



# RCI Compliance Basics



# RCI Compliance Basics



## AGENDA

- **Legal Compliance Checklists**
- **Monthly Asset Manager Compliance Checklists**
- **Development Draw Reviews**
- **Other Development Monitoring Required by Section 2885**
- **Project Compliance and Partnering Visit Checklist**
- **Internal Controls Compliance Checklist**



# RCI Compliance Basics



## WHAT ARE THE LEGAL COMPLIANCE CHECKLISTS?

- **Legal Compliance Checklists (ref. PAM Handbook 5.0, Appendix A.1)**
  - A series of documents that include key legal compliance items from the transaction documents. There is a different checklist created to summarize each critical legal document – thus there are typically between 5 and 7 component checklists
  - First page is a standardized summary of the agreement’s purpose, key topics of focus, and key players referred to by the legal term in that document, translating each party’s reference into RCI vernacular, and then lists the particular individual(s) that each applies to at the project
  - At any project, terms like “Owner” or “Member” can mean different people between different documents, so it is a benefit to the project that these terms be clarified with the on-the ground RCI roles
  - The component checklists organize tasks into one of five frequency groups: Annual Tasks, Semi-Annual Tasks, Quarterly Tasks, Monthly Tasks and Standing Tasks
  - A Standing Task applies for all areas of management or oversight that either happen every day when needed
  - The other tasks are expected to occur at specific intervals (every month, quarter or year) and, as such, the Asset Management Team and the Partner must collaborate how to best implement procedures to ensure compliance



# RCI Compliance Basics



## WHAT ARE THE LEGAL COMPLIANCE CHECKLISTS?

- **Legal Compliance Checklists (ref. PAM Handbook 5.0, Appendix A.1) (cont.)**
  - “It is the fiduciary duty of each party to follow the requirements in the legal documents; the Legal Compliance Checklists serve as a means of ensuring these activities take place as prescribed”
  - To produce customized Legal Compliance Checklists for a specific RCI project, the ACSIM Program Manager (ACSIM PM) reviews all final transaction documents for task or compliance-related action items
  - These compliance-related action items are extracted and placed into the Legal Compliance Checklists at transaction closing
  - The ACSIM PM then coordinates with the RCI Asset Manager and Managing Member to communicate and finalize the parties’ responsibilities for ensuring compliance specific to their project
  - When there is a change to the executed legal documents, the Legal Compliance Checklists should be reviewed and amended if necessary
  - Conscientious use of the Legal Compliance Checklists reduces financial risks to the project



# RCI Compliance Basics



## WHAT ARE THE MONTHLY RCI AM COMPLIANCE REPORTS?

- **Monthly RCI AM Compliance Reports required by 10 U.S.C. Section 2885(a)(1)**
  - “The installation asset manager shall conduct monthly site visits and provide quarterly reports on the progress of the construction or renovation of the housing units. The reports shall be submitted quarterly to the assistant secretary for installations and environment of the respective military department”
- **Implementation guidance for these Monthly RCI AM Compliance Reports provided in PAM Handbook 5.0, Appendix A.1**
  - “RCI Asset Manager will meet monthly with the construction team and Managing Member to review the construction and renovation delivery schedule and construction spend”
  - “RCI Asset Manager will collect the construction draws and maintain copies of all reports required under the Development Agreement and Construction Contract”
- **Of all the tools to support installation-level reporting -- Monthly RCI AM Compliance Report; Monthly Asset Management Meetings; PAM Quarterly Asset Report; Program Evaluation Report (PER); Monthly Dashboard; Construction Draws; Development and Construction Reports; and Change Order Documents -- the Monthly RCI AM Compliance Report is the tool that shows the most direct demonstration of active Army oversight in compliance with the 2885 language underlined above**
- **The next two slides are a refresher on how to certify these reports**



# RCI Compliance Basics



## MONTHLY COMPLIANCE REPORT ACTION ITEMS

- **Conduct Drive-by of all Neighborhoods**
- **Meet with Construction Manager and Third Party Construction Consultant**
- **Review Construction Draw and Provide Copy to OACSIM**
- **Review all Proposed Change Orders and Provide Copies to OACSIM**
- **Review Copies of All Reports Required by Construction Contract (and Development Agreement) and Provide Copies to OACSIM**
- **Review Compliance Checklists for Development, Construction and Renovation Agreements**

Assistant Chief of Staff for Installation Management Public Private Initiatives Division RCI Asset Manager Monthly Compliance Report		
Installation:	Reporting Month:	
OACSIM Program Manager:	RCI Asset Manager:	
Action	Date Completed	Result / Documentation
Conduct Drive-by of all Neighborhoods		
Meet with Construction Manager and Third Party Construction Consultant		
Review Construction Draw and Provide Copy to OACSIM		
Review all Proposed Change Orders and Provide Copies to OACSIM		
Review Copies of All Reports Required by Construction Contract and Provide Copies to OACSIM		
Review Copies of All Reports Required by Development Agreement and Provide Copies to OACSIM		
Review Development Agreement Compliance Checklist		
Review Construction/Renovation Agreement Compliance Checklist		
Review Renovation Agreement Compliance Checklist		
Reviews and inspections completed as noted above:		
		Signature: RCI Asset Manager      Date



# RCI Compliance Basics



## MONTHLY OCCURRENCE

- **This report documents that the RCI AM has, on a monthly basis:**
  - Received and reviewed Construction Draws, proposed change orders, and any other reports required by the legal documents
  - Ensured that Change Orders are not diminishing scope obligations
  - Met with the Construction Manager and Construction Consultant
  - Utilized the Compliance Checklists to identify areas of non-compliance with the Operating, Prop Mgmt, Dev, and Construction Agreements
  - Has conducted a drive-through of all neighborhoods to identify any issues with construction activity and progress
- **RCI AMs should have these reports available for review at ASV**

Assistant Chief of Staff for Installation Management Public Private Initiatives Division RCI Asset Manager Monthly Compliance Report		
Installation:	Reporting Month:	
OACSIM Program Manager:	RCI Asset Manager:	
Action	Date Completed	Result / Documentation
Conduct Drive-by of all Neighborhoods		
Meet with Construction Manager and Third Party Construction Consultant		
Review Construction Draw and Provide Copy to OACSIM		
Review all Proposed Change Orders and Provide Copies to OACSIM		
Review Copies of All Reports Required by Construction Contract and Provide Copies to OACSIM		
Review Copies of All Reports Required by Development Agreement and Provide Copies to OACSIM		
Review Development Agreement Compliance Checklist		
Review Construction/Renovation Agreement Compliance Checklist		
Review Renovation Agreement Compliance Checklist		
Reviews and inspections completed as noted above:		
		Signature: RCI Asset Manager _____ Date _____



# RCI Compliance Basics



## DEVELOPMENT DRAW REVIEWS – SUGGESTIONS

- **Don't drive yourself crazy with details – it's only cash flow**
  - Validate total complete matches observed progress
    - Do scratch pad summary of variances
    - Interested in the bottom line, not details
  - Raise substantive variances for discussion
    - Not confrontational, in project's interests
    - Focus on systematic or cumulative effects, not isolated issues
- **Briefly review overall Development Draw**
  - Similar to contractor SOV
  - Includes soft costs, contingency, fees, closing costs, etc.
  - Normally very little volatility
- **Promote non-intrusive engagement with Contractor & Owner**
  - Observe Lender's Inspector visit if possible
  - Brief meeting to discuss observations/questions
  - Recognize most issues can be corrected the following month
- **Should take no more than a half hour to review**
  - After initial familiarization and without follow-up discussions



# RCI Compliance Basics



## COVER PAGE OF CONTRACTOR PAY APPLICATION

APPLICATION AND CERTIFICATE FOR PAYMENT		AIA DOCUMENT G702		PAGE 1 of 6 PAGES																		
TO (OWNER) <b>Ft XYZ Housing</b> XXXXXXXXXXXX Anywhere, CA		PROJECT: 1,200 PPV Housing Units Job No. XXXXXXXXXXXX Fort XYZ, CA		<table border="1"> <tr> <td>Request #</td> <td>42-A</td> </tr> <tr> <td>PERIOD TO:</td> <td>30-Nov-08</td> </tr> </table>		Request #	42-A	PERIOD TO:	30-Nov-08													
Request #	42-A																					
PERIOD TO:	30-Nov-08																					
CONTRACTOR: <b>ABC Construction</b> XXXXXXXXXXXX XXXXXXXXXXXX		LENDER: <b>XYZ</b> 100 S. Main Anytown, USA		Inspection By :																		
<b>CONTRACTOR'S APPLICATION FOR PAYMENT</b> Application is made for Payment, as shown below, in connection with the Contract Continuation Sheet, AIA Document G703, is attached		The undersigned Contractor certifies that to the best of the Contractors knowledge, information and belief the Work has progressed as indicated, the quality of the work is in accordance with the Contract Documents, and the Contractor is entitled to payment in the AMOUNT CERTIFIED.		<div style="border: 2px solid blue; padding: 10px; text-align: center;"> <b>Contract Value, Change Orders and Total Billed to Date</b> </div>																		
<table border="1"> <tr> <td>1. ORIGINAL CONTRACT SUM</td> <td>\$201,779,082.00</td> </tr> <tr> <td>2. NET CHANGE BY CHANGE ORDERS</td> <td>\$122,000.00</td> </tr> <tr> <td>3. CONTRACT SUM TO DATE (Line 1+2)</td> <td>\$201,901,082.00</td> </tr> <tr> <td>4. TOTAL COMPLETED AND STORED TO DATE</td> <td>\$87,202,416.49</td> </tr> <tr> <td>4a. TOTAL CHANGE ORDERS COMPLETED TO DATE</td> <td>\$136,000.00</td> </tr> </table>		1. ORIGINAL CONTRACT SUM	\$201,779,082.00	2. NET CHANGE BY CHANGE ORDERS	\$122,000.00	3. CONTRACT SUM TO DATE (Line 1+2)	\$201,901,082.00	4. TOTAL COMPLETED AND STORED TO DATE	\$87,202,416.49	4a. TOTAL CHANGE ORDERS COMPLETED TO DATE	\$136,000.00	Contractor for Work performed in accordance with the Contract Documents, and the Contractor is entitled to payment in the AMOUNT CERTIFIED.		Date <b>9/29/08</b>								
1. ORIGINAL CONTRACT SUM	\$201,779,082.00																					
2. NET CHANGE BY CHANGE ORDERS	\$122,000.00																					
3. CONTRACT SUM TO DATE (Line 1+2)	\$201,901,082.00																					
4. TOTAL COMPLETED AND STORED TO DATE	\$87,202,416.49																					
4a. TOTAL CHANGE ORDERS COMPLETED TO DATE	\$136,000.00																					
<table border="1"> <tr> <td colspan="2">5. RETAINAGE</td> </tr> <tr> <td>a. Value of Completed Work Being Retained</td> <td>\$3,766,916.62</td> </tr> <tr> <td>b. 0% of Stored Material</td> <td>\$0.00</td> </tr> <tr> <td>Total Retainage (Line 5a+5b)</td> <td>\$3,766,916.62</td> </tr> </table>		5. RETAINAGE		a. Value of Completed Work Being Retained	\$3,766,916.62	b. 0% of Stored Material	\$0.00	Total Retainage (Line 5a+5b)	\$3,766,916.62	By _____ State of XXXXXXXXXXXX Subscribed and sworn to before me this _____ day of _____, 2008		Notary Public: My Commission expires:										
5. RETAINAGE																						
a. Value of Completed Work Being Retained	\$3,766,916.62																					
b. 0% of Stored Material	\$0.00																					
Total Retainage (Line 5a+5b)	\$3,766,916.62																					
<table border="1"> <tr> <td>6. TOTAL EARNED LESS RETAINAGE (Line 4 less Line 5 Total)</td> <td>\$83,571,499.87</td> </tr> <tr> <td>7. LESS PREVIOUS CERTIFICATES PAYMENT (Line 8 from prior Certificate)</td> <td>\$80,182,272.17</td> </tr> <tr> <td>8. CURRENT PAYMENT DUE</td> <td>\$3,389,227.70</td> </tr> <tr> <td>9. BALANCE TO FINISH, PLUS RETAINAGE (Line 3 less Line 6)</td> <td>\$118,329,582.13</td> </tr> </table>		6. TOTAL EARNED LESS RETAINAGE (Line 4 less Line 5 Total)	\$83,571,499.87	7. LESS PREVIOUS CERTIFICATES PAYMENT (Line 8 from prior Certificate)	\$80,182,272.17	8. CURRENT PAYMENT DUE	\$3,389,227.70	9. BALANCE TO FINISH, PLUS RETAINAGE (Line 3 less Line 6)	\$118,329,582.13	<b>PROJECT MANAGERS CERTIFICATE FOR PAYMENT</b> In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Project Manager certifies to the Owner that to the best of his/her knowledge, information and belief the Work has progressed as indicated, the quality of the work is in accordance with the Contract Documents, and the Contractor is entitled to payment in the AMOUNT CERTIFIED.		<b>AMOUNT CERTIFIED</b> <b>\$3,389,227.70</b>										
6. TOTAL EARNED LESS RETAINAGE (Line 4 less Line 5 Total)	\$83,571,499.87																					
7. LESS PREVIOUS CERTIFICATES PAYMENT (Line 8 from prior Certificate)	\$80,182,272.17																					
8. CURRENT PAYMENT DUE	\$3,389,227.70																					
9. BALANCE TO FINISH, PLUS RETAINAGE (Line 3 less Line 6)	\$118,329,582.13																					
<table border="1"> <tr> <td colspan="3">CHANGE ORDER SUMMARY</td> </tr> <tr> <td rowspan="2">Change Orders approved in previous months by Owner</td> <td>ADDITIONS</td> <td>DELETIONS</td> </tr> <tr> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>Approved this month *(see explanation attached)</td> <td>145,000.00</td> <td>23,000.00</td> </tr> <tr> <td>TOTALS</td> <td>\$145,000.00</td> <td>-\$23,000.00</td> </tr> <tr> <td>Net change by Change Orders</td> <td colspan="2">\$122,000.00</td> </tr> </table>		CHANGE ORDER SUMMARY			Change Orders approved in previous months by Owner	ADDITIONS	DELETIONS	0.00	0.00	Approved this month *(see explanation attached)	145,000.00	23,000.00	TOTALS	\$145,000.00	-\$23,000.00	Net change by Change Orders	\$122,000.00		PROJECT MANAGERS CERTIFICATE FOR PAYMENT BY: <b>Joe Manager, Project Manager</b>		This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this contract.	
CHANGE ORDER SUMMARY																						
Change Orders approved in previous months by Owner	ADDITIONS	DELETIONS																				
	0.00	0.00																				
Approved this month *(see explanation attached)	145,000.00	23,000.00																				
TOTALS	\$145,000.00	-\$23,000.00																				
Net change by Change Orders	\$122,000.00																					
<small>DOCUMENT G702 * APPLICATION AND CERTIFICATE FOR PAYMENT * MAY 1983 EDITION * AIA * 1983 THE AMERICAN INSTITUTE OF ARCHITECTS, 1735 NEW YORK AVENUE, N.W., WASHINGTON, D.C. 20006</small>																						



# RCI Compliance Basics



## SCHEDULE OF VALUES – SUMMARY & COs

### SUMMARY

42-A

PAGE 2 of 6 PAGES

### ORIGINAL CONTRACT

PERIOD TO: 30-Nov-08

Line Item Ref. No.	Description of Work Items	Original Contract Amount	Total Units	Unit	Value per Unit	Value Completed This Period	Value Completed to Date	Total Percent Complete
1	OVERHEAD	\$24,950,451.00	1	Each	\$24,950,451.00	\$345,877.81	\$11,980,156.49	48.02%
2	SITWORK	\$50,736,162.00	1	Ea			\$23,054,602.11	45.44%
3	BUILDINGS	\$117,699,629.00	1	Ea			\$50,235,995.39	42.68%
4	Community Center	\$2,487,700.00	1	Ea			\$0.00	0.00%
5	Maintenance Building	\$419,640.00	1	Ea			\$419,640.00	100.00%
6	Guard Station	\$210,000.00	1	Ea			\$0.00	0.00%
7	Renovate Existing Housing Units	\$5,275,500.00	1	Ea			\$1,512,022.50	28.66%
	<b>Total Original Contract</b>	<b>\$201,779,082.00</b>				<b>\$3,987,285.68</b>	<b>\$87,202,416.49</b>	<b>43.22%</b>

If summary provided use % complete as reality check for field observations

### CHANGE ORDERS

C.O. Ref. No.	Description of Work Items	CHANGE ORDER VALUES		TOTAL COMPLETED TO DATE	
		AMOUNT	AMOUNT of ADDITIVE ITEMS	AMOUNT	Percentage
1	Unforeseen debris removal	\$145,000.00	\$145,000.00	\$136,000.00	93.79%
2	Delete tennis courts	\$23,000.00			0.00%
		\$0.00			0.00%
		\$0.00			0.00%

Review detailed listing of change orders and ensure you understand them

## Housing the Force 2025

UNCLASSIFIED



# RCI Compliance Basics



## GENERAL CONDITIONS & FEES

TO: XYZ  
100 S. Main  
Anytown, USA

Project Location: Fort XYZ, CA

Project No. # Job No. XXXXXXXXXXXX	Contract No. XXXXXXXXXX	Contract Awarded February 1, 2007		
---------------------------------------	----------------------------	--------------------------------------	--	--

Contractor ABC Construction XXXXXXXXXXXXXX XXXXXXXXXXXXXX	Description of Contract 1,200 PPV Housing Units Fort XYZ, CA
---	--

Original Contract Completion: Date:	
--	--

Item Ref.	Description of Work Items	Original Contract Value	Total % of Constr or # of Units	Unit of Measure	Value per Unit of Measure	Total 'Units' Complete Last	Amount Complete This Period	Total Complete	Value Complete This Period	Previous Balance Complete	Value Complete to Date	Total % Complete
<b>OVERHEAD</b>												
1	General Conditions	\$3,000,000.00	53	Months	\$56,603.77					\$1,584,905.56	\$1,641,509.33	54.72%
2	CCIP Insurance	\$1,743,089.00	1	LS	\$1,743,089.00					\$1,699,522.00	\$1,699,522.00	97.50%
3	Bond	\$1,660,164.00	1	LS	\$1,660,164.00					\$1,660,164.00	\$1,660,164.00	48.92%
4	Site Design	\$777,314.00	1	LS	\$777,314.00					\$777,314.00	\$777,314.00	100.00%
5	Bldg Design	\$1,932,686.00	1	LS	\$1,932,686.00					\$1,932,686.00	\$1,932,686.00	100.00%
6	Construction Overhead	\$3,796,180.00	53	Months	\$71,248.87					\$2,005,529.12	\$2,077,155.16	54.72%
7	Permits & Utility Connect Fees	\$4,458,624.00	1	LS	\$4,458,624.00	0.68		0.68	\$0.00	\$3,039,806.00	\$3,039,806.00	68.18%
8	Profit	\$7,582,394.00	1	LS	\$7,582,394.00	0.00		0.00	\$0.00	\$0.00	\$0.00	0.00%
<b>Total Overhead</b>		<b>\$24,950,451.00</b>							<b>\$345,877.81</b>	<b>\$11,634,278.68</b>	<b>\$11,980,156.49</b>	<b>48.02%</b>
<b>SITWORK</b>												
9	Hazardous Material Abatement	\$6,107,895.00	1000.00	Units	\$6,107.90	160.00	32.00	192.00	\$195,452.64	\$977,263.20	\$1,172,715.84	19.20%
10	Demolition of Existing Housing	\$7,022,355.00	1000.00	Units	\$7,022.36	153.00	22.00	175.00	\$154,491.81	\$1,074,420.32	\$1,228,912.13	17.50%
11	SWPPP Dust & Erosion Control	\$426,607.00	1.00	LS	\$426,607.00	0.66	0.01	0.67	\$4,266.07	\$281,560.62	\$285,826.69	67.00%
12	Rough Grade, Mass Cut / Fill	\$3,982,101.00	340.00	Acres	\$11,712.06	215.00		215.00	\$0.00	\$2,518,093.28	\$2,518,093.28	63.24%
13	Blue Top Building Pads	\$812,744.00	500.00	Bldgs	\$1,625.49	253.00		253.00	\$0.00	\$411,248.46	\$411,248.46	50.60%
14	Sanitary Sewer Mains	\$3,586,388.00	1.00	LS	\$3,586,388.00	0.71	0.02	0.73	\$71,727.76	\$2,546,335.48	\$2,618,063.24	73.00%
15	Sanitary Sewer Manholes	\$390,000.00	200.00	EA	\$1,950.00	129.00	3.00	132.00	\$5,850.00	\$251,550.00	\$257,400.00	66.00%
16	Sanitary Sewer Unit Laterals	\$820,000.00	500.00	Units	\$1,640.00	446.00		446.00	\$0.00	\$731,440.00	\$731,440.00	89.20%
17	Storm Drain Lines	\$1,864,285.00	1.00	LS	\$1,864,285.00	0.62		0.62	\$0.00	\$1,155,856.70	\$1,155,856.70	62.00%
18	Storm drain Structures	\$700,000.00	1.00	LS	\$700,000.00	0.65		0.65	\$0.00	\$455,000.00	\$455,000.00	65.00%

Review % complete in broad terms versus time elapsed in project

# Housing the Force 2025

UNCLASSIFIED



# RCI Compliance Basics



## DETAILED PROGRESS OF THE WORK

CONTRACT PAYMENT REQUEST

PAGE 4 of 6 PAGES

42-A		30-Nov-08										
TO: XYZ 100 S. Main Anytown, USA		Project Location: Fort XYZ, CA										
Project No. # Job No. XXXXXXXXXXXX		Contract No. XXXXXXXXXXXX		Contract Awarded February 1, 2007								
Contractor: ABC Construction XXXXXXXXXXXX XXXXXXXXXXXX		Description of Contract:			1,200 PPV Housing Units Fort XYZ, CA							
Original Contract Completion: Date												
Item Ref.	Description of Work Items	Original Contract Value	Total % of Constr or # of Units	Unit of Measure	Value per Unit of Measure	Total Complete Last Period	Amount Complete This Period	Total Complete	Value Complete This Period	Previous Balance Complete	Value Complete to Date	Total % Complete
<b>BUILDINGS</b>												
49	Underslab Plumbing	\$2,404,660.00	1000						\$9,618.64	\$1,046,027.10	\$1,055,645.74	43.90%
50	Excavate / Form Bldg Slab	\$4,379,615.00	1000						\$0.00	\$1,922,653.18	\$1,922,653.18	43.90%
51	Post-Tension Cables Set	\$1,400,325.00	1000						\$0.00	\$614,744.87	\$614,744.87	43.90%
52	Soil Poison	\$398,205.00	1000						\$0.00	\$174,814.19	\$174,814.19	43.90%
53	Place / Finish Conc Bldg Slab	\$12,020,505.00	1000						\$345,549.75	\$5,639,371.92	\$5,984,921.67	43.30%
54	Frame 1st Floor Walls	\$13,821,990.00	1000						\$0.00	\$3,235,829.98	\$3,235,829.98	78.20%
55	Frame 2nd Flr Trusses & Deck	\$4,137,888.00	500						\$0.00	\$5,408,312.00	\$5,408,312.00	78.20%
56	Frame 2nd Floor Walls	\$6,916,000.00	500						\$54,559.50	\$879,499.14	\$934,058.64	42.80%
57	Exterior Wall Sheathing	\$2,182,376.00	1000						\$137,919.32	\$1,960,424.62	\$2,098,343.94	42.60%
58	Roof Trusses / Deck / Fascia	\$4,925,685.00	1000						\$24,069.00	\$469,345.50	\$493,414.50	41.00%
59	Aluminum Windows	\$1,203,445.00	1000						\$33,884.00	\$660,738.00	\$694,622.00	41.00%
60	Exterior Doors / Patio Doors	\$1,694,196.00	1000	Units	\$1,694.20	390	20	410	\$63,360.70	\$926,041.00	\$989,401.70	40.60%
61	Dry-In Roof / Roof Flashing	\$2,436,950.00	1000	Units	\$2,436.95	380	26	406				

Review % complete for each line item vs observed progress, look for major disconnects, don't sweat the small stuff

# Housing the Force 2025

UNCLASSIFIED



# RCI Compliance Basics



## DEVELOPMENT DRAW SUMMARY

Development Budget Summary								
Item	Closing Pro Forma	Budget Adjustments	Updated Budget	Prior Draws	Current Draw	Billed to 3/4/14	Percent Complete	Balance to Bill
GMP Total	184,743,111			532,892	1,930,286	182,563,178	98.00%	3,716,453
Developer Base Fee	3,454,500			194,567	23,385	3,217,952	93.15%	236,558
Developer Incentive Fee	3,454,500			118,157	-	2,418,157	70.00%	1,036,353
3rd Party Const Consultant	671,600			2,700	10,715	4,199,034	101.52%	(17,032)
Transition Costs	1,000,000			994,433	-	994,433	100.00%	-
Relocation Costs	88,700			220,392	-	220,392	98.94%	2,358
Deferred Maintenance	600,000			599,844	-	599,844	100.00%	-
Managing Member Reimb	700,000			503,267	3,135	606,402	97.93%	12,798
Other Owner Funded Work	-	55,206	55,206	55,206	-	55,206	100.00%	-
Costs of Issuance	742,926	-	742,926	742,926	-	742,926	100.00%	-
Lender Legal Expenses	500,000	-	500,000	500,000	-	500,000	100.00%	-
Title Fees/Transfer Tax	719,235	(368,653)	350,582				100.00%	-
Borrowers Counsel	250,000	-	250,000				100.00%	-
Liquidity Facility Fee	128,000	-	128,000				100.00%	-
Rating Agency Fees	132,996	(6,596)	126,400				100.00%	-
Trustee Fees	6,000	-	6,000				100.00%	-
Third Party Reports	156,541	(92,541)	64,000	64,000	-	64,000	100.00%	-
Reserves	1,198,685	-	1,198,685	1,198,685	-	1,198,685	100.00%	-
Contingency	2,000,000	(1,618,402)	381,598	-	-	-	0.00%	381,598
<b>Total Development Budget</b>	<b>200,546,876</b>	<b>(0)</b>	<b>200,546,876</b>	<b>193,210,041</b>	<b>1,967,749</b>	<b>195,177,790</b>	<b>97.32%</b>	<b>5,369,086</b>

Review % complete for each line item, do reality check on balance to bill, identify overbillings

Check contingency balance vs overall status for adequacy

## Housing the Force 2025

UNCLASSIFIED



# RCI Compliance Basics



## DEVELOPMENT DRAW REVIEWS – SUMMARY

- **Verify % complete vs. field observations**
  - Quick scan of line items in schedule of values
  - Look for major or cumulative excessive billings
  - Discuss observations with Partner to clarify and resolve
- **Monitor Change Orders listed in draws**
  - Ensure listing matches info provided to RCI team
  - Verify understanding of each Change Order
  - Ensure scope is not substantively altered
- **Verify Uses side of development budget**
  - Understand items still accruing costs
  - Discuss adequacy of line items and contingency balance
  - Relate observations to updates on Sources projections



# RCI Compliance Basics



## DEVELOPMENT MONITORING & OVERSIGHT

- **Development Schedule Monitoring required by 10 U.S.C. Section 2885(a)(3)**
  - “If a project is 90 days or more behind schedule or otherwise appears to be substantially failing to adhere to the obligations or milestones under the contract, the assistant secretary for installations and environment of the respective military department shall submit a notice of deficiency to the Deputy Under Secretary of Defense (Installations and Environment), the Secretary concerned, the managing member, and the trustee for the project”
  - Progress will be indicated in the monthly dashboard and include a chart that describes construction and renovation status
  - For projects triggering this metric, the OACSIM Program Manager will prepare a Concept Paper for processing in accordance with the Major Decision process
  - Areas of non-compliance with Construction or Renovation Agreements should be identified through monthly RCI AM reports
  - A Development Review may be commissioned to identify the drivers of the delay if necessary



# RCI Compliance Basics



## SCHEDULE MONITORING & DEVELOPMENT REVIEW

- **Monitor construction schedule vs. pro forma obligations**
  - Understand how contractor's schedule links to pro forma deliveries
  - Monitor monthly for early indicators of delay
    - NTP dates and initiation of phases
    - Production against construction schedule in early site & vertical trades
  - Participate in monthly discussions with Managing Member
    - Receive monthly construction reports summarizing schedule status
  - Concept paper for excusable delay over 90 days
- **Development reviews**
  - Scheduled as requested by ACSIM PM as a support tool
    - Midway through major projects or in response to specific challenges
  - Evaluate progress and performance to scope, schedule & budget
  - Proactively identify risks and evaluate mitigations with the team
  - Ensure appropriate management processes are in place
  - Evaluate effectiveness of the teams and share best practices



# RCI Compliance Basics



## DEVELOPMENT MONITORING & OVERSIGHT

- **Contractor qualifications required by 10 U.S.C. Section 2885(b)**
  - Will need to address appropriate requirements for out-year projects
  - Different profile of projects vs IDP
- **Bonding requirements required by 10 U.S.C. Section 2885(c)**
  - “The Secretary concerned shall ensure that the project owner, developer, or general contractor responsible for a military housing privatization initiative project has sufficient payment and performance bonds or suitable instruments in place for each phase of a construction or renovation portion of the project to ensure successful completion of the work in amounts as agreed to in the project’s legal documents, but in no case less than 50 percent of the total value of the active phases of the project, prior to the commencement of work for that phase”
  - Managing Member is required to send copies of payment and performance bonds to the OACSIM Program Manager and the RCI Asset Manager in advance of the issuance of a notice to proceed on any work



# RCI Compliance Basics



## MONITORING OF QUALITY

- **Quality Assurance / Quality Control (QA / QC) process overview**
  - Systematic & comprehensive inspections
  - Validate code compliance for design & construction
  - Effective documentation (punch lists, QC records, tests, inspections)
- **RCI Asset Manager role**
  - Oversight to ensure team members fulfill their obligations
  - Scope approved through design approvals (validate amenities)
  - Periodic (monthly) walk of construction with Construction Manager
  - Monitor documentation – contractor QC & code compliance records
  - Review & sign off on as-builts (coordinate installation requirements)
  - Review work in progress for quality levels, standards & CDMP
  - Acceptance reviews – ensure certificates of occupancy received
  - Monitor environmental compliance – LBP, ACM, mold, pesticides
  - Review site logistics – traffic patterns, storage, site security, trash



# RCI Compliance Basics



## PROJECT COMPLIANCE AND PARTNERING VISIT

- **Key Objectives of the Project Compliance and Partnering Visit (PCPV)**
  - Review and assess the status of fundamental project requirements and activities that are more appropriately assessed by direct observation
  - Review programmatic status and issues with representatives of the RCI Asset Management team and the Partner
  - Ensure that a quality product and a high level of service are being provided to Service Members and their Families who are living in privatized housing
  - Conduct discussions in a collaborative manner with a focus on joint problem solving, process improvement and goal alignment for all parties
  - Be mindful that the Project visit is an interactive dialog as opposed to a one-way presentation of information
  - Conduct compliance checklist to track the Community, Housing, Property Management, Maintenance, Administrative, and QA/QC performance of the project to ensure that every element is meeting or exceeding expectations
  - Provide RCI Portfolio Update and compare Quarterly Project Report metrics to portfolio, pro forma and annual budget metrics



# RCI Compliance Basics



## PROJECT COMPLIANCE & PARTNERING VISIT CHECKLIST

- **PCPV Checklist (ref. PAM Handbook 5.0, Appendix D)**
  - OACSIM PM uses checklist to rate project compliance with requirements in 5 categories: Community and Housing, Property Management, Maintenance, Administrative, and Quality Assurance / Quality Control
- **This checklist is assessed throughout the duration of the site visit**
- **Points assigned based on rating:**
  - 2 points for Good/Satisfactory
  - 1 point for Needs Improvement
  - 0 points for Unsatisfactory
- **Summary page shows the total scores by category, the maximum score for each category, and the project's scores on a percentage basis**
- **Ratings on detailed line items back up category totals shown on summary**

Project Compliance and Partnering Visit Checklist					
<b>Site Visit Summary:</b>		<b>Rating</b>	<b>Description</b>		<b># of Points</b>
Installation(s):	Fort XXXX	G / S	Good / Satisfactory		2.0
Project:		N	Needs Improvement		1.0
Date:		U	Unsatisfactory		0.0
<b>Function / Activities Scorecard:</b>			<b>Actual Score</b>	<b>Max Score</b>	<b>Score %</b>
Community			0	74	0.0%
Housing			0	100	0.0%
Property Management			0	148	0.0%
Maintenance			0	106	0.0%
Administrative			0	52	0.0%
Quality Assurance / Quality Control			0	60	0.0%
<b>Totals</b>			<b>0</b>	<b>540</b>	<b>0.0%</b>
<b>Previous Site Visit Results (List oldest last):</b>					
Date:	N/A	<b>Totals</b>	N/A	N/A	N/A
Date:	N/A	<b>Totals</b>	N/A	N/A	N/A
Date:	N/A	<b>Totals</b>	N/A	N/A	N/A
<b>Site Visit Participants:</b>					
OACSIM PM:		<b>Contact:</b>			
Project Director:		<b>Contact:</b>			
RCI Asset Manager:		<b>Contact:</b>			
Asset Manager:		<b>Contact:</b>			
USACE PM:		<b>Contact:</b>			
Financial Advisor:		<b>Contact:</b>			
Contact:		<b>Contact:</b>			
Contact:		<b>Contact:</b>			
<b>Comments:</b>					



# RCI Compliance Basics



## SAMPLE PAGES – PCPV CHECKLIST

PROJECT COMPLIANCE AND PARTNERING VISIT: COMMUNITY CHECKLIST					
1.	NEIGHBORHOOD ENTRANCES	G / S	N	U	Comments
a.	Signage				
b.	Lighting				
c.	Landscaping				
d.	Hardscape				
e.	Overall Appearance				
2.	INFRASTRUCTURE	G / S	N	U	Comments
a.	Streets				
b.	Curbs				
c.	Residential Parking				
d.	Sidewalks				
e.	Street Lights				
f.	Signage				
g.	Street Drains / Drainage				
h.	Security / Fencing				
i.	Overall Appearance				
3.	PLAYGROUNDS / TOT LOTS	G / S	N	U	Comments
a.	Signage				
b.	Lighting				
c.	Equipment				
d.	Play surfaces				
e.	Safety				
e.	Overall Appearance				
4.	COMMUNITY CENTERS	G / S	N	U	Comments
a.	Signage				
b.	Lighting				
c.	Parking				
d.	Landscaping				
e.	Entrance				
f.	Offices				
g.	Meeting Room				
h.	Game Room / Gym				
i.	Kitchen				
j.	Furnishings				
k.	Outdoor Amenities				
l.	Overall Appearance				
5.	OTHER AMENITIES	G / S	N	U	Comments
a.	Bus Stops				
b.	Security Services				
c.	Trails				
d.	Other				
e.	Overall Appearance				
TOTAL COMMUNITY	TOTAL	G / S	N	U	Comments
		0	0	0	

Items on these pages can often be assessed during the site tour

PROJECT COMPLIANCE AND PARTNERING VISIT: HOUSING CHECKLIST					
1.	FAMILY HOUSING - MINOR RENO.	G / S	N	U	Comments
Address:		Neighborhood & Rank Band:			
EXTERIOR	a.	Site: foundation integrity / drainage / etc.			
	b.	Hardscape: driveway / walkway / fence / patio			
	c.	Landscaping: turf / shrubs / trees / plants / etc.			
	d.	Exterior: roof / siding / windows / lighting			
	e.	Garage / Carport			
INTERIOR	f.	Structure: walls / floors / ceilings / doors / lighting			
	g.	Bathrooms: tubs / showers / vanities / toilets / etc.			
	h.	Kitchen: cabinets / sink / appliances			
	i.	Mechanical: HVAC / plumbing / electrical / fire safety			
	j.	Overall Impression			
2.	FAMILY HOUSING - MED / MAJ RENO.	G / S	N	U	Comments
Address:		Neighborhood & Rank Band:			
EXTERIOR	a.	Site: foundation integrity / drainage / etc.			
	b.	Hardscape: driveway / walkway / fence / patio			
	c.	Landscaping: turf / shrubs / trees / plants / etc.			
	d.	Exterior: roof / siding / windows / lighting			
	e.	Garage / Carport			
INTERIOR	f.	Structure: walls / floors / ceilings / doors / lighting			
	g.	Bathrooms: tubs / showers / vanities / toilets / etc.			
	h.	Kitchen: cabinets / sink / appliances			
	i.	Mechanical: HVAC / plumbing / electrical / fire safety			
	j.	Overall Impression			
3.	FAMILY HOUSING - NO WORK	G / S	N	U	Comments
Address:		Neighborhood & Rank Band:			
EXTERIOR	a.	Site: foundation integrity / drainage / etc.			
	b.	Hardscape: driveway / walkway / fence / patio			
	c.	Landscaping: turf / shrubs / trees / plants / etc.			
	d.	Exterior: roof / siding / windows / lighting			
	e.	Garage / Carport			
INTERIOR	f.	Structure: walls / floors / ceilings / doors / lighting			
	g.	Bathrooms: tubs / showers / vanities / toilets / etc.			
	h.	Kitchen: cabinets / sink / appliances			
	i.	Mechanical: HVAC / plumbing / electrical / fire safety			
	j.	Overall Impression			
4.	FAMILY HOUSING - NEW	G / S	N	U	Comments
Address:		Neighborhood & Rank Band:			
EXTERIOR	a.	Site: foundation integrity / drainage / etc.			
	b.	Hardscape: driveway / walkway / fence / patio			
	c.	Landscaping: turf / shrubs / trees / plants / etc.			
	d.	Exterior: roof / siding / windows / lighting			
	e.	Garage / Carport			
INTERIOR	f.	Structure: walls / floors / ceilings / doors / lighting			
	g.	Bathrooms: tubs / showers / vanities / toilets / etc.			
	h.	Kitchen: cabinets / sink / appliances			
	i.	Mechanical: HVAC / plumbing / electrical / fire safety			
	j.	Overall Impression			
5.	FAMILY HOUSING - NEW	G / S	N	U	Comments
Address:		Neighborhood & Rank Band:			
EXTERIOR	a.	Site: foundation integrity / drainage / etc.			
	b.	Hardscape: driveway / walkway / fence / patio			
	c.	Landscaping: turf / shrubs / trees / plants / etc.			
	d.	Exterior: roof / siding / windows / lighting			
	e.	Garage / Carport			
INTERIOR	f.	Structure: walls / floors / ceilings / doors / lighting			
	g.	Bathrooms: tubs / showers / vanities / toilets / etc.			
	h.	Kitchen: cabinets / sink / appliances			
	i.	Mechanical: HVAC / plumbing / electrical / fire safety			
	j.	Overall Impression			
TOTAL HOUSING	TOTAL	G / S	N	U	Comments
		0	0	0	

# Housing the Force 2025

UNCLASSIFIED



# RCI Compliance Basics



## SAMPLE PAGES – PCPV CHECKLIST

PROJECT COMPLIANCE AND PARTNERING VISIT: PROPERTY MANAGEMENT CHECKLIST					
<b>1. REVENUE MANAGEMENT</b>	<b>G / S</b>	<b>N</b>	<b>U</b>	<b>Comments</b>	
a. Standard Operating Procedures (SOP) and Manual					
b. Expense Management to Budget					
c. Forecasting					
d. Unit Designations and BAH Alignment					
e. BAH Rental Changes: promotions / demotions / other					
f. BAH Rental Discounts: marketing incentives					
g. Utility Calculations: rebates / invoicing					
h. Accounts Receivable / Collections / Bad Debt					
i. Cash Recording / Depositing					
j. Lockbox Account Adjustments / Over Payments					
k. Other Project Revenues: vending / cable / furniture					
<b>2. OCCUPANCY MANAGEMENT</b>					
a. Standard Operating Procedures (SOP) and Manual					
b. Compliance with Waterfall					
c. Waitlist Management					
d. Assignments and Referrals					
e. Move-in / Move-out Procedures					
f. Lease Signing					
g. Resident Database					
h. Resident Evictions					
i. Occupancy / Vacancy Tracking					
j. Occupancy / Vacancy Forecasting					
k. Marketing: by demographic / by \$ / by effectiveness					
l. Other Occupancy Management					
<b>3. RESIDENT SERVICES AND RELATIONS</b>					
a. Standard Operating Procedures (SOP) and Manual					
b. Services / Work Orders: procedures / systems					
c. Services / Work Orders: response times / repeat trip					
d. Security Services: patrols / neighborhood watch / etc.					
e. Resident Disputes / Grievances Procedures					
f. Resident Communications					
g. Resident Handbook					
h. Community Events and Activities					
i. Mayors Program					
j. Resident Satisfaction Surveys					
k. Town Halls					
l. Other Resident Services and Relations					
<b>4. RISK MANAGEMENT</b>	<b>G / S</b>	<b>N</b>	<b>U</b>	<b>Comments</b>	
a. Security Operations Systems and Manual					
b. Emergency Procedures and Manual: roles / responsibilities					
c. Energy Systems Coordination					
d. Disaster Recovery Procedures and Manual					
e. Utility Contingency Plans					
f. Environmental Management Plan					
g. Safety Plan					
h. Employee and Subcontractor Safety Training					
i. Fire Extinguishers					
j. Sprinkler Systems					
k. Proper Exit and Evacuation Signage					
l. Other Risk Management					

Put electronic copies of manuals and handbooks on CD and give to person conducting compliance

PROJECT COMPLIANCE AND PARTNERING VISIT: PROPERTY MANAGEMENT CHECKLIST						
<b>5. QUALITY ASSURANCE / QUALITY CONTROL</b>	<b>G / S</b>	<b>N</b>	<b>U</b>	<b>Comments</b>		
<b>PARTNER</b>	a. Home and Site Inspection Process					
	b. Service Order Inspection Process					
	c. Unit Acceptance Process					
	d. Unit Make-ready Process					
	e. Employee Performance Monitoring / Process					
	f. Subcontractor Performance Assurance / Monitoring					
<b>ARMY</b>	g. Standard Operating Procedures (SOP) and Manual					
	h. Home and Site Inspection Process					
	i. Service Order Inspection Process					
	j. Unit Acceptance Process					
	k. Unit Make-ready Process					
	l. Employee Performance Monitoring / Process					
<b>6. Other</b>	m. Subcontractor Performance Assurance / Monitoring					
	n. Other Quality Assurance / Quality Control					
	<b>PARTNER</b>	a. Project Budget				
		b. Re-forecasting of Expectations				
		c. Bidding and Source Selection Process				
		d. Vacancy Planning				
e. Other Project Management						
f. Project Budget						
<b>ARMY</b>	g. Re-forecasting of Expectations					
	h. Bidding and Source Selection Process					
	i. Vacancy Planning					
	j. Other Project Management					
	k. BAH Rental Determination: process / involvement					
	l. Garrison Commander Involvement					
m. Coordination between Army and Partner (Partnership Environment)						
<b>TOTAL PROPERTY MANAGEMENT</b>		<b>G / S</b>	<b>N</b>	<b>U</b>	<b>Comments</b>	
<b>TOTAL</b>		0	0	0		

Both Partner staff and Army staff QA / QC responsibilities are examined



# RCI Compliance Basics



## SAMPLE PAGES – PCPV CHECKLIST

PROJECT COMPLIANCE AND PARTNERING VISIT: MAINTENANCE					
1. MAINTENANCE MANAGEMENT	G	S	N	U	Comments
a. Standard Operating Procedures (SOP) and Manual					
b. Maintenance OEM Manuals					
c. Maintenance Training					
d. Maintenance Records					
e. Maintenance Systems					
f. Budgeting					
g. Forecasting					
h. Bidding and Source Selection					
i. Turnovers: processes / procedures / planning /					
j. Response and Resolution Time Analysis					
k. Preventive Maintenance					
l. Resident Satisfaction with Maintenance					
m. Trend Analysis					
n. Labor Cost Tracking					
o. Dispatching: process / procedures / tracking					
p. Other Maintenance Management					
2. MAINTENANCE FACILITY					
a. Exterior Appearance / Condition					
b. Interior Appearance / Condition					
c. Shop Safety					
d. Inventory Stock: warehouse / appliances / p					
e. Emergency Stock					
f. Tools and Equipment					
g. Signage					
h. Other Maintenance Facility					
3. SELF-HELP FACILITY AND PROGRAM					
a. Signage					
b. Lighting					
c. Parking					
d. Safety					
e. Facility					
f. Inventory Stock					
g. Overall Use					
h. Cost / Benefit					
i. Other Self-help Facility and Program					
4. VEHICLES AND EQUIPMENT					
a. Standard Operating Procedures (SOP) and					
b. Maintenance Plan for Project Vehicles					
c. Maintenance Plan for Maintenance Vehicles					
d. Heavy Equipment					
e. Scaffolding					
f. Safety					
g. Other Vehicles and Equipment					
5. EMPLOYEES AND SUBCONTRACTORS	G	S	N	U	Comments
a. Employment Manuals					
b. Appearance / Demeanor / Professionalism					
c. Background Checks					
d. Retention					
e. Communication / Coordination					
f. Control of Time / Payroll					
g. Employment Management					
h. Subcontracting v. In-house Team: subcontractor					
i. Employee and Subcontractor Safety Training					
j. Employee Performance Monitoring / Process					
k. Subcontractor Performance Assurance / Monitoring					
l. Training and Certification Programs					
m. Other Employees and Subcontractors					
TOTAL MAINTENANCE	G	S	N	U	Comments
TOTAL	0	0	0	0	

These items generally require visit to Partner's maintenance facility for visual confirmation

PROJECT COMPLIANCE AND PARTNERING VISIT: ADMINISTRATIVE CHECKLIST					
1. PLANNING AND BUDGETING	G	S	N	U	Comments
a. Current Year Management Plan					
b. Current Year Budget in Place					
c. Operations Budget Variance Report					
d. Budget Plan to Guide Staff					
e. Capital Repair and Replacement Projects					
f. Forecasting					
g. DASA Approvals as Required					
h. Other Planning and Budgeting					
2. SUBCONTRACTING	G	S	N	U	Comments
a. Competitively Bid					
b. Files Complete and Up-to-date					
c. Quality Assurance and Performance Management					
d. Utilization: local v. national / small business					
e. Other Subcontracting					
3. PURCHASING	G	S			
a. Competitively Bid					
b. Utilization: local v. national / small business					
c. Internal Purchasing Procedures and Administration					
d. Emergency Purchasing Procedures and Administration					
e. Invoice Processing and Controls					
f. Other Purchasing					
4. EMPLOYEES	G	S			
a. Background Checks					
b. Employment History Checks					
c. Appearance / Demeanor / Professionalism					
d. Project Payroll Processing / Payroll Audits					
e. Training and Certification Programs					
f. Turnover / Retention: trends / programs					
g. Other Employees					
TOTAL ADMINISTRATIVE	G	S			
TOTAL	0	0	0	0	

These items generally require brief demonstration of accounting and tracking systems for visual confirmation



# RCI Compliance Basics



## SAMPLE PAGES – PCPV CHECKLIST

PROJECT COMPLIANCE AND PARTNERING VISIT: QUALITY ASSURANCE / QUALITY CONTROL CHECKLIST					
1. DOCUMENT AND PLAN REVIEW		G	S	N	Comments
PARTNER	a.	Review of Plans and Specs.: CDMP / closing / MDM / ODP			
	b.	Review of Plans and Specs.: RCI construction standards			
	c.	Review of Plans and Specs.: UFAS standards			
	d.	Other Document and Plan Review			
ARMY	e.	Review of Plans and Specs.: CDMP / closing / MDM / ODP			
	f.	Review of Plans and Specs.: RCI construction standards			
	g.	Review of Plans and Specs.: UFAS standards			
	h.	Other Document and Plan Review			
2. CONSTRUCTION MONITORING AND REVIEW		G	S		
PARTNER	a.	Review: all processes / procedures / testing / etc.			
	b.	Compare: actual construction and contract documents			
	c.	Review on-going Testing: soils / steel / concrete / etc.			
	d.	Review all COs: Lender's requirements / DASA approvals			
	e.	Other Construction Monitoring and Reviews			
ARMY	f.	Review: all processes / procedures / testing / etc.			
	g.	Compare: actual construction and contract documents			
	h.	Review on-going Testing: soils / steel / concrete / etc.			
	e.	Review all COs: Lender's requirements / DASA approvals			
	h.	Other Construction Monitoring and Reviews			
3. SUBCONTRACTING		G	S		
PARTNER	a.	Conform to Legal Requirements			
	b.	Competitively Bid			
	c.	Utilization: local v. national / small business			
	d.	Files Complete and Up-to-date			
	e.	Quality Assurance and Performance Management			
	f.	Other Subcontracting			
ARMY	g.	Conform to Legal Requirements			
	h.	Competitively Bid			
	i.	Utilization: local v. national / small business			
	j.	Files Complete and Up-to-date			
	k.	Quality Assurance and Performance Management			
	l.	Other Subcontracting			
TOTAL QUALITY ASSURANCE / QUALITY CONTROL		G	S	N	Comments
TOTAL		0	0	0	

Separate discussions conducted with Partner and Army to ensure confidentiality of responses

## Housing the Force 2025

UNCLASSIFIED



# RCI Compliance Basics



## OPERATIONS MONITORING – INTERNAL CONTROLS

- **OACSIM PM must evaluate internal operation practices and test controls to ensure adequate risk mitigation measures**
- **Internal Controls Checklist for Property Management / Operations (ref. PAM Handbook 5.0, Appendix D)**
  - Only 2 or 3 segments of this checklist will be used during a Project Compliance and Partnering Visit (PCPV)
  - Full checklist will be completed during an Operations Review
  - Checklist and discussion is intended to ensure project compliance in terms of Army legal standards and Partner's corporate policies comprising standard operating procedures
  - The checklist is detailed by these categories: Non-BAH Revenue, Resident Leases, Unit Make-Ready, Services Purchasing, Supplies Purchasing, Employees / Payroll, Inventory Control, Recycling Proceeds and Project Vehicles
- **The next slides will touch on some areas for examination during the PCPV**



# RCI Compliance Basics



## INTERNAL CONTROLS CHECKLIST

Army RCI Project  
 Internal Controls Compliance Review for Property Management/Operations  
 (Not applicable to Development and Construction)

Function	Activity	Standards / Guidelines (SOP = Corporate policies comprising standard operating procedures)	PAM Non-forensic Internal Controls Review Checklist	Comments / Notes
<b>Non-BAH Revenue</b>	Other Project Revenues	Payments or collections for vending, recycling, cable TV, damages, etc. (whether cash, check, or credit card) are recorded in a receipts journal with proper account entries and codes.	Examine receipts journal(s) for amounts, purpose, receiver signature	
	Cash collecting, recording, and depositing procedures	Cash receipts are evidenced by a written cash receipts book wherein is retained a copy of the customer's written receipt evidencing, the amount, from whom it was received, the date and the nature of the payment. Receiving and recording cash payments are not be done by the same person preparing and making bank deposits.	1. Verify proper use of cash receipts journal and customer's copy of customer's written receipt 2. Verify different persons accept/record payments vs. preparing/making bank deposits	
<b>Resident Leases</b>	Test Resident Lease Files	Lease files are current with all forms and documents properly completed and filed.	Examine 5 randomly selected lease files for currency (lease term) and completeness	<div style="background-color: orange; padding: 10px; text-align: center;"> <p><b>Examine 5 randomly selected lease files</b></p> </div>
	Test move-in records against unit make-ready work orders	Every change of occupancy entails a make-ready work order, thus there is a one-to-one matchup of tenant move-out records and make-ready work-orders.	Select 5 recent move-out tenant leases and compare against make ready work orders for the same units.	
<b>Unit Make-Ready</b>	Test unit acceptance inspections against make-ready work orders	Every unit make-ready has evidence of a make-ready acceptance inspection against the make-ready work order. This approval should be evidenced on the completed make-ready work order. The acceptance inspector is a different person from the person initiating make-ready work orders or approving payments to make-ready contractors.	1. Check 5 completed make-ready work orders for record of acceptance inspections (Partner acceptance from contractor and/or in-house make ready team) 2. Acceptance inspector is different than the requisitioner or payments approver	
	Test contractor invoices against make-ready work orders	Contractors' invoices for make-ready services are verified against make-ready work orders.	Match 5 contractor make-ready invoices against associated make-ready work-orders and examine for unapproved inconsistencies.	
	Test contractor invoices against contract documents	Contractors' invoices for make-ready services are verified against current contract documents.	Examine 5 contractor make-ready invoices against current contract documents for pricing	
	Test completed units (Inspection) against invoices	Contractors' invoices conform to acceptances (inspections) of completed units.	Compare 5 contractor invoices against inspections acceptances for the subject units	
	Evaluate integrity of source selection process	Conduct of services source selections comply with competitive solicitation practices and corporate SOP. Source selection process efficiently and timely supports acquisition and deployment requirements.	1. Identify Corporate SOP for source selections 2. Examine source selection files for 3 make-ready contractors. 3. Assess compliance with SOP	

# Housing the Force 2025

UNCLASSIFIED



# RCI Compliance Basics



## INTERNAL CONTROLS CHECKLIST

Army RCI Project  
 Internal Controls Compliance Review for Property Management/Operations  
 (Not applicable to Development and Construction)

Function	Activity	Standards / Guidelines (SOP = Corporate policies comprising standard operating procedures)	PAM Non-forensic Internal Controls Review Checklist	Comments / Notes
<b>Services Purchasing</b>	Examine executed contracts and scopes	Contracted services are supported by properly executed contracts containing written scopes of work sufficient to adequately control contract work, quality, costs, and risks.	Contract files appear complete with written adequately described scopes of work and performance requirements	<b>Examine 5 purchase orders for services</b>
	Test purchase orders against approval levels	Purchase orders issued for contracted services comply with internal approval levels	Examine 5 purchase orders for contracting of services for proper approvals under SOP	
	Test purchase orders against contract scopes and prices	Purchase orders comply with contract terms and prices.	Examine 5 purchase orders for compliance with contract terms and conditions	
	Test Invoices against purchase orders	Invoices for contracted services conform to purchase orders, contract terms and pricing. Variances are documented and suitably rationalized with appropriate approvals.	Examine 5 invoices from contractors against associated purchase orders for proper approvals, and documentation of changes or non-compliant charges	
	Test inspections and approvals of completed work	Completed work is inspected and accepted by a suitably qualified person and appropriate records are maintained evidencing such.	Examine work inspections and approval records against 5 contractor invoices	
	Test approvals of invoice payments	Invoices are approved for payment in accordance with SOP and not by the requisitioner or receiver.	Examine 5 contractor invoices processed for payment for proper approval procedures	
	Evaluate integrity of source selection process	Conduct of supplies source selections comply with competitive purchasing processes and corporate SOP. Supplies are obtained efficiently and timely to support operational needs.	1. Identify Corporate SOP for source selections 2. Examine source selection files for 3 project service contractors not already examined. 3. Assess compliance with SOP	
<b>Supplies Purchasing</b>	Examine supplier contracts	Supplier contracts or arrangements (whether national or local) for goods purchasing exist to appropriately support routine on-going operations requirements. Purchased goods are supported by properly executed supply contracts containing prices and terms sufficient to adequately control quality, costs, and delivery.	Supplies purchased are done so under national or local purchasing agreements that were competitively sourced and utilized by the site team and are appropriate for the nature of the supplies purchased.	
	Test requisition of supplies against work orders	Requisitions are specific, signed by the requisitioner, and properly approved in accordance with SOP. The requisitioner should not be the approval authority for the purchase order or invoice payment.	Randomly examine 5 requisitions for proper signatures and approvals.	
	Test purchase orders against contracts	Purchase orders issued for supplies comply with supplier contracts. Variances are documented and suitably rationalized with appropriate approvals.	Check five supplies purchase orders against supplier contracts	



# RCI Compliance Basics



## INTERNAL CONTROLS CHECKLIST

**Army RCI Project**  
**Internal Controls Compliance Review for Property Management/Operations**  
*(Not applicable to Development and Construction)*

Function	Activity	Standards / Guidelines (SOP = Corporate policies comprising standard operating procedures)	PAM Non-forensic Internal Controls Review Checklist	Comments / Notes
	Test invoices against purchase orders	Invoices for purchased supplies conform to purchase orders, contract terms and pricing. Variances are documented and suitably rationalized with appropriate approvals.	Check five supplies invoices against purchase orders and contract terms	
	Test receiving documents against invoices and purchase orders	Supplies received are evidenced by receiving documents that are matched and attached with purchase orders and invoices.	Randomly examine paid (or processed) 5 supplies invoices files for associated receiving documents and purchase orders	
	Test receiving approval	Receiving documents are signed by an appropriate receiving individual that is different than the purchase order approver and invoice approver.	Determine whether receiving signatures are different than the purchase order approver and invoice approver	
	Test invoice against purchase order approval	Invoices conform to approved purchase orders. Variances are documented and suitably rationalized with appropriate approvals.	Check 5 supplies invoices for compliance with approved purchase orders	<div style="background-color: orange; padding: 10px; border: 1px solid black;"> <p style="text-align: center; font-weight: bold; font-size: 1.2em;">Examine 5 supplies invoices</p> </div>
	Test approvals of invoice payments	Invoices are approved for payment in accordance with SOP and not by the requisitioner or receiver.	Examine five supplies invoices for payment approvals in accordance with SOP and not by the requisitioner or receiver	
<b>Employees / Payroll</b>	Test Employee files	Employee on-boarding conforms to SOP with respect to completed background checks, immigration status, etc.	Examine 5 employee files for compliance with SOP, complete files, properly completed forms	
	Test Time Cards for inconsistencies	Evaluate time cards for unauthorized changes, improperly recorded time, etc	Randomly pull five completed time cards and evaluate for improper processing	
	Test time cards against payroll journal (from corporate)	Time cards (or computer labor hours journal) must be properly completed and approved by supervisors prior to entry or uploading into the payroll system. Time balances with payroll journal for distributed payrolls.	Compare a randomly selected pay period of time cards and check against the associated payroll accounting journal for distributed payrolls	
	Test time cards against certified payroll roster	A certified payroll roster is created at least annually wherein each employee must physically show a valid ID and sign an acknowledgement in the presence of a non-site-based auditor.	<ol style="list-style-type: none"> <li>1. Review the most recent Partner-conducted payroll certification.</li> <li>2. Assess adequacy of controls and resolution of discrepancies discovered in the Certification</li> </ol>	
	Test labor accounting against standard workday	Determine extent to which time worked is accounted for and reported for accounting and maintenance management system purposes. Is significant time "lost" in the reporting system – non-attributable to productive work processes or known lost time factors (meal, breaks, etc.)?	<ol style="list-style-type: none"> <li>1. Identify method of assigning work to employees and tracking its achievement.</li> <li>2. Examine 3 hourly maintenance employees' payroll hours and dispatched/closed hours for the same pay period.</li> <li>3. Identify lost time between payroll hours and tracked production hours.</li> </ol>	

## Housing the Force 2025

UNCLASSIFIED



# RCI Compliance Basics



## INTERNAL CONTROLS CHECKLIST

<b>Army RCI Project</b> <b>Internal Controls Compliance Review for Property Management/Operations</b> <i>(Not applicable to Development and Construction)</i>				
Function	Activity	Standards / Guidelines (SOP = Corporate policies comprising standard operating procedures)	PAM Non-forensic Internal Controls Review Checklist	Comments / Notes
	Accountability of Labor Hours	Assess efficacy of work management system in deploying, tracking, monitoring, and reporting labor utilization.	1. Is the work management system assigning all work tasks through accountable work tickets – includes preventive maintenance and inspections, make ready maintenance, demand service work, and capital improvements work. 2. Is the work management system routinely recording and reporting labor utilization results.	
	Off-Site Labor Allocations	Allocations of personnel costs from off-site are in compliance with partnership agreement	Identify off-site labor allocations and determine whether the allocations comply with partnership agreement.	
<b>Inventory Control</b>	Security of tools, equipment, and inventory	Inventory of supplies, materials, and equipment is secure. Issuances are controlled by properly approved service order or requisition identifying the intended usage of the desired items.	Inspect methods of securing inventory and equipment and how inventory is released for work requirements. Inventory requisitions are fully descriptive of the desired item and where it will be used including a work order number.	
	Test Re-orders against Purchase Orders	Test pricing of parts reordered against current supplier agreements.	Randomly check recent parts re-orders against supplier price agreements.	
<b>Recycling Proceeds</b>	Test recycling invoices and deposit record	Confirm recycling credits against the recycling supplier agreement. Verify stream of recycling credits against collection schedule.	1. Review recycling contract 2. Review recent recycling invoices 3. Verify recycling credits earned and taken	
<b>Project Vehicles</b>	Test accountability of vehicles utilization	Test vehicle mileage logs against routine daily work schedules and dispatching. Test per-vehicle fuel purchase logs. Check fuel purchases against recorded miles driven.	1. Identify service vehicle mileage logs. 2. Identify service vehicle fuel purchase logs 3. Are controls in place to detect and/or prevent unauthorized fuel purchases?	

Ask how unauthorized fuel purchases are prevented