



MONITORING RISK ANALYSIS

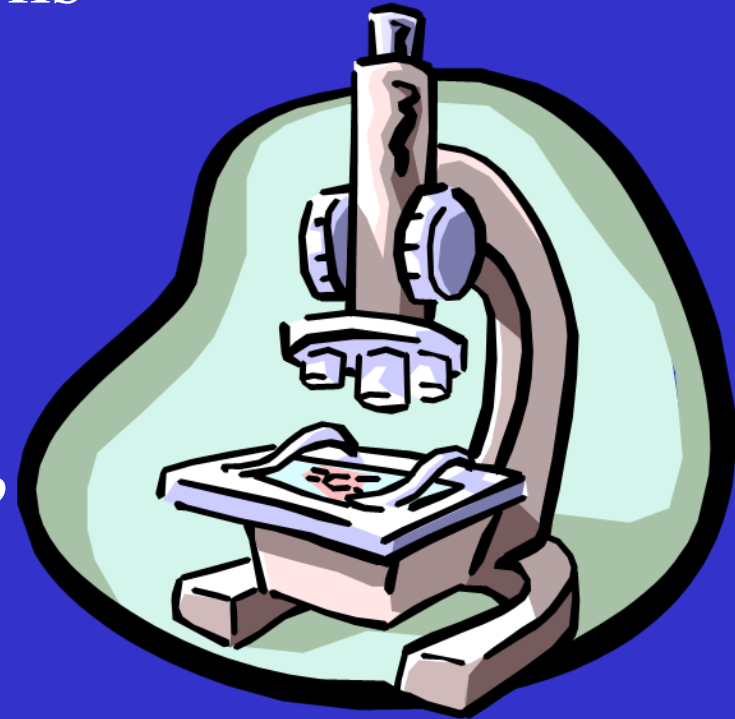
GMP

Monitoring Process

Why do we monitor?

- To help correct problems
- To discover new innovations that States are doing
- To spot fraud, waste and mismanagement

Monitoring is not “**Gotcha**” or “**Blindfold**”, just objective evaluation.



Monitoring Process

1. Risk Analysis
2. Local Office Strategy
3. Pre-visit Coordination and Preparation
4. Conducting Monitoring
5. Writing the Monitoring Letter
6. Follow-up and Resolution of Monitoring Issues

Risk Analysis & Grantee Selection

- CPD Risk Analysis Notice 07-07
- Grantee-Focused vs. Program-Focused
- Risk Analysis & the Annual Comparative Review

HUD Inspector General

- “Low-hanging fruit” Approach



HEADQUARTERS RECOMMENDATIONS

Most States should be monitored every 1-3 years, depending on risk analysis & various factors.

Focus on:

1. Eligibility and National Objectives
2. Conformance with the MOD
3. Timely Distribution & Expenditure



HEADQUARTERS RECOMMENDATIONS

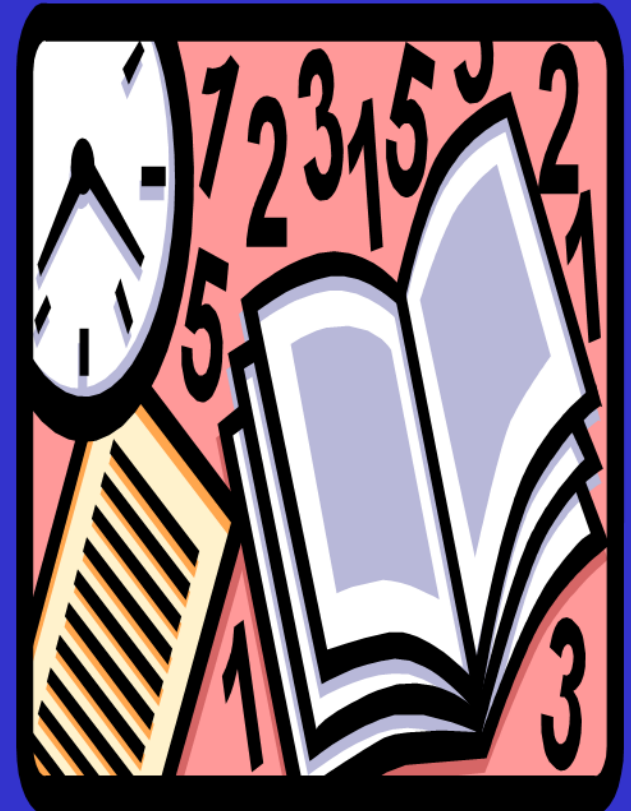
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4. State monitoring of State recipients
5. Other areas identified through Risk Analysis
 - Special Note: Recurring problem areas include public benefit documentation and funding decision documentation

STEPS TO TAKE BEFORE THE MONITORING VISIT...

Review:

- The Consolidated Plan
- Annual Action Plan
- Past monitoring letters



STEPS TO TAKE BEFORE THE MONITORING VISIT...

(Cont.)

- Audit Reports
- PERs
- Grantee correspondence
- Citizen complaints

Things a rep should know

AFTER A MONITORING VISIT...

- How the State's CDBG program works
- The highlights of the Method Of Distribution (MOD)
- Strengths and weaknesses of the State's program

NOTE:

Although site visits are not required, they are often helpful in getting a sense of the State's program in operation and verifying the quality of the State's monitoring.



WHEN TO INVOLVE HEADQUARTERS:

- When there are major findings (especially if repayment is expected).
- When there is a dispute between program areas that cannot be resolved at the local level.
- During the monitoring visit (dependent on availability of staff time and travel budget). Please invite us in advance so that we can plan.

MONITORING TOOLS & GUIDANCE

The Monitoring Handbook 6509.2 Rev 5,
Chapter 4 includes exhibits for the State
CDBG Program

MONITORING TOOLS & GUIDANCE

Chapter 2 has general monitoring and planning guidance. Chapter 2-7 C3 states:

All exhibits must be answered including the basis for conclusion unless unable to be answered due to time constraints, problems in other areas, etc. Paragraph 4-4 allows the reviewer with the approval of the CPD Director to skip the worksheets in ltd instances (e.g. new rep, not monitored in a long time, not enough time for sampling).

MONITORING LETTERS

Required Content is in Chapter 2-10 of the
Monitoring Handbook

1. Grant Number(s) Monitored
2. Participating Field Staff and Visit Date
3. Areas Reviewed / Activities Monitored

MONITORING LETTERS

Required Content

(Cont.)

4. Conclusions, Both Positive and Negative
 - Comments
 - Findings
 - Concerns

REQUIREMENTS FOR FINDINGS

1. Condition
2. Criteria
3. Cause
4. Effect
5. Requested Corrective Action
6. Dispute Process



REQUIREMENTS FOR CONCERNS

1. Condition

2. Cause

3. Effect



Resolving Findings and Sanctions

Discuss your findings with the grantee and obtain buy-in, if possible. Try to establish common ground.

DISCUSSION:

Assurances vs. Evidence

Negotiation vs. Threats

➤ When should you ask for repayment of failed ED projects??

Documenting the Record

- Paper trail must be there for Administrative Law Judge (ALJ) if necessary
- State basis of what HUD asks for
- Use e-mail judiciously

SANCTIONS PROCESS

§570.495(a): Request corrective action from the state.
State may also respond by contesting the finding.

-- Issue letter of warning advising State of deficiency and put State on notice that additional action will be taken if State does not correct the situation.

--Advise State that Additional Information or assurances will be required before certifications can be accepted for next year's grant.

SANCTIONS PROCESS

(Cont.)

- Advise State to suspend or terminate disbursement of funds for a deficient activity or grant.
- Advise State to reimburse its grant for improper expenditures.
- Change method of payment from advance to reimbursement.
- Condition future grant on corrective action by State.

IF ALL ELSE FAILS (570.495 is not successful)...

- Under §570.496, the State can request a hearing before an ALJ.

- If the ALJ agrees, HUD can:
 - Terminate payments to the State

 - Reduce payment for current and future grants by amount used in violation of CDBG requirements.

IF ALL ELSE FAILS...

(Cont.)

- Limit availability of funds to those not covered by non-compliance.
- Condition use of grant funds upon appropriate corrective action.
- Require State to withhold, reduce or withdraw grant to UGLG.



Note:

HUD can refuse to fund the next year without going through the ALJ.

PANEL DISCUSSION



Monitoring • Risk Analysis • GMP