



DEPARTMENT
OF
HOUSING
AND
URBAN
DEVELOPMENT

**HOMEOWNERSHIP
A NATIONAL
PRIORITY**

HUD

**MONITORING
DESK GUIDE**

Policies and Procedures for Program Oversight



I am very pleased to acknowledge publication of this revised and updated Compliance and Monitoring Desk Guide, which provides the basic policies, procedures, and practices of the Department's compliance and monitoring responsibilities. A primary goal for administering all of

the Department's programs and operations is to ensure they are carried out efficiently, effectively, and in compliance with applicable laws and regulations.

This Desk Guide is based on the Departmental policy contained in Handbook 1840.1, Rev-3, Departmental Management Control Program. The guide is a ready reference for the most important principles and practices concerning the Department's monitoring functions and requirements. Also, the guide is an integral part of the HUD Compliance and Monitoring Training Program.

Using this guide will help bring consistency to all HUD monitoring processes and ensure that the Department is performing its oversight functions and addressing deficiencies identified by the Government Accountability Office and HUD Office of Inspector General.

A handwritten signature in black ink that reads "Roy A. Bernardi".

Roy A. Bernardi
Deputy Secretary

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HUD

MONITORING
DESK GUIDE

This HUD Monitoring Desk Guide defines 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 monitoring staff should be familiar with the contents of this chapter before undertaking monitoring responsibilities.

The Desk Guide is one component of the Department's efforts to strengthen and improve monitoring and address deficiencies identified by the Government Accountability Office (GAO) and HUD's Office of the Inspector General (OIG).

Monitoring is an integral management control technique and a GAO standard. It is an ongoing process that assesses quality of performance over time. Monitoring provides information about program participants that is critical for making informed judgements about program effectiveness and management efficiency. It also helps in identifying instances of fraud, waste, and abuse. The procedures described in the guide set standard monitoring and compliance procedures common to HUD programs and activities.

The Desk Guide explains the standard processes for developing and implementing an effective Departmental monitoring system, including policies, goals, and objectives. The Desk Guide describes the process for conducting a risk-assessment local monitoring strategy, outlines the steps involved in preparing for and conducting monitoring of programs and activities, and outlines the need for continuing follow-up actions. The Desk Guide also lays out the process of quality assurance.

The terms "program office" and "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 purpose of this Desk Guide, the term "program office" means an office responsible for developing program policies and requirements.

The term “field office” includes any field or regional office that carries out programs and is responsible for direct oversight activities.

2 ***MONITORING POLICIES AND PROCEDURES***

To strengthen the oversight of field operations and ensure that monitoring programs and policies are carried out effectively, program offices are responsible for developing and maintaining:

- Risk assessment models for their programs.
- Annual work plans, based on Management Plan goals and risk assessment results, including monitoring, workload priorities, and resources.
- Monitoring policies, procedures, and guidelines, as well as training updates.
- Program performance evaluation policies, plans, and schedules for field office visits and reviews.
- Reporting and information systems to track and monitor field office operations and activities.

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



Programmatic monitoring policies and procedures are formally issued to all staff through this Guide. Monitoring policies and procedures are updated periodically 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 existing program policies need modification to achieve monitoring objectives, and they communicate these changes throughout the organization.

The Management Plan is the primary means by which goals, objectives, and work plans are developed and implemented. Program offices establish national monitoring goals that are carried out at field offices. Field office management plans provide goals, detailed monitoring strategies, timeframes for completion, and resource requirements.

3

RISK ASSESSMENT

Risk assessment is a methodology used to identify and analyze the relative risk that program participants pose to the Department. The process gives staff consistent data to develop monitoring strategies to manage risk. The effectiveness of the Department's programs largely depends on how well policies and program requirements are implemented. In general, the overall objective of risk assessment is to allocate a larger share of monitoring resources to program functions posing the highest risk.

Risk assessment involves analyzing available data to identify possible risks that could prevent HUD from meeting its program objectives and determine which programs and participants are most susceptible to waste, fraud, and mismanagement. To the extent practicable, risk assessment

should be conducted nationally for each program and then ranked at the field office level. This process helps determine the relative risk to the Department nationally, as well as at the field office level. The risk process determines both the entities and activities to be reviewed by program staff.

3.1 Risk Identification

Methods for identifying risk are developed nationally by program offices for consistency. Since each program has different or unique indices of risk, program offices are in the best position to determine the types of risk to be evaluated. Offices consider many factors, including unique or local circumstances that may contribute to or increase the risk that HUD's program objectives will not be achieved. Staff at all levels of the organization are involved in risk identification. This allows input from those closest to program operations, while maintaining appropriate management oversight and control.

The major steps in 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 risk-based methods to rate participants, programs, and functions, including assessing the Department's exposure to fraud, waste, and mismanagement.
- Establishing criteria for risk profiles. The risk profiles, which summarize the individual risk identified with a particular program participant (or program activity), help determine the level of resources required to fulfill monitoring responsibilities.



3.2 Risk Analysis

Risk analysis generally includes the following:

- Estimating the level of risk.
- Assessing the frequency/likelihood of occurrence.
- Considering how best to manage the risk.
- Determining the actions to be taken.

Once risks have been analyzed, the program or field 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 risk within the levels established by headquarters' program offices. Once the approach has been implemented, it should be monitored and tracked for effectiveness.

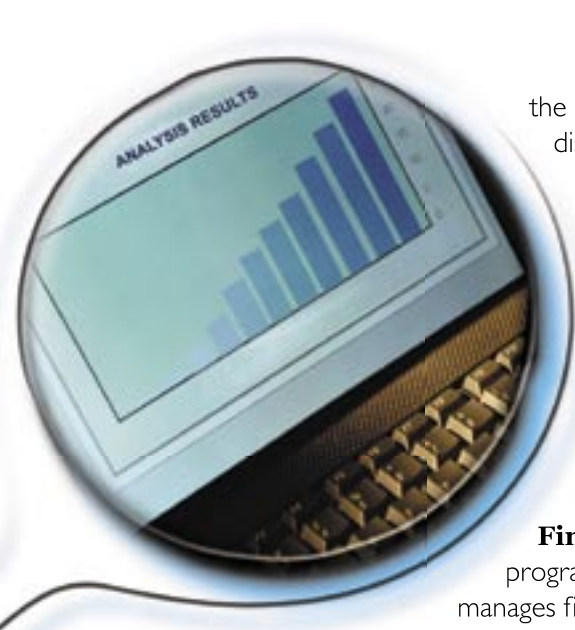
3.3 Risk Criteria and Rating Systems

Risk assessment factors are the criteria for determining:

- Risk exposure to the Department.
- The likelihood that a program participant has failed to comply with program requirements.
- 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. As a result, program participants who pose a higher risk should be subject to increased or more comprehensive monitoring.

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



the rating system, each program discipline within a local office rates and ranks all program participants within its jurisdiction and, as a result, develops its local monitoring strategies.

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

Financial. The extent to which program participant accounts for and manages 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. The 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.

Because program goals, objectives, and operations vary, program offices should give these categories appropriate weight. For example, 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, and jobs created.
- First-time participants or activity.
- Time elapsed since last remote monitoring.
- Time elapsed since last on-site monitoring.
- OIG audits/investigations.
- Local factors, such as economy and complaints as determined by local staff.
- 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 assessment. Some of those sources are listed below.

- Customer surveys
- Electronic data systems
- Annual reports
- Audits
- Previous in-house monitoring reports
- Other governmental entities as appropriate
- Internal data from other HUD disciplines, including:

- Consolidated Plans
- Analysis of Impediments to Fair Housing Choice
- Real Estate Assessment Center reports
- Data from grant recipients
- Field office knowledge
- Quality Management Review reports

3.5 Data Validation

To the extent possible, monitors should test and validate data electronically or by program experts 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. Validating data helps ensure accuracy in identifying the risk assessment.

4 ***PROGRAM MONITORING STRATEGIES***

Upon completion of the risk assessment, each program discipline within a field office develops an annual monitoring strategy for its jurisdiction. Offices have discretion in preparing local monitoring strategies and revising them based on new information, such as declining participant performance, budget constraints, or other unanticipated events. The rationale for making any revisions should be well documented. To facilitate coordination, sharing of resources, and local management plan development, program offices may develop a coordinated monitoring strategy. In either case, the strategy identifies the following:

- 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 (for example, comprehensive vs. focused and on-site vs. remote).
- Timeframes 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.
- Funds necessary to complete the monitoring.

The monitoring approach established for each participant will depend on the level of risk determined as a result of the risk assessment 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 on 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 necessarily result in the on-site monitoring of only high-risk participants. They 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 timeframes for monitoring lower risk participants.

4.2 Remote Monitoring

Remote monitoring procedures are those activities, other than on-site monitoring, that HUD undertakes 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, and requesting data from the participant for verification.

4.3 Individual Monitoring Strategies

The next phase of the monitoring strategy is the development of a written, individual monitoring strategy for each program or participant. This includes strategies for both on-site and remote monitoring. The individual monitoring strategy focuses the monitoring efforts and maximizes 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 to be monitored.
- Any data the program participant should submit to the HUD staff prior to the review.
- Staff resources that will be used, such as other program areas, outside contractors, and auditors. 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 clearly outlining the tasks and timeframes for completion.
- Required resources (travel and staff).
- The participant's staff members who need to be consulted during the monitoring.

5

IMPLEMENTATION

Preparation is essential for effective monitoring. During the preparation phase, HUD staff should collect as much data as possible about the program participant to make informed decisions about priority areas that require review. Staff should be knowledgeable and understand the participant's program operation. The more familiar staff is 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 limited time on-site.

The preparation phase 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).
- Reviewing monitoring guidance and/or checklists to be used.

As a result of this preparation, HUD staff can refine their individual monitoring strategy and prioritize the areas and issues within the participant's program that will be reviewed during the monitoring. Staff can also review the estimated timeframes 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, a date should be set for the monitoring, and any on-site visits requiring notification of tenants or other beneficiaries should be scheduled. 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 who will be conducting the monitoring, and request that the necessary program participant staff be available during the visit. The letter should also confirm the need for any services required for conducting the monitoring, such as conference rooms or telephones. For remote monitoring, the letter should request specific information the program participant needs to submit to the field office, along with a timeframe for submission.

5.1 Conducting A Monitoring Visit

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.
- Exit conference with key program participant's staff/officials.

Monitoring Tips:

While most applicable to on-site monitoring, the following 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 guides 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 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 to ensure 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 HUD will issue.
- 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 continuously evaluate data and other collected information to draw defensible and supportable conclusions. The main objective for the reviewer is to assist program participants in carrying out their program responsibilities. The following approaches to evaluation can be useful for drawing sensible conclusions:

- Evaluate the information against program requirements.
- Assess performance in accordance with program guidelines and objectives. Determine if the participant is accomplishing the stated objectives.
- Conduct the evaluation based on realistic HUD and program participant expectations.
- Determine if identified problems are isolated incidents or systemic deficiencies. Corrective actions may vary depending upon this determination.
- Use checklists as guidelines. A “no” answer does not always mean the program participant is doing something wrong.
- In conducting the evaluation, always consider the question, “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.

The reviewer orally summarizes conclusions reached during the monitoring in the exit conference and follows up in writing to the participant. Verbal communication should be summarized in writing, 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.
- There were findings (conditions that are not in compliance with handbook, regulatory, or statutory requirements).
- 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, staff should 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 cite the regulatory or statutory requirements that were 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 specify 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 timeframe 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 they encounter systematic program violations. 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. Documentation is 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 developed by each program discipline. The field office should input necessary data into its 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 appropriate division director should date and sign the monitoring strategy. Necessary data from the local monitoring strategy should be entered in the appropriate data system by the program organization.



6.3 Monitoring Documentation

Each program office provides monitoring guides or checklists to be used when monitoring. Therefore, for each program area or subject 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 should 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, such as contracts, budget forms, legal notices, work write-ups, and copies of program participant policies or procedures, 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's exemplary 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. The basis on



which the program participant disagreed with any of the findings, and any follow-up action required on the part of the field office reviewer or program participant is included in the official file as well.

6.4 Preparing 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 list of the program areas outlined for review in the monitoring strategy (which flows, to a great extent, from the risk analysis).
- Explanatory statements. 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 or reasons it was not covered should be included (for example, because of 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 offer technical assistance to the program participant or indicate that technical assistance was provided on-site.

To establish and maintain effective partnerships with program participants, the tone of the monitoring letter should be positive. Staff should not only convey deficiencies, but also recognize 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 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, before 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 supported by the working papers and materials generated during the on-site visit. The documentation should provide sufficient evidence that:

- The program managers or their designees can adequately assess the quality and accuracy of the monitoring.
- The program managers or their designees can track consistency in the handling of monitoring findings, particularly if the reviewer has changed since the last monitoring visit was held.
- Performance is 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.
- Monitoring reviews are making appropriate, supportable judgements and drawing sound conclusions. Program participants should have a clear understanding of HUD's perception of their 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

To ensure the effectiveness of monitoring, staff should continually assess the progress of program participants. This includes ensuring that corrective actions are implemented, that 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 further management action is not needed.

Required corrective actions must be tracked to ensure all deficiencies are completed in the required timeframes. 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 its determination in writing to the program participant. HUD should routinely assess whether the corrective action ultimately resolves the deficiency.

Monitoring is an ongoing process that builds on previous experiences with program participants. 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 or did resolve 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 non-compliance findings were forwarded to the proper HUD entity for enforcement action.

- The date of final resolution, as defined by specific program policies and procedures.

8 ***INFORMATION SYSTEMS***

HUD relies more on information systems because of management reforms and the increasing use of information technology. There are numerous points in the monitoring process where data from information systems help staff prepare for a monitoring visit, assess performance, and document results.

Program disciplines have developed information systems to support their missions. For these systems to appropriately reinforce HUD's monitoring efforts, each program and field office should ensure that the data are relevant, reliable, and timely. As GAO has noted, "Pertinent information should be identified, captured, and distributed in a form and timeframe that permits people to perform their duties efficiently" (Standards for Internal Control in the Federal Government, GAO/AIMD-99-21.3.1, page 17).

9 ***QUALITY ASSURANCE***

HUD's most important internal quality assurance mechanism is the Quality Management Review (QMR) Program. QMR is a comprehensive system for evaluating field offices and program operations. The overall goal of the QMR Program is to ensure that HUD programs and processes are performing in accordance with their statutory requirements, efficient management principles, and the objective standards established for them.

QMR evaluations are performed on-site by peer reviewers, and are based on objective, written standards for successful performance. The QMR Program provides managers with an early warning mechanism to identify operational problems before they reach a critical stage. It also provides a

platform for recognizing exemplary ways of accomplishing HUD's mission.

The specific goals of the QMR Program are:

- To establish quality management standards and controls for more effective program operations in the field.
- To evaluate performance and results in field organizations in two critical areas: ongoing program operations and Management Plan goals.
- To identify and correct problems in field operations.
- To verify and ensure that field office monitoring policies are appropriate, that monitoring strategies are being implemented, and that deficiencies identified during on-site monitoring are corrected.
- To extend the positive benefits of exemplary practices in field operations throughout the Department.

The Office of Departmental Operations and Coordination (ODOC) is responsible for implementing the QMR Program. ODOC reports directly to the Deputy Secretary and is therefore independent of the program areas and field offices reviewed. The Deputy Secretary, HUD's Chief Operating Officer, approves the QMR annual implementation plan.

The QMR annual review schedule is prepared by the QMR Program Manager and approved by the Deputy



Secretary. Reviews are conducted annually on a fiscal year cycle. To allow time for enactment and allotment of appropriations, reviews are planned and scheduled during the first quarter of each fiscal year. Each year about 15 percent or about 12 of HUD's 80 field offices undergo a QMR evaluation. The Deputy Secretary approves the offices selected for review each year. Selections are based on the following ranking factors:

- **Size/number of operations at the field office location.** Reviews are balanced among large offices with all major program operations, medium offices with limited program operations, and small offices with only community liaison functions.
- **Management Plan goal achievement.** Offices are selected because their high level of accomplishment indicates opportunities to identify exemplary practices, or because a low level of accomplishment indicates difficulties that may be systemic, requiring headquarters action to resolve.
- **Office of the Inspector General (OIG) and Government Accountability Office (GAO) audit findings.** Offices with material weaknesses or high-risk situations, as determined by OIG and GAO audits, are prioritized for Quality Management Reviews.
- **Location/jurisdiction of office.** Reviews are balanced geographically.

The QMR Program reflects the following guiding principles:

Problem-Solving Focus. A QMR is a process evaluation to assess how field organizations and program operations are doing in relation to Management Plan goals and quality standards for daily operations.

Objective Standards and Measures. QMR evaluations are based on written standards with objective, measurable indicators of successful performance that are known to all parties in advance of the review. QMR determinations are not based on the evaluator's personal opinion or on subjective criteria that could produce inconsistent results between



reviews. All approved QMR standards are available on hud@work.

Peer Reviewers. QMR Evaluators are talented and highly motivated senior and mid-level HUD staff who focus on realistic expectations of what can be accomplished with given resources. Peer reviewers have demonstrated an ability to be honest and forthright in recognizing both deficiencies and exemplary practices. A peer reviewer cannot participate in the review of his or her office/operation or in the review of an office/operation that is located in the same regional jurisdiction as his/her office/operation location. Also, reviewers are annually trained in the QMR process, including how to write clear reports and how to use evaluation techniques and strategies. They are certified and approved by the Principal Staff and the Deputy Secretary.

On-Site Technical Assistance. Immediate corrective actions are implemented whenever possible. Since the QMR Evaluators are highly qualified senior HUD managers, they are able to resolve many problems immediately by providing training, policy guidance, and technical assistance onsite during the review.

Full Disclosure of Results. All results are communicated to the Deputy Secretary, the appropriate Assistant Secretaries and equivalents, and the managers of the field office reviewed. Final reports are shared with the Inspector General's office as well as the Chief Financial Officer. Full disclosure leads to knowledge, which translates into action and performance improvements.

Standardized Format. Every QMR on-site review is conducted following an overall review plan, which is composed of the individual review plans for each program/operation evaluated in a field office. Review results are communicated as findings, observations, exemplary practices, and other comments.

Follow-Up Activities. Findings and observations may be correctable on-site under local authority, or they may require changes by headquarters. Whenever possible, corrective actions and recommendations are implemented immediately during the on-site review.



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