

Procedures for Processing Citizen Complaints Regarding Non-violent Civil Rights Demonstrations

July 29, 1991

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

Special Attention of: Notice: CPD-91-21

All Regional Administrators Issued: July 29, 1991

All Regional Directors for CPD Expires: July 29, 1992

All Category A Field Office Managers

All CPD Division Directors Cross References:

**SUBJECT: Maintaining Proper File Documentation for Monitoring of Community Development Block Grant (CDBG) Entitlement Grantees
Background**

On April 30, 1990, the Office of Inspector General (OIG) issued an audit report on CDBG program income and miscellaneous revenue (90-TS-145-0011). This report identified material weaknesses, one of which was ineffective HUD monitoring of program income in the CDBG program. More recently, on January 30, 1991, the General Accounting Office (GAO) completed a report on CDBG monitoring that concluded there is generally inadequate supervisory and evidentiary controls over on-site monitoring efforts. The finding was that documentation in the monitoring files was not adequate to support conclusions reached in the monitoring letters or to record the work performance. The purpose of this notice is to provide additional guidance and clarification to CPD staff as to what constitutes adequate documentation to support conclusions reached during on-site monitoring visits.

Current Requirements

The Community Planning and Development (CPD) Monitoring Handbook (6509.2 REV-4) references the need for support documentation in sections 1-8(a) and 2-15(h). Certain Monitoring Handbook exhibits also mention the need for or type of support documentation to be maintained. Essentially, the handbook requires that each review be adequately documented and the documentation support the conclusions reached. This means that the "monitoring letter should be supported by any working papers, including any checklist, used in the monitoring visit. All correspondence and working papers relating to monitoring visits and conclusions must be in CPD's grantee files" (section 2-15(h)). While the review guides included in the handbook are not required to be utilized by CPD staff, if they are not used, each field office should develop "easy-to-use guides for each program area reviewed on-site. The guides should be comprehensive in scope and permit monitors to use their judgment in determining which specific issues should be covered with the grantee and/or pursued in greater detail" (1-8(a)).

Typical Documentation Problems

The Monitoring Handbook-requirements, while clear in stating the need to maintain adequate and lucid support documentation, do not define what is acceptable. This results in any or all of the following problems:

1. Monitoring strategies that are not reconcilable to the risk analysis process and subsequent monitoring letters (e.g., the risk analysis process may identify areas to be monitored; they may be included in the strategy but not in the subsequent monitoring letter. Conversely, the monitoring letter may identify areas monitored that were not in the monitoring strategy).
2. Working papers maintained in the reviewer's personal files rather than the field office's official grantee files.
3. Inadequate support documentation contained in the official grantee monitoring files. Examples include the following:
 - a. incompletely filled-out checklists or checklists noting monitoring concerns or findings without any other descriptive information to indicate the basis for the judgment;
 - b. documents obtained from the grantee during the on-site monitoring that have no discernible relationship to the monitoring conclusions;
 - c. indecipherable working notes taken by the reviewer;
 - d. no listing of persons interviewed, their title, or the name of the office/department, etc., they represent;
 - e. no documentation at all for certain areas monitored, particularly where activities reviewed are found to be in compliance with program requirements. Often the only reference to such areas is included in the monitoring letter;
 - f. poor support documentation for positive conclusions reached during the site visit; and
 - g. no notes to show what was covered in the exit conference, including who was present and, suggested corrective actions agreed to or discussed during the site visit.

Documenting the results of the monitoring visit preserves the valuable results, both positive and negative, of the monitoring visit. All correspondence and working papers relating to monitoring visits and conclusions should be kept in the official grantee files. The cost to HUD of not maintaining such documentation is substantial and potentially embarrassing. This is especially true when a grantee is carrying out similar activities over a prolonged period of time and HUD reviewers are reassigned over the course of that period. Furthermore, without such documentation, supervisors cannot adequately assess the quality of the staff's on-site review to ensure that the monitoring work of predecessors is not duplicated; that performance problems are detected; that HUD reviewers are making appropriate judgments and drawing sound conclusions; and that the grantee is left with a clear impression of HUD's perceptions of its performance during a specific time period. Appropriate support documentation also becomes extremely significant when remedies for findings of noncompliance with program requirements

are pursued by HUD under section 104(e) or section 111 of the Housing and Community Development Act of 1974, as amended.-

Appropriate Documentation to Support the On-Site Monitoring Review Process

A. Risk Analysis

Sections 2-3 through 2-8 of the CPD Monitoring Handbook discuss the risk analysis process that should be used to determine grantees and program areas to be monitored. Each grantee monitoring file for a particular program year should contain a copy of the risk analysis conducted during that year. The risk analysis should clearly identify each area of the grantee's program targeted for on-site monitoring. More importantly, the risk analysis should provide sufficient information to clearly support the basis on which a particular area has been identified for review. A thorough risk analysis process should address all grantee problems or high risk areas. The OIG audit on program income uncovered instances where activities of certain grantees generated substantial amounts of program income that were not identified as a risk factor. Similarly, grantees with unresolved monitoring or relevant audit findings (often dating several years) in particular areas did not always have such areas identified for review in the risk analysis. Audit reports and grantees' responses to audit findings should be carefully reviewed during the risk analysis process. This includes the review of issues raised in OIG systemic audits disseminated by Headquarters. Additionally, the risk analysis for each grantee should contain the signature of the supervisor indicating his/her approval of the analysis.

B. Monitoring Strategy

The CPD Monitoring Handbook provides guidance in section 2-13(b) for preparing a monitoring strategy when conducting "intensive on-site monitoring." It is recommended that a monitoring strategy following the guidance in that section of the handbook be developed for all on-site monitoring visits, regardless of the intensity of the monitoring. Such a strategy will ensure that all of the anticipated areas for monitoring are addressed once on-site (unless unexpected problems arise which result in unanticipated time constraints), that the reviewer expects to have sufficient time to conduct the review, and that it is clearly tied to the risk analysis. The strategy should be reviewed and approved by the supervisor. The notification to the grantee of the impending monitoring visit should follow the guidance given in 2-13(c) of the CPD Monitoring Handbook.

C. On-Site Monitoring Documentation

The review guides in the CPD Monitoring Handbook have been designed to ensure that all of the most important aspects of a program requirement or area are examined and that conclusions about them are reached. As stated previously, the Monitoring Handbook does not require the specific review guides provided therein to be utilized. However, if they are not, alternative review guides that cover, at a minimum, the same issues or areas would need to be developed and used by each field office. For each program area or subject area reviewed, therefore, a review guide must be followed. Alternative review guides developed by field offices may incorporate more extensive use of reviewer notes. Documentation must be maintained in either of these forms that indicates each item was covered in the review. The

documentation should also identify the names and titles of the persons interviewed and the offices or departments they represent.

If copies of grantee support documentation are obtained (e.g., contracts, budget forms, legal notices), these documents should be clearly labeled indicating the part of the review they support. This also applies if the grantee is being commended for a particular positive aspect of its program, which may or may not be tied to a particular review guide.

Clear notes delineating all items covered at the exit conference are also 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), the preliminary conclusions (including information on the number and nature of any monitoring concerns or findings), the basis on which the grantee disagreed with any of the findings, and any follow-up action that would be required on the part of the reviewer or grantee.

D. Monitoring Letter

Section 2-15 of the CPD Monitoring Handbook describes specific steps pertinent to the monitoring letter which provides the official results of the monitoring review to the grantee. In addition to the information provided in the handbook, the monitoring letter should:

1. Ensure that all of the program areas outlined for review in the monitoring strategy (which flows, to a great extent, from the risk analysis) have been included. If, for some reason, a program area specified in the advance notice to the grantee is not site-monitored, it should be referenced in the monitoring letter with an appropriate statement explaining the reason(s) it was not covered (e.g., time constraints).
2. Cite the regulatory or statutory basis for any monitoring finding that is made.
3. Ensure specific guidance is provided to the grantee that will not only resolve a particular monitoring finding but ensure that any systemic problems that caused the deficiency are addressed.
4. Avoid general statements such as 'the grantee's program was found to be in compliance with all applicable rules and regulations.' Monitoring reviews cover selected program areas. Therefore, it is inappropriate to advise the grantee that it is in compliance with all governing program requirements when only a portion of its program or a portion of the rules has been reviewed. 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, it appears that the activity (or area) was carried out in compliance with (SPECIFY REQUIREMENTS)."

Field offices often handle monitoring letters in one of two ways: some provide a summary cover letter to the chief elected official with a more detailed monitoring report attached; others simply provide a detailed monitoring letter. Field offices should continue to use their preferred method, provided sufficient detail is

provided to the grantee so that it is obvious what areas were covered and the basis for the conclusions reached. The monitoring letter should be clearly supported by the monitoring notes and review guides generated during the visit, along with copies of any support materials obtained.

E. Supervisory Review of Monitoring Documentation

In all cases, prior to sending the monitoring letter to the grantee, the reviewer's supervisor should not only concur in the monitoring letter but evaluate all of the back-up documentation to determine if the facts are clearly supportable by the working papers and materials generated during the on-site visit. As stated previously, the documentation should be such that:

- a) the supervisor can adequately assess the quality of the review;
- b) the supervisor can track consistency in the handling of monitoring findings, particularly if the reviewer has changed since the last monitoring;
- c) 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 which may affect the expenditure of funds in the future;
- d) HUD reviewers are making appropriate, supportable judgments and drawing sound conclusions; and
- e) a grantee will have a clear understanding of HUD's perception of its performance during a specific time period.

F. Supervisory Observation of On-Site Monitoring

While restrictions on travel funds limit supervisors' ability to accompany monitoring staff on all on-site reviews of grantees, it is recommended that supervisors periodically accompany their staff on such visits, particularly with inexperienced staff or in instances where travel expenses would be minimal (e.g., where grantees are located within the local travel area of the field office). The purpose of this is to allow supervisors to more adequately assess the quality of their staffs' work beyond the normal in-house functions of file reviews and discussions. Accompanying staff would provide supervisors an opportunity to observe how a review is being conducted and how on-the-spot judgments are being made when reviewing files and interviewing staff.

G. Summary of Monitoring File contents

1. Each grantee monitoring file should contain, at a minimum, the following information:
2. A copy of the approved risk analysis for a specific program year.
3. The approved monitoring strategy for a specific program year.

4. A copy of the notification to the grantee of the impending monitoring visit (with attachments, if any).
5. Copies of monitoring letters for CDBG monitoring visits conducted during the specific program year. Attached to these letters should be copies of all of the support documentation obtained during or generated by the site visit, including: completed review guides and all attendant reviewer notes; copies of grantee support documents which should be clearly labeled as to their relationship to the monitoring; a transcript or notes of the exit conference; the finding summary sheets (HUD 40013A); and all subsequent follow-up correspondence (or notes to the file documenting telephone calls, if appropriate) pertaining to each monitoring visit. Notice CPD 91-10, dated March 25, 1991, on "Addressing performance deficiencies under the Community Development Block Grant Entitlement and State Programs" provides additional guidance on adequate documentation pertaining to resolution of monitoring findings.

The file documentation should be clear and legible (particularly in the case of working notes). Reviewers may wish to keep personal copies of review documentation; however, the originals should be maintained in the official grantee monitoring files. It is recommended that supervisors periodically and randomly review these files to ensure that the proper documentation is in place. This does not, however, diminish the supervisor's responsibility to thoroughly review the documentation for consistency, clarity and correctness prior to the issuance of the monitoring letter, as previously described in this notice.

H. Including These Issues in Personnel Performance Reviews

In order to ensure that proper attention is given to the problem areas identified in this notice, it is recommended that the adequacy of documentation and supervisory oversight of the on-site monitoring performed be included in the critical elements of the EPPES for all affected field staff.

The procedures delineated herein are intended to foster the development of complete monitoring records which will identify, support and document all monitoring actions taken in regards to each grantee. If you have questions concerning the contents of this notice, please contact the Entitlement Communities Division at FTS 458-1577.