

Compliance Review Process



February 13, 2019

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Agenda

□ File Audit Process Overhaul

- Notable Changes
- Inspection Process Timeline
- New and Improved Forms

□ Physical Inspections

- Preparing for a Physical Inspection
- Common Findings and Best Practices

File Audit Review Process

Notable Changes



□ Decoupling

- Physical Inspection + File Audit = 40% of units
- File audits conducted in advance of the physical inspection

□ Tenant File Submissions

- Upload PDFs by unit

□ Health and Safety Violations

- Cure submissions due within 72 hours of the physical inspection date

Notable Changes

- **File Audit Reviews**

- Increased presence - onsite desk reviews

- **Notice of Deficiencies**

- 7-10 days from the physical inspection

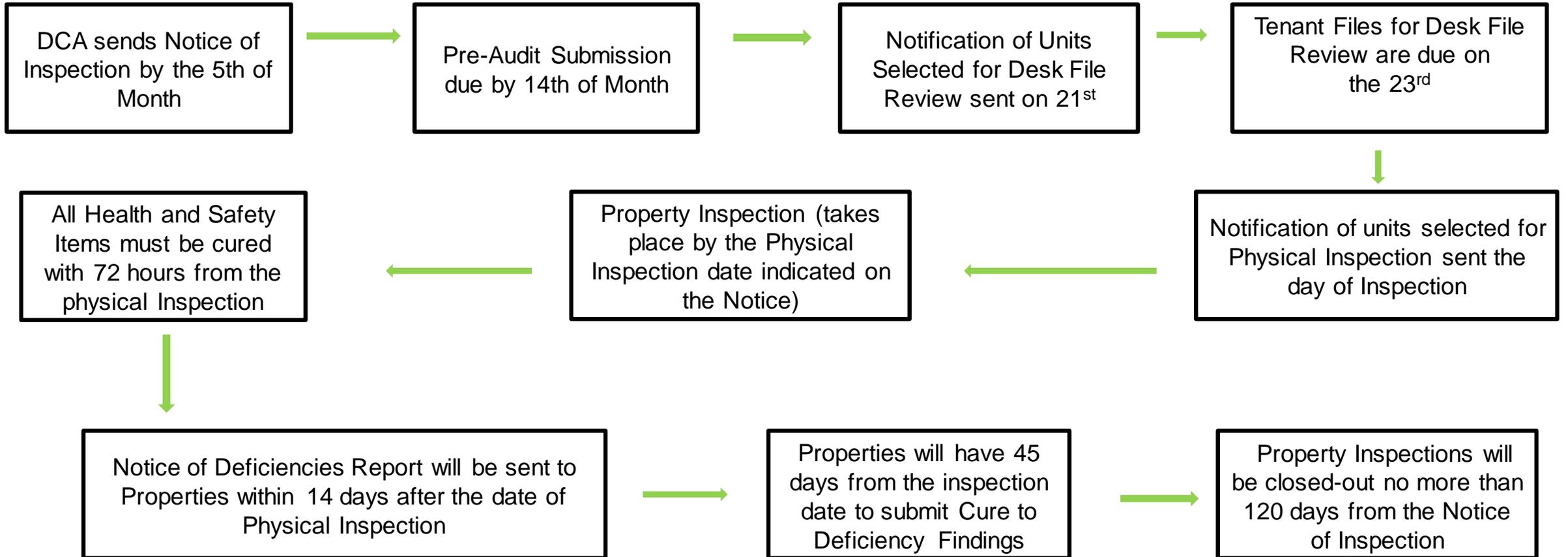
- **Email notices will now be sent to the:**

- Owner,
 - Management Company, and
 - Syndicator

Notable Changes

- ❑ **Affirmative Fair Housing Marketing Plan (AFHMP)**
 - ❑ Due every 3 years
- ❑ **New Inspection Schedule**
 - ❑ Y1-Y15 Properties – 9/30
 - ❑ Extended Use Properties – 10/1-12/31
- ❑ **AOC Submission**
 - ❑ Deadline – March 1, 2019
 - ❑ 8823 for late submissions

Inspection Timeline



Example of Inspection Timeline

First Month			
Notice of Inspection	Pre-Audit Submission Due	Notification of Units Selected for Desk File Review	Files for Desk File Review Due
3/5/2019	3/14/2019	3/21/2019	3/23/2019

Second Month			
Notice of units selected for Physical Inspection	Physical Inspection Date	Health and Safety Cures Due	Findings Report Sent Date
4/18/2019	4/18/2019	4/21/2019	5/5/2019

Third Month	
45 days from Deficiency Notice to Submit Cures	Audit Close-Out within 120 days
6/19/2019	7/3/2019

File Audit Review Timeline Overview

□ Pre-Audit Stage

- Notification of Inspection
- Request for Documentation

□ Audit Stage

- Physical Inspection and File Audit Review
- Notice of Deficiencies Letter
- Cure Response Period

□ Post-Audit Stage

- Audit Completion
- Close-Out Letter

Stage 1: Pre-Audit

- A **Notice of Inspection** email will notify you of your scheduled inspection and audit
 - Key information provided:
 - Type of Inspection
 - Type of Funding
 - Dates of Inspection
 - Assigned Compliance Officer
 - A link to Requested Documentation (i.e. Documents found on Pre-Audit Checklist)

Stage 1: Pre-Audit

- **3 Key Dates in the Notice of Inspection Letter:**
 - Deadline date for submitting Pre-Audit Documents
 - Date of Scheduled File Audit
 - Date of Scheduled Physical Inspection

Stage 2: Audit

- All pre-audit documents reviewed
- **Tenant File Audit**
 - Unit selection notice sent within 24-72 hours
- **Physical Inspection**
 - Unit selection notice sent the day of the Inspection

Stage 2: Audits

□ Notice of Deficiencies letter

- Results of the review
- Details of deficiencies that must be corrected
- Deadline for cure submission

□ Cure Responses

- Due 45 days from when the **Notice of Deficiencies** letter is sent

Stage 3: Post-Audit

- Audit has come to an end
- Close-Out letter and 8823s (if applicable)
 - Provided within 30 days of submitting Cure Responses



New and Improved Forms

- Forms are now available in fillable PDF
 - Pre-Audit Checklist
 - Property Information Sheet
 - Marketing Certification
 - Supportive Services Certificate
- Forms available on DCA Website

UPDATES TO THE WEBSITE



DCA

Physical Inspections Preparing for the Day

The Inspection Process

- Most properties inspected every three years
- 20% of the project
 - LIHTC
 - HOME and NSP
- Multi-funded properties will have the most restrictive requirements
- Windshield Inspections – For properties in Extended Use
 - Require Health and Safety Cures

The Inspection Process

- ❑ Health and Safety Findings
 - ❑ Expired fire extinguishers,
 - ❑ Emergency lights
- ❑ Acceptable Forms to Verify Cure of Physical Deficiency Findings
 - ❑ Statement of the nature of the finding
 - ❑ Location of the finding (apartment number, building number, etc.)
 - ❑ A work order/invoice summarizing the finding. (for example “bathroom sink stopper missing”) Illegible work orders/invoices will be rejected.
 - ❑ The maintenance technician completing the work order must sign off and date when the work order was completed thereby certifying the completion of the repair/replacement and restating the work completed, (for example “replaced bathroom sink stopper”).
- ❑ DCA identifies properties in poor condition and adds them to a troubled property watch list

The Inspection Process



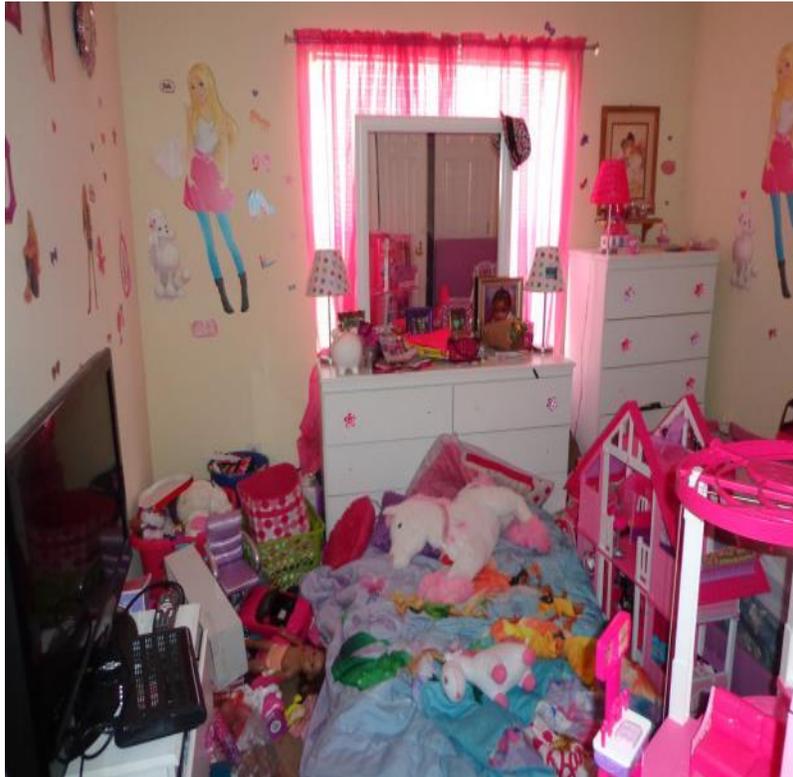
Common Findings

Physical Inspections:

Most Commonly Cited Findings

Unit Findings

- ❑ Blocked egress – be diligent with your residents



Physical Inspections:

Most Commonly Cited Findings

Unit Findings

- ❑ HVAC filters – change at daylight savings



Physical Inspections:

Most Commonly Cited Findings

Unit Findings

- ❑ Mold and mildew



Physical Inspections:

Most Commonly Cited Findings

Unit Findings

- ❑ Inoperable smoke detectors, exhaust fans, pull cords
- ❑ Refrigerator gaskets
- ❑ Windows, walls, ceilings; cracks, holes, stains
- ❑ GFCI issues, tripping hazards, exposed wires, open panels
- ❑ Air-filters, mold on sills or tile grout, exhaust fans, outlet covers, light bulbs, door hinges, locks

Physical Inspections:

Most Commonly Cited Findings

Building Findings

- ❑ Paint chipping on railings



Physical Inspections:

Most Commonly Cited Findings

Building Findings

- ❑ Dirty or stained stairs



Physical Inspections:

Most Commonly Cited Findings

Building Findings

- ❑ Exposed electrical wiring
- ❑ Missing unsecure panel box covers



Physical Inspections:

Most Commonly Cited Findings

Building Findings

- ❑ Roofing material missing/broken or loose
- ❑ Breezeway dirty or graffiti ridden
- ❑ Missing or broken gutters and leaders
- ❑ Overgrown vegetation/trees obstructing walkways touching buildings

Physical Inspections:

Most Commonly Cited Findings

Site and Common Area Findings

- ❑ Handicapped parking sign heights (too low)



Physical Inspections:

Most Commonly Cited Findings

Some Common Site Area Findings

Handicapped parking signs not installed as required

- ❑ Know the required sign heights for *van* spots vs. *regular* spots
- ❑ Faded paint marking accessible parking spaces

NOTE:

- ❑ **Several regulations address signage**

Physical Inspections:

Accessibility Findings

- ❑ DCA's 3rd party inspector will note observed accessibility non-compliance
- ❑ How to proceed if you believe the noted finding is actually in compliance and you have grounds to dispute it?
 - ❑ Dispute the Accessibility findings in writing:
 - 1) Provide a letter from a qualified licensed Accessibility Consultant with supporting documentation
 - 2) Provide supporting documentation of codes or regulations to DCA

Physical Inspections Best Practices

- ❑ Develop in-house physical inspection process, advise the owner of your process
- ❑ Educate your staff
- ❑ Perform regularly/quarterly scheduled inspections
- ❑ Eliminate easy fixes on an ongoing basis
 - ❑ When doing work orders, keep easy fix items on your maintenance staff's "radar"
- ❑ Follow up with tenants on completed work orders

Physical Inspections Best Practices

- ❑ Preparation is key! - Do these **before** the DCA Inspection occurs:
 - ❑ Prioritize expensive and labor-intensive items; get them done before DCA arrives
 - ❑ Obtain a copy of the Uniform Physical Conditions Standards (UPCS) checklist
 - ❑ Review the UPCS protocol
 - ❑ Review past DCA findings letters

Best Practices: Helpful Resources



- Obtain a Copy of the IRS 8823 Guide:

<https://www.irs.gov/pub/irs-utl/lihc-form8823guide.pdf>

