

Secretary's Representatives;
Public Housing Directors;
Administrators, Offices of
Native American Programs

Notice PIH 96-66 (HUD)
Issued: August 16, 1996
Expires: August 31, 1997

Subject: Procedures and Semi-Annual Reporting Instructions for Field Offices with Monitoring Oversight for Public Housing Agencies (PHAs) Selected for Funding Under the Fiscal Year 1994 Family Investment Centers (FIC) Program

1. Purpose. This Notice will serve as a guide for monitoring programs funded under the Fiscal Year (FY) 1994 Public and Indian Housing Family Investment Centers (FIC) Program.

The procedures in this Notice do not apply to the Office of Native American Programs or to Indian Housing Authorities. ONAPs should continue to base their monitoring activities on the Risk Assessment and Determination for Allocation of Resources (RADAR). Grantee monitoring should be conducted in accordance with 24 CFR 950.135, Administrative Capability.

2. Background.

- A. The Family Investment Centers Program was created by the Cranston-Gonzales National Affordable Housing Act (P.L. 101-625, enacted November 1990) and authorized by Section 22 of the United States Housing Act of 1937 (42 U.S.C. 1437t). The stated purpose of Section 22 is to provide families living in public and Indian housing with better access to educational and employment opportunities to achieve self-sufficiency and independence by: (a) Developing facilities in or near public housing for training and supportive services; (b) mobilizing public and private resources to expand and improve the delivery of such services; (c)

providing funding for such essential training and support services that cannot otherwise be funded; and (d) improving the capacity of management to assess the training and service needs of families, coordinate the provision of training and services that meet such needs, and ensure the long-term provision of such training and services.

Although Section 22 is phrased in terms of families living in public housing, the program is also available to Indian Housing Authorities (IHAs), because of section 527 of the National Affordable Housing Act (104 Stat. 4216; 42 U.S.C. 1437aa note) (NAHA). Section 527 extends the applicability of many NAHA provisions affecting Title I of the 1937 Act (including section 515, which added Section 22) to housing operated by an IHA.

A Notice of Funding Availability (NOFA) was announced in the **Federal Register** on Monday, February 28, 1994, and subsequent amendments were published on April 19, 1994, June 9, 1994, July 14, 1994 and July 29, 1994.

In FY 1994, the Department of Housing and Urban Development awarded a total of \$68 million to 82 Public and Indian Housing Authorities nationwide.

3. Application requirements .

To receive funding, PHAs and IHAs submitted a grant application to HUD, by the deadline date of July 22, 1994, using an application packaged as described in Section II.A. of the NOFA, and were reviewed and evaluated in accordance with the ranking factors set forth in Section I.G. of the NOFA.

4. Distribution of funds .

Applications were awarded in accordance with the NOFA published February 28, 1994, and the subsequent amendment published July 29, 1994 that allowed that grants be awarded out of rank order based on project size and geographical diversity. The final ranking list was compiled from lists that included the four top applications (per funding category) per HUD Region; the top applications in states not represented in the former category; and a mix of small, medium and large housing authorities nationwide.

5. Process/Monitoring Procedures - Reference.

- A. The following PIH/OCRI documents shall be used as guides/references for processing FIC applications and monitoring program grantees:
1. Resident Initiatives Grants Management Notice and Handbook (7490.01), issued April 7, 1993;
 2. LOCCS, Public and Indian Housing Program: User Guide (Part 1 and 2) for HUD Staff, published June 1995; and
 3. Office of Public and Indian Housing LOCCS/VRS Desk Reference Guide, published June 1995.

6. Reporting Requirements

Each grantee is required to submit a financial status report on an annual basis for the period ending December 31. In addition, each grantee shall submit a semi-annual report on the program's progress (See Appendix A for instructions on completing the report form).

7. Monitoring of Grant Programs

- A. Monitoring Responsibility: The Director, Public Housing Division has oversight responsibility for monitoring FIC Grants. To successfully monitor the program grants, the Community Relations and Involvement Specialist (CRIS) will require assistance from other Field Office staff such as financial analysts; housing management specialists; and engineers.
- B. Goals of Monitoring: The goals of monitoring are as follows:
1. To assure the program is proceeding satisfactorily and that the grantee is complying with all applicable requirements.
 2. To identify any deficiencies and develop corrective action in order to improve, reinforce or augment public housing authority.

3. To identify technical assistance needs and to assure that the grantee receives proactive Departmental support wherever appropriate to further Family Investment Centers initiatives.

As part of the monitoring process, HUD staff should be alert for fraud, waste, and mismanagement or situations with potential for such abuse. The emphasis will be on prevention, detection, and correction with a positive attitude on the part of HUD staff.

Field Office Directors should ensure reviewers are provided training and cross training to perform monitoring functions, using remote and on-site review techniques, which will ensure accountability.

- C. Risk Management Approach: With the total number of 82 Family Investment Center grants in place by the start of FY 1996, it may be impossible to do a 100 percent review of each program annually. For this reason, an approach using "risk management" indicators has been developed for selecting grantees to be reviewed on-site by Field Offices and is explained in the following paragraphs and pages.

1. The basic premise using a risk management approach is that on-site reviews will be conducted, within the resources available, where there is the greatest vulnerability to (a) fraud, waste, and mismanagement and/or (b) successful accomplishment of program objectives.

2. The following handbooks currently contain risk management approaches to the scheduling and monitoring of reviews:

- a. Handbook 7460.7, REV-1, dated 2/90, "Field Office Monitoring of Public Housing Agencies."

[Handbook 7460.7, REV 1 is scheduled to be revised and will incorporate on-site monitoring procedures for this program consistent with this Notice including a more detailed checklist.]

- b. Handbook 7490.1 dated 4/93, "Resident Initiatives Grants Management."

3. On-site reviews are to be performed on a risk management basis in conjunction with use of remote monitoring techniques, using information from telephone calls, written reports and letters from grantees (and lack thereof), LOCCS status information, etc.
4. In identifying sites to monitor, a numerical risk rating is established for all grantees within the Field Office jurisdiction. The selection of sites to monitor is made from the top (highest risk) down allocating available staff/travel resources accordingly.

NOTE: This approach is in use for all Office of Community Relations and Involvement (OCRI) programs so that the risk assessment for one program could be combined with other OCRI programs monitored by this risk assessment approach. A composite risk assessment for multiple programs could be made by putting the percent risk rating in rank order for the combined programs. This approach is subject to revision to conform to a general risk management strategy within the Office of Public and Indian Housing.

5. The risk rating is the sum of the values for the below-identified indicators which must be taken into consideration in performing the risk assessment. Each indicator requires a "yes" or "no" answer and is given a point value. [See Appendix A for a Risk Rating Worksheet for Family Investment Centers grantees].
 - a. Record of previous problems with other programs in areas relevant to this program, e.g., provide example (6 points);
 - b. Slow program implementation (more than 9 months with no LOCCS-VRS draw after grant execution requires phone/written

- inquiry by Field Office) (7 points);
 - c. Drawdowns not consistent with work plan/timetable (5 points);
 - d. Requested changes to budget, program plan or timetable or timetable submitted requiring grant amendment (3 points);
 - e. Untimely submission of program performance and financial reports or unacceptable reports received (3 points)
 - f. Lack of local level commitments or in-kind contributions based on reports submitted (in proportion to funds drawn) (6 points)
 - g. Above average number of LOCCS edits stopping drawdown of funds to grantee based on experience after program startup (3 points);
 - i. Areas of concern raised from reports received or other sources, i.e., resident input (5 points).
6. The risk rating for all grantees must be performed at least twice a year, usually after the review of semi-annual reports received (or not received). This risk rating is the basis for scheduling reviews with the higher risk rating grantees scheduled sooner as a general rule. The annual Field Management Plan will specify the risk level in terms of percent of risk rating establishing the threshold that determines the candidates for on-site review.

For the program initially, a 50% risk level is to be used (all grantees at or above the 50% level, 18 points or higher, would be included in the candidate pool for review).

The Field Office may determine at any time that an on-site review is justified if some situation warrants such a review. In addition, other considerations may be appropriate to select one grantee versus another for an on-site review where

the risk ratings are about the same value and all cannot be reviewed (for example, the grantee to be reviewed would be based on which has more funds at risk if both cannot be reviewed in the same quarter or to determine which is reviewed first).

7. Grantees at or above the risk level which determines candidates for on-site reviews that will not receive an on-site review due to staff/travel limitations must, at the very least, receive remote monitoring. This will be in the form of a letter to the Executive Director of the agency, with a copy provided to the Chairperson of the grantee's Board of Commissioners detailing the basis for any concern(s), identifying the risk indicators producing the risk rating, and requesting appropriate action or explanation and response within 30 days. Follow-up telephone calls should be made as appropriate. Failure of the grantee to respond satisfactorily would trigger a reconsideration of assigning resources and justify an on-site review.

D. Scheduling of On-Site Visits : As part of the ONAP and Field Office annual monitoring strategy, Community Relations and Involvement Specialists (CRIS) and Public Housing Division staff shall prepare a schedule of on-site monitoring visits for the Fiscal Year (updated as appropriate based on the periodic risk assessment performed). The scheduled monitoring visits will be maintained in a format consistent with SMIRPH/Management Operations Control Chart (MOCC). [IN RECOGNITION OF THE FACT THAT TRAVEL FUNDS ARE OFTEN LIMITED, SITE VISITS TO ASSESS FAMILY INVESTMENT CENTER OPERATIONS SHOULD BE COMBINED WITH SITE VISITS BEING CONDUCTED FOR OTHER PURPOSES TO THE EXTENT FEASIBLE.]

E. Pre-Visit Preparation: Pre-Visit Preparation should include the following:

1. The reviewer shall prepare for an intensive on-site monitoring visit by developing a strategy which establishes the framework for conducting the visit. The strategy should be based on the issues and concerns generated by the pre-visit preparation.
2. In order to accurately assess program progress, it is important to review available information

concerning performance. Review of this material will assist the reviewer in becoming familiar with the program and identify known performance problems. At a minimum, develop a list of questions to be asked during the monitoring visit based on the following documents:

- a. Read the program NOFA, final rule at 24 CFR Part 964, Subpart D, OMB Circular Numbers A-110 and A-122 and A-87, Cost principles for state and local governments;
- b. The original grant application and the reviewer analysis of the application;
- c. Information available from LOCCS reports and queries made regarding drawdowns, annual budget and program performance reports, complaints and any additional sources of information on factors that affect program implementation;
- d. The grant agreement and status of any requested changes; and
- e. Approved work plan, budget, schedule of work (timetable) and funds draw down based upon work plan.

3. Review areas to be included on a checklist to assure that all appropriate items are covered in the review and should include, at a minimum, the items shown on Appendix A.

F. Notification of Planned Visit: The grantee should be given adequate notice in advance of the monitoring visit when at all possible. Written notification is preferred versus telephone to provide the grantee at least two weeks notice prior to the date of the planned on-site monitoring. The grantee should be advised of the areas to be monitored, the names of the HUD participants, the date(s) of the visit, and which files or information will be reviewed. Just prior to any planned visit, the specific dates and times for meetings and interviews should be arranged with the grantee or their local officials, residents, etc.

G. Conducting Monitoring Visits: Monitoring visits should be conducted as follows:

1. Begin the review by meeting with the Executive Director, senior staff, (and the Board/Chairperson, if appropriate). The meeting shall be for the purpose of providing a brief explanation of review methods and coverage, responses to questions from the authority, and solicitation of any ideas/insights from the housing authority's staff or its Board members on apparent or actual problem areas already identified by the Field Office.
 2. Review any appropriate material generated by the grantee which provides more detailed information on grant descriptions, budget, workplan, timetables, funds drawdown, the vouchers supporting drawdowns made, records confirming disbursement of funds received within a few working days, etc.
 3. Review pertinent grant files for required documentation and verify the accuracy of information provided to HUD, particularly in the performance report.
 4. Interview members of the Housing Authority staff to discuss the program performance.
 5. Interview program staff, participants, residents and others.
 6. Visit the locations of the activities being monitored.
 7. Hold an exit conference with staff and appropriate local officials to present preliminary conclusions resulting from the visit to assure that the conclusions are based on accurate information and to provide an opportunity to discuss the conclusions as well as preliminary recommendations.
- H. Monitoring Report: A monitoring report shall be prepared by and issued by the reviewing Field Office.
1. The monitoring report will serve the following purposes:
 - a. Verify compliance with various statutes and regulations and performance related to

accountability;

- b. Provide a report to the grantee on any finding(s) which resulted from the review;
 - c. Provide recommendations for improvement and technical assistance; and
 - d. Provide a schedule of target dates for the grantee's submission or implementation of corrective action(s) to address any findings.
2. The monitoring report shall be completed and transmitted under signature of the Director, Public Housing Division to the Executive Director of the Housing agency (with a copy to Headquarters' PIH Office of Community Relations and Involvement) as soon as possible after the on-site review. The reports shall be transmitted to the grantee no later than 30 calendar days after the closeout date of the review. In certain cases, such as reviews of large housing authorities (1,250 units or more), 45 calendar days may be allowed for report transmittal. The report shall be clearly written, well documented and substantiated by discussions with appropriate housing authority staff and the local government officials, as necessary. It is important that all conclusions reached are well supported by facts stated in the report. Those concurring on monitoring reports should assure themselves that all findings have been correctly identified and are based on applicable law or regulation.
3. The monitoring report to the grantee must include:
- a. Identification of Field Office staff who monitored and the date of the visit;
 - b. Scope of monitoring including all areas and activities monitored;
 - c. Monitoring conclusions (both positive and negative) for the program as a whole, supported by the facts considered in reaching the conclusions; and

NOTE: Whenever conclusions are identified in a monitoring report, they shall be clearly labeled as

either a finding or as an observation. Also when appropriate, findings should be quantified in dollar terms. Findings are matters that require some action by the grantee to resolve a deficiency, problem, etc. Observations are matters that are noteworthy (positive) or a recommendation (negative) in nature that does not require any specific action.

d. If appropriate, an offer of technical assistance or an indication that technical assistance was provided on-site.

4. The monitoring report should include any recommendations as a result of any findings reported and as appropriate, corrective actions required. Corrective actions will be designed to, first, prevent a continuance of the deficiency; second, mitigate any adverse effects or consequences of the deficiency to the extent possible under the circumstances; and third, prevent a recurrence of the same or similar deficiency. Keep in mind that there may be a number of acceptable solutions to resolving a deficiency and the grantee should be allowed to recommend any reasonable solution.
5. Enforcement may be imposed as considered appropriate. In addition, sanctions using LOCCS may also be imposed to suspend payments or require review of all requests for payments as may be justified based on the finding(s).
6. On-site monitoring must be well documented. The monitoring report will be supported by any working papers. All documentation must be in the grant file maintained by the Field Office.

I. Follow-up Actions: Follow-up actions shall be taken as appropriate and may include the following:

1. In the event that the grantee fails to meet a target date for corrective action, a telephone call is appropriate and shall be documented.
2. If the grantee has not responded within 30 calendar days after the date for corrective action to be taken, a letter shall be sent to the Chairperson of the agency, with a copy to the Executive Director, requesting the status of the

corrective action and warning the authority of the possible consequences of failure to comply as provided under applicable regulations.

3. When the grantee's response has been received, the corrective action proposed or taken shall be reviewed by appropriate staff. The review should be completed within 10 calendar days. If the review indicates that the action was less than satisfactory, a letter shall be sent to the grantee within 5 calendar days which specifies needed additional action and the due date. The letter shall be sent to the Executive Director, with a copy to the Chairperson.
 4. A new date may be established subject to good faith efforts by the grantee to resolve the finding. A follow-up visit may be necessary to verify corrective action or to provide technical assistance when the grantee has been unable to resolve or correct the finding.
- J. Closing Findings : To close the monitoring findings, the reviewer must indicate the grantee has taken satisfactory corrective action, and document this in writing. A letter shall be sent to the Executive Director stating that the finding(s) is closed.
- K. Distributing Reports: Distribution of monitoring reports shall be appropriately made within the Field Office with an additional copy distributed to the Public Housing Division Director.
- L. Implementation Monitoring by Field Office: If the grant application plan, approved budget and timetable are not operational within 60 days of the grant starting date, the grantee is required by the grant agreement to report by letter to the Field Office the steps taken to get the program underway, the reason(s) for the delay and the expected starting date. Field Offices shall monitor grantee status as indicated by the lack of drawdown of funds using LOCCS to assure this requirement is met. Where the grantee has neither drawn funds or submitted a letter report by 75 days after grant agreement execution, the grantee shall be requested by the Field Office to respond by letter within two weeks to define the steps taken to initiate the plan, the reason for the delay, and the expected starting date. Any change to the approved plan, budget

or timetable as a result of the delay must be included for Field Office approval and grant agreement amendment as appropriate. Failure of a grantee to respond satisfactorily would be cause for a LOCCS-VRS suspension of funding or, with complete lack of grantee response, termination of grant.

8. Grantee Point of Contact. The primary point of contact for grantees is the local HUD Field Office, Attention: Director, Public Housing Division.
9. Contact for Additional Information. For additional information, please contact the Office of Community Relations and Involvement Resident Initiatives, Office of Supportive Services (202) 708-4214.

/S/

Kevin Marchman, Acting Assistant
Secretary for Public and Indian Housing

Attachments

APPENDIX A

RISK RATING WORKSHEET FOR FY 1994 FAMILY INVESTMENT CENTERS GRANTEES

1. Review each risk indicator listed below, and check the applicable response. Enter the risk value of each item for which the answer is yes:

GRANTEE: _____

		<u>Yes</u>	<u>No</u>	<u>Risk Value</u>
a.	Other Relevant Problems			(6)
b.	Slow Program Start			(7)
c.	Drawdowns Not Consistent			(5)
d.	Grant Amendment Requested			(3)
e.	Annual Reports Late			(3)
f.	Lack of Local Commitment			(6)
g.	Above Average LOCCS Edits			(3)
h.	Other Concern(s)			(5)

RISK RATING (Total of Risk Values) _____

2. For all grantees in the Field Office jurisdiction, list grantees by risk rating value from highest to lowest:

	<u>GRANTEE</u>	<u>RISK RATING</u>	<u>PERCENT</u>
1.			
2.			
3.			
	etc.		

3. Calculate the percent risk rating by dividing the numerical risk rating by the maximum possible - 38 - and multiply by 100. Draw a line at the 50% point, where the risk rating is at or above 18. This is a relative risk rating for determining a candidate list for on-site reviews and does not represent some value to be used in any other assessment of the grantee.
4. The percent risk rating at or above 50%, if any, is to be used as the basis for a risk management approach (which may be combined with other OCRI programs to produce a composite list, ranked by percent risk rating) in scheduling reviews. The higher risk rating grantee would be scheduled sooner as a general rule.
5. The Field Office may determine if an on-site review is justified irrespective of a low risk rating if a situation warrants such a review.
6. Risk rating performed by:

Name _____

Title: _____

Date: _____

APPENDIX B

INSTRUCTIONS FOR COMPLETING

**THE FY 1994 FAMILY INVESTMENT CENTERS
SEMI-ANNUAL REPORT**

PART I - GRANT DATA

- Block 1. Reporting Period a. & b. Enter the year.
- Block 1c. Place an "x" if all program activities are completed and this is the final report for this program.
- Block 2. Enter the full name of your Housing Authority.
- Block 3. Enter the FIC grant number.
- Block 4. Enter the Housing Authority's street address.
- Block 5a. Enter date activities began.
- Block 5b. Enter date activities are completed.
- Block 6. Enter suite, or office room number.
- Block 7. Enter City where Housing Authority is located.
- Block 8. Enter two letter state abbreviation.
- Block 9. Enter nine digit zip code.
- Block 10. Enter phone number of the Housing Authority's office/official phone number, include extension.
- Block 11. Enter the Housing Authority's fax number to include area code.

OFFICERS SECTION

- Block 12a. Enter full name (Mr./Ms./Mrs./Miss) of Housing Authority's Executive Director. Provide official telephone and fax numbers.
- Block 12b. Do not complete.
- Block 12c. Do not complete.
- Block 12d. Do not complete.
- Block 12e. List full name and telephone number of a designated person who is

familiar with the FIC Program Work Plan and Budget.

- Block 12f. **Other/specify** - list the name and phone number of an alternate contact person who is familiar with the FIC Program Work Plan and Budget.
- Block 13. Do not complete.
- Block 14. Housing Authority code - enter Housing Authority code.
- Block 15. Development name(s) - enter the name of the development(s) targeted for FIC facility/services.
- Block 15b. Do not complete project code.
- Block 15c. Enter number of units at each development targeted for FIC facility/services.
- Block 16. Enter yes or no to indicate if FIC program is Housing Authority/city-wide.
- Block 17a-d. Enter name, complete address (with telephone and fax number) and, type of organization and contact person of local level agency partners currently involved in FIC program/services.

PART II - FINANCIAL SUMMARY

- Block 18. Initial Grant Award - enter amount of the grant award.
- Block 19. Grant Amendment - (include any monies added to the initial grant award).
- Block 20. Funds drawn from LOCCS - list total amount of funds drawn down from the LOCCS.
- Block 21. Enter total amount of funding expended (to date) for renovation, construction, conversion or acquisition, if applicable.
- Block 22. Enter total amount of funding expended (to date) for supportive services, if applicable.

- Block 23. Enter the amount you have obligated through an executed subcontract for services.
- Block 24. Balance of funds in bank account at end of report period - enter the amount of funds you have remaining in the account.

PART III. - PROGRESS SUMMARY

- Block 25 a. Supportive Services - place a check mark by yes if you received a Supportive Services (only) grant.
- b. Renovation/Construction/Acquisition - place a check mark by yes if you received a grant to conduct renovation/construction/acquisition activities (only).
- c. Combination Activities - place a check mark by yes if you received a grant to conduct combination activities.
- Block 26 - 27. Check the yes or no box as applicable and enter the date in which the action was executed.
- Block 28. If block 27 is yes, provide the completion date.
- Block 29. Check yes or no as applicable.
- Block 30. If block 29 is yes, enter number of participants.
- Block 31. Check the yes or no box as applicable, and enter the number of participants.

PART IV

GRANTEE ACCOMPLISHMENTS SINCE EFFECTIVE DATE OF GRANT

- Block 32. Enter the number of residents employed under the program. Identify number of males and females hired.
- Block 33. List the capacity (job title) in which residents are employed.

SUPPORTIVE SERVICES PROVIDED

- Block 34 - 48. Review the list of supportive services and provide the name of the organization providing the service. If the housing authority is providing the service, list housing authority. Also list the number of resident participants.
- Block 49. List all job training programs created, the number of residents trained and the number of jobs received/identified for residents.
- Block 50. Check high, medium, or low as applicable.
- Block 51. Based on average, provide the participants' employment status.
- Block 52. Based on average, provide the age of male and female participants.
- Block 53. Provide the average percentage of participants based on gender.
- Block 54. Select (applicable) reasons for participants unemployment status. Provide an average for each category selected.