov/offices/adm/hudclips/forms/index.cfm and send to your owner for review and signature. The Addendum B is now required to be mailed to VHDA prior to the audit. (Refer to the notice letter that you will receive prior to the audit).

**NOTE:** Please be aware that HUD requires VHDA to issue an overall rating of Below Average or Unsatisfactory for properties that do not submit Addendum B and all applicable sections timely.

**Unapproved Lease Addendums** are being utilized by some management companies. Please remember that all addendums, agreements, or documents that will become a part of the lease must be approved by the Contract Administrator (VHDA) before use.

**Applicant Rejection Letters** are missing the following language: “persons with disabilities have the right to request reasonable accommodations to participate in the informal hearing process.” Please examine your credit bureau rejection letters closely to ensure they include language allowing a 14-day appeal process as well as the above language.

**Rejecting Applicant Based on Criminal History** rejection letters need to be modified to comply with the 4350.3 Change 2 guidelines for rejecting applicants due to their criminal history. Refer to Chapter 4, Paragraph 4-27 (E) (6) for guidance.

**Equal Housing Logo** needs to be included on any material that could be considered used for marketing purposes. This includes business cards, property signs, letterhead, applications, etc.

**TRACS Errors** are not being corrected on a timely basis. VHDA encloses your TRACS Error report each month with your HAP voucher. Please review and correct all errors that are correctable.

**Income, Assets, and Medical Expenses** are not being calculated properly. Please refer to Chapter 5 of the 4350.3 for specific instructions on how to handle and also consider industry training to assist staff with the correct calculation of tenant rent.

**Language Required on all Consent Forms** is not being used. All verification forms must include the Title 18 language as shown in the 4350.3 Chapter 5, Figure 5-5.

**HUD9887, HUD9887-A, HUD Fact Sheet** are not the current forms. The HUD9887 and HUD9887-A should have the revision date of 2/2007 in the bottom right hand corner. The HUD Fact Sheet should show revision date of June 2007.

The HUD9887 form must show HUD and address under HUD section; OA section must show owner and address; and PHA section must show VHDA and address and Tom Dolce, Managing Director of Servicing and Compliance.

**VHDA Lease Agreement** –You should now be using the revised 10/07 agreement effective 2/1/2008. The leases can be downloaded from the VHDA website, www.vhda.com. The instructions on how to complete the lease agreement are also posted on the website. There are many errors noted with prorations and lease terms. Be sure that you choose the correct VHDA lease agreement.
**Note:** Lease Agreement VHDA Form MD: 224 the utilities shall be paid separately by resident and Lease Agreement VHDA Form MD: 224-A utilities are included in rent.

Remember, often times your property software references paragraph numbers from the HUD Model Lease. Management must change the paragraph numbers to correspond with the VHDA Lease Agreement.

**Acknowledgement for the Resident Rights and Responsibilities** is not found in many files. VHDA recommends that management have an Acknowledgement form for the resident to sign which has listed:

- The Resident Rights and Responsibilities,
- Is Fraud Worth it?
- The HUD Fact Sheet.

**Maintenance Charges**—Please remember that maintenance charges must be reasonable and not exceed actual cost of the item or labor. Management cannot pass on the cost of labor of an employee such as maintenance personnel; however, it can pass on the labor cost of outside contractors.

**Non-sufficient funds checks** cannot exceed the actual cost that the bank charges. If management specifies an amount to be charged in their selection plan, please note that it cannot exceed actual cost.

**Waiting Lists** do not address all of the required items. Refer to HUD Handbook 4350.3 REV-1, CHG 2, Chapter 4, Section 3: Waiting List Management. Paragraph 4-16 discusses creating and maintaining waiting lists. Also refer to Figure 4-5: Sample Waiting List Format on page 4-36.

**Security Deposit Disposition** has not been completed within 30 days of move-out as required by HUD. Management sometimes confuses the 45 days requirement in the Virginia Landlord and Tenant Act. However, assisted properties must adhere to the more restrictive HUD requirement.

**Affirmative Fair Housing Marketing Plan** has not been updated within the past 5 years. Please be sure to submit to HUD for approval and follow-up with HUD until approval is received. Attach any letters, email, or other correspondence with HUD in reference to the approval status. HUD requires copies of all attempts to secure an approved copy of the AFHMP.

**HUD Online Systems** should be regularly used by management. Be sure that coordinator and users check the TRACS system for certification/recertification status reports as well as EIV reports.

**Missing Signatures** are noted on the various forms, leases, documents that are used. Please be sure to check that the resident has signed and dated the forms. **VHDA highly recommends a checklist system to ensure all required documents and signatures have been obtained.**

**HUD Handbook 4350.3 REV-1 Change 2** should be maintained at the site in a binder for Program Compliance Officer review.

**Itemized Move-in Inspections** must be completed at move-in, transfer and move-outs.
We recommend that files are set up in 2 divider classification folders with separate sections for the following:

1. Lease Agreement and Addendums
2. Move-Ins and Annual Unit Inspections
3. Certifications and all related verifications and correspondence
4. Miscellaneous Management Correspondence

In closing, the Compliance Team recommends downloading Addendum C of the MOR from the HUD forms website www.hud.gov/offices/adm/hudclips/forms/index.cfm, and to start preparing now by:

- Reviewing your policies
- Conducting a quality control review of your files
- Gathering all general documents outlined on Addendum C
- Keeping a binder in your office with all required documents

These recommended tips should help to make our visit productive and the Annual Management Occupancy Review a smooth process.