

PART I. DESK REVIEW –The Reviewer must complete this section **prior** to the on-site review using all relevant information in project files. Questions on the desk review, which include category references, are linked to the on-site review. Category references on the desk review that relate to the on-site review must be considered when determining the category rating. Category references are marked following the applicable question (e.g. B3, E14).

1. What year is the most recent Annual Audited Financial Statement on file at KHC? _____

What was the most recent Annual Audited Financial Statement overall rating? _____

If AFS was rated Marginal or Critical, has the project been placed on the Watch List?

Yes **No** **N/A**

Have the following reports been consistently submitted on a timely basis as required by KHC?

Annual Audited Financial Statement **Yes** **No** **N/A**

Annual operating budget **Yes** **No** **N/A**

Date last three years reports were due: _____ Date last three years reports were received: _____

If the reports have been submitted, were they received in acceptable form?

Yes **No**

Comments:

For each of the last 3 years, enter the DCR ratings

Year	DCR	Rating
_____	_____	_____
_____	_____	_____
_____	_____	_____

2. Is the management fee paid to the agent in accordance with criteria used in final approved underwriting model? **Yes** **No**

_____ Approved Certification Fee (\$ PUPM * Total Units = \$)

Should always be 8.5% or less, as a requirement of underwriting.

Comments:

3. Has the owner and management agent executed a management agreement?

Yes **No**

Ensure KHC has the most current version; if not, instruct as to how to submit applicable documents through KHC on line system.

Comments:

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4. Is agent charging project for expenses for which the management agreement requires agent to pay?
Yes **No**

Comments:

5. Complete chart below.

Name of Reserve Account	As of ____/____/____			Account Held by KHC	Held in Interest Bearing Account?
	Total	Per Unit	Monthly Deposit		
Replacement Reserve	\$	\$	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Operating Reserve	\$	\$	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Asset Management	\$	\$	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Developer Fee	\$	\$	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Other (if applicable)	\$	\$	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

a. Do balances in replacement reserve account represent 24 months of deposits?
Yes **No**

If not, what action is recommended?

*If balance below the 24 month requirement, did KHC approve such disbursements?
 Note current balance.*

Note all R4R disbursements for last six months and verify on site.

R4R Disbursements	Date	Amount	Comments (if applicable)
		\$	
		\$	
		\$	
		\$	
		\$	
		\$	

b. If KHC does not maintain the R4R account, have any such disbursements been processed from either the R4R or Operating Expense account since last MOR?

Yes **No** **N/A**

If yes, list such disbursements/purpose? _____

Was KHC notified prior to such disbursements, if required?
 (See TCAP and/or Exchange Agreements to determine if KHC approval required.)

Yes **No** **N/A**

c. Is only one account (e.g., the appropriate reserve or operating expense account) being billed for repairs that are eligible for reimbursement from the reserves?

Yes No N/A

Comments:

6. Are there any unresolved findings from previous management reviews?

Yes No N/A

If yes, specify in the comments section.

Comments:

7. Are there any tenant complaints since last ARRA Management review? (Check KHC systems)

Yes No N/A

Comments:

8. Property & Rents:	<u>Unit Type</u>	<u>Current Rent</u>	<u>Utility Allowance</u>
	Studio (s)	_____	_____
	One Bedroom (1)	_____	_____
	Two Bedroom (2)	_____	_____
	Three Bedroom (3)	_____	_____
	Four Bedroom (4)	_____	_____
	Total # of Units:	_____	_____

How many units have subsidies? _____ What is the source of the subsidy (if applicable)? _____

9. Describe marketing efforts (ads, flyers, housing authorities, locator services, churches, walk-ins, etc.):

What marketing technique(s) provide the most applicants/residents? _____

Part II - ON-SITE REVIEW – Indicate by marking the appropriate box - Yes, No or N/A if not applicable. Provide comments as needed.

A. GENERAL APPEARANCE & SECURITY

1. Physical Inspection **Score: A1**

a. Based on the Physical Inspection (Exhibit A), are the project's exterior and common areas (e.g., grounds, landscaping, parking lots, playgrounds, hallways, laundry room, elevator, garbage area, stairwells, management office) clean, free of graffiti, debris and damage?

Yes **No** **N/A**

If no, provide location and describe condition(s).

Comments:

b. Growth pattern? Fully Developed Growing Stable Declining

2. Security **Score: A2**

a. Indicate whether any of the events below have been documented in the last twelve months and the frequency. If yes, review the documentation regarding the event(s).

Event	Frequency	Event	Frequency
<input type="checkbox"/> Break-Ins		<input type="checkbox"/> Arrests	
<input type="checkbox"/> Vandalism		<input type="checkbox"/> Drug Activity	
<input type="checkbox"/> Auto Theft		<input type="checkbox"/> Other (specify)	
<input type="checkbox"/> Personal Assaults		<input type="checkbox"/> None	

Comments:

b. Indicate which types of security measures, if any, are utilized on site.

- | | | |
|---|---|---|
| <input type="checkbox"/> Tenant Patrol | <input type="checkbox"/> Volunteer Organization | <input type="checkbox"/> Paid Car Patrol |
| <input type="checkbox"/> Paid on-site Guard | <input type="checkbox"/> Police Patrol | <input type="checkbox"/> TV Monitor |
| <input type="checkbox"/> Drug Free Housing Plan | <input type="checkbox"/> Security Cameras | <input type="checkbox"/> Motion Sensors |
| <input type="checkbox"/> Crime Prevention Plan | <input type="checkbox"/> Community Policing | <input type="checkbox"/> Other (please specify) _____ |
| <input type="checkbox"/> None | | |

Comments:

c. Based on the answers provided in question b. above, are there any additional security measures being considered?

Yes **No**

Comments:

B. FOLLOW-UP & MONITORING OF PROJECT INSPECTIONS

3. Follow-Up & Monitoring of Project Inspections and Observations (Sampling is at reviewer's discretion to respond to questions a and b below) Score: B3

- a. Based on a sampling, if EH&S items were identified during the last KHC onsite inspection, have the deficiencies been corrected and documented according to the owner/agent?
Yes **No** **N/A**

If yes, view documentation showing dates completed.

If no, provide explanation.

Does the analysis show any repetitive or systemic problems? **Yes** **No**

Comments:

- b. Based on a sampling of units and common areas, for all other deficiencies noted in KHC inspection (other than EH&S), as applicable, verify that corrective actions have been taken. Have the deficiencies been corrected?
Yes **No** **N/A**

If no, is there a schedule for correcting the deficiencies within a reasonable timeframe to comply with decent, safe, sanitary and good repair standards?

Yes **No**

Comments:

C. MAINTENANCE & STANDARD OPERATING PROCEDURES

4. Maintenance Score: C4

- a. Indicate the confirmation of a schedule for preventive maintenance/servicing for the applicable items listed below.

Does the owner/agent have a written procedure for preventive maintenance? **Yes** **No**

- | | | |
|---|--|---|
| <input type="checkbox"/> Heating and A/C Equipment | <input type="checkbox"/> Water Heaters | <input type="checkbox"/> Carpets and Drapes |
| <input type="checkbox"/> Roof, gutter and Fascia Inspection | <input type="checkbox"/> Major Appliances | <input type="checkbox"/> Elevators |
| <input type="checkbox"/> Motor Vehicles | <input type="checkbox"/> Sewer lines | <input type="checkbox"/> Exterior painting |
| <input type="checkbox"/> Windows | <input type="checkbox"/> Recreational equipment | |
| <input type="checkbox"/> Landscaping maintenance | <input type="checkbox"/> Other (please specify): _____ | |

Comments:

- b. Is there a satisfactory inventory system to account for tools, equipment, supplies, and keys (serial numbers, bar codes, etc.)? **Yes** **No**

How many maintenance personnel work at the property? _____

Comments:

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c. Has the owner/agent secured inventory items, such as appliances and tools, to prevent theft?
Yes **No**

Comments:

d. Does the owner/agent have a written procedure that explains the process for inspecting units?
Yes **No**

If yes, review a copy.

Identify employee responsible for conducting inspection: (Name and Title): _____

Comments:

e. How often are units inspected? (Below, indicate the appropriate answer[s].)

Monthly Quarterly Semi-Annually Annually Move-In Move-Out
 Other (please specify):

Comments:

f. How are unit inspections documented?

Please Describe:

g. If deficiencies are noted during unit inspections, what is the procedure for correction?

Please describe:

h. What is the average number of days from move-out until the unit is ready for occupancy?

Average Number of Days: _____

Comments:

i. Is there a written procedure for completing work orders? **Yes** **No**

If yes, review a copy.

Comments:

j. Is there a procedure in place to handle emergency work orders? **Yes** **No**

If yes, describe procedure:

k. Is there a backlog of work orders? **Yes** **No**

If a backlog exists, indicate the current number of work orders: _____

Number between: 1-3 days: _____ Number between 4-7 days: _____

Number more than one week: _____

Comments:

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l. Who is provided copies of completed work orders? *(Indicate all that apply below)*

- Tenant Tenant's File Maintenance Staff Other (please specify) _____

Comments:

m. Is there documentation by unit that indicates the date of purchase, manufacturer, model, and serial number for appliance purchases (e.g., ranges, refrigerators, furnaces, air conditioners, hot water heaters, etc.)? **Yes** **No**

Comments:

n. If applicable, does Tenant file contain the required lead-base paint documentations.

- Yes** **No** **N/A**

Comments:

5. Vacancy and Turnover	Score:	C5
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a. List vacancy activity for the past six months and indicate the number for each month.

JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
<u>1BD</u>											
#	#	#	#	#	#	#	#	#	#	#	#
<u>2BD</u>											
#	#	#	#	#	#	#	#	#	#	#	#
<u>3BD</u>											
#	#	#	#	#	#	#	#	#	#	#	#
<u>4BD</u>											
#	#	#	#	#	#	#	#	#	#	#	#

b. How many units were vacant on the date of the on-site visit?

- # One-bedroom _____ # Two-bedroom _____
 # Three-bedroom _____ # Four-Bedroom _____

1. Number Ready for Occupancy: _____
2. Number Not Ready for Occupancy: _____
3. Average Length of time for unit turnover: _____

Comments:

c. Walk through at least two vacant units that are ready for occupancy. Assess and document unit readiness.

Walk through any units that are not rent ready and over the 30 day limit to turn unit.

- Note unit(s) and reason for unit not being rent ready. _____
 What are your biggest frustrations in operating this property? _____
(KHC reserves the right to walk all vacant units)

Comments:

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d. Based on the interview with on-site staff, what factors have contributed to vacancy problems?
(Indicate all that apply below.)

- Security Problems
- Project Reputation
- Location
- Tenant/Management Relations
- Bedroom Mix/Size (If yes, indicate which bedroom sizes are hard to rent) _____
- Other (please specify)
- What is/are the primary reason(s) for move-outs?
- Non-competitive Amenities
- Poor Maintenance
- Lack of Demand
- Inadequate Marketing
- Rents too High

Is the reputation of the complex improving or declining based on the community's perspective?

Yes No

Comments:

e. Does the advertising program comply with the existing affirmative fair housing marketing plan?

Yes No

Is the current affirmative fair housing marketing plan been in place 5 years or more?

Yes No

If yes, when was the plan last reviewed to determine if revisions were needed? _____

Are changes needed to the current advertising program to improve vacancies?

Yes No

Note: If new management company, verify a new affirmative fair housing marketing plan has been submitted.

Comments:

f. What actions are being taken by the owner/agent to resolve vacancy issues?

Please describe:

6. Energy Conservation

Score:

C6

a. Has management attempted to reduce energy consumption? Yes No (Indicate all that apply)
(Since these projects will have just been PIS, note here various energy conservation methods the project utilizes.)

- Caulking and weather-stripping
- Storm doors and windows
- Water saver devices
- Assessment of Utility Rate Schedule
- None
- Conversion to individual metering
- Consumer education
- Extra insulation
- Other (please specify) _____

Comments:

<i>D. FINANCIAL MANAGEMENT/PROCUREMENT</i>

7. Budget Management	Score:	D7
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- a. Does the owner/agent's staff have access to the current operating budget to monitor and control expenses? **Yes** **No** **N/A**

Comments:

- b. Is an operating budget prepared annually and approved by the owner?
Yes **No** **N/A**

If yes, obtain a copy of the current year's budget.

Comments:

- c. Are monthly or quarterly reports prepared by the owner/agent indicating variances between actual income and expenses versus budgeted income and expenses?
Yes **No** **N/A**

Note: Make note if monthly or quarterly or if any variances in the last six months.
 KHC practice is to review most recent 6 months of budget vs. actual

Comments:

8. Cash Controls	Score:	D8
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- a. Does balance in security deposit trust account equal or exceed liability?
Yes **No**

Liability _____ Balance in Security Deposit Account _____

If no, explain how deficit will be funded.

- b. If security deposits are invested in an interest-bearing account, is interest passed through to tenants or transferred to project account? **Yes** **No**

Comments:

- c. Are collections deposited on the day received or, pending deposit, are they properly controlled?
Yes **No**

Comments:

- d. Are adequate controls over cash acceptable? **Yes** **No**

What check controls used:

- Pre-numbered rent receipts
- Bank collections
- Safe
- Lock box

Comments:

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e. Do different persons handle bank deposits and accounts receivable, or is an alternative safeguard used? **Yes** **No**

Indicate Names and Titles: _____

Comments:

f. Are all disbursement checks pre-numbered, properly identified with account numbers and supported by vouchers or invoices? **Yes** **No**

Comments:

g. Is the supply of unused checks adequately safeguarded or under the custody of persons who do not sign checks manually, control the use of facsimile signature plates, or operate the facsimile signature machine? **Yes** **No**

Comments:

h. Are funds (e.g., receipts, disbursements, petty cash, etc.) periodically checked on a surprise basis by a responsible official (other than site employees)? **Yes** **No**

Comments:

i. Are bank statements reconciled promptly upon receipt by someone other than check signer and by one who has no cash receipt or disbursement function? **Yes** **No**

Comments:

9. Cost Controls

Score:

D9

a. Are bills (including mortgage payment) paid in sufficient time to avoid late penalties?
Yes **No** **N/A**

Are there any late fees, escrow or mortgage payments due to KHC at this time?

Yes **No**

Note: If any balances are due, note in comments the results of discussion with owner/managing agent.

Comments:

b. Are operating expenses (including insurance and utilities) periodically reviewed to assure that project is paying the lowest possible rate? **Yes** **No** **N/A**

Has an assessment of the Utility Rate Schedule been performed?

Yes **No** **N/A**

c. What is the effective date of last utility allowance adjustment: _____

If a utility allowance was approved was it implemented within 90 days? **Yes** **NO**

Does this project use a UA other than the published PHA UA? **Yes** **NO**

If so, was it approved by KHC? **Yes** **NO** Date approved by KHC _____

Comments:

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<input type="checkbox"/> Trash Collection		\$
<input type="checkbox"/> Decorating		\$
<input type="checkbox"/> Grounds		\$
<input type="checkbox"/> Other		\$

Comments:

11. Accounts Receivable/Payable	Score:	D11
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a. Complete the following as of end of last month.

Cash \$_____ Accounts Receivable \$_____ Accounts Payable \$_____

Are tenant accounts receivable within acceptable limits (10% of one month's rent potential)?
Yes **No**

Amount of receivables above is _____% of monthly rents due from tenants.
 Of this amount, \$_____ is more than 30 days past due.

Comments:

b. Does procedure for write-off of bad debts appear reasonable? **Yes** **No**

Describe procedure:

Has annual financial audit shown "write-off of tenants' accounts receivable for the last two fiscal years been a significant issue? **Yes** **No**

Comments:

c. Are accounts payable reasonably current? **Yes** **No**

Indicate amount of accounts payable more than 60 days old: \$_____

Note any programmatic fees due in Comments.

What is the owner/agent plans to reduce outstanding payables?

Has owner discussed with Syndicator if Syndicator is associated with project. **Yes** **No**

Comments:

d. What is the effective date of the last rent adjustment? (Date of last rent adjustment): _____

Comments:

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12. Accounting and Bookkeeping

Score:

D12

- a. Check books of accounts maintained. Indicate where books may be examined.
O – Owner’s office; A – Agent’s office; P – Project site

- General Ledger** (____) **Rent Receivable Ledger** (____)
 General Journal (____) **Cash Receipts Journal** (____)
 Cash Disbursements Journal (____)
 Accounts Payable Journal (____)

Comments

- b. Are all required project accounts in the name of the project in a federally insured account?
Yes **No**

Comments:

- c. Are operating funds, security deposits, reserve funds, and flexible subsidy funds maintained in separate accounts and properly secured for authorized use? **Yes** **No**

Comments:

- d. Does the mortgagor make frequent postings (at least monthly) to the ledger accounts?
Yes **No**

Comments:

- e. If there are automobiles and/or charge cards charged to the project, are the titles in the name of the project?
Yes **No**

Comments:

E. LEASING AND OCCUPANCY

13. Application Processing/Tenant

Score:

E13

- a. Does the application form contain sufficient information to determine applicant eligibility?
Yes **No**

Comments:

- b. Does the owner/agent have a written tenant selection plan? **Yes** **No**

Obtain a copy (Best Practice)

Comments:

- c. What steps has the owner/agent taken to market to targeted population as pledged in application and noted in legal documents?

Please describe:

Comments:

d. Is the affirmative fair housing sign posted in the rental office? **Yes** **No**

Comments:

e. Is the fair housing logo included in published advertising materials? **Yes** **No**

Comments:

Non-Scoring Questions:

f. Are you aware of any new properties being planned or built?

Name your three major competitors:

Property Name: _____ Total Units: _____ Distance: _____

Property Name: _____ Total Units: _____ Distance: _____

Property Name: _____ Total Units: _____ Distance: _____

Do you lose tenants to the above properties? **Yes** **No** **Unknown**

Are your local properties offering concessions? **Yes** **No** **Unknown**

If yes, what kind of concessions? _____

How frequently? _____

g. Who processes and certifies applicants/tenants? _____

Is there subsequent management approval? _____

14. Tenant File Security

Score:

E14

a. Are the files locked and secured in a confidential manner? **Yes** **No**

Comments:

b. Is access to tenant file information limited to only authorized staff? **Yes** **No**

Comments:

c. Who is authorized to have access to the tenant files?

Indicate Name(s) and Title(s): _____

Comments:

15. Summary of Tenant File Review

Score:

E15

a. Are the tenant files organized and properly maintained.

Yes

No

Comments:

b. Number of Files with Deficiencies: _____

Note deficiencies:

Comments:

F. TENANT/MANAGEMENT RELATIONS

16. Tenant Concerns

Score:

F16

a. Is there a written procedure to resolve tenant complaints or concerns?

Yes

No

If yes, review a copy.

Comments:

b. Does the procedure adequately cover appeals?

Yes

No

Comments:

c. Is tenant involvement in project operations encouraged?

Yes

No

Comments:

17. Provision of Tenant Services	Score:	F17
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What social services are provided by either project or neighborhood, which meet the tenants' needs? (Below, indicate services available and identify entity providing the service (e.g., city/county/state, church/school, community groups, etc. and any cost to project.)

Service	Provider	Financial Source
<input type="checkbox"/> Child Care		
<input type="checkbox"/> Recreation		
<input type="checkbox"/> Health Care		
<input type="checkbox"/> Energy Conservation		
<input type="checkbox"/> Vocational Training/Job Training		
<input type="checkbox"/> Meals		
<input type="checkbox"/> Financial Counseling		
<input type="checkbox"/> Substance Abuse Counseling		
<input type="checkbox"/> Service Coordinator		
<input type="checkbox"/> Neighborhood Networks Center		
<input type="checkbox"/> Other (please specify)		

Has Management considered partnering with social services to offer any of the above services?

Yes **No** **N/A**

Comments:

<i>G. GENERAL MANAGEMENT PRACTICES</i>

18. General Management Operations	Score:	G18
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a. Have the complaints, as noted on the Desk Review, been satisfactorily resolved?

Yes **No** **N/A**

Comments:

b. Is the project staff able to adequately perform management and maintenance functions?

Yes **No**

Comments:

c. How does the owner/agent implement changes in policies and procedures as dictated by the funding source(s). Further clarify that such changes may be as dictated by the funding source(s) used in the development of the project, ie, IRS, HUD, KHC.

Describe the process: _____

Comments:

d. When was the last Physical Assessment Capital Needs Assessment performed to determine future Reserve for Replacement needs? Date _____

If a CNA was not conducted, why not? _____

When will one be conducted? Date: _____

(Rule of thumb—one should be conducted at least once every fifteen years.)

Note: Request a copy. (KHC has a template for how to perform a physical assessment on their website)

Comments:

e. Does owner/agent have a formal ongoing training program for its staff?

Yes **No** **N/A**

If yes, indicate types of training used and the frequency:

Type	Frequency
<input type="checkbox"/> On-Site	
<input type="checkbox"/> HUD Seminars	
<input type="checkbox"/> Energy Conservation	
<input type="checkbox"/> Industry/Association Training	
<input type="checkbox"/> Local Colleges	
<input type="checkbox"/> Other (please specify)	

Comments:

f. Are reports submitted to the owner from the management agent? **Yes** **No**

List types of reports that are submitted and when they are submitted in comments.

Comments:

g. Are there signs enabling persons to locate the office? **Yes** **No**

Comments:

h. Are after hours/emergency telephone numbers posted? **Yes** **No**

Comments:

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- i. List current insurance coverage (property, liability, Directors and Officers, workman's compensation, automobile). (Check to make sure that KHC is listed as an additional loss payee, if applicable. Also, check to make sure that the insurance policy is in the name of the mortgagor entity.)

Type	Basic Coverage	Annual Premium
Property		
Liability		
Other (please specify)		

Comments:

- j. Does the owner/agent have a fidelity bond? Yes No N/A

Comments:

- k. Does owner/agent have a system or procedure for providing field supervision of on-site personnel?
Yes No N/A

Comments:

19. Staffing and Personnel Practices **Score: G19**

- a. List all on-site staff charged primarily to the project. (Use additional sheets if necessary).

Staff Person	Date Hired	% of Time Charged to Site	Unit Size	Is the Employee Receiving Subsidy? Yes <input type="checkbox"/> No <input type="checkbox"/>	Is the Employee occupying a Non-Income Producing Unit? Yes <input type="checkbox"/> No <input type="checkbox"/>
				Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
				Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
				Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
				Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
				Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

Comments: