HUD Monitoring DESK GUIDE:

Policies and Procedures for Program Oversight

Restoring the Public Trust in HUD

U.S. Department of Housing and Urban Development

YOUR COMMUNITY PARTNER

TRAINING EDITION

DEAR HUD EMPLOYEE:

As a Public Trust Officer, you perform a critical function for the Department of Housing and Urban Development: ensuring that the Department's programs and operations are carried out efficiently, effectively and in compliance with applicable laws and regulations. The tasks you perform, whether in Headquarters or in the Field, are restoring the public's faith in HUD's ability to manage programs and provide critical housing and economic development resources to communities across the country.

In order to enhance the monitoring performance of HUD staff, we have developed this Desk Guide that contains the overarching policies and procedures for monitoring HUD program participants and administrative functions. It is intended to augment the Departmental Policy contained in Handbook 1840.1, Rev-3, Departmental Management Control Program. In addition, this edition of the Guide will serve as a basis for providing monitoring training for public trust staff. Please review the training edition and provide any comments to improve its content so that we can publish a final edition of the Desk Guide.

This Guide provides tools and techniques for conducting any function in the monitoring process. The guide is intended to be a readily available reference document to help remind you of the necessary tasks involved in monitoring. Every Public Trust Officer will get a copy of this Guide to use while carrying out his/her program oversight responsibilities. Using this guide will help bring consistency to all HUD monitoring processes and ensure that the Department is performing its public trust function.

Your program oversight responsibilities are essential to the success of the Department of Housing and Urban Development. As stewards of the public trust, everyone must perform his/her monitoring duties consistently and effectively. We will continue to provide the tools, such as this Guide, to assist you in carrying out your public trust responsibilities.

Sincerely,

Saul R. Ramirez, Jr.

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PART II: Departmental Monitoring Compendium

1. PURPOSE

This HUD monitoring Desk Guide serves as a tool for all public trust officers in carrying out their monitoring responsibilities in managing program participants and administrative functions. The Desk Guide augments the Departmental monitoring policy defined in Chapter 7 of the Departmental Management Control Program Handbook, Handbook 1840.1, Rev-3. All Public Trust Officers should be familiar with the contents of this chapter.

The Guide is one component of the Department's efforts to strengthen and improve monitoring and address four cross-cutting deficiencies identified by the General Accounting Office (GAO) and HUD's Inspector General (OIG). The four deficiencies are:

1. Inadequate monitoring policies or procedures or failure to follow established policies and procedures;

2. Inadequate documentation or information systems that do not provide accurate, reliable or timely information for monitoring purposes;

3. Inadequate training, staffing, travel or other resource devoted to monitoring;

4. Inadequate Headquarters oversight of field operations and program compliance.

Monitoring is an integral management control technique and a GAO standard. It is an ongoing process that assesses the quality of performance over time. Monitoring provides information for making informed judgments about program effectiveness and management efficiency, as well as identifying instances of fraud, waste, and abuse. The procedures described in the Guide set standard moni-

toring and compliance procedures common to HUD programs and activities. Program-specific guidance and tools that are consistent with this Guide are contained in Part II, the Departmental monitoring compendium section.

The Desk Guide explains the standard processes for developing and implementing an effective Departmental monitoring system. It explains the role of Headquarters staff in establishing monitoring policies, goals and objectives. The process for conducting a risk analysis and using that analysis to develop local monitoring strategies is also described. The Guide then spells out the steps involved in preparing for and conducting monitoring of programs and activities. The important task of documenting each of the steps is clearly laid out, as is the need for continual follow-up actions. Finally, the process of quality assurance is set forth.

Definitions. The terms "Program Office" and "local or Field Office" are used throughout this Desk Guide. While the terms generally relate to Headquarters program functions and Field staff, respectively, they are not meant to be exclusive. For the purposes of this Desk Guide, the term "Program Office" means an office responsible for developing program policies and requirements. "Local office" or "Field Office" means an office that carries out programs and is responsible for direct oversight activities.

2. MONITORING POLICIES AND PROCEDURES

In order to strengthen the oversight of field operations and ensure that monitoring programs and policies are effectively carried out, Program Offices are responsible for developing and maintaining:

- Risk analysis models for their programs;
- Annual work plans, based on Business and Operating Plan goals and risk analysis results, that include monitoring, workload priorities and resources;
- Monitoring policies, procedures and guidelines, as well as training updates;
- Program performance evaluation policies, plans and schedules for local office visits and reviews; and,
- Reporting and information systems to track and monitor Field Office operations and activities.

Program staff develop and issue comprehensive monitoring policies and procedures that cover their programs and activities and contain specific actions and objectives under each of the processes described in this Guide: risk analysis; local office strategies; implementation; documentation; follow-up; information systems; and, quality assurance.

Programmatic monitoring policies and procedures are formally issued to all staff in an official form, i.e., this Guide. Monitoring policies and procedures are updated in a timely manner to reflect current regulations, laws and organizational structure and responsibilities.

Program Offices continually assess the effectiveness of monitoring practices, policies and procedures. Based on available data, Program Offices issue specific monitoring goals and priorities, including directives to focus on particularly high risk activities or a subset of program participants. In addition, Program Offices determine whether modifications are needed to existing policies to achieve monitoring objectives and communicate these changes throughout the organization.

The Business and Operating Plan (BOP) also serves as a Headquarters' vehicle for articulating monitoring goals and objectives. Program Offices establish national monitoring goals that are carried out at the local level. Local BOP action plans facilitate Field staff's efforts to develop local monitoring strategies, establish timeframes for completion and allocate resources for monitoring and other activities.

3. RISK ANALYSIS

Risk analysis is a methodology used in assessing the relative risk that program participants pose to the Department. The process provides staff with consistent data to develop monitoring strategies to manage the risk. The effectiveness of the Department's programs is largely dependent upon how well HUD policies and program requirements are implemented. In general, the overall objective of risk analysis is to allocate a larger share of monitoring resources to those program functions posing the highest risk.

Risk analysis involves analyzing available data to identify the possible risks that could prevent HUD from meeting its' program objectives and determine which programs are most susceptible to waste, fraud, and mismanagement. To the extent practicable, risk analysis should be conducted nationally for each program and then ranked at the local level. This process helps determine the relative risk to the Department nationally, as well as at the local level. The risk analysis process determines both the entities and activities to be reviewed by program staff.

3.1 RISK ANALYSIS METHODOLOGY

Risk analysis generally includes the following: estimating the level of risk; assessing the frequency/likelihood of occurrence; considering how best to manage the risk; and, determining the actions to be taken. Once risks have been analyzed, the office must develop a strategy to manage the risk. Strategies can vary considerably from one program or administrative function to another, but all approaches should be designed to keep risks within the levels established by Headquarters' Program Offices. Once the approach has been implemented, it should be monitored and tracked for effectiveness.

3.2 RISK IDENTIFICATION

Methods for identifying risk are developed nationally by Program Offices for consistency. Risk analysis elements are customized by Program Offices to rate the risk of program activities and participants. Since each program has different or unique indices of risk, they are in the best position to determine the types of risk to be evaluated. In identifying risk, offices consider many factors, including unique or local circumstances, that may contribute to, or increase, the risk to which HUD may be exposed. The risk identification process requires involvement by staff at all levels of the organization. This allows input from those closest to program operations, while maintaining appropriate management oversight and control.

The major steps for identifying risks include:

- Identifying program missions, goals, and objectives to determine what is to be assessed. Risk is then identified and analyzed. Monitoring objectives are determined based on this analysis.
- Developing methods to rate participants, programs and functions, based on risk, including assessing the Department's exposure to fraud, waste, and mismanagement.
- Establishing criteria for risk "profiles." The risk profiles, which summarize the individual risks identified with a particular program participant (or program activity), assist in determining the level of resources required to fulfill monitoring responsibilities.

3.3 RISK CRITERIA

Risk analysis factors are the criteria for determining: (a) risk exposure to the Department; (b) the likelihood that a program participant has failed to comply with program requirements; or (c) that

the participant has performed unacceptably. Program Offices develop factors that relate to overall program success and design other factors that evaluate performance in a specific program activity. The structure of the rating systems should result in program participants who pose a higher risk being subject to increased or more comprehensive monitoring.

An important consideration in selecting factors is ensuring that reporting systems provide necessary performance information regarding the participants. If reporting systems are inadequate, an interim rating system should be used until reporting systems are revised.

There are five central categories of risk that should be used in all program risk analyses:

Financial. The extent to which program participants account for and manage financial resources in accordance with approved financial management standards. Financial risk also assesses the amount of potential monetary exposure to the Department.

Physical. The extent to which HUD-funded physical assets are maintained and operated according to established standards.

Management. The extent to which the program participant has the capacity to carry out HUD programs according to established requirements.

Satisfaction. Extent to which clients express satisfaction or dissatisfaction with the delivery of program services.

Services. The extent to which HUD program participants effectively and efficiently deliver services to intended beneficiaries/clientele.

Given that program goals, objectives and operations vary, appropriate weight should be given to these categories by individual Program Offices. For instance, customer service may or may not be an indication of whether a program participant is meeting program requirements.

The Departmental Management Control Program Handbook (Handbook 1840.1 Rev-3, Section 7-6A) mentions examples of criteria that should be considered in developing specific risk factors:

- Age of project/development/physical asset;
- Types/mix of program activities;
- Amount of current/total funding obligated and/or expended;
- Physical condition of project/development/physical asset;
- Management problems;
- New management or key staff who are inexperienced or are likely to have performance problems;
- Performance indicators, such as reserve levels, claim rates, vacancy rates, jobs created, etc.;
- First time participants or activity;
- Time elapsed since last remote monitoring;
- Time elapsed since last on-site monitoring;
- OIG Audits/Investigations;
- Contingency for local factors (economy, complaints, etc., determined by local staff); and,
- A history of demonstrated lack of performance by program participants.

3.4 DATA SOURCES

There are several sources that can be used to collect data when conducting risk analysis. Some of those sources are listed below:

- Customer survey
- Electronic data systems
- Annual reports
- Audits
- Previous in-house monitoring reports
- Other governmental entities as appropriate
- Internal data from other HUD disciplines, including:
  - Consolidated Plan
  - Analysis of Impediments to Fair Housing Choice
  - Real Estate Assessment Center Reports
- Data from recipients
- Local knowledge.

3.5 DATA VALIDATION

To the extent possible, data should be tested and validated either electronically or by program knowledge for accuracy, completeness and consistency. Testing and validation involves checking for missing data, ensuring that data is accurate or within established parameters and/or checking that all required data fields have valid entries. Validation of data helps ensure accuracy in conducting the risk analysis.

3.6 DEVELOPING RISK RATING SYSTEMS FOR PROGRAM PARTICIPANTS

After establishing risk factors, Program Offices develop a rating system for assessing the relative risk of program participants. Based on the rating system, each program discipline within a local office rates and ranks all program participants within their jurisdiction and, as a result, develops its local monitoring strategies.

4. LOCAL OFFICE STRATEGIES

Upon completion of the risk analysis, each program discipline within a local office develops an annual monitoring strategy for its jurisdiction. Offices have discretion in preparing local monitoring strategies and revising them due to new information, such as declining participant performance, budget constraints, or other unanticipated events. However, the rationale for making any revisions should be well documented. In order to facilitate coordination, sharing of resources and local BOP development, local Program Offices, with the assistance of the Senior Community Builder, may develop a coordinated local monitoring strategy. In either case, the monitoring strategy identifies the:

- Programs and/or program participants with the most significant risk exposure to the Department;
- Number of program participants that will be monitored during the fiscal year;
- Monitoring approach that will be used based on available resources (e.g. comprehensive vs. focused and on-site vs. remote);
- Time frames within which the monitoring should be completed;
- Total staff resources that will be used. This should include the involvement of other HUD program staff as applicable; and,
- Amount of funds necessary to complete the monitoring.

The monitoring approach established for each participant will be dependent upon the level of risk determined as a result of the risk

analysis process. There are two types of monitoring approaches: on-site and remote. Either of these approaches can be comprehensive or focused.

4.1 ON-SITE MONITORING

On-site monitoring reviews are essential for high risk program participants and recommended for other participants, to the extent practicable. The scope of such monitoring reviews can include:

- A minimum review of each major activity, expanding the scope if problems become apparent.
- An in-depth review of program compliance based upon monitoring guidance requirements.
- A minimum review of all major activities, including a mandatory in-depth review of critical functions.
- An in-depth review of high risk participants in areas where performance is inadequate or a known problem exists.

Monitoring strategies should not result in the on-site monitoring of only high risk participants. It should allow field staff to monitor a limited number of lower risk participants. The amount of time devoted to monitoring lower risk participants should represent an appropriate percentage of the total monitoring to be completed. Headquarters Program Offices should establish time-frames for monitoring lower risk participants.

4.2 REMOTE MONITORING

Remote monitoring procedures are those activities, other than on-site monitoring, undertaken by HUD to evaluate program participants' performance. Examples of remote monitoring activities include evaluating program participant performance reports and information in electronic databases, reviewing audited financial statements, evaluating interim project cost reports, requesting data from the participant for verification, etc. Remote monitoring is used for all program participants, but is critical for participants not reviewed on-site.

4.3 INDIVIDUAL MONITORING STRATEGIES

The next phase of the monitoring strategy process is the development of a written, individual monitoring strategy for each program or participant. This includes strategies for both on-site and remote monitorings. The purpose of the individual monitoring strategy is to focus the monitoring efforts and maximize the effectiveness of a specific monitoring review. To be effective, the individual monitoring strategy identifies:

- Areas to be reviewed;
- Statutes and regulations that apply to each area monitored;
- Any data the program participant should submit to the HUD staff prior to the review;
- Staff resources that will be used (other program areas, outside contractors, auditors, etc.). If more than one staff person is conducting the monitoring, the areas of responsibilities for each staff person should be delineated to avoid duplication;
- A schedule which clearly outlines the tasks and time frames for completion;
- Required resources (travel, staff, et. al.); and,
- The participant's staff members who need to be consulted during the monitoring.

5. IMPLEMENTATION

Preparation. Preparation is essential for effective monitoring. During this process, HUD staff collects as much data as possible

about the program participant to make informed decisions in order to prioritize the areas that require review. In essence, staff are knowledgeable and understand the participant's program operation. The more familiar you are with the program requirements, the monitoring guides, and the participant's program, the easier it will be to ascertain compliance, provide technical assistance to the participant, and maximize the use of your limited time on-site.

The preparation process involves:

- Researching appropriate program regulations and statutes;
- Reviewing periodic progress reports submitted by the program participant;
- Analyzing available data;
- Reviewing Field Office files;
- Conducting interviews with HUD staff involved with the oversight of the participant's program (all involved HUD disciplines in the Field Office); and,
- Reviewing monitoring guidance and/or checklists to be used.

As a result of this preparation, HUD staff can refine their previously developed individual monitoring strategy and prioritize the areas and issues within the participant's program that will be reviewed during the monitoring. Additionally, staff can also review the estimated time-frames for conducting the monitoring and make revisions, if appropriate.

The next step is to communicate with a representative of the program participant about the monitoring. If the monitoring is to be on-site, set a date for the monitoring, and schedule any on-site visits that may require notification of tenants or other beneficiaries.

This is also an opportunity to discuss any outstanding issues or concerns regarding the monitoring.

Once the date and monitoring schedule have been set, HUD staff should follow up with a formal letter to the program participant. The letter should discuss the monitoring schedule, identify the activities to be reviewed, identify the HUD staff that will be conducting the monitoring and request that the necessary staff be available during the visit. The letter should also confirm the need for any services in conducting the monitoring, i.e., conference rooms, telephones, etc. For remote monitoring, the letter should request specific information the program participant needs to submit to the office, along with a time-frame for submission.

5.1 CONDUCTING A MONITORING VISIT

At a minimum, on-site monitoring involves the following elements:

- An entrance conference with program participant staff to communicate the objectives, scope and focus of the monitoring;
- File review, verification and documentation of performance data;
- Interviews with key staff, subcontractors, subrecipients, and program beneficiaries;
- Physical inspections, if appropriate; and,
- Exit conference with key program participant staff/officials.

Useful Monitoring Tips:

While most applicable to on-site monitoring, the following monitoring tips serve as a guide for conducting both on-site and remote monitoring:

- Use the entrance conference to:
  - Explain to the program participant's staff how the monitoring will be conducted.
  - Identify key program participant staff to assist during the monitoring.
  - Confirm programs and activities to be reviewed, the files that will be reviewed and how access to the files and work areas will be granted. (Some program files and work areas can be sensitive and/or hazardous.)
  - Schedule physical inspections, interviews with program participants, and other logistical issues during the conference.

- Use program statutes, regulations and checklists as a guide for areas to be reviewed.
- Review program files within each area and validate the information using both automated and manual data and reports submitted to HUD by the program participant.
- Review and validate data related to services, training, and purchases.
- Conduct interviews with participant staff in order to clarify and validate information and documentation of the participant's program progress.
- Document evidence that supports your conclusions, especially areas that are found to be in non-compliance with program requirements and areas that demonstrate Best Practices.
- Maintain an on-going dialogue with the program participant, so they are aware of how the monitoring is progressing, and discuss any problem areas that are encountered.
  - This presents both HUD and the program participant with an opportunity to correct perceived deficiencies or non-compliance on the spot.
  - It also minimizes the potential for surprises to the participant in the monitoring letter/report that will be issued by HUD.
- Talk with clients/end users to determine the level of satisfaction or dissatisfaction with the services or end product provided.

5.2 EVALUATION

During the monitoring, HUD staff should use common sense and engage in a continuous evaluation of data and other information that has been collected in order to draw defensible and supportable conclusions. Always keep in mind that the main objective is to assist program participants in carrying out their program responsibilities.

- Evaluate the information against program requirements.
- Assess performance in accordance with program guidelines and objectives. Determine if the participant is accomplishing the stated objectives.
- Use a common sense approach and realistically evaluate HUD and program participant expectations.
- Determine if identified problems are isolated incidences or systemic deficiencies. Corrective actions may vary depending upon this determination.
- Checklists are to be used as guidelines. A "no" answer does not always mean the program participant is doing something wrong.
- In conducting the evaluation, an underlying consideration should be, "are the program beneficiaries being served as intended?"

5.3 COMMUNICATION

Communicating the results of monitoring is essential for improving the performance of HUD programs and enhancing the capacity of program participants. It is also valuable in expressing HUD's position on participant performance.

Conclusions made during the monitoring are summarized orally in the exit conference and followed-up in writing to the participant. Verbal communication should be summarized, documented and included in the monitoring file/data system. Conclusions should be supported by documented evidence and/or observations.

HUD staff may conclude that:

- Performance was adequate, exemplary or that there were significant achievements; and/or
- There were findings (conditions that are not in compliance with handbook, regulatory, or statutory requirements) and/or;
- There were concerns (deficiencies in performance that are not based on a regulatory or statutory requirement that should be brought to the attention of the program participant).

When communicating the results of the monitoring to the program participant, keep in mind that:

- Findings should include the **condition**, **criteria**, **cause**, **effect**, and **required corrective action**.
  - The **condition** describes what was wrong or what the problem was.
  - The **criteria** cites the regulatory or statutory requirement that was not met.
  - The **cause** explains why the condition occurred.
  - The **effect** describes what happened because of the condition.
  - **Corrective actions** are required for all findings.
- When a serious corrective action is contemplated, or when litigation is anticipated or underway, Field Office Counsel should be consulted.
- Concerns should include the condition, cause and effect. Corrective actions should be recommended for all concerns, and should be based on sound management principles or other guidelines.
- Timely correspondence is especially important when the conclusion requires corrective action.
- Descriptions of exemplary performance, adequate performance and achievements should be as specific as possible.

All required or recommended corrective actions should address the cause of the finding or concern. Each required/recommended action should include a time-frame for the program participant to respond to HUD's conclusions. Ideally, the program participant should agree with HUD's assessment of the cause and should offer a workable solution that will correct a deficiency.

Field staff should also communicate with their Program Office counterparts, especially if systemic program violations are encountered. This process allows Program Office staff to identify any trends in program areas and issue guidance or recommend changes in program requirements to eliminate problems.

6. DOCUMENTATION

Each step of the monitoring process is documented and maintained in a central location accessible to all staff. Where appropriate, data should be maintained in electronic data systems.

6.1 RISK ANALYSIS

Each office maintains a copy of the Risk Analysis conducted each year in a central file or location. The risk analysis documentation adheres to policies established in this document and the procedures being developed by each program discipline. The Field Office should input necessary data into their data system if appropriate.

6.2 MONITORING STRATEGY

A copy of the annual local monitoring strategy is kept in a central file or location. The monitoring strategy should be dated and signed by the appropriate division director. Necessary data from the local monitoring strategy should be input into the appropriate data system.

6.3 MONITORING DOCUMENTATION

Each Program Office provides monitoring guides or checklists to be used when monitoring. Therefore, for each program area or subject area reviewed, a monitoring guide must be followed. Monitoring guides may be modified to meet local conditions and

must be included in the office's official files and consistently used when monitoring program participants.

The office program files contain a copy of the notification to the program participant of the impending monitoring, along with any appropriate attachments. Field Office staff and the program participant should agree on the date that on-site monitoring will be performed.

The Field Office reviewer's notes are included in the official monitoring file. The Field Office reviewer completes, dates and signs the appropriate monitoring checklist that will be maintained in the official files.

If copies of program participant support documentation are obtained (e.g., contracts, budget forms, legal notices, work write-ups, copies of program participant policies or procedures, etc.), these documents should be clearly labeled indicating what they are and what part of the monitoring they support. This also applies if the program participant is being commended for a particular positive aspect of its program or a "Best Practice."

Clear notes delineating all items covered at the exit conference are needed, as well as the date and time of the conference, the names of all attendees (including their title and the office or department they represent), and the preliminary conclusion. Additionally, the basis on which the program participant disagreed with any of the findings, and any follow-up action that would be required on the part of the Field Office reviewer or program participant is included in the official file as well.

6. THE MONITORING LETTER

In preparing the monitoring letter, each program area in a Field Office may choose to develop a preferred format, however, the same format should be used for all letters sent from that office. In all cases, the letter must provide sufficient detail to the program participant and clearly describe the areas that were covered and the basis for the conclusions reached.

Conclusions reached in the monitoring report or letter must be supported by the monitoring notes, monitoring guides, and any support materials obtained. These notes are maintained in the official program file and are not transmitted to the program participant.

The monitoring letter or report should include the following:

- The program, project or entity monitored.
- Name(s) of the HUD staff who performed the monitoring review.
- The date(s) of the visit.
- A listing of the program areas outlined for review in the monitoring strategy (which flows, to a great extent, from the risk analysis).
- If, for some reason, a program area specified in the advance notice to the program participant is not monitored, an appropriate statement explaining the reason(s) it was not covered (e.g., time constraints).
- Monitoring conclusions (both positive and negative), for each program area monitored and for the program as a whole, supported by the facts considered in reaching the conclusions.
- Negative conclusions should be clearly labeled as either a finding or as a concern in accordance with the definitions of these terms by the appropriate Program Office. When appropriate, program findings should be quantified.
- Recommended steps the program participant can take to resolve each finding and each concern and where appropriate,

an indication that findings were resolved on-site.

- The due date of required corrective actions for each finding. Program Offices may also request information to address concerns identified during monitoring.
- Local offices should also provide the opportunity for the program participant to contest any finding and provide adequate due process.
- If appropriate, the Field Office should make an offer of technical assistance to the program participant or indicate that technical assistance was provided on-site.

In order to establish and maintain effective partnerships with program participants, the tone of the monitoring letter should be positive. Staff not only conveys deficiencies, but also recognizes those areas in which the program participant is doing a good job or has shown significant improvement.

Field Office program monitors should avoid general statements in the monitoring letter such as "the program participant's program was found to be in compliance with all applicable rules and regulations." Monitoring reviews cover selected program areas. Broad general statements might negate the Department's ability to apply sanctions if deemed necessary at a later date. Even for the area(s) reviewed, the monitor often only looks at a sample of activities or aspects. Thus, the conclusion should be qualified, such as "based upon the materials reviewed and staff interviews, the activity (or area) was carried out in compliance with (specify requirements)."

In all cases, prior to sending the monitoring letter to the program participant, the reviewer's supervisor, or a designated authority, concurs on the monitoring letter after evaluating the back-up documentation to determine if the facts are clearly supportable by the working papers and materials generated during the on-site visit. The documentation should be such that:

- The Supervisors or their designee can adequately assess the quality and accuracy of the monitoring.
- The Supervisors or their designee can track consistency in the handling of monitoring findings, particularly if the reviewer has changed since the last monitoring visit was held.
- Performance problems are properly detected and the selected corrective actions are designed to remedy the specific instance of non-compliance as well as any systemic deficiencies that may affect the expenditure of funds in the future.
- HUD monitoring reviews are making appropriate, supportable judgments and drawing sound conclusions such that the program participant will have a clear understanding of HUD's perception of its performance during a specific time period.

The official file copy of the monitoring letter to the program participant should contain all necessary concurrences and signatures appropriate for that local office. It should be date stamped to reflect the date sent to the program participant. Program Offices should establish a time period for the monitoring letter to be mailed after the conclusion of the official exit conference with the program participant officials. The field documentation should be clear and legible (particularly in the case of working notes). Reviewers may wish to keep copies of monitoring documentation; however, the originals must be maintained in the "official" program participant monitoring files.

Field Offices should ensure that all appropriate monitoring information is electronically recorded in official program tracking systems in a timely manner. Program Offices should develop national tracking systems where they do not exist.

7. FOLLOW-UP

In order to ensure the effectiveness of HUD monitoring, HUD staff continually assess the progress of program participants. This includes ensuring that corrective actions are implemented, performance is maintained or improved, and that communication is sustained. All follow-up actions are appropriately documented and communicated to program participants. GAO considers the monitoring process to be completed only after an identified deficiency has been corrected, the corrective action produces improvements; and, it is decided that management action is not needed.

Required corrective actions must be tracked to ensure all are completed in the required time-frames. Actions taken by the program participant to correct deficiencies must be verified and documented by HUD staff. HUD will conclude that the action was acceptable or unacceptable and whether further action is needed and communicate their determination in writing to the program participant. HUD should routinely assess whether the corrective action ultimately served to resolve the deficiency.

Monitoring is an ongoing process that builds upon previous experiences with program participants. In order to effectively assess progress and resolve identified deficiencies, systems should be in place to track the monitoring process. Some system elements will be driven by specific program requirements established by regulation or statute. Systems should include:

- Date of written notification from HUD to the program participant to be monitored.
- The date(s) the monitoring was actually conducted and the areas covered.
- The date the exit conference was conducted.
- The date(s) monitoring report(s) were sent to the program participant.
- The target date the program participant was to resolve and/or resolved matters identified in the monitoring report.
- The date HUD received the program participant's response to the monitoring report.
- Individual finding close-out date(s) (expected and actual).
- The date of final notification of finding close-out to program participant.
- The date that any unresolved or noncompliance findings were forwarded to the proper HUD entity for disciplinary action.
- The date of final resolution as defined by specific program policies and procedures.

8. INFORMATION SYSTEMS

HUD's management reforms, combined with the increasing use of information technology, has resulted in a greater reliance by the Department on its information systems. As the Desk Guide points out, there are numerous points in the monitoring process where data in information systems alternatively serve to prepare for a monitoring visit, assess performance and document results.

It is recognized that the program disciplines have developed information systems to support their mission. In order for these systems to appropriately reinforce HUD's monitoring efforts, each Program Office and Field Office should ensure that the data are relevant, reliable and timely. As GAO has pointed out, "Pertinent information should be identified, captured, and distributed in a form and time frame that permits people to perform their duties efficiently" (Standards for Internal Control in the Federal Government, GAO/AIMD-99-21.3.1, page 17).

HUD's current data systems are compiled in Part II of this Guide.

9. QUALITY ASSURANCE

Headquarters is responsible for developing a quality assurance program for reviewing Field monitoring activities Department-wide.

The purpose of the quality assurance review is to verify that Field

Office monitoring policies are appropriate, that monitoring strategies are being implemented, and that deficiencies identified during the on-site monitoring are being corrected. This process will also determine if the documentation of the monitoring review is adequate. Additionally, the quality assurance review will assess whether program data and systems developed and maintained by Headquarters are used effectively by HUD staff in monitoring program participants.

The Quality Assurance Review will be:

- Conducted by Headquarters or assigned staff who are organizationally independent of the Field Office being reviewed and collectively have program knowledge and experience sufficient to conduct a thorough assessment.
- Developed in a standardized format for each program discipline to assure consistency.
- Completed at least annually. Offices or programs selected for quality assurance review should be determined by specific criteria, such as geographical diversity, funding exposure, or other appropriate norm.
- Planned and conducted to: a) maximize the use of sampling techniques and information available in Headquarters data systems; b) reflect the size, nature, and complexity of the programs monitored; and, c) include an assessment of management and staffing capacity.
- Reported to the Office of Chief Financial Officer. Reports should summarize results of the quality assurance review and provide specific recommendations to correct deficiencies or otherwise improve the monitoring activities.

Because independence and objectivity are critical to the integrity of the quality assurance process, Headquarters may also select other options for conducting the quality assurance reviews.

PART II: Departmental Monitoring Compendium

RESERVED

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YOUR COMMUNITY PARTNER