

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.¹ It is the activities that management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews. 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 HUD-funded 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 is available online at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/cfo/1840.1. The *HUD Monitoring Desk Guide* is located at: http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_35339.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 Non-Entitlement CDBG Grants to Hawaii, and Insular Areas Programs

¹ <http://www.gao.gov/assets/670/665712.pdf>

2. State Community Development Block Grant (CDBG) Program
3. Section 108 Loan Guarantees, Economic Development Initiative (EDI), and Brownfields Economic Development Initiative (BEDI)
4. Disaster Recovery Community Development Block Grant Supplemental Grants (CDBG-DR)
5. Community Development Block Grant Recovery Program (CDBG-R)
6. HOME Investment Partnerships Program (HOME)
7. Neighborhood Stabilization Program 1 (NSP-1)
8. Neighborhood Stabilization Program 2 (NSP-2)
9. Neighborhood Stabilization Program 3 (NSP-3)
10. Housing Opportunities for Persons With AIDS (HOPWA)
11. Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) Program for Homeless Individuals
12. Shelter Plus Care (S+C) Program
13. Supportive Housing Program (SHP)
14. Round II Empowerment Zones
15. Rural Housing and Economic Development (RHED)
16. Emergency Solution Grants (ESG) Program
17. Continuum of Care (CoC) Program
18. Community Compass Technical Assistance and Capacity Building Program (TA Program), including all programs linked to its Catalog of Federal Domestic Assistance (CFDA) Number, 14.259
19. Appalachia Economic Development Initiative (AEDI)
20. Border Community Capital Initiative (BCCI)
21. Delta Community Capital Initiative (DCCI)
22. Self-Help Homeownership Opportunity Program (SHOP)
23. Rural Capacity Building for Community Development and Affordable Housing Grants (RCB)
24. Capacity Building for Community Development and Affordable Housing (Section 4)

B. Technical Areas.

1. Citizen Participation
2. Environmental Monitoring
3. Fair Housing and Equal Opportunity (FHEO)
4. Labor Standards Administration
5. Lead-Based Paint Compliance
6. Relocation and Real Property Acquisition
7. Flood Insurance Protection
8. Close-Outs (reserved)

C. 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

The previous set of changes to this Handbook remain. Chapter 34 is used by the programs listed above, to monitor compliance with the requirements of 2

CFR part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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 HUD authorized persons involved in monitoring the programs and technical areas listed above (section 1-3) as well as all program participants. These authorized persons are referred to as “HUD reviewers” or “CPD reviewers” or “HUD monitors” or “persons from HUD-delegated organizations.” This Handbook is available electronically via HUDCLIPS at <http://www.hud.gov/offices/adm/hudclips/handbooks/cpdh/6509.2/index.cfm>.
- 1-5 **APPROACH TO MONITORING.** As stated above, monitoring should be viewed, not as an annual 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 reviewers to keep fully informed concerning participant compliance with program requirements and the extent to which technical assistance is needed.

The 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 reviewers 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 discretion². Monitoring also provides opportunities to identify program participant accomplishments as well as successful management/implementation/evaluation techniques that might be replicated by other 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(ties), 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.”). For the TA Program, a beneficiary is a single or a group of HUD grantee(s) for discretionary HUD funds (non-TA Program funds), and as such, references to “client” or “participant” should be interpreted as such.

² CPD does not have discretion related to civil rights-related requirements. Instead, CPD must present any civil rights-related issues to HUD’s Office of Fair Housing and Equal Opportunity for follow-up, in accordance with the protocols established in Chapter 22.

- 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 either of the following:
 - 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 either:
 - 1. a. completing an Exhibit or Exhibit for a single activity, project or program
 - b. a smaller, selected activity/project/program sample
 - 2. For purposes of Chapter 22, *Fair Housing and Equal Opportunity*, “limited monitoring review” means collecting certain data and information concerning program participants’ implementation of their nondiscrimination responsibilities within CPD’s programs.
- 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-going Program Management. The TA Program reviews award information during the life of the agreement with the program participant. The types and frequency of the review may include the following reports: requests for reimbursements, quarterly reporting, hourly labor rates, or any other reports as specified in the agreement with program participants.

- I. On-Site Monitoring [OS]. Monitoring 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.
 - J. Program Participant. The direct recipient of the HUD funding. (Note: Certain chapters use the term "grantee," "recipient," "awardee," and "non-Federal entity.")
 - K. Remote Monitoring. Monitoring 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 evaluate other measures of performance and to monitor those program activities and the technical areas deemed to pose some element of risk as identified through CPD's risk assessment process (or the risk assessment process for the TA Program). 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 before the monitoring letter is sent to the program participant. This will facilitate HUD analysis of monitoring results and enable the development of regular program reports for Headquarters Program Office use.