

CHAPTER 1

INTRODUCTION

- 1-1 **PURPOSE.** This Handbook establishes standards and provides guidance for monitoring those Community Planning and Development (CPD) Programs listed in paragraph 1-3 below.
- 1-2 **OBJECTIVES.** Monitoring is an integral management control technique and a Government Accountability Office (GAO) standard. It is an ongoing process that assesses the quality of a program participant's performance over a period of time. Monitoring provides information about program participants that is critical for making informed judgments about program effectiveness and management efficiency. It also helps in identifying instances of fraud, waste and abuse. It is the principal means by which the Department:
- A. ensures that programs and technical areas are carried out efficiently, effectively, and in compliance with applicable laws and regulations;
 - B. assists program participants in improving their performance, developing or increasing capacity, and augmenting their management and technical skills; and
 - C. stays abreast of the efficacy of CPD-administered programs and technical areas within the communities these programs serve.

The policies and guidance in this Handbook are designed to be consistent with Departmental monitoring policies as defined in the *Departmental Management Control Program Handbook 1840.1* (primarily Chapters 2 and 7) and the *HUD Monitoring Desk Guide: Policies and Procedures for Program Oversight*.

Revisions were made to strengthen and improve monitoring, addressing certain monitoring deficiencies identified by the GAO and HUD's Office of Inspector General. Handbook 1840.1 can be found at:

<http://www.hud.gov/offices/adm/hudclips/handbooks/cfoh/18401/index.cfm>.

The *Desk Guide* is located at:

<http://hudatwork.hud.gov/mgmtbudget/deskguide.pdf>.

- 1-3 **APPLICABILITY.** This Handbook applies to monitoring the following programs and technical areas:
- A. **Programs.**
 1. Community Development Block Grant (CDBG) Entitlement, Small Cities and Insular Areas Programs;
 2. State-Administered Community Development Block Grant Program;

3. Section 108 Loan Guarantee Program, Economic Development Initiative (EDI), and Brownfields Economic Development Initiative (BEDI);
4. Disaster Recovery Assistance;
5. HOME Investment Partnerships Program (HOME);
6. Emergency Shelter Grants (ESG);
7. Housing Opportunities for Persons With AIDS (HOPWA);
8. Section 8 Moderate Rehabilitation Single Room Occupancy Program for Homeless Individuals (SECTION 8 SRO);
9. Shelter Plus Care (S+C);
10. Supportive Housing Program (SHP);
11. Empowerment Zones – Round II (EZs);
12. Historically Black Colleges and Universities (HBCUs);
13. Rural Housing and Economic Development (RHED);
14. Community Development Technical Assistance (CDTA) Cooperative Agreements;
15. Youthbuild;
16. Homelessness Prevention and Rapid Re-housing Program (HPRP);
17. Neighborhood Stabilization Program 1 (NSP-1);
18. Neighborhood Stabilization Program 2 (NSP-2); and
19. Community Development Block Grant Recovery Program (CDBG-R).

B. Technical Areas.

1. Citizen Participation;
2. Consolidated Plan;
3. Environment;
4. Fair Housing and Equal Opportunity (FHEO);
5. Labor;
6. Lead Hazards;
7. Acquisition and Relocation;
8. Flood Insurance Protection;
9. Alternative Monitoring Formats; and
10. Close-Outs (reserved).

NOTE: The Table of Contents lists the Exhibits for each of the above-listed programs. Individual introductory Chapter text provides cross-referencing information, as applicable.

- 1-4 AUDIENCE. This Handbook is for the use of all HUD CPD field staff involved in monitoring the programs and technical areas listed above as well as all program participants. It is available to HUD staff electronically via HUDCLIPS at <http://www.hud.gov/offices/adm/hudclips/handbooks/cpdh/6509.2/index.cfm> and to program participants at <http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm>.

- 1-5 APPROACH TO MONITORING. As stated above, HUD staff should view monitoring, not as a once a year or periodic exercise, but as an ongoing process involving continuous communication and evaluation. Such a process involves frequent telephone/email contacts, written communications, analysis of reports and audits, and periodic meetings. It is the responsibility of HUD staff to keep fully informed concerning participant compliance with program requirements and the extent to which technical assistance is needed.

The overriding goal of monitoring is to determine compliance, prevent/identify deficiencies and design corrective actions to improve or reinforce program participant performance. As part of this process, HUD staff should be alert for fraud, waste and mismanagement or situations with potential for such abuse. Where possible, any identified deficiencies in need of corrective action should be handled through discussion, negotiation, or technical assistance in a manner that maximizes local discretion. Monitoring also provides opportunities to identify program participant accomplishments as well as successful management/implementation/evaluation techniques that might be replicated by other CPD program participants.

- 1-6 DEFINITIONS. The following terms used in this Handbook are defined below with any explicit exceptions noted in a particular Chapter or Exhibit.
- A. Beneficiary. The person(s), entity(ies), or organization(s) benefiting from the activity, project or program, e.g., a homeless individual, a low-income family. (Note: Some chapters use the term “client” or “participant.”)
 - B. Concern. A deficiency in program performance not based on a statutory, regulatory or other program requirement. Sanctions or corrective actions are not authorized for concerns. However, HUD should bring the concern to the program participant's attention and, if appropriate, may *recommend* (but cannot require) actions to address concerns and/or provide technical assistance.
 - C. Finding. A deficiency in program performance based on a statutory, regulatory or program requirement for which sanctions or other corrective actions are authorized. Such sanctions or actions are generally subject to HUD discretion, within prescribed parameters addressed in Chapter 2 of this Handbook.
 - D. In-depth Monitoring. A detailed compliance review for a selected program participant. An in-depth review can include a concentrated review of specific activities, projects or programs and/or a review of known high-risk areas or critical functions. In-depth monitoring would require:
 1. that more than a single Exhibit for the selected area be completed, such as a project review, a financial review, a management review, a technical area review; and/or

2. a randomly selected activity/project/program sample, sufficiently large to draw a valid conclusion.
- E. Limited Monitoring. A program compliance review reduced in scope and size for the selected program participant. Such a review may include:
1. completing an Exhibit or Exhibit for a single activity, project or program; and/or
 2. a smaller, selected activity/project/program sample.
- F. Monitoring Conclusion. The determination reached regarding a program participant's performance based upon the monitoring results. Conclusions may be positive or negative.
- G. N/A. Not applicable.
- H. On-Site Monitoring. Monitoring that is conducted at the program participant's geographic location. Exhibit questions that contain "[OS]" indicate that the question can only be answered during an on-site monitoring visit.
- I. Program Participant. The direct recipient of the HUD funding. (Note: Certain chapters use the term "grantee.")
- J. Remote Monitoring. Monitoring that is conducted off-site, typically at the Field Office, based upon analysis of information from the program participant, including interviews. Information forming the basis for remote monitoring conclusions can incorporate review of performance reports and audited financial statements, information in electronic databases, and other documentation submitted by the program participant.
- 1-7 HANDBOOK ORGANIZATION. Each chapter covers a specific program or technical area. Introductory text provides specific, pertinent information to facilitate effective monitoring of the program or technical area. Each chapter contains the exhibits deemed necessary or appropriate to monitor those program activities and technical areas deemed to pose some element of risk as identified through CPD's risk assessment process as well as to evaluate other measures of performance. The use of the chapter Exhibits in this Handbook is mandatory, based upon risk analysis results. Each monitoring Exhibit contains a "Note" underneath the heading to clarify that a negative response to any question which contains a citation *below* it (and not in the question itself) would result in a finding of noncompliance.

Regardless of whether the Exhibit forms are filled out electronically or printed out for hard copy use, all monitoring form responses must be completed electronically before the monitoring letter is sent to the program participant. This will facilitate CPD analysis of monitoring results and enable the development of regular program reports for Headquarters Program Office use.