

**UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT**

Rural Business Cooperative Service	601 Business Loop 70 West	(573)876-0976
Rural Housing Service	Parkade Center, Suite 235	FAX (573)876-0977
Rural Utilities Service	Columbia, MO 65203	TDD (573)876-9480

For Administrative Use Only

Missouri RD AN No. 1404 (1930-C)

December 2, 2002

TO: All Rural Development Managers and
Community Development Managers

/s/

FROM: GREGORY C. BRANUM
State Director, Rural Development

SUBJECT: MANAGEMENT COMPANY REVIEWS

PURPOSE/INTENDED OUTCOME: To provide guidance for a consistent method of reviewing accounting records when such records are located at the Management Company.

COMPARISON WITH PREVIOUS AN: This administrative notice replaces MO AN No. 1386 dated January 16, 2002.

BACKGROUND: History has shown that management companies have typically not presented accounting records and book keeping information during the supervisory visit process. This may be attributed to the fact that much information has been automated and is not as readily available. In addition, the volume of business conducted by the management companies, warrants that the accounting and bookkeeping transactions be maintained in the respective home offices.

In an effort to improve agency effectiveness, we will be continuing with the team concept for performing reviews of RRH borrower's accounting records which are maintained by a Management Company. The benefits provided to the management company will include an in-house review and thus eliminate the transport of files and critical borrower information to the site which in turn should reduce management company costs and travel.

IMPLEMENTATION RESPONSIBILITIES: Reviews of MFH borrower accounting records will be conducted at the selected management companies as outlined in Attachment A. Based on surveys of our Area Offices and Management Companies, these reviews should be conducted sometime between June 1, 2003 and August 31, 2003. The management companies selected for reviews are for only those where a supervisory visit is due to be performed this fiscal year.

EXPIRATION DATE:
September 30, 2003

FILING INSTRUCTION: Preceding
Rural Development Inst. 1930-C

Five of these reviews will be performed by a team comprising of a State Office representative, a Rural Development Specialist and one Community Development Manager or Specialist as assigned by the Area Rural Development Manager. It was determined that the team should have no more than 3 people serving on it and that the State Office representative shall be the team leader. Additional members may be added if needed. The teams will use Attachment B for reviewing the borrower accounting records.

The team leader will be responsible for scheduling and coordinating the review with respective team members, area offices, and the management company. The team leader should use Attachment C for notifying the management company. The affected area offices will be requested to provide any particular concerns for their borrowers to the team leader. The team will review the accounting records for those borrowers which have supervisory visits scheduled to be performed sometime during this fiscal year. For those management companies that have more than 5 planned supervisory visits for this fiscal year, the team will randomly select 5 of these to do a detailed review on. In addition to this, the team will obtain account balances for all planned supervisory visits that were not selected for a detailed review. In other words, we will not be reviewing all accounting records in detail but only a sampling to determine if there are any trends or weaknesses. Borrowers will not have to bring their accounting records to the supervisory visit if they are scheduled for a management company review, however, they will be requested to provide bank account balances at the time of the visit. **No ledgers, checkbooks, receipts, etc. will be needed at the supervisory visit if the borrower is listed in Attachment A and there is a team assigned to perform a review.**

There are some reviews identified in Attachment A that do not have a State Office member assigned due to the small number of records to be reviewed or because previous reviews reflected no findings or concerns. The same type of review should be done for these by the assigned team is so noted in Attachment A.

Upon completion of the review, the team leader will be responsible for reporting the findings to the Area Offices and to the Management Company. Attachment D is provided for your use in notifying the borrower. It will be the team's responsibility to resolve any concerns. An exit conference will be held with the management company prior to departure followed up with a written report/letter.

Annually, the State Office will run a report from MFIS3 to determine the planned supervisory visits for each fiscal year to determine what management companies will be reviewed. The State Office will recommend team assignments with the approval of the Rural Development Manager. The Rural Development Manager should notify our housing section by February 28, 2003, as to who will be representing the Area Office and Local Office for these reviews for this fiscal year.

Also, as these reviews are being performed, we would appreciate your comments, suggestions, and/or recommendations to improve the process.

Note: The Attachment A is being provided under separate cover.