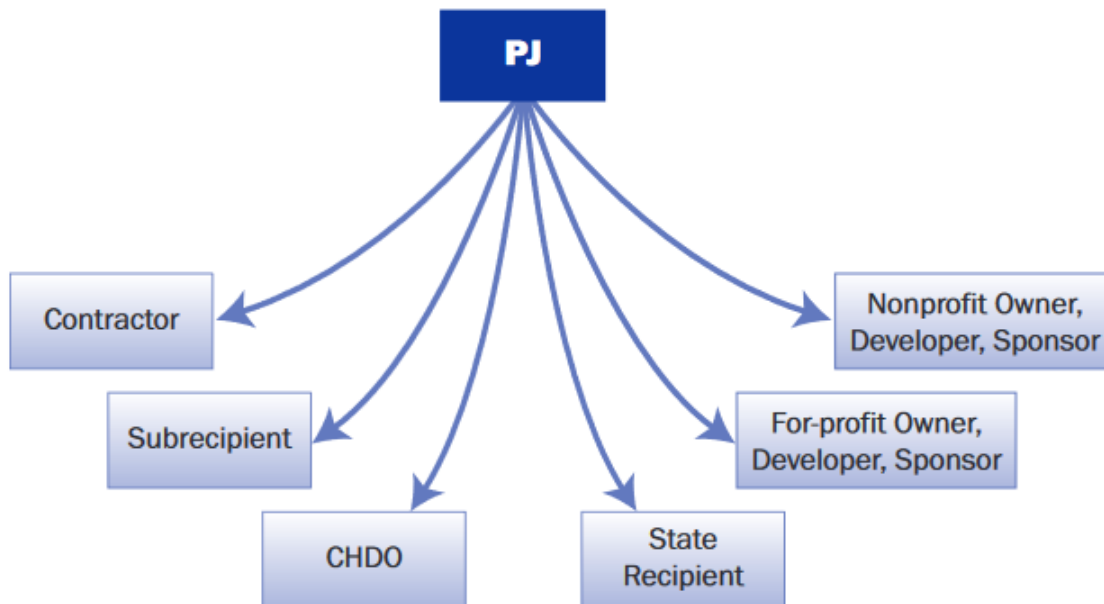


## 6. MONITORING

### 6.1 Overview

Under HOME Program regulations, everyone or entity that receives HOME funding is subject to some monitoring. As the State Participating Jurisdiction, the Department must monitor:



The Department must monitor the structures acquired or built with HOME funds, the beneficiaries of program expenditures, and the documents and records that support compliance with program requirements.

The rules stipulate that awardees must be reviewed at least annually during the implementation of completion of the project.

In addition, there are ongoing monitoring requirements for rental and homebuyer projects after completion and during the period of affordability:

- Ongoing rental occupancy – Owners are required to submit an annual owner’s report, and the Department is required to go onsite during the 1st year of occupancy and every 3 years of the affordability period to inspect units and review project files. In addition, for projects with 10 or more assisted HOME units, the Department must conduct financial review to ensure ongoing viability.
- Ongoing homebuyer monitoring – The Department is required to monitor during the affordability period for principal residency and for enforcement of the resale/recapture provisions in the event of sale.

### 6.1.1 Monitoring Goals & Objectives

The Department's monitoring plan for HOME is designed to achieve the following:

- Goal – Ensure the success of HOME-funded activities designed to increase the availability of decent and safe housing affordable to low-income families in Nebraska.
- Objectives –
  - Track and evaluate program/project performance
  - Ensure timely completion
  - Document compliance with program rules
  - Prevent fraud and abuse
  - Identify technical assistance needs
  - Identify innovative program designs and approaches

## 6.2 Risk-Based Monitoring

The PJ is required to have a risk-based monitoring plan that ensures that the PJ's monitoring meets the regulatory minimums but takes into account risk factors to determine the frequency and method of monitoring, including the mix of desk/remote monitoring and on-site monitoring. A risk-based approach not only ensures compliance with HOME requirements, but also helps to ensure sustainability of the housing through the affordability period.

The following risk factors will be used in assessing risks associated with each project or program:

- Program/project complexity
  - Program funding – current total funding level & relative to prior awards
  - Other funding sources required to implement the activity
  - Audits & prior management findings (financial management, controls)
- Organizational capacity
  - Staff prior experience with activity
  - Recent staff turnover or vacancies
  - Use of consultants/subcontractors with prior program experience
- Prior/recent performance
  - Prior contract completion on schedule & budget
  - Prior contract monitoring findings & resolution of findings
  - Application/administrative plan deficiencies/concerns
  - Participation in training, briefings, other program start-up activities

The Department will use the project characteristics and risk factors to classify project risk as Low, Moderate, or High, and to utilize adjust monitoring methods based on the level of risk:

- Low risk = desk/remote only, except as required onsite by regulation
- Moderate risk = enhanced desk/remote with required onsite
- High risk = onsite monitoring that may be more frequent than prescribed by regulation

### 6.3 Monitoring Activities & Schedule

Each year, the Department will schedule monitoring activities to meet regulatory requirements, including:

- Annual review of each awardee (§92.504(a))
- Annual approval of rents & utility allowances (§92.252(f)(2))
- Rental occupancy report review (§92.252(f)(2))
- Rental onsite monitoring ((§92.504(d)(1)(ii))
- Rental financial review for 10+ assisted units (§92.504(d)(2))
- Homebuyer principal residency (§92.254(a)(4))
- CHDO maintenance of status (§92.2)

### 6.4 Monitoring Resources/Checklists by Program Activity

This section identifies manuals and checklists used by the Department to monitor each housing activity with HOME funding. To obtain the resources referenced, use the links to download:

- Nebraska HOME Manual – <https://opportunity.nebraska.gov/program/home/#administrators>
- Building HOME Manual – <https://www.hudexchange.info/resource/2368/building-home-a-home-program-primer/>
- Building HOME Modules - <https://www.hudexchange.info/trainings/building-home/>
- Monitoring HOME Manual – [https://files.hudexchange.info/resources/documents/MonitoringHOME\\_Guidebook.pdf](https://files.hudexchange.info/resources/documents/MonitoringHOME_Guidebook.pdf)
- HOME Monitoring Webinar Series: Understanding Monitoring: <https://www.hudexchange.info/trainings/courses/home-monitoring-webinar-series-understanding-monitoring/4013/>

#### 6.4.1 Homeowner Rehabilitation Programs

Resources:

- Chapter 15 of the Nebraska HOME Manual
- Chapter 4 of the Building HOME Manual
- Chapter 4 of the Monitoring HOME Manual.

Checklists:

- Homeowner Monitoring Checklist – Under Performance of HOME Contract Forms & Templates <https://opportunity.nebraska.gov/program/home/#forms>
- Nebraska HOME Program Property Standards Certification

ACTIVITY	FREQUENCY	AREAS OF REVIEW
Homeownership Rehabilitation	At least one on-site visit prior to project closeout	Fair Housing, Affirmative Marketing, Labor Standards, Environmental Reviews, Lead-based Paint, Relocation, Program Review, Client-file Review, Property Standards, Financial Management, Eligible Costs, Contractor Selection, Construction Management, Loan Processing and Servicing, Income Verification, On-site Inspection

### 6.4.2 Homebuyer Programs

Resources:

- Chapter 14 of the Nebraska HOME Manual
- Chapter 5 of the Building HOME Manual
- Chapter 5 of the Monitoring HOME Manual.

Checklists:

- Homebuyer Monitoring Checklist – Under Performance of HOME Contract Forms & Templates <https://opportunity.nebraska.gov/program/home/#forms>
- Nebraska HOME Program Property Standards Certification

ACTIVITY	FREQUENCY	AREAS OF REVIEW
Homebuyer Projects & Programs	At least one on-site visit prior to project closeout	Fair Housing, Affirmative Marketing, Labor Standards, Environmental Reviews, Lead-based Paint, Relocation, Program Review, Client-file Review, Property Standards, Financial Management, Eligible Costs, Contractor Selection, Construction Management, Loan Processing and Servicing, Income Verification, On-site Inspection

### 6.4.3 Rental Housing Projects

Rental project monitoring must occur during the first year of occupancy and every three years thereafter during the affordability period. The focus of the first visit is broader as it must address a range of compliance requirements in project implementation, marketing and rent-up. Subsequent monitoring can focus more narrowly on occupancy compliance.

**First Visit**

## First Visit Resources:

- Chapter 5 of the Nebraska HOME Manual
- Chapter 6 of the Building HOME Manual
- Chapter 6 of the Monitoring Home Manual.

## First Visit Checklists:

- Initial Rental Monitoring Checklist – Under Performance of HOME Contract Forms & Templates <https://opportunity.nebraska.gov/program/home/#forms>
- Monitoring HOME checklists 6-A,B and 8- A,B,C,D,E,F,G,H,I
- Nebraska HOME Program Property Standards Certification

ACTIVITY	FREQUENCY	AREAS OF REVIEW
Rental Project – First Visit	At least one on-site visit prior to project closeout	Fair Housing, Affirmative Marketing, Labor Standards, Environmental Reviews, Lead-based Paint, Relocation, Property Standards, Fair Housing Design Standards, Financial Management, Eligible Costs, Contractor Selection, Construction Management, On-site Inspection, Rent Requirements, Occupancy Requirements, Tenant Eligibility and Leases

**Ongoing Monitoring Visits**

## On-going Visit Resources:

- Visit the HUD Exchange: <https://www.hudexchange.info/trainings/building-home/>
- <https://www.hudexchange.info/trainings/courses/home-monitoring-webinar-series-understanding-monitoring/4013/>

## Ongoing Visit Checklists:

- Ongoing Rental Checklist – Under Performance of HOME Contract Forms & Templates <https://opportunity.nebraska.gov/program/home/#forms>
- Nebraska HOME Program Property Standards Certification

ACTIVITY	FREQUENCY	AREAS OF REVIEW
Rental – Ongoing	During the length of a project's affordability period on-site reviews are done the 1 <sup>st</sup> year of occupancy and every 3 years during the affordability period	Property Standards, Fair Housing Design Standards, On-site Inspection, Rent Requirements, Occupancy Requirements, Tenant Eligibility and Leases

## Rental Affordability Periods

<b>ACTIVITY</b>	<b>HOME INVESTMENT PER UNIT</b>	<b>AFFORDABILITY PERIOD</b>
Rehabilitation or acquisition of existing structures	< \$15,000	5 years
Rehabilitation or acquisition of existing structures	\$15,000 - \$40,000	10 years
Rehabilitation or Acquisition of Existing Structures	> \$40,000	15 years
Refinance of Rehabilitation Project	Any Amount	15 years
New Construction, including Acquisition of New Units	Any Amount	20 years

## 6.5 Monitoring Protocols

### 6.5.1 In-Office Review

The Department's program representatives along with the Housing Specialist are always looking for red flags throughout the project from time of award to closeout and through the affordability periods. Additional on-site visits will be conducted if deemed necessary by the Department.

Rental projects are required to submit a Rental Housing Project Compliance Report by January 31st of each year during the affordability period documenting rents charged and income of occupants.

Program income reports are required twice a year for as long as an awardee is earning program income.

### 6.5.2 On-Site Monitoring Visits

The Department or its monitoring contractor will:

1. Call the HOME awardee to schedule a site-visit at least three weeks prior to visit.
2. Send a letter at least two weeks prior to visit confirming date and time, the checklists that will be used, and the people and files needed during the visit.
3. Conduct site-visit, review files, inspect property, complete checklists and write report.
4. Submit monitoring report to the awardee.
5. Review any follow-up documentation sent by the awardee addressing issues contained in the monitoring report.
6. Work with the awardee until monitoring has been cleared.

### **File Preparation**

The Department expects the awardee to have all documents needed for review to be available at the site of the visit. All grant records must be maintained and under the control of the awardee.

The records must be readily accessible to the Department. Furthermore, all documentation should be well organized for easy review. The Department recommends basing the organization of awardee files on the monitoring checklists attached to this chapter.

### **File Retention**

#### Rental Records:

- General records must be kept for five years after project completion.
- Tenant income, rent and inspection information must be kept for the most recent five years, until five years after the affordability period ends.

#### Homebuyer and Homeowner Rehabilitation Records:

- General records must be kept for five years after project completion.
- Resale/Recapture records must be kept five years after the affordability period ends.

### **Monitoring Checklists**

The checklists provide guidance to awardees on the areas of HOME projects the Department reviews through the monitoring process.

### **6.5.3 Monitoring Report & Follow-up**

A monitoring report is issued to the awardee following a review, and contains the following as applicable:

1. Compliance areas reviewed, files reviewed, who conducted the review and the date it occurred.
2. A brief description of the specific statute, regulation or requirement examined.
3. The conclusion (i.e. Satisfactory Performance, Concern, Finding) and basis for the conclusion reached.
  - a. A Satisfactory Performance determination is a conclusion that the awardee is meeting its statutory and regulatory responsibilities.
  - b. A Concern raises an issue that does not involve a statute, regulation or requirement, but may involve a management suggestion or program improvement.
  - c. A Finding is a clear, specific and identifiable violation of a statute, regulation or requirement about which there is no question. The action normally requested is for the awardee to explain, within a 30-day period, what steps it will take to remedy and/or prevent a recurrence of the violation.