

SC State Housing Finance &
Development Authority

HOME Investment Partnerships Program

Award Close-Out Manual

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Award Close-Out Manual

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I. Introduction

Upon the completion of the construction phase of HOME projects, the recipient enters the next phase in the award management process known as the Award Close-Out phase. The close-out process encompasses a series of activities that together verify that the HOME funds have been properly expended and that the recipient complied with all applicable rules and requirements while completing the project. The timeliness with which the recipient completes the close-out process, and the content of the information presented during the process, can be a determining factor in the evaluation of future applications for Authority administered programs. Recipients are expected to carry out projects as they were approved during the application process and agreed to in the HOME written agreement. Construction must be completed prior to beginning the close-out process. This manual contains the information needed to understand program requirements during the affordability period as well as what recipients need to know in order to be prepared for monitoring visits from either Authority staff or HUD representatives.

HOME projects are considered officially closed out when all construction is completed, certificates of occupancy are issued, placed-in-service applications have been approved, all payments have been disbursed, project completion data has been entered into IDIS, audited financial statements have been processed, and final HUD 60002 and 2516 reports have been submitted. However, Project Close-Out does not end a recipient’s obligations regarding the fulfillment of affordability periods, record keeping requirements, property standards, and applicable reporting requirements.

II. Close-Out Submission Requirements

A. **Placed in Service Application** (*Note: This section does not apply to HOME projects funded in the LIHTC cycle. HOME/LIHTC/Bond projects will follow the PIC requirements of the LIHTC program).

To initiate the close-out process once construction is 100% complete, the **Placed in Service Application** is submitted with the FINAL draw for the project. Placed in Service Applications are located on the Authority's website and are submitted along with the **Placed in Service Application Checklist** and the appropriate documentation. Contact Chris McMillian in the Financial Management Division at (803) 896-9196 or chris.mcmillian@schousing.com with any questions pertaining to the Placed in Service Application. Placed in Service Applications must be approved by Financial Management staff before the final draw for a project can be released.

B. Project Completion Reports

Within 60 days of receiving the final HOME payment, the recipient is required to submit the **M-20 Rental Project Completion Report**. Receipt of the **Project Completion Report** allows the Authority to enter required close-out data into HUD's IDIS system and to prepare the amendment to the restrictive covenants. The date the project completion information is entered into the IDIS system is the date that officially begins the project's affordability period. The specific beginning and ending dates of the affordability period are identified in the HOME amendment to restrictive covenants. HUD requires that all initial occupancy data is entered into the IDIS system. If a project still has vacant units at the time the project completion report is submitted, the Authority will follow up with the recipient to collect the occupancy data for vacant units until the information for all units is collected. The Authority will email a **Vacant Unit Status Memo** to collect the required data as needed.

Initial Occupancy Requirements: New regulatory requirements imposed by the 2013 Final Rule now require the following for rental projects committed after August 23, 2013:

- Within six (6) months from the date of project completion, if a rental unit remains unoccupied, the Recipient must provide to the Authority information about current marketing efforts, and if appropriate, an enhanced plan for marketing the unit so that it is leased as quickly as possible. Upon receipt, the Authority is required to provide this information to HUD.
- Within eighteen (18) months from the date of project completion, if efforts to market the unit are unsuccessful and the unit is not occupied by an eligible tenant, HUD will require repayment of all HOME funds invested in the unit.

C. Amendment to Restrictive Covenants

As soon as the Authority is in receipt of the Project Completion Report, Financial Management staff can prepare the amendment to the HOME restrictive covenants. The recipient must record and return the amendment to restrictive covenants to the Authority within 60 days of receipt. Restrictive covenants ensure HOME-assisted units meet affordability requirements for the duration of the affordability period. HOME affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership.

D. Audit Requirements

From the time an application is awarded HOME funds and throughout the project's affordability period, HOME recipients that are non-profits, public housing authorities, and units of local governmental are subject to federal audit requirements. Entities that expend \$500,000 or more in federal funds annually during their fiscal year are required to submit audits that are conducted in accordance with OMB Circular A-133. Audits conducted in accordance with OMB A-133 must be performed in accordance with Generally Accepted Government Auditing Standards. For-profit entities are exempt from A-133 requirements. For questions regarding audit submission requirements, contact Patricia Simmons at (803) 896-8710 or patricia.simmons@schousing.com. Audited financial statements must be submitted as part of the award close-out process.

III. Affordability Requirements

The Authority monitors the compliance of all projects that have received HOME funds in accordance with requirements contained in 24 CFR Part 92. HOME regulations require HOME-assisted units to be occupied by low and very low-income eligible households throughout the affordability period. The length of the affordability period is dependent upon the amount of HOME funds invested in each unit and is identified in the amendment to the restrictive covenants. Repayment of HOME funds is required if the HOME assisted unit does not meet the affordability requirements for the required time period.

<u>HOME Investment per Unit</u>	<u>Period of Affordability</u>
Under \$15,000 per unit	5 years
\$15,000 to \$40,000 per unit	10 years
Over \$40,000 per unit	15 years
New construction	20 years

IV. Record Retention Requirements

HOME recipients must maintain sufficient records to document that program requirements have been met. All records and project related materials must be secured and retained for five years. In general, record retention involves the following items listed below. Refer to the HOME written agreement for a complete list of record retention requirements.

- ❖ Rental Project Records:
 - General records must be kept for five years after project completion; and
 - Tenant income, rent, inspection, leases, waiting lists, and utility allowance information must be kept for the most recent five years, and no less than five years after the expiration of the affordability period.
- ❖ Written Agreements: Generally, all written agreements must be maintained for five years after the agreement expires.
- ❖ Displacement and Acquisition: Displacement and acquisition records must be kept for five years after final payment is made to displaced persons.

V. Types of Monitoring

The Authority monitors the HOME recipient’s performance throughout the affordability period by conducting the following three (3) types of monitoring reviews described below. On-site Rental Project Compliance, programmatic, and financial monitoring reviews can be conducted at any time throughout the HOME recipient’s award and affordability periods to ensure HOME recipients are adhering to the terms of the award agreement and regulatory requirements.

- **Programmatic Monitoring Reviews** – are conducted by Awards Management Staff and consist of reviews of program specific requirements such as procurement, Davis-Bacon, Relocation, Lead-Based Paint, Procurement, Contracting, Conflict of Interest (this list is not all-inclusive).
- **On-site Rental Project Compliance Reviews** – are conducted by Compliance Monitoring Staff and consist of the on-site review for property standards, occupancy requirements, and reserve account requirements.
- **Financial Management Monitoring Reviews** – are conducted by Financial Management Staff and consist of reviewing accounting records, audits, program income, internal controls, cash management, etc...

VI. Financial Monitoring

The financial management requirements for HOME award recipients are stated in the following regulations:

Non-Profit Requirements	Government Entity Requirements	For-Profit Requirements
24 CFR Part 84 OMB Circular A-122 OMB Circular A-133	24 CFR Part 85 OMB Circular A-87 OMB Circular A-133	24 CFR Part 84.21

These requirements have been established to make sure that recipients have a financial management system that: 1) provide effective control over the accountability for all funds, property, and other assets, 2) ensures “reasonableness, allowability, and allocability” of costs and verify that expenses have not violated any federal restriction or prohibitions, 3) permit the accurate, complete, and timely disclosure of financial results, and 4) minimize the time elapsed between the receipt and disbursement of HOME funds. During the financial monitoring review, the Financial Management staff will review compliance of the following performance measurements:

A. Internal Controls

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Internal controls are the combination of policies, procedures, job responsibilities, personnel and records that together create accountability in an organization's financial system and safeguard its cash, property and other assets.

Through its system of internal controls, an organization can ensure that:

- Resources are used for authorized purposes and in a manner consistent with applicable laws, regulations and policies;
- Resources are protected against waste, mismanagement or loss; and
- Information on the source, amount and use of funds are reliable, secured and up-to-date and this information is disclosed in the appropriate reports and records.

The basic elements of an internal control system include:

- The organizational chart setting forth the actual lines of responsibility of personnel involved in financial transactions.
- Written definition and delineation of duties among key personnel involved in financial transactions.
 - An accounting policy and procedures manual that includes:
 - Specific approval authority for financial transactions and guidelines for controlling expenditures.
 - A set of written procedures for recording of transactions; and
 - A chart of accounts.
 - Adequate separation of duties so that no one individual has authority over a financial transaction from beginning to end. There should be a separation of duties for the following responsibilities:
 - Authorization to execute a transaction
 - Recording of the transaction
 - custody of assets involved in the transaction
 - Financial records should be reconciled periodically to safeguard resources and detect instances of fraud or misuse.

B. Budget Controls

Budget control procedures must be in place to compare and control expenditures against approved budgets for HOME funded activities. A recipient must:

- Maintain in its accounting records the amounts budgeted for eligible activities;
- Periodically compare actual obligations and expenditures to date against planned obligations and expenditures, and against projected accomplishments for such outlays; and
- Report deviations from budget and program plans, and request approval for budget and program plan revisions.

C. Cash Management Procedures

Recipients are required to have written procedures in place to minimize the amount of time that elapses between receipt of HOME funds and the actual disbursement of those funds. This requirement is intended to curtail unnecessary drawdowns of funds and minimize the cost of financing the HOME program by the federal government.

Requirements concerning cash management include the following:

- Recipients must include accurate information in drawdown requests.
- Funds drawn down erroneously must be returned.

- Disbursement of funds must occur in a timely manner. General rule is that payment must take place within three business days of deposit of HOME funds.
- Program Income must be disbursed prior to the drawdown of additional funds. Program Income requirements are referenced in 24 CFR 92.503.

D. Accounting Records

Accounting records must sufficiently identify the source and application of HOME funds provided to recipients. To meet this requirement, an accounting system should include at least the following elements:

- Chart of accounts – this is a list of account names and the numbers assigned to each of the account names. The names provide a description of the type of transactions that will be recorded in each account.
- Cash receipts journal- a cash receipt journal documents, in chronological order, when funds were received, in what amounts and from what sources.
- Cash disbursement journal- a cash disbursement journal documents, in chronological order, when an expense was incurred, for what purpose, how much was paid and to whom it was paid.
- Payroll journal – a payroll journal documents payroll and payroll related benefit expenses on salaries and benefits.
- General ledger – a general ledger summarizes, in chronological order, the activity and financial status of all the accounts of an organization. Information is transferred to the general ledger after it is entered in the appropriate subsidiary journal. Entries transferred to the general ledger should be cross-referenced to the applicable journal to permit the tracing of any financial transaction.
- Project summary journal – project journal contains entries for each receipt and disbursement related to a particular activity or project. It also contains reference numbers to the Cash Receipts and Disbursements Journals.

All journal entries must be properly approved and supported by source documentation. Documentation must show that costs charged against HOME activities were:

- Incurred during the effective period of the agreement
- Actually paid out (or properly accrued)
- Expended on eligible items
- Approved by the appropriate official within the organization

Source documents provide information to be transferred to the accounting records. A source document may be a check, invoice, purchase order, time sheet, or contract. Source documentation must explain the basis of the costs incurred and the actual dates of the expenditure. Recipients must ensure that their accounting records include reliable, up-to-date information on the sources and uses of HOME funds. Actual expenditures must be broken down by the award number and year for which the funds are derived and the activity on which the funds were used. Recipients must identify the source and application of funds for federally sponsored activities, including records and reports that:

- Verify the reasonableness, allowability and allocability of costs (Eligible Costs);
- Verify funds have not been used in violation of any of the restrictions or prohibitions that apply to the federal assistance (through the use of budget controls and adequate accounting records);

- Verify proper inventory controls are being maintained; and
- Verify account reconciliations are performed to document accuracy of financial records.

E. Audited Financial Statements

From the time an application is awarded HOME funds and throughout the project's affordability period, HOME recipients that are non-profits, public housing authorities, and units of local governmental are subject to federal audit requirements. Entities that expend \$500,000 or more in federal funds annually during their fiscal year are required to submit audits that are conducted in accordance with OMB Circular A-133. Audits conducted in accordance with OMB A-133 must be performed in accordance with Generally Accepted Government Auditing Standards. For-profit entities are exempt from A-133 requirements.

Audit Requirements:

The type/level of audit required by OMB Circular A-133 is based on the amount of federal financial assistance expended by an organization in any given year. Audits performed for recipients of federal funds must be performed by an independent auditor in accordance with Government Auditing Standards and must be conducted in accordance with the OMB Circular A-133 requirements. Specifically, the audit will cover three areas:

1. Financial Statements Following the completion of an audit, an audit report must be prepared. The audit report must contain an opinion (or disclaimer of opinion) as to whether financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
2. Internal Control The auditor must prepare a report on internal control related to the financial statements and major programs.
3. Compliance with applicable laws and regulations The auditor must prepare a report on compliance with laws, regulations and the provisions of contracts or award agreements, noncompliance with which could have a material effect on the financial statements.

HOME recipients must establish a system to ensure a timely and appropriate resolution to audit findings and recommendations. If a recipient is not able to resolve a questioned cost to the satisfaction of the auditor and/or Authority, the expense will be disallowed. A disallowed expense for which federal funds were originally used must be reimbursed to the Authority.

If a recipient is not exempt from federal audit requirements, the recipient must submit the ***M-5 Audit Requirements Certification Form*** to the Financial Management staff not later than **July 31st** of each year. Once the audit is complete, the audit must be submitted to the Financial Management staff within the earlier of **30 days** after receipt of the auditor's report(s) or **9 months** after the end of the audit period.

If a Recipient expends less than \$500,000 per year in federal financial assistance, it is exempt from federal audit requirements. For-profit HOME award recipients are exempt

from OMB Circular A-133 requirements. If a recipient is exempt from federal audit requirements, the recipient must submit the ***M-5 Audit Requirement Certification Form*** to the Financial Management staff not later than **July 31st** of each year.

Regardless of whether HOME funds have been drawn, non-exempt HOME award recipients must submit an ***M-5 Audit Requirement Certification Form*** and Audited Financial Statements annually throughout the award period. The ***M-5 Audit Requirements Certification Form*** serves as a notice to the Financial Management staff that an audit is not required or an audit in accordance with OMB Circular A-133 is required and will be submitted within the earlier of **30 days** after receipt of the auditor's reports or **9 months** after the end of the audit period. M-5 Audit Requirement Certification Form can be accessed at:

[http://www.schousing.com/HOME Investment Partnerships Program/HOME Forms & Announcements](http://www.schousing.com/HOME_Investment_Partnerships_Program/HOME_Forms_&_Announcements).

F. Program Income & CHDO Proceeds

At the discretion of the Authority, program income may be retained by a recipient to be used for HOME-eligible activities that benefit low-income families. Program income is defined as any gross revenue received by a HOME recipient that is directly generated from the use of HOME funds or HOME matching contributions. Proceeds received from the lease of rental housing is not considered program income. Program income can only be used for HOME eligible activities. Program income must be expended before additional HOME funds are drawn down. HOME recipients must track the receipt and disbursement of program income. To keep track of program income funds, a recipient should establish a program income account bank account and a program income account in its general ledger. The records maintained for program income must follow the same requirements for HOME awards. Recipients with HOME program income are required to receive approval in writing from the Authority prior to committing or expending program income.

CHDO proceeds are similar to but are not considered program income unless the funds are returned to the Authority; At the discretion of the Authority, CHDO proceeds may be retained by the CHDO to be used for HOME-eligible activities that benefit low-income families. Recipients with HOME CHDO proceeds are required to receive approval in writing from the Authority prior to committing or expending CHDO proceeds. Revenue earned from CHDO projects is only considered CHDO proceeds if the entity retains its status as a certified CHDO. If an entity loses its CHDO designation, revenue earned is then considered to be program income.

G. Property Management

Pursuant to 24 CFR 84.30 – 37 and 24 CFR 85.30 – 37, recipients of HOME awarded awards must establish a system to control the utilization and disposition of property purchased with HOME funds. Recipients who use HOME funds to acquire real property (e.g., land, buildings) or personal property (e.g., equipment, supplies, intangible property) must ensure the property continues to be used for its intended (and approved) purpose. Real property sales require reimbursement to the Authority if the requirements of the affordability period are not met.

H. Financial Records

Financial management records should include, but are not limited to the following:

1. Cash receipts journal
2. Check disbursement journal and check register
3. Bank statements, canceled checks, and/or direct deposit verification
4. General ledgers
5. Invoices and purchase orders
6. Bank reconciliation
7. Draw Down Requests (invoices and checks)
8. Rental History Payment Reports
9. Property Inventory
10. Equipment Record Report
11. Chart of Accounts
12. Audit Files
13. Any additional items (HUD-1 Settlement Statements, vouchers, documents, financial reports, records, etc.) necessary to verify transactions.

I. Financial Oversight for Rental Projects

A new requirement imposed by the 2013 HOME Final Rule requires the Authority to at least annually examine the financial condition of HOME rental projects with 10 or more HOME-assisted units in order to determine the continued financial viability of the project. If the financial review indicates existing or potential problems, the Authority will require to the extent feasible that actions are taken to address the financial issues. Financial viability reviews will be conducted by the Authority's Financial Management staff.

VII. Programmatic Monitoring

Awards Management staff utilizes the programmatic monitoring process to ensure compliance with HOME rules and requirements. Programmatic monitoring is conducted by Awards Management staff to ensure recipient's activities meet established needs and goals. Recipients must maintain files and records that relate to the overall administration of the HOME award. Programmatic monitoring includes, but is not limited to a review of the following areas:

A. Procurement

When a recipient elects to hire a contractor, whether to provide a service or to do construction, those contractors must be procured. Recipients must use the procurement procedures that meet the requirements as described in the ***HOME Implementation Manual***, which reflects the minimum requirements as prescribed by federal regulations. Recipients must comply with 24 CFR Part 85.36 (governmental entities) and 24 CFR 84.40-84.48 (non-profits), and OMB procurement rules in order to procure goods and services. Recipients must also comply with Section 3 (if applicable), state/local laws pertaining to procurement, and include preferences for MBE/WBE businesses. The Awards Management staff will ensure recipient's procurement methods include:

- Open and free competition (conflict of interest and noncompetitive practices are disallowed);
- Contracting with small, minority, and women's business enterprises;

- Compliance with federal requirements or more restrictive state or local laws to procure goods and services;
- Compliance with Section 3, Economic opportunities for low and very low-income persons (if applicable.);
- Debarment checks;
- Required contract provisions;
- The appropriate procurement methods were used to procure goods or services: small purchase procedures, competitive sealed bids, competitive proposals, or non-competitive negotiation; and
- Recordkeeping Requirements: Recipients are required to maintain records regarding procurement. These records should provide an understandable history of the procurement including the following: the procurement document (e.g., the invitation for bids, request for proposals), contractor responses, the basis for selection or rejection of the contractor, basis for the contract price, debarment check and contract specification/scope of work and conditions. The recipient must document that reasonable efforts to conduct procurement transactions occurred in a full and open manner that did not have the effect of restricting or elimination competition.

B. Fair Housing

Title VIII of the Civil Rights Act of 1968, as amended, known as the Fair Housing Act, prohibits discrimination in the sale or rental of housing on the basis of race, color, religion, sex and national origin. It was amended in 1988 to provide stiffer penalties, establish an administrative enforcement mechanism and expand its coverage to prohibit discrimination on the basis of familial status and disability. Under the Fair Housing Law, the following actions (if based race, ethnicity, color, religion, sex, national origin, familial status or disability), are considered discriminatory:

- Refusing to sell or rent to, deal or negotiate with any person in a covered group.
- Discriminating by advertising that housing is available only to persons of a certain race, color, religion, sex, familial status, disability or national origin.
- Denying that housing is available for inspection, sale or rent when it really is available.
- “Blockbusting” for profit, persuading owners to sell or rent housing by telling them that minority groups are moving into the neighborhood.
- Denying or making different terms or conditions for home loans by commercial lenders, such as banks, savings and loan associations and insurance companies.
- Denying to anyone the use of or participation in any real estate services, such as brokers’ organizations, multiple-listing services or other facilities related to the selling and renting of housing.
- Recipients may not, directly or through contractual or other arrangements, discriminate against anyone on the grounds of race, color, national origin, sex, disability or familial status.

Compliance with Federal and State laws is the responsibility of each recipient. HOME recipients must administer their HOME program and activities in a manner that affirmatively further fair housing, provide equal opportunity to all persons, benefit low income persons, and does not discriminate against disabled persons. All HOME recipients are required to have a Fair Housing/Affirmative Marketing Plan that provides a detailed

description of activities that the recipient will undertake during the award period and after award close-out to affirmatively further fair housing. During the programmatic monitoring the Award Management will review the recipient's Affirmative Marketing/Fair Housing Plan to ensure the Plan addresses and complies with the following laws and regulations:

- Title VIII of the Civil Rights Act of 1968
- South Carolina Fair Housing Law of 1989
- Title VI of the Civil Rights Act of 1964
- Title VIII of the Civil Rights Act of 1968, as amended
- Section 109 of the Housing and Urban Development Act of 1974
- Section 3 of the Housing and Urban Development Act of 1968. As amended on 1992
- The Age Discrimination Act of 1975, as amended
- Section 504 of the Rehabilitation Act of 1973, as amended
- Executive Order 11063
- Executive Order 11246
- The Common Rule at 24 CFR 85.36

Recipients must maintain records that demonstrate compliance with Equal Opportunity and Fair Housing laws and regulations. The recipient's files should contain the following documentation/files:

- Documentation of the action(s) the recipient has taken to affirmatively further fair housing, including records on funds provided, if any, for such actions.
- Demographic data (actual survey or latest census data) on the project, including:
 - The target area population.
 - The minority population of the target area (number and percentage).
 - The number of disabled, elderly households, and female-headed households in the target area.
 - A map of the locality showing the locations of assisted housing units, concentrations of minority population, concentrations of low and moderate income, and the target area.
- For Homeownership and rental activities, provide data on the extent to which persons have applied for benefits and participated in or benefited from any program or activity funded in whole or in part with HOME funds. Records must be kept by race, ethnicity, disability status and gender of heads of households.
- Data on employment for each recipient carrying out any activity funded in, whole or in part with HOME funds.
- Data indicating the race and ethnicity of households, and disabled status of persons displaced as a result of HOME activities, including the address to which each displaced household is relocated. Where activities cause a significant level of displacement of businesses, the recipient should provide data indicating the impact on businesses owned by minorities and women.
- Documentation of actions undertaken to meet the requirements of Section 3 of the Housing and Urban Development Act of 1968.
- Data including the racial/ethnic character of each business entity that receives a contract or subcontract of \$10,000 or more paid, or to be paid, with HOME funds. Data indicating which of those entities are women's business enterprises as defined in Executive Order 12138 and the amount of the contract or subcontract. Also,

documentation of efforts to identify and solicit female and minority contractors including a list of those contacted and those responding.

- Documentation of the affirmative actions the local government has taken to overcome the effects of prior discrimination as determined through a formal compliance review or court proceeding, where the recipient had previously discriminated against persons on the grounds of race, color, national origin or sex in administering a program or activity funded in whole or in part with HOME funds.
- If the project involves relocation activity, a signed statement by each person relocated indicating that they were shown, and given the opportunity to relocate to, a housing unit(s) in a non-impacted area outside of the target area.
- Records indicating relocation by census tract or similar demographic data giving race, sex and head of household status, and showing where each family relocated was relocated from and to.
- Records indicating the members of any advisory committees, indicating race, sex and whether a project area resident.
- Number of businesses relocated and number of minority businesses relocated.

C. Davis-Bacon

The Davis-Bacon Act (40 USC, Chapter 3, Section 276a-5; and 29 CFR Parts 1, 3, 5, 6 and 7) is applicable to all contracts for construction, alteration and/or repairs, or equipment installation in excess of \$2,000 financed in part or whole with HOME funds. It requires that workers receive no less than the prevailing wages being paid for similar work in the same area. Davis-Bacon does not apply to the rehabilitation or new construction of residential projects with less than (12) HOME-assisted units.

Davis-Bacon regulations require contractors to pay prevailing wages to all laborers and mechanics employed in the development and allows for the withholding of funds to ensure compliance. Prevailing wages are determined by the Department of Labor. Wage determinations are listed by construction type and country. They can be found online at www.access.gpo.gov/davisbacon/ or www.wdol.gov. Wage decisions are “locked in” when the contract is executed and no future modifications are applicable to the contract or project. Once Davis-Bacon is triggered, the requirements are applicable to the construction of the entire project, including portions of the project that are not assisted with HOME funds. HOME regulations prohibit breaking a single project into multiple contracts for the purpose of avoiding Davis-Bacon. In addition to Davis Bacon, recipients must comply with Federal Labor Laws, Contract Work Hours and Safety Standards Act, Copeland Anti-Kickback Act, Fair Labor Standards Act, Byrd Anti-Lobbying Amendment, and SC Illegal Immigration Reform Act.

The Awards Management staff will monitor HOME recipients to ensure recipients are complying with the following Davis-Bacon Act regulations:

- Designating a Labor Standards Officer, who is a member of the recipient’s organization that will be responsible for ensuring compliance with Davis-Bacon and other applicable labor standards requirements.
- Ensuring that all bid documents, contracts and subcontracts for Davis-Bacon covered work contain the Federal Labor Standards Provisions and the current Wage Decision.

- The Labor Standards Officer must make certain that the contractor fully understands their responsibilities for Davis-Bacon compliance and provide training if necessary.
- Ensure that the applicable Wage Decision and Department of Labor's Notice to Employees Poster are posted on the job site.
- Review certified payrolls reports and related documentation and submit to the Authority's consultant on a weekly basis. A signed statement of compliance is required for each weekly payroll submission.
- Maintain full documentation of Federal Labor Standards administration and enforcement activities for a minimum of 3 years.
- Inform the Authority immediately of any violations or potential violation for investigation.
- Recordkeeping requirements: For each construction contract and subcontract that is subject to the Davis-Bacon Act, the HOME award recipient is required to maintain a file with the following documentation: copy of the wage rate, procurement documents containing the Labor Standards Provisions, Contracts containing the Labor Standards Provisions and Wage Decisions, payrolls with evidence of their review, and evidence of any violations and the steps taken to resolve them.

VIII. On-Site Rental Property Compliance Monitoring

On-site rental property monitoring reviews are conducted by Compliance Monitoring staff. During this type of monitoring, Authority staff verifies occupancy requirements, property standards, reserve funding levels, and compliance with marketing plans. These reviews occur throughout the duration of the affordability period. The frequency of visits is determined by the number of HOME-assisted units in the project. Compliance Monitoring staff has created the ***HOME Rental Compliance Manual*** which can be located at: [http://www.schousing.com/HousingPartners/Compliance Monitoring](http://www.schousing.com/HousingPartners/ComplianceMonitoring)

A. Eligibility Beneficiaries and Rent Limits

HOME recipients must ensure that HOME projects are occupied by eligible beneficiaries. All housing developed with HOME funds must serve low- and very low-income families. During the monitoring process, Authority staff will review occupancy data to verify the project is serving beneficiaries as mandated by the restrictive covenants.

HOME-assisted rental units must have rents that do not exceed the applicable HOME rent limits. Each year, HUD publishes the applicable HOME rent limits by area, adjusted for bedroom size. The 2013 HOME final rule now requires the Authority to review and approve annually, throughout the affordability period, the rents for each project funded with HOME dollars. Each HOME recipient must complete the ***HOME Annual Rent Approval Form*** each year and submit it to Compliance Monitoring Staff for approval. Submission instructions are provided on the form.

HOME assisted units that are sold, rented or redeveloped must remain affordable to individuals and families during the entire affordability period. The affordability period is determined by the amount of per-unit HOME assistance and the nature of the activity. To meet the affordability requirements for rental housing, the unit must be occupied by and eligible beneficiary throughout the entire length of the affordability period.

B. Reserve Accounts

Home recipients are required to establish replacement and operating reserve accounts and make monthly contributions with operating cash flow. The replacement reserve account must be sufficient to ensure the useful life of essential building components throughout the period of affordability. The reserve account required balances are contained in the HOME Underwriting Criteria contained in the application. During a financial management review, the Financial Management staff will review and request financial records related to operating and replacement reserve accounts to ensure that expenditures are allowable expenses. Requirements for replacement and operating reserve accounts are as follows:

Replacement Reserves:

Developments are required to establish and make annual contributions to replacement reserves, as follows:

New Construction: Two hundred fifty dollars (\$250) per unit, per year

Rehabilitation or Conversion: Three hundred dollars (\$300) per unit, per year

Annual contributions are made from operating cash flow and are cumulative. Annual contributions are required to the replacement reserve account until the account reaches a funding level of:

New Construction: Two thousand five hundred dollars (\$2,500) per unit

Rehabilitation or Conversion: Three thousand dollars (\$3,000) per unit

Once these levels are met, the accounts must be replenished, when used, through annual contributions as stated above.

Operating Reserves:

Operating reserves are funded initially from development costs and replenished, when used, from operating cash flow. Operating reserves must be maintained at the required level throughout the affordability period, as follows:

Less than ten (10) units: Three (3) months of projected operating expenses

Ten (10) or more units: Six (6) months of projected operating expenses

The Authority, in its sole discretion, reserves the right to waive any of the above financial requirements if the facts and circumstances regarding a project warrant the waiver. Any such waiver will be decided solely by Authority staff on a case-by-case basis.

IX. Monitoring Visits

An on-site monitoring visit may be conducted at any time. The Authority will notify the recipient in writing of the intent to conduct a monitoring at the recipient's place of business or the project site. The recipient must make sure that the files are complete, consistently organized and insure that the appropriate people in the recipient's organization are available for the on-site monitoring.

There are five basic steps to any monitoring visit:

- Notification Letter
- Entrance conference
- Review of Documentation, Data Acquisition, Analysis, Physical Inspection
- Exit Conference
- Follow-up Monitoring Letter

A. Initial Contact

The Authority will call or email recipients to explain the purpose of the monitoring and to arrange a mutually convenient date for the monitoring to take place.

B. Notification Letter

Several weeks before the scheduled visit, the Authority will notify the recipient in writing of the intent to conduct an on-site monitoring. The letter will confirm the dates and the scope of the monitoring; provide a description of the information that will be reviewed during the visit; and specify the expected duration of the monitoring, and the Authority's staff members that will be conducting the monitoring.

C. Entrance Conference

Upon arrival, Authority staff conducts the entrance interview with the recipient and the recipient's staff to ensure the recipient and the recipient staff members have a clear understanding of the purpose, scope, and schedule for the monitoring visit.

D. Documentation and Data Acquisition

During the on-site visit, Authority staff will review the selected files in accordance with the HOME Monitoring Checklists. The audit team will maintain a detailed record of information reviewed and conversations held with recipient and recipient's staff members. The information and documentation gathered will serve as a basis for conclusions to be included in the monitoring results letter.

E. Exit Conference

At the conclusion of the monitoring visit, an exit conference is held with the recipient and the staff members to:

1. Present the preliminary results of the monitoring:
 - Discuss findings, concerns, and/or recommendations, if any, and methods of correcting each individual deficiency.
 - Discuss any observations made regarding the recipient, offer technical assistance where applicable.
 - Discuss additional reviews to be completed back at the office. (Issues or concerns not resolved during the on-site visit that will require additional information/documentation that is not in the recipient's custody).
2. Answer any questions.
3. Provide an opportunity to correct any misconceptions or misunderstandings.
4. Secure additional information necessary to clarify or support their position.
5. If applicable, provide an opportunity for the recipient and staff members to report on steps they may already be taking to address areas of noncompliance or substandard performance.

6. Inform recipient they can expect to receive the official results of the monitoring in writing within 30 days.

F. Monitoring Results Letter

After the on-site monitoring, the Authority will follow-up the monitoring visit with a letter outlining any findings, concerns, corrective action and recommendations, as a result of the monitoring visit. The recipient must respond to any findings and/or concerns in the monitoring letter within the time period indicated in the letter. All monitoring findings must be resolved before the award can be officially closed-out.

G. Monitoring Results Letter

Once all the deficiencies, concerns, and findings have addressed with the required corrective actions, the Authority will provide the recipient with a clearance letter, which serves to close-out the monitoring visit.

X. Performance Deficiencies

If during the monitoring review the Authority determines that the recipient has improperly expended funds or exhibits any type of non-compliance, the following actions may be taken:

- Impose limitations on recipient’s participation in Authority administered programs;
- Require the recipient to submit additional information to determine the reason for the non-compliance and develop a corrective action plan;
- Require the recipient to reimburse the authority for all proceeds improperly expended; or
- If prior to project completion, terminate the HOME award and demand full and complete repayment.

XI. Award Close-Out Letters

After all reporting requirements have been reviewed, and if applicable, all audited financial statements and monitoring findings and/or concerns have been resolved, the recipient will receive an Award Close-Out Letter notifying the recipient that all requirements have been met necessary to close out the award.

XII. Related Forms

Forms and checklists referred to in this manual can be located on the Authorities web site at:

<http://www.schousing.com/HOME Investment Partnerships Program/HOME Forms & Announcements>

Placed-in-Service Application	Final Section 3 Report (HUD 60002)
Placed-in-Service Application Checklist	Final MWE/WBE Report (HUD 2516)
Rental Project Completion Report	HOME Rental Project Monitoring Checklist
Audit Requirements Certification Form	HOME Financial Monitoring Checklists
HOME Annual Rent Approval Form	