



Contract Monitoring Risk-Based Policy Memorandum

To: Recipients of DOH's OHFS Funding

From: Jennifer DiGiallonardo, Federal Team Housing Assets Team Manager

Re: Contract Monitoring Risk-Based Policy - effective 4/28/2025

Summary

To successfully conduct contract monitoring of all projects, DOH's Office of Housing Finance and Sustainability (OHFS) has developed a risk-based monitoring strategy to ensure that assisted affordable housing units comply with the applicable state statutes and federal regulations.

Background

All DOH-assisted properties are subject to contract monitoring. In most cases, the final retainage payment is not released until the project is successfully monitored and all outstanding findings are sufficiently corrected. The project is closed out after contract monitoring is complete and all funds have been disbursed. Project closeout is the beginning of the period of affordability enforced through the Use Covenant and Regulatory Agreement, which will typically last 30-40 years from the date of project closeout.

Additionally, all HOME Investment Partnership Program (HOME) and/or Housing Trust Fund (HTF)-assisted properties are subject to annual monitoring throughout the HUD period of affordability. Recipients of HOME and HTF funds should refer to the Long-Term Monitoring Risk-Based Policy, linked at the end of this memo.





Definitions

Contract Monitoring

Compliance monitoring of a property is completed prior to project closeout. Contract Monitoring typically consists of: a household file review, an administrative interview with property staff, and a physical inspection of a certain number of units and the property in its entirety. Contract Monitoring is always on-site, with some exceptions:

- Infrastructure only or acquisition of land only, in which the DOH award was intended to facilitate future development of affordable housing, rather than resulting in immediate development of affordable housing.
- Homeownership development projects may have an optional on-site visit.

Project Closeout

Projects are closed through DOH's Accounting team. Once the project is successfully monitored and closed, the Asset Manager will send a closeout letter indicating the date of the project's closeout date. The period of affordability typically begins on the date of project closeout.

Temporarily Out of Compliance

The property does not comply with the DOH-restricted unit mix. This occurs when the household residing in the assisted unit is not qualified. This can occur when the DOH-assisted unit is vacant; however, during the initial lease-up/sales, this is typically not a concern except in cases of significant delays and insufficient actions taken to lease/sell units.

High-Risk

The property has demonstrated concerns that could affect the state's investment and jeopardize the property's long-term affordability. These concerns are directly related to compliance with federal and state regulations.

Physical Inspections

DOH utilizes the Uniform Physical Condition Standards or Housing Quality Standards for unit and overall property inspections. DOH requires Property Management to



provide written notice, as described in the lease agreement, to households for their unit inspections and all other households for the inspection of the property, including shared spaces, common areas, etc. DOH requires a response for life-threatening deficiencies within 24 hours and 30 days for all other non-life-threatening deficiencies. DOH may allow an extension via written requests when work is anticipated to take longer than 30 days.

Household File Review

Household files will be reviewed to ensure compliance with all federal and state regulations. DOH will review initial eligibility and recertification documents for the households in DOH-assisted units. In homeownership projects, the homebuyer file must be initially reviewed prior to entering into a contract with a potential homebuyer for a DOH-assisted unit. The monitoring of the file occurs after closing and includes a review of the purchase and sale agreement and closing documents. In rental projects, the household files will be monitored either in person at the property or requested ahead of time to be sent electronically. DOH staff use a file checklist to monitor the files.

Administrative Interview/Review

Prior to the on-site visit, DOH monitors Owners and Property Management's policies and procedures for tenant/homebuyer selection and protections, financial and managerial viability, property standards, and compliance with the Use Covenant. On the day of the monitoring, DOH will interview property/compliance staff by asking the questions listed in the current Administrative Review form. DOH will also ask for any clarification needed on the documents reviewed.

Policy

Physical Inspections

DOH must inspect the greatest of 20% of the total DOH-assisted units (rounded up to the nearest whole number) or a minimum of 4.



Minimum Unit Sample Size Chart - Physical Inspections*

Number of DOH-assisted units in the project	Number of units selected for inspection
1-20	4
21-25	5
26-30	6
31-35	7
36-40	8

(*Asset Manager may request to inspect more units than specified in the chart above)

Projects may be deemed high-risk for the following reasons, but are not limited to:

- Notice of inspection or proper notice was not given to the household.
- Resident(s) complained about the timeliness of work orders.
- Complaints about the condition of the property have been mentioned in the news/media.
- A pattern of life-threatening deficiencies, i.e., no smoke detectors in all units or lack of hot water.

Household File Review

DOH has elected to monitor a percentage of the total DOH-assisted units to minimize the time it takes to monitor and focus on projects needing technical assistance. DOH will notify Property Management which household files will be selected based on:

1. Tenant-based voucher holders (if applicable)
2. Random selection

The number of files DOH will review is determined by:

- If 5 or fewer DOH-assisted units, review all DOH-assisted household files.
- If 6 or more units, review a minimum of 4 plus 15% of the total units in addition to the 4 units, rounded to the nearest whole number.



Minimum Unit Sample Size Chart - File Review*

Number of DOH-assisted units in the project	Number of units selected for file review
1	1
2	2
3	3
4	4
5-9	5
10-16	6
17-23	7
24-29	8
30-36	9
37-40	10

(*Asset Manager may request to review more files than specified in the chart above)

Projects may be deemed high-risk for the following reasons, but are not limited to:

- A pattern of repeated household file review findings within the same management company across projects.
- A pattern of repeated rent overcharges.

Administrative Review

DOH requests that all administrative documentation be provided electronically for review one week prior to the monitoring.

Projects may be deemed high-risk for the following reasons, but are not limited to:

- Significant delays in leasing units and insufficient actions taken to fill DOH-assisted units.
- Any instance of a unit being incorrectly designated or having the status of temporarily out of compliance.
- Property identified as receiving complaints from residents or concerning publicity and/or concerns from partner agencies (both internal offices and external partner agencies).



- Reported difficulties in staffing or limited staffing capacity reported to or observed by Asset Management.

Monitoring Letter

The Asset Manager will issue a monitoring letter that describes the required corrective actions, due within 30 days of letter issuance.

Projects may be deemed high-risk for the following reasons, but are not limited to:

- The corrective action was not submitted in a timely manner.
- Escalation letter required.

High-Risk Status

As outlined above, properties with DOH units that are temporarily out of compliance or demonstrating another risk factor are considered high risk. A project will not be closed out and final retainage payment will not be released until all DOH-assisted units comply, units are demonstrated to be in decent, safe, and sanitary condition, and administrative concerns have been addressed. Management must obtain additional documentation, submit work orders, and/or work on floating the assistance to no longer be temporarily out of compliance. Failure to respond to monitoring letters will result in escalation letters.

Next steps for properties deemed high-risk

Properties deemed to be high risk must participate in a follow-up call with management/owner/compliance staff after the monitoring letter is issued to cover concerns and why the project is being deemed high risk. If appropriate, a plan for submitting corrective action in a timely and comprehensive fashion will be required.

Corrective Action required based on the reason for the high-risk status:

- Plan to obtain 100% occupancy to include marketing efforts.
- Plan to cure or address resident complaints.
- Plan to fill vacant positions, outreach/recruiting, and build out staff capacity.



- Plan to re-designate or float assistance to an income-eligible household, or plan to repay the rent overcharge to the tenant or voucher administrator.
- Required compliance training.

Outcomes of continued high-risk status include:

- The Owner and/or Property Manager will be categorized as high risk in the Pro/Con presented to DOH's Review Committee and the State Housing Board.
- Resolution of outstanding compliance findings or monitoring is included as a condition of future awards.
- Escalation letters are sent directly to the Owner from Program Managers, OHFS Directors, or DOH Director.
- Impact on the opportunity to apply for future funding.

Related Documents

- [Long-Term Monitoring Risk-Based Policy](#)