PRESIDENTIAL PRECEDENT: Indian Housing Block Grant

FOR: Tribal Government Leaders and Tribally Designated Housing Entities

FROM: Rodger J. Boyd, Deputy Assistant Secretary, PN

TOPIC: Recipient Self-Monitoring

Purpose: In recognizing the right of Indian self-determination and tribal self-governance, tribes and Tribally Designated Housing Entities (TDHE) have a responsibility to ensure that they operate their programs effectively and efficiently, follow all program guidelines, and determine whether they are achieving the goals they have established for their programs. The best way to do this is to conduct periodic assessments of its programs. The purpose of this guidance is to provide information and direction to tribes and TDHEs on satisfying the monitoring requirements under the Native American Housing Assistance and Self-Determination Act (NAHASDA) and the benefits that are derived from conducting such monitoring. Also, this guidance offers some incentives for conducting a successful monitoring assessment.

Requirements

Section 403(b) of NAHASDA requires that recipients review, at least annually, the activities they conducted and housing they assisted to assess compliance with the requirements of the Act. Further, the Indian Housing Block Grant (IHBG) regulations at 24 CFR § 1000.502(a) state that recipients of IHBG funds are responsible for monitoring their grant activities, ensuring compliance with applicable Federal requirements, and monitoring performance goals contained in their Indian Housing Plans. The recipient is responsible for preparing, at least annually, a compliance assessment. HUD refers to this process as recipient self-monitoring.

HUD does not mandate how this process is to be done. If the recipient is a TDHE, it can have someone from its tribal government conduct the assessment; a recipient can make an arrangement with another IHBG recipient to monitor each other’s programs; a recipient can contract with an outside consultant; or a recipient can have selected staff members conduct the assessment. However, if the recipient conducts the assessment internally, reviewers should not be reviewing their own departments or any area where a conflict of interest exists.
Benefits

In addition to being in compliance with the NAHASDA self-monitoring requirements and ensuring that all NAHASDA requirements are being met, there are several benefits that can be derived from conducting an effective self-monitoring assessment and taking corrective actions when programmatic concerns have been identified.

Successful organizations have found that they can be more effective and efficient by conducting some type of self-monitoring of their operations. By doing an assessment of your organization, it can show you what systems are working and what systems or processes need improvement.

If you are conducting your assessment thoroughly and properly, identifying any areas of noncompliance and correcting them, when HUD performs an on-site monitoring review, HUD should have few, if any, findings.

Another benefit, which will be further explained below, is the possibility of less frequent HUD on-site monitoring.

Current Monitoring Guidelines

Under the current Grants Evaluation business process, the Office of Native American Programs (ONAP) uses the following criteria to determine frequency of monitoring visits:

- Those recipients that receive in excess of $10 million annually will be monitored on-site each year (unless there were no significant findings during the last visit and the recipient receives a risk score of 70 or less under ONAP’s risk assessment process – in which case, the recipient will be monitored at least once every 3 years).

- Those recipients that receive between $500,000 and $10 million annually will be monitored on-site every 3 years (unless there were no significant findings during the last visit and the recipient receives a risk score of 70 or less – in which case, the recipient will be monitored at least once every 5 years).

- Those recipients that receive less than $500,000 annually will be selected for on-site monitoring on the basis of a random sample (no recipient will be monitored more than once every 3 years).

Proposed Self-Monitoring Mutual Agreement (SMMA)

In an effort to promote effective self-monitoring, ONAP will be offering recipients the opportunity to enter into SMMAs. These SMMAs will be for recipients that have well-established systems, are interested in improving their self-monitoring efforts, and willing to accept the terms of the SMMA. The benefit of entering into such an SMMA will be ONAP’s pledge to conduct on-site monitoring of the recipient less frequently.
While each SMMA will be specific to the recipient’s circumstances, some examples of reduced monitoring may be:

- A recipient receives approximately $50 million annually and has received a risk score of 75. Under the current business process, ONAP will monitor the recipient every year. However, as agreed in the SMMA, ONAP will monitor the recipient every 2 years.

- A recipient receives approximately $2 million annually and has received a risk score of 80. Under the current business process, ONAP will monitor the recipient every 3 years. However, as agreed in the SMMA, ONAP will monitor the recipient every 6 years.

- A recipient receives approximately $100,000 annually and has received a risk score of 90. Under the current business process and based on the random sample, ONAP will monitor the recipient not less than every 3 years. However, as agreed in the SMMA, ONAP will monitor the recipient not more than every 5 years.

To determine whether a recipient will be a good candidate for an SMMA, the recipient must have the administrative capacity to manage the IHBG program, as described in 24 CFR § 1000.6. The recipient will be required to submit its self-monitoring plan and/or policy to the Area ONAP. Also, it must submit a copy of the latest self-monitoring assessment conducted and the results of the assessment. The assessment must identify regulatory or statutory violations, if any, and the corrective actions the recipient will take to resolve the deficiencies, as specified in 24 CFR §1000.508.

To be considered for an SMMA, an independent assessor must have conducted the assessment. If the recipient is a TDHE, the independent assessor can be an individual with the tribal government who has familiarity with internal audit concepts, such as personnel affiliated with the internal audit group, the treasurer’s office, or tribal administrator’s office. Tribal recipients may retain the services of an independent auditor to conduct self-monitoring activities. Additionally, the recipient could employ the services of another tribe or TDHE to conduct the assessment.

ONAP will test the recipient’s self-monitoring process to ensure it is in place and is working effectively. An effective self-monitoring process includes:

- A plan that delineates who will be conducting the assessment, how often the assessment will be conducted (if the recipient conducts more than one assessment per year, the self-monitoring plan and/or policy needs to explain what will be done during each assessment), the recipient’s approach to self-monitoring, who is responsible for correcting any statutory/regulatory violations identified, and how and when the assessment will be reported to the governing body;

- An assessment that identifies any (or no) regulatory/statutory violations or any weaknesses in the recipient’s operations, and the recommended actions to be taken to address those violations or weaknesses; and

- Evidence that the corrective actions taken cured the deficiencies.
Following are some common terms that will be included in a SMMA. The ONAP Administrator and the recipient official authorized to sign the IHBG grant agreements will duly execute the SMMA.

- The recipient will have an independent assessment conducted each year and submit it with its Annual Performance Report. Along with the assessment, the recipient agrees to submit the results of the assessment to the Area ONAP. This would include any deficiencies the recipient identified and actions to be taken. If the self-monitoring plan and/or policy have changed since the last year, the recipient will also send those documents. At that time, the SMMA will be reassessed to verify compliance with the terms of the SMMA. Should the reassessment conclude that the recipient no longer has an effective self-monitoring process in place, has not adequately implemented its procedures, or no longer has the capacity to administer the IHBG program, the SMMA will be suspended or terminated.

- The recipient will continue to have the capacity to administer the program. This includes submitting audits, as required by OMB Circular A-133, the Single Audit Act, and 24 CFR §§1000.544 and 1000.548. If it is determined that the recipient lacks administrative capacity during the term of the SMMA, the SMMA may be suspended or terminated. Note: if the recipient does not have “clean” audits during the term of the SMMA, it will be left to the discretion of ONAP as to whether the reason(s) for the unclean audit would result in suspension or termination of the SMMA. A “clean” audit is one that has no qualifications to the auditor’s opinion (unqualified opinion); and has no findings, reportable conditions, or material weaknesses.

- If ONAP believes that any action the recipient has identified to correct a statutory or regulatory violation is inappropriate, ONAP may consider that additional monitoring is warranted and recommend a more appropriate corrective action. An example of an inappropriate corrective action may be that the recipient will ensure that environmental requirements are followed in the future when the self-monitoring assessment identified those requirements had been violated by obligating funds without conducting an environmental assessment.

- The SMMA will specifically state how frequently ONAP will monitor. There will be a condition in the SMMA, however, that explains that if something unexpected occurs, additional monitoring may be warranted. Examples of this could be turnover of key recipient staff or of the board of commissioners/Tribal Council; allegations of fraud, waste, or abuse; and a lack of or late submission of audits and/or APRs.

**For More Information**

We recommend you contact the Point of Contact assigned in your Area ONAP if you have questions on this guidance, if you are interested in executing an SMMA, or if you have questions on self-monitoring, in general. Also, the Point of Contact will be able to inform you of any training on self-monitoring that may be available. The Points of Contact in each office are.
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