



Preparing for the SHIP Monitor: Part 1

Sponsored by the Florida Housing Finance Corporation's Catalyst Program

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- Handouts are available for your review.
- This webinar is being recorded and will be available at www.flhousing.org
- Use headphones for best audio
- A survey will immediately follow the webinar; *please* complete it! Thanks!



Overview Part 1 and 2

Part 1

- Overview of the Monitoring Process
- Elements of Compliance: File Documentation
- Annual Report Responsibilities

Part 2

- Eligibility Determination
- Administrative Procedures, including LHAP
- Monitoring Sub Recipients and Sponsors
- Monitoring Rental Housing

<https://register.gotowebinar.com/register/4929340849876663820>

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The 10 Most Common Observations Over Time

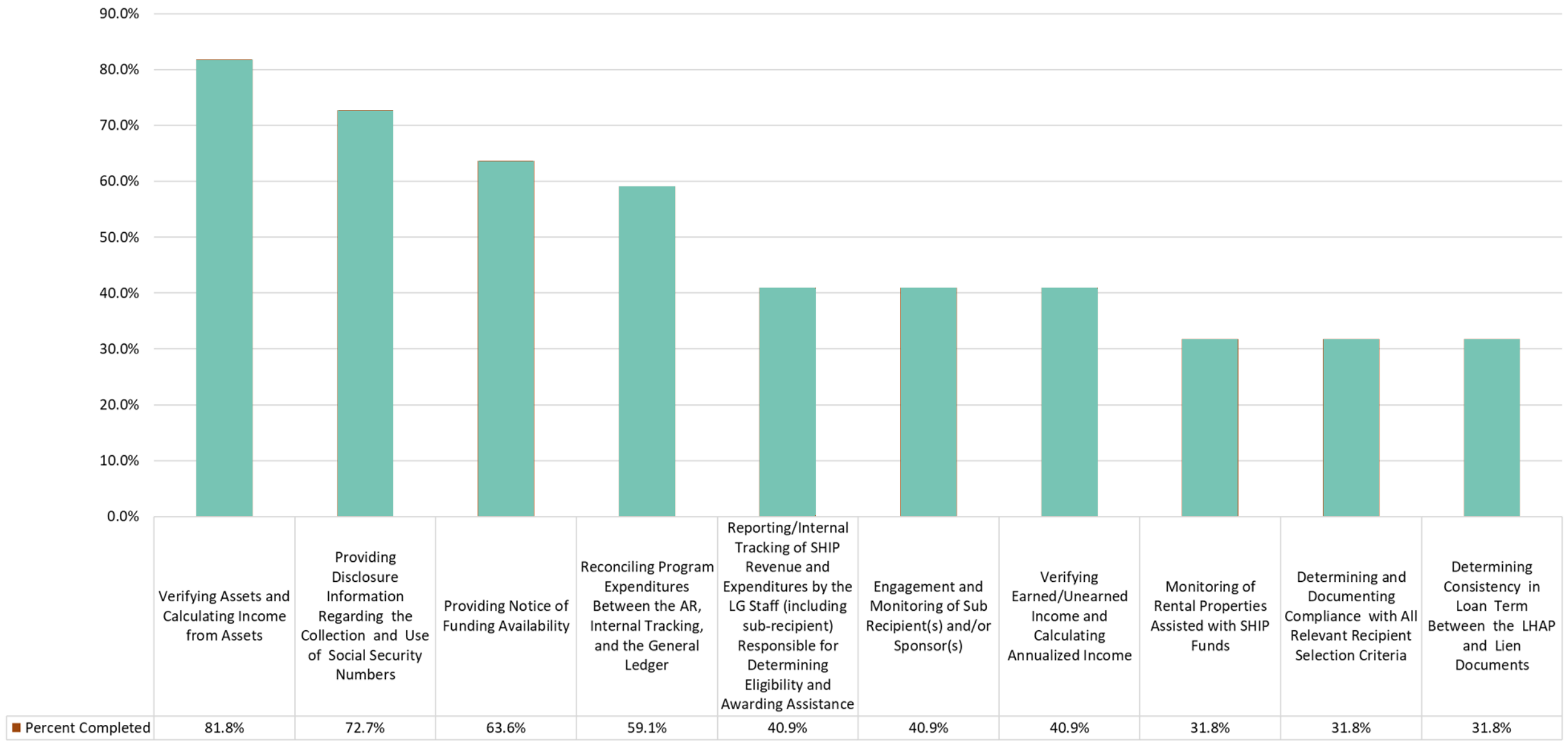
Monitoring Findings 10 Years Ago

TOP FINDINGS	FREQUENCY
1. Inaccurate or Incomplete Income / Assets Verifications	20
2. Missing required documents	14
3. Inaccurate or Incomplete Income Certifications	12
4. Inaccurate tracking of cases and / or expenditures	10
5. Exceeding maximum award	6
6. Exceeding maximum income limits	4
7. Discrepancy between LHAP and lien document	4
8. Funding sources not clearly identified	4
9. Exceeding 120-day clock	3
10. Lack of clear policies and procedures	3

Three Years Ago

TOP FINDINGS

- Differences between LHAP, written agreements, and note & mortgage
- LHAP amendments/revisions not submitted to FHFC for review
- Not monitoring rental projects
- Not advertising, Not properly advertising funding
- Improper verification process or documentation
- Income certification form errors
- Insufficient sub recipient documentation in LHAP, Annual Reports and Contracts
- Discrepancies between annual report, the general ledger, tracking spreadsheets, and applicant's file
- Rehab projects: failure to document compliance with purchase price limits
- Incomplete application or file



Regulatory Compliance Requirements

Monitoring in SHIP Rule: **Section 67-37.019 (1)-(6)**

- Maintain a financial tracking system
- Annual Gross Income... verified and certified
- Income calculated by annualizing verified sources... income limits cannot be exceeded
- Entity... assisting rental developments shall monitor annually, determine tenant eligibility... at least for 15 years



Robin Fowler

SHIP Compliance Monitoring Administrator

- Updates
- Tips
- Best Practices



FHFC Monitoring Staff

Robin Fowler

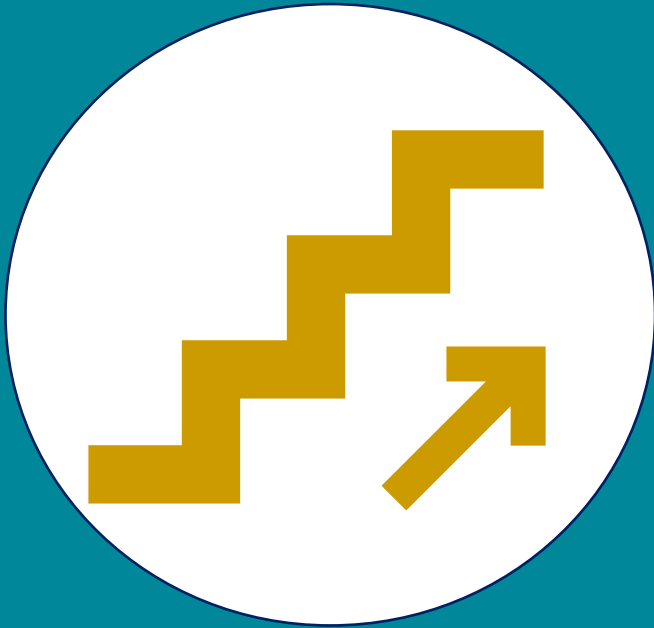
Glenda Lang

Russ Polzer

Debbie Wedoe



Steps of the Review



1. Email and SHIP Questionnaire
2. Conference Call
3. Introduction letter
4. Remote Desk Audit
5. Site Visits (when feasible)
6. Examination of Records
7. Complete review
8. Meet with staff to report observations
9. E-mail Monitoring Report
10. Local Government Response
11. Close out letter

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The Questionnaire

See Handout	
Staff	Rental Properties
Subrecipient/Sponsor	NOFA/Waiting List
LHAP and Interlocal Agreement	AHAC Advertisement if applicable
Definition of income	Manufactured housing
File checklist	General Ledger
Project Delivery and Program Income	Chief elected official
Financial Tracking and Reconciliation	

Documents Requested



- New Staff notification to FHFC
- Subrecipient and sponsor agreements
- Most current Local Housing Assistance Plan
- File Checklist
- Tracking System
- Finance Dept. general ledger information
- NOFA or waiting list
- Advertisements for annual report
- Addresses for rental properties
- AHAC notice
- Chief Elected Official Contact Information
- Other items may be requested

Analysis of a Monitoring Report

Purpose of Review:

- Compliance with F.S., F.A.C. and LHAP
- 65% Homeownership set-aside
- 75% construction
- 20% special needs
- 20% cap on mobile homes
- 30% Very low and 30% low income set-asides
- 10% for admin

Monitoring Report Sections

1. Overview of SHIP Program
2. Authorization and Purpose of Compliance
3. Monitoring Participants and Exit Interview Attendees
4. Monitoring Objectives, Resources and Sample Selection
5. Activity Summary by Fiscal Year
6. Material Observations
7. Nonmaterial Observations
8. Conclusions

Changes

- a. To the greatest extent possible, FHFC will schedule an LG's review to occur during the same year in which the LG's new LHAP is to be submitted to FHFC. This process will help the LG in expecting when its next review will take place. This process also allows FHFC to develop monitoring schedules for the next three years.
- b. FHFC will divide the calendar year into quarters and schedule reviews to occur during specific quarters.

Changes

c. When requesting documents, FHFC make the request anywhere from one month to month and have before each quarter begins. Doing so allows the LG sufficient time to submit all requested documents to us before the submission deadline, which is typically 1 – 2 weeks before the quarter begins. Doing so also helps to ensure that the monitors have all information they need at the time they are ready to begin the review, so there is no lag time between our request for documents and the beginning of our work. These changes aid in shortening the length of our reviews.

d. LGs should submit all requested documents by the submission deadline. Submitting documents after the deadline creates more problems for both the monitors and the LG.

E-mail Notification of Upcoming Monitoring

From: Robin Fowler

Sent: Tuesday, May 31, 2022 8:31 PM

Subject: NOTICE OF UPCOMING SHIP-HHRP-CRF MONITORING

Importance: High

Dear Colleague:

We hope this email finds you, your co-workers, and your families safe and well.

During the third quarter of 2022, our office will be conducting a monitoring of FHFC housing programs administered through your office which may include:

SHIP FY 19-20

HHRP FY 19-20 and 20/21 (IF APPLICABLE)

CRF FY 20-21

Please see the attached documents:

- **FHFC Compliance Monitoring Plan** – provides an overview of FHFC's monitoring process including the requirements that are evaluated and the source documents reviewed.
- **FHFC Monitoring Checklist** – provides the checklist monitors will use
- **LG Monitoring Questionnaire** – collects additional information needed to determine additional documents that may need to be requested and/or items that may need to be added to the LG's monitoring scope

Questionnaire



SHIP Compliance Monitoring Program Monitoring Questionnaire

Monitoring Year: Calendar Year 2022

Funding Sources Monitored: SHIP, HHRP, CRF

Local Government Name: _____

County Name: _____

State Fiscal Year Allocations to be Monitored

SHIP FY 19-20	HHRP FY 19-20/20-21	CRF FY 20-21
------------------	------------------------	-----------------

Please provide detailed responses to the following questions.

GENERAL INFORMATION ALL FUNDING SOURCES

Program Office – Location

1. What is the name and location of the program unit (office/department/division) responsible for administering the LG's housing assistance programs including SHIP, HHRP, and CRF funds?

Monitoring Checklist

Florida Housing Finance Corporation (FHFC) Monitoring Checklist

ADMINISTRATIVE REVIEW

[illegible]

CLIENT FILE REVIEW

[illegible]

FHFC Monitoring Plan

Florida Housing Finance Corporation

SHIP Compliance Monitoring Program

Monitoring Plans for Special Programs - State Housing Initiatives Partnership (SHIP), Hurricane Housing Recovery Program (HHRP), and Coronavirus Relief Fund (CRF) Program

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Section I.

Authority and Purpose of Compliance Monitoring

Authority

Florida Housing's authority to monitor LG's use of SHIP, HHRP, and CRF funds is established as follows:

SHIP

Per F.S. 420.9075(9), *"The corporation shall monitor the activities of local governments to determine compliance with program requirements and shall collect data on the operation and achievements of housing partnerships."*

HHRP

Per paragraph 22 of the HHRP Funding Agreement, *"Grantee must be subject to compliance monitoring during the years in which funds are Expended and up to three years following the closeout of all funds."*

CRF

Section II.

Monitoring Participants & Exit Interview Attendees

The LG's [Enter the name of each funding source; SHIP, HHRP, and/or CRF, as appropriate] program(s) is/are [modify as appropriate] administered by [Enter the name of the department/division/office responsible for administering the program, such as "the City of Gainesville Housing and Community Development Division"], under the direction of the [Enter governing authority, such as "...Board of County Commissioners, ...City Council, Commission, etc.].

Location & Dates

Monitoring Type:	[Enter Monitoring Type, i.e. Desk-Top Review]
Date of Entrance Interview:	[Enter Date]
Date of Exit Interview:	[Enter Date]

Participants

	Name	Job Title	Attended Exit Interview (Y or N)
FHFC:	[Enter Staff Name]	[Enter Staff Title]	[Enter Value]
	[Enter Staff Name]	[Enter Staff Title]	[Enter Value]
LG:	[Enter Staff Name]	[Enter Staff Title]	[Enter Value]

Section III.

Monitoring Objective, Resources, and Sample Selection

Monitoring Objective

The objective of this monitoring is to determine the LG's level of compliance in administering its SHIP, HHRP, and or CRF distributions used to fund eligible activities and costs and eligible units and households in a manner consistent with applicable laws, regulations, and policies.

The activities, households, and costs examined as part of this monitoring were those being tracked by the LG at the time the LG was notified of the upcoming monitoring and the request for information was made.

Resources

In evaluating LG compliance, the following essential resources are utilized by FHFC monitoring staff:

- An approved Local Housing Assistance Plan (LHAP)
- An executed Hurricane Housing Recovery Program (HHRP) Agreement
- An executed Coronavirus Relief Program (CRF) Agreement
- LG Housing Office internal tracking of program encumbrances/expenditures
- LG executed agreements with Sub Recipients, Sub-Grantee's, Sponsors, and Housing Education providers
- LG award maximums established for each program and housing activity
- LG general ledger information
- Client files for a sampling of program participants

Additional resources are examined as determined by the monitoring scope.¹

Section IV.

Material Observations

(Requires Responses from the LG)



A. SELECT ADMINISTRATIVE ACTIVITIES⁶

For the funding programs and fiscal years monitored, select administrative activities were evaluated and included an examination of the essential documents previously described.⁷

For monitoring of select administrative activities, a “**material observation**” refers to an error, omission, or violation of an administrative activity that is required under either applicable statutes, administrative codes, laws, regulations, or agreements, including the LHAP and/or executed HHRP and CRF Agreements, and for which one or more of the following apply:

1. No documentation was found that confirmed the activity had been performed
2. Documentation examined revealed the activity was performed in a manner inconsistent with the regulatory resources listed above
3. The error, omission, or violation may result in an adverse financial impact
4. The error, omission, or violation was noted to have occurred frequently throughout the examination of client files.

Section V.

Prior Monitoring – (Review and Additional Work)

A compliance monitoring report was last issued for this LG in [ENTER MONTH AND YEAR THE LAST MONITORING REPORT WAS ISSUED]. This monitoring included a review of the prior report to determine whether any follow-up work may be needed to verify whether one or more corrective actions were taken to resolve noted issues.

There were no outstanding issues from the prior monitoring that required additional examination as part of this most recent monitoring. [FOR USE WHEN MONITORING DID NOT INCLUDE ANY FOLLOW-UP WORK FOR OUTSTANDING ISSUES FROM THE PRIOR MONITORING. IF FOLLOW-UP WORK WAS PERFORMED, DELETE THIS PARAGRAPH.]

This monitoring included additional work related to the following outstanding issues identified during the last monitoring of this LG: [IF NO FOLLOW-UP WORK WAS PERFORMED, DELETE THIS PARAGRAPH.] [INSERT ADDITIONAL TABLES AS NEEDED]:

Observation #:	[Enter Observation #]		
Monitoring Activity:	[Enter Activity]		
Client Name	Funding Source	Fiscal Year	Strategy
[Enter Client Name]			
[Enter Client Name]			
[Enter Client Name]			

Section VI.

Nonmaterial Observations

(Responses from the LG Not Required)

For monitoring of select administrative, income eligibility, and program activities, a “**nonmaterial observation**” refers to an error or omission or violation which is in conflict with applicable statutes, administrative codes, laws, regulations, or agreements, including the LHAP and/or executed HHRP and CRF Agreements and for which one or more of the following apply:

1. The error, omission, or violation does not result in an adverse impact on the eligibility of the household or the housing unit to receive assistance
2. The error, omission, or violation does not result in an adverse financial impact
3. Instances of an error, omission, or violation are infrequent or are isolated

Section VII.

Conclusion

For those selected requirements evaluated during this monitoring, the focus was on identifying instances of both material and nonmaterial noncompliance so that such instances may be corrected, and appropriate actions taken, that would preclude a future recurrence.

It should be noted that this monitoring and the resulting observations were based on a sampling of program activities and does not relieve the LG of its responsibility to assure compliance in all areas of its program activities.

Recapture

The monitoring revealed no instances where a recapture of SHIP funds is required. [FOR USE WHERE NO RECAPTURE IS IDENTIFIED. DELETE THE FOLLOWING PARAGRAPH.]

A recapture of SHIP funds may be required based upon the corrective action take to address the following: [FOR USE WHEN A RECAPTURE OF FUNDS IS ANTICIPATED. DELETE THE ABOVE SENTENCE.]

Observation #	Activity

Monitoring Report Includes Local Government Response

SHIP Rule: 67-37.019 (7)

- Submit a written response to the Material Observations
- Response submitted within 30 days
- Include an explanation and/or remedy
- A plan for correcting issues with timeline
- Plan for repayment of ineligible expenses

Local Government Responses

Examples of the Good, Bad and Ugly

Good: State new policies:

"This department has undergone personnel changes. Previous staff processed the files that were reviewed. Current staff will do ____ to avoid this observation in the future."

GIVE SPECIFICS



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Current Monitoring Observations

Examples of the Good, Bad and Ugly

BAD: Response to expenditure
deadline non-compliance

"Certainly every effort is made to expend funds timely and we have historically met deadlines, but a jurisdiction as vast and diverse as the County would not be able to adhere to these constraints as they would pose an undue burden...."



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Current Monitoring Observations

Examples of the Good, Bad and Ugly

UGLY: Response to a county using
SHIP funds to meet cash flow needs:

"The board was not aware of any state law
or regulation that restricted the use of SHIP
funds"



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Current Monitoring Observations

Implications of Non-Compliance SHIP Rule 67-37.019 (8)

Pattern of Violation: (8) If ... an eligible jurisdiction has established a pattern of violation ... the Corporation shall report such pattern of violation to the Executive Office of the Governor ... **distribution of program funds... will be suspended.**

If Funds are Suspended: Corrective Action Plan

- The eligible jurisdiction shall develop a corrective action plan (CAP) within 60 days
- Propose corrective action for each violation
- Implement within 3 months of the CAP's approval by Florida Housing
- Upon approval of the CAP, program funds will be distributed.

File Documentation



Document, Document, Document

- The file should tell the story. Income and asset calculations should be detailed when explaining how amounts were calculated.
- Handwrite on the calculations to explain when needed.
- Note the file regarding any phone conversation you have with either the client or when using oral verification.
- This is particularly helpful when staff turnover occurs (which happens frequently).
- Having detailed calculations provides new staff with no prior experience with the opportunity to review past files and learn from them.

If Unsure...

- Contact the Florida Housing Coalition for assistance
- Use online resources
- Contact other LG's if you need to create a document or need ideas on program administration



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Segregate Documents in your File

- Application, income certification, and verifications in one section
- Strategy-specific documents in another section

Example:

For purchase assistance, the contract for sale/purchase, the closing disclosure. In the payment section a copy of the check for each payment, etc.

Upon closing of the project

- Review the client file to see if any forms can be removed.
 - For example, fax cover sheets, verification request forms that are blank, duplicate copies of items (a lot of files reviewed by monitors include duplicate bank statements).
- If possible, have a second staff member review the income calculations to ensure accuracy and proper verification.

No Source of Income

- When a household includes adults who are unemployed and have no source of income, document the file to include this information.
- While some LGs document this circumstance, not all LGs do.



File Guidance

- File Checklist
- Date stamp all verifications
- All documents: signed, dated
- Security Agreement: signed, dated, recorded
- Consistency in file documentation and organization



File Documentation for All SHIP Files

- Application for Program Assistance
 - Signed by all household members over 18
- Identification for all household members
 - example: copy of Driver's License
- Authorization for the Release of Information Form
 - Signed by all household members over 18
- Income and asset Verification Forms
 - All household members

The Application or File Contains...

- **Public Records Statement:** Household members understand that all documents are subject to Chapter 119 of Florida's public records laws.
- **Release of Information:** Signed statement by all adult household members consenting to verification of income and asset information.
- **Social Security Number:** City/County must give written explanation of purpose and authority for collecting social security numbers.
- **Warning:** Florida Statute 817 provides that willful false statements or misrepresentation concerning income and assets or liabilities relating to financial condition is a misdemeanor of the first degree and is punishable by fines and imprisonment provided under §775.082 or 775.083.

More File Documentation

- Income Certification Form
 - Signed by all household members 18 years of age or older
 - Effective date, funding year
- Detailed income calculations
 - All income and assets
- Fund encumbrance and expenditure
 - When funds were encumbered and fully expended
- Recorded Lien Document with Default Provisions

Rehabilitation File Documentation

- Change Orders (if applicable)
- Construction Payment Requests
- Work Inspection Report(s)
- Interim and Final Payments
- Certificate of Completion
- LHAP specific requirements
(ex. Insurance required, no liens)

- Proof of Property Ownership
- Initial Property Inspection
- Work Write-up & Cost Estimate
- Contractor(s) Bid or Proposals
- Documentation of Contractor
Licensure
- Contractor/Homeowner Contract

The background image shows a residential house with a brown tiled roof. A large blue tarp is draped over a portion of the roof, secured with white weights. A white chimney with a gold-colored top is visible on the right side of the roof. In the foreground, there are several green palm trees. The sky is blue with some light clouds. A semi-transparent white circle is overlaid on the left side of the image, containing the text.

For Rehabilitation Projects: Right of Rescission

Give applicant 3 days to change their minds and cancel the loan

OR

Have City/County attorney review the TILA regulations and issue a statement that its not needed.
Place this written determination in your file

Purchase Assistance Documentation

- Contract for Purchase (maximum Value)
- Loan Disclosure Forms (cash contribution)
- Copy of First Mortgage Document (affordability)
- Copy first mortgage Title Insurance (clear title)
- LHAP specific requirements (example:
Counseling certificate, cash contribution)

If Rehab Included:

- List of repairs and proof repairs completed
- Final Inspection Report/pictures
- Certificate of Occupancy



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Problems with Files

- Incomplete application or other forms
- Income Certification errors
- Missing required documents
- Discrepancy between LHAP and Lien documents
- Documentation of Special Needs (SSDI, SSI)

SHIP File Retention Policy

- **Cases Assisted:** Wait five years after loan has been released/satisfied, provided audits have been released, whichever is later.
- **Cases Not Assisted:** Retain for four years after Closeout Annual Report for that SHIP Distribution has been submitted.



Retention Examples

EXAMPLE: 15/16 Emergency Recipient's assistance is granted

- Audits are released after expenditure deadline of June 30, 2018.
- Keep file until June 30, 2023

EXAMPLE: 16/17 Buyer's assistance has 10-year lien.

- Keep file for 5 years after lien expires.



Annual Report Responsibilities



Key Reporting Principles

- 3 years to spend SHIP, so you often have money from multiple FY allocations.
- Each year, submit 3 annual reports for 3 distributions
- Generally, **“First received, First expended”**
- Strive to pay recipient’s total assistance from only one SHIP allocation

Meet your Set-Asides

Homeownership Set-aside

65% of Distribution + Recaptured Funds

- Housing Counseling expenditures do not count towards the Homeownership Set-Aside

Construction/Rehab Set-aside

75% of Distribution + Recaptured Funds

The Income Set-Aside



1. At least 30% of all Revenue for Very Low
2. At least 60% for VLI and Low combined

Special Needs Set-Aside

20% of Allocation for household meeting statutory definition of Special Needs

Types of Special Needs defined in S.420.0004

- Developmental Disabilities (DD)
- Receives SSD/SSI or other Disability Benefits
- Youth Aging Out of Foster Care
- Survivor of Domestic Violence
- Person with Disabling Condition requiring Independent Living Services



Tracking Spreadsheet

- Keep up to date (recommend at least monthly)
- General Ledger Reconciliation-Track revenues and expenditures
- Track compliance with set asides-Homeownership, Construction, Income, and Special Needs
- Record SHIP program income received
- Expend and Encumber funds within timeline
- Do not exceed administration cap
- Record collected disbursements from FHFC

SHIP Data Upload Form

- Used for annual report
- Get most current from extranet reference tab
- One upload form for each closeout year
- Does not show set aside compliance unless uploaded
- Closeout year and interim 1 year data required
- Update regularly to see progress

Good Relationship with Finance

- City and County are responsible for compliance not just the Housing Department
- It's the City and County that receives the revenue
- The Chief elected official signs the certification on behalf of the local government
- Tracking and reconciliation are required by rule and statute
- Running a good program is everyone's responsibility

Establish a Procedure to Reconcile

- Reconcile daily, weekly, monthly not annually
- Establish a process for the Finance Department and the SHIP administrator to periodically reconcile their independent tracking of SHIP expenditures
- Request that the Finance Department place the applicant's name or client number on each expense record
- Related Common Problem: Discrepancies between file docs and tracking spreadsheet

The Difference Between Encumbered and Expended

“Encumbered”: Deposits made to the local housing trust fund have been committed by contract, purchase order, or letter of commitment.

“Expended” or “Spent”:

1. Activities are complete. Certificate of Occupancy or Completion
2. The unit is occupied by an eligible household
3. SHIP funds have paid for the cost of the activity

Track Program Income

- Bank Interest
- Sale of Property
- Repayment of Loans
- Refinance
- Foreclosure



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Program Income

- Reported in the year it is received regardless of when assistance is provided
- Rules of that LHAP apply
- Admin 5% unless you receive \$350,000 or less, then 10%
- Tracked in finance and tracking reports
- Track different types of program income for reporting purposes
- Recapture not program income

Manufactured Housing Tracking

- If you assist manufactured housing, track to ensure that 20% is not exceeded.
- Download updated tracking spreadsheet: <http://www.flhousing.org/wp-content/uploads/2016/03/TRAKSHIP-w-Sp-Needs-Manufactured-housing.xls>

Compliance With Minimum Statutory Set-asides

	Target	%	Actual	%
65% Home Ownership requirement:	\$0.00	65%	\$0.00	#DIV/0!
75% Construction requirement:	\$0.00	75%	\$0.00	#DIV/0!
At least 30% Very Low Income:	\$0.00	30%	\$0.00	#DIV/0!
At least 30% Low Income:	\$0.00	30%	\$0.00	#DIV/0!
Up to 40% Moderate Income:	\$0.00	40%	\$0.00	#DIV/0!
At least 20% Special Needs:	\$0.00	20%	\$0.00	#DIV/0!

Up to 20% for Manufactured Housing: \$0.00 #DIV/0!

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Mobile Homes

Monitors look for:

- Proof of installation after 1994
- Proof that it was installed by a licensed installer

Check public records and add to file documentation



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Group Homes

If the group homes is licensed as a facility to serve special needs and provide operational and residential services for special needs households, the occupants will count toward the 20% special needs set aside. Example: ARC

- Documentation: copy of state license

Or...

Include documentation that each resident meets the definition of special needs

Questions & Evaluation



Please complete the evaluation!



Questions?

Contact Aida at:

andujar@flhousing.org

954-593-8988



Contact Tamara at:

west@flhousing.org

850-518-2235

Technical Assistance Hotline: 1-800-677-4548