

CHAPTER 3: MONITORING PHA PERFORMANCE: FINANCE AND BUDGET

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3-1 AREA OFFICE EVALUATION OF PHA.

A major aspect of the job of Area Office staff assigned to the functional area of finance and budget is to evaluate whether a PHA is in compliance with statutes and regulations and to monitor PHA financial performance.

3-2 MONITORING OF PHA PERFORMANCE.

Area Office monitoring of PHA performance is an on-going process. In order to assess a PHA's performance an Area Office may conduct "Remote Monitoring" or "On-site Monitoring".

A.Remote Monitoring

Remote Monitoring provides information, identifies issues, concerns, problems or negative trends that may necessitate an on-site monitoring review.

1.Remote Monitoring affords Area Offices the opportunity to perform risk analysis by utilizing in-house information to assess the financial condition of a PHA. This is especially helpful when an on-site visit is not feasible or practical. The results of risk analysis should be the basis for determining when on-site reviews are conducted. However, HUD has a responsibility to monitor all PHAs, even those that are not interpreted as "high risk" PHAs. The level of monitoring varies depending upon the risk associated. Using the tools available through remote monitoring can assist in accomplishing this task.

2.Remote monitoring also allows Area Offices to understand PHAs and utilize in-house data to their fullest potential. While only a certain class of PHAs are required to submit to HUD annual operating budgets for review and approval, all PHAs are required to submit to the Area Office

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particular policies and a variety of financial reports. This data which is maintained by the Area Office is available for review, analysis and assessment. The review of this information can alert the Area Office of potential problems or assure HUD that the PHA is performing at an

acceptable level.

3. The remote monitoring worksheets (Appendix 1) are tools to use in reviewing PHA performance and identifying problems from the Area Office. Use of these worksheets is not mandatory, but it is encouraged because they present a comprehensive approach to remote monitoring resources (forms, reports, policies, etc.). These worksheets facilitate understanding individual situations using in-office monitoring resources. In-office monitoring resources can alert the Area Office to potential problems. An explanation of the use of the remote monitoring worksheets is as follows:

a. The remote monitoring worksheets are divided into the following categories:

(1) Remote monitoring resources. A series of remote monitoring resources (forms, reports, policies submitted by A PHA, or information otherwise available through HUD, OIG reviews, etc.) that can be used to assess PHA operations. Any other remote monitoring resources that an Area Office has identified may also be used in remote monitoring.

(2) References. Each remote monitoring resource has one or more references listed; e.g., a Federal regulation, HUD Handbook or Guidebook, notice, or other reference containing information on HUD requirements and the guidance HUD has provided relative to the remote monitoring resource being evaluated. Reviewers should be thoroughly familiar with the references in order to ascertain HUD's requirements for PHA performance.

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(3) Information sources. Information sources (HUD forms, review or audit reports, PHA policy documents, correspondence, SMIRPH, ROBOTS, etc.) are indicated for each remote monitoring resource. The information sources indicate what/where to look for information on the remote monitoring resource. There may be both primary and secondary information sources listed. Primary sources are those that should first be checked, with secondary sources also providing useful information.

(4) Review actions/questions. Each worksheet listing a remote monitoring resource includes review actions and questions. These are directly related

to the information provided by the forms, documents, etc. in the information sources category. The suggested actions and questions assist the user in determining the outcome/answers to the review actions/questions, and consequently whether or not a problem exists.

(5)Relationship to sub-functions and components.

This category of information identifies sub-functions and components within the functional area related to review actions/questions. It assists the user in linking areas of operation within a function that are related to a specific problem. Further analysis and inquiry into related sub-functions and components will reveal which of them have areas of deficiency contributing to the identified problem.

(6)Notes. Space provided on the worksheets for notes is to record the answers to questions/results of review actions, as well as to note any observations or questions that seem relevant. The reviewer can divide the results into three categories: problems, areas of

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uncertainty, and areas of positive performance. At this point, Area Office staff may need to obtain additional information to refine further the list of apparent problem areas. The next step is to use the problem analysis worksheets (see Section 5., and Appendix 3).

B.On-Site Monitoring

1.On-site monitoring should be conducted when risk analysis management tools identify problems within a PHA. The PHA PHMAP scores associated with finance and budget indicators are one source for use in determining if an on-site review is needed.

2.The PHMAP scores should be used in conjunction with other in-house resources such as financial reports, audits, previous reviews, remote monitoring results, and other internal diagnostic tools available within the Area Office. When it has been determined that an on-site review is needed, the Area Office should carefully plan for the review.

3.The Area Office should determine the type of review that should be conducted. The results of an in-house assessment

may indicate that a comprehensive review of all functions is necessary or that financial review is warranted. The determination as to whether to conduct a full financial review or only a partial review should be based on the PHMAP financial indicators and other risk factors such as the magnitude of Performance Funding System operating subsidy and other Federal funding that a PHA receives. If it is determined that an on-site review is necessary the PHA should be notified of the following:

(a)The scope and proposed dates of the review.

(b)The availability of key staff needed for interviews during the review.

(c)The financial records that should be available during the review. The following

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financial records and documents are a sample of what an Area Office may want to examine:

- (1)General Ledger
- (2)Cash Receipts Register
- (3)Cash Disbursements Register
- (4)Canceled Checks
- (5)Bank Statements
- (6)Journal Vouchers
- (7)General Depository Agreement
- (8)Contract Register
- (9) Investment Register*
- (10) Insurance Register*
- (11) Payroll Records
- (12) Travel Vouchers
- (13) Rent Roll Register
- (14) Budget Controls
- (15) PHA Files

(16)Written financial internal control procedures

*Small PHAs (250 units and under) are not required to maintain formal registers [Low Rent Accounting Handbook, 7510.1].

4.Thorough background preparation completed by Area Office staff prior to the review will assist the on-site review. The staff, based upon risk analysis of the PHA problems, should be prepared to suggest alternative sources of assistance for the PHA in the event that problem resolution is outside the scope of the HUD Area Office.

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5.The scope of the review should include any outstanding audit findings or comments found in the most recent audit report. Once the weak areas noted in the audit report have been reviewed to ensure that the problems have or will be resolved, current matters can be scrutinized.

C.Review Preparation

1.In preparing for the on-site review the Area Office shall examine all in-house reports, the most recent audit reports, operating budgets, financial reports, previous review findings and any other pertinent information that relates to the financial management of the PHA. All staff members assigned to the PHA should be consulted to determine if there are other concerns that should be addressed.

2.It is advisable to conduct a team meeting with all functional area specialists assigned to the PHA. This meeting should address any cross-cutting concerns.

D.Use of on-site review worksheets

1.The on-site review worksheets (Appendix 3) and remote monitoring worksheets are used in combination to prepare for, and carry out an on-site review. The use of the remote monitoring worksheets help to identify problem areas and areas of uncertainty which, after applying the risk analysis model, determine which problems will be concentrated on and the appropriate depth of analysis.

2.The on-site review worksheets help with both conducting on-site reviews and preparing for them. As with the remote monitoring and problem analysis worksheets, the use of on-site review worksheets is not mandatory, but is encouraged. Reviewers should feel free to supplement any category.

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