



UNITED STATES
DEPARTMENT OF
AGRICULTURE

Rural
Development

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Rural Business & Cooperative Service
Rural Housing Service
Rural Utilities Service

November 20, 2003

SUBJECT: Supplemental Annual Report Requirements for all
Multi-Family Housing (MFH) Projects

TO: Area Directors
Area Specialists
Civil Rights Manager
USDA, Rural Development, Washington State

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide notification of supplemental requirements for all MFH annual reports.

COMPARISON WITH PREVIOUS AN:

This AN replaces Washington AN 895 (1930-C) dated September 24, 2002 which expired September 30, 2003.

IMPLEMENTATION RESPONSIBILITIES:

This AN provides notification of supplemental annual report requirements regarding information that will be used to identify certain transactions and information not currently being reported or not readily ascertainable from existing report requirements. This information will be included as a supplement to the audit reports conducted by the CPA firm or as a supplement to Form RD 1930-8 "Multiple Family Housing Borrower Balance Sheet" for projects not requiring an audit. This includes all nonprofit entities and public housing authorities. The following additional information should be provided:

1. Specific indication of any identity of interest, as defined by USDA Rural Development (RD) regulations, which exists between the management firm, any maintenance firm, suppliers, vendors, or any other entity used to provide services or supplies to the project. Briefly describe the type and method of transactions involved for any such identity of interest firm/entity.

EXPIRATION DATE: November 30, 2004

FILING INSTRUCTIONS:
Following RD Instruction 1930-C

2. Ascertain whether the owner and/or management agent have received any kickbacks, discounts and/or rebates from any bank handling project funds, any lease, contracts, and/or national vendor accounts, that was not deposited in project accounts.
3. Reconcile the management fee paid to the management agent and identify all funds paid to the management firm in excess of the approved management fee. Describe in sufficient detail the calculation used in determining the management fee listed on Form RD 1930-7 "Multiple Family Housing Project Budget" for the current fiscal year. Explain any differences in the management fee as indicated in the audit.
4. For each project bank account, confirm and identify the account title, name of the financial institution in which deposited, account balance, and the interest rate. If the account is a non-interest bearing account, please indicate as such. Also, note who has actual control of the account, whether the owner, management agent, or another person/entity, and whether project accounts are encumbered in any manner.
5. List all types of insurance coverage on the project including insurance company name, period of coverage, and dollar amount of such coverage.
6. State the total cash paid to the owner in the year being audited, including any Return on Investment (ROI) received by the owner during the audit year and previous years.
7. Reconcile the ending Reserve Account balance showing: required amount as of Fiscal Year end; amount to be deposited per loan agreement; list of all approved withdrawals identified; actual verified balance; and the ahead/behind status.
8. During the first six (6) years of the loan, include a statement concerning the two percent (2%) initial operating capital, including the amount remaining or the date and amount returned to owner.
9. Provide an aging schedule for all receivables and payables.
10. Provide a description of the borrower entity, including borrower Tax Identification Number (TIN), and a list of all general and limited partners with related percent of ownership and percent of profits and losses. For each general partner provide a TIN or Social Security Number as appropriate and address. For each limited partner with 10% or more interest, provide the same identification as for general partner. Describe any change in the partnership that occurred during the audit period. For nonprofit organizations and public housing authorities, provide the information on all current board members.

/s/

JACKIE J. GLEASON
State Director