



## What to Know About File Organization

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Are your resident files organized? Are your past resident files secured? If the allocating agency arrived at your property today for a file audit, would they be able to easily review your files?

The above may have struck a bit of panic, but files that aren't organized or can't be located are costing time and more importantly, money and risk the loss of credits.

A quick search on any search engine will bring up pages upon pages of ideas on organizing paperwork...of taming the 'paperwork tiger'. What this should tell us is that many of us struggle with paperwork. So, where do we begin?

First, we need to identify what it is we need to store and where we need to store it.

For any given affordable housing property, we have resident files, maintenance records and many other records that pertain to the day-to-day operation of the property.

Our first focus is on the resident files. These are the files that prove that we are housing those that the property's restrictive covenant requires. A resident file should contain the documents for initial screening, program qualification and leasing. In addition, all the subsequent certification documents as required by the IRS, allocating agency or possibly investors should be located in the file. Most likely documents pertaining to unit condition are in the file. This would be the move-in inspection, annual unit inspections and correspondence pertaining to such. General correspondence with the resident should also be part of this file.

What type of files should be used and where should they be kept? Many owners choose to use a multi-part hard file to keep documents grouped by function. Suggested sections; 1) screening documents from move-in. 2) Lease documents 3) program certification documentation 4) unit inspection documents (unless housed in a property-wide file) and 5) correspondence.

The best practice is to build these sections with the oldest set of documents on the bottom of the section and adding more recent documents to the top. It is very helpful to have something to delineate between years or actions. This can be as simple as inserting a colored page between. Within these sections, be logical and consistent on the order of the papers.

Some allocation agencies have a required file set up that must be followed, but if not, here is a suggestion for a certification packet. The first document would be the signed Tenant Income Certification (TIC). Next a questionnaire of income and assets. After this questionnaire would be



the verifications that support the numbers used on the TIC. A good practice would be to have these verifications organized in the order they appear on the TIC e.g. wages then Social Security, then Child Support and so on. Also, if there are multiple people in the household be sure that all their verifications are included in a logical order. If any of the verification documents were incomplete or unclear, a clarification record documenting the steps taken to obtain the needed information should immediately follow that verification. For instance, a resident's Social Security payments are in an overpayment situation. To count the adjusted amount, proof of the time period of the overpayment recapture would need to be present in the file to justify the annual amount calculated.

Lastly, student status certifications. If the household is made up entirely of full-time students but they meet one of the five student rule exceptions, those documents should be filed with that student certification. An example of this would be a divorce decree or a tax return to show that the single parent has at least one dependent child.

Regarding the forms used for the certification process, many allocating agencies have required forms that must be used. Be sure to use their form(s) and also watch for form updates. For a variety of reasons, agencies will update forms making the older version obsolete. Use of an outdated form could cause audit findings and trigger non-compliance with the agency.

A word about unit inspections and maintenance work orders. Many allocation agencies will want to see proof that annual unit inspections occur. If they are not kept in a property file and not the resident file, you may be asked to provide these documents as part of the review response. Also, some agencies will look at a sample of work orders in order to gauge how long it takes for repairs to be made. If these are stored in a property file, the agency will ask to see these so having these work orders organized will help expedite this process.

A question that often comes up is that of file retention. First and foremost, since these files have personal identifying information for all residents, they should be in a safe and secure location.

How long does an owner (and all subsequent owners) need to keep resident files? Files for the residents that originally qualified the units must be retained for a minimum of 21 years after the first-year credits are claimed. For households qualified in years 2-15, the suggestion is that these files be kept for a minimum of 6 years beyond the deadline for filing the tax returns for a year. If for some reason any of these resident qualifications are deemed not qualified, it will fall to the next household certification that can show compliance with the program rules. Not having these files available could put credits at risk and could trigger a recapture situation with the IRS. This is a costly mistake that can happen without good site control.



Can files be maintained electronically? In 1997, the IRS issued [Revenue Procedure 97-22](#). This document outlines the parameters for keeping electronic copies of files. Be aware that some of the technologies noted in the document have been rendered obsolete. Anyone have a “COLD” (computer output to laser disk) reader around? But I digress. Scanning files to have a redundant copy is a practical idea and have often been the only way to prove that a household was qualified.

Are your resident files organized? Are your past resident files secured? If the allocating agency arrived at your property today for a file audit, would they be able to easily review your files?

Be intentional and consistent with file organization to avoid frustration and costly mistakes.

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