

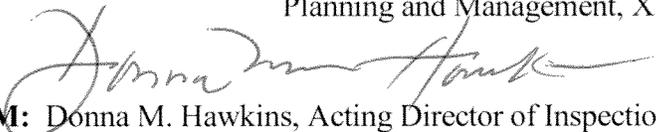


U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

MEMORANDUM NO: 2012-IE-0802

October 18, 2012

MEMORANDUM FOR: Lisa Danzig, Special Assistant, Office of Strategic
Planning and Management, X


FROM: Donna M. Hawkins, Acting Director of Inspections and Evaluations, GAH

SUBJECT: American Recovery and Reinvestment Act Lessons Learned Initiative

SUMMARY

In response to a request from the Recovery Accountability and Transparency Board, we gathered and documented information from the U.S. Department of Housing and Urban Development (HUD) regarding its lessons learned from the implementation of the American Recovery and Reinvestment Act of 2009. This initiative was led by the U.S. Department of Interior, Office of Inspector General (OIG).

The objective of the initiative was to identify which actions, processes, and mechanisms have been beneficial or posed challenges to agencies and their respective OIGs in meeting the requirements of the Recovery Act. Central to the review were issues in the following areas: preaward processes associated with Recovery Act funding; outreach, education, and technical assistance provided to recipients; performance measures; and oversight. A consolidated report summarizing the responses of the various participating agencies is planned for issuance in the first quarter of fiscal year 2013.

This memorandum highlights the results we obtained from this initiative. Specifically, we identified new monitoring tools and initiatives that HUD developed to monitor Recovery Act-funded programs as well as obstacles and challenges that HUD encountered.

BACKGROUND

The Recovery Act was passed in February 2009 with the following stated purposes:

1. To preserve and create jobs and promote economic recovery;
2. To assist those most impacted by the recession;
3. To provide investments needed to increase economic efficiency by spurring technological advances in science and health;

4. To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and
5. To stabilize State and local government budgets to minimize and avoid reductions in essential services and counterproductive State and local tax increases.

This legislation established the Recovery Accountability and Transparency Board, which was charged with coordinating and conducting oversight to prevent fraud, waste, and abuse. The Board consists of a chairperson and 11 inspectors general from various Federal agencies. The Recovery Act provided \$13.61 billion for nine programs administered by HUD. The table below identifies the specific funding for the nine program areas:

Program	Area	Purpose	Funding
Office of Public and Indian Housing	Public Housing Capital Fund	Energy-efficient modernization and renovation of the Nation's public housing inventory	\$4,000,000,000
Office of Public and Indian Housing	Native American Housing Block Grant	Energy-efficient modernization and renovation of housing maintained by Native American housing programs	\$510,000,000
Office of Community Planning and Development	Community Development Block Grant	Rehabilitating affordable housing and improving key public facilities -- stabilizing communities and creating jobs locally	\$1,000,000,000
Office of Community Planning and Development	Neighborhood Stabilization Program	Purchasing and rehabilitating foreclosed-upon, vacant properties	\$2,000,000,000
Office of Community Planning and Development	Homelessness Prevention Fund	Preventing homelessness and enabling the rapid rehousing of homeless families and individuals	\$1,500,000,000
Office of Community Planning and Development	HOME Investment Partnerships (Tax Credits)	Accelerating the production and preservation of tens of thousands of units of affordable housing	\$2,250,000,000
Office of Multifamily Housing	Assisted Housing Stability	Enabling owners to undertake much needed project improvements to maintain the quality of affordable housing	\$2,000,000,000
Office of Multifamily Housing	Assisted Housing Energy Retrofit	Energy-efficient modernization and renovation of HUD-sponsored housing for low-income, elderly, and disabled persons	\$250,000,000
Office of Healthy Homes and Lead Hazard Control		Lead-based paint hazard reduction and abatement activities	\$100,000,000
			\$13,610,000,000

The Recovery Act also provided \$15 million to HUD OIG for salaries and expenses to carry out audit and investigative activities related to HUD's Recovery Act spending.

RESULTS OF REVIEW

An important component of the interagency initiative consisted of questionnaires submitted to HUD program managers responsible for monitoring Recovery Act spending. The questionnaires were also submitted to OIG managers responsible for implementing Recovery Act-related audit and investigative activities. Highlights of the responses that we received from HUD and HUD OIG managers to these Recovery Act lessons learned questionnaires are presented below.

HUD Program Offices Developed Effective Recovery Act Mechanisms and Processes

According to program managers who responded to the questionnaire, during the preaward and award process, HUD implemented an unprecedented, close coordination between HUD headquarters and regional offices with the active leadership of the HUD Secretary, Deputy Secretary, and regional administrators. This coordination helped to mitigate impacts on ongoing organizational responsibilities.

Managers from the program offices also noted that through the use of webinars and webcasts, conferences, and in-person training sessions, HUD was able to conduct outreach sessions that reached several hundred recipients to provide information and training on the Recovery Act program.

Program managers noted that HUD developed two mechanisms that helped collect and analyze Recovery Act-related performance data and improve HUD's oversight of the Recovery Act grants. The Recovery Act Management Performance System required public housing agencies to report on planned and completed grant activities. According to these managers, this system greatly improved HUD's oversight of the Recovery Act grants and provided greater transparency to the public. Another mechanism, Info Path/SharePoint, was used to apply a consistent monitoring checklist across all field offices, update the monitoring checklist whenever necessary, and track monitoring activity and potential grant deficiencies in real time. It was also used for forms creation, data gathering, and documenting application reviews to help streamline the application review procedure during the preaward and award process. InfoPath/SharePoint was also used to build databases that made it easier to track and follow up on compliance issues.

In addition, the Office of Public and Indian Housing's Office of Field Operations (OFO) implemented two new initiatives intended to help monitor and oversee the use of Recovery Act funds in conjunction with the oversight of general public housing agency operations. First, OFO developed the Public Housing Agency Recovery and Sustainability Initiative. This initiative assigns teams of OFO program experts to provide technical assistance and additional oversight to troubled housing agencies. These teams provide assistance aimed specifically at improving agency management processes and local government oversight. Second, OFO developed the Portfolio Management Tool. This tool provides a centralized location for OFO field staff to view and analyze critical housing agency performance data. Most importantly, this tool allows OFO to more quickly and efficiently identify agencies in need of technical assistance.

The program offices plan to continue using these new mechanisms and initiatives after expiration of the Recovery Act programs.

HUD Managers Encountered Obstacles and Challenges in Implementing Recovery Act Programs

Managers from each of the program offices queried responded that more advance notice of the launch of Recovery Act programs would have allowed for better planning during the preaward and award process. In particular, more advance notice would have allowed the hiring of temporary staff, especially regarding the implementation of Recovery Act funds and monitoring and oversight of the program. To mitigate this staffing issue, HUD program offices established separate teams devoted specifically to the startup and implementation of Recovery Act programs. The program offices also used college interns, presidential management fellows, and participants in other career development and internship programs to meet short-term needs for additional staff. They also provided credit hours or compensatory time when it was available. One program office reemployed a retired annuitant with the institutional knowledge and expertise to coordinate and integrate Recovery Act requirements with ongoing program activities.

More advance notice during the preaward and award process would have also allowed more time to develop and provide program guidance to grantees before they carried out activities. Instead, HUD had to issue guidance as grantees were implementing their programs.

Another challenge cited in the HUD managers' responses was the limitation on staff time, especially regarding monitoring and oversight. Grantees and HUD staff were required to administer their regular programs in addition to implementing Recovery Act funding priorities and meeting tight deadlines.

Also, according to these responses, job creation and retention reporting instructions provided by the Federal Office of Management and Budget (OMB)¹ were difficult for grantees to understand. OMB's update to the guidance² confused grantees and had an adverse effect on the accuracy of the data reported.

Managers from the program offices also responded that it would have been more efficient to use the existing systems to report outcomes and outputs for Recovery Act-funded grants. They found that the existing reporting systems were generally more informative about the effectiveness of HUD's programs than the data captured by FederalReporting.gov.

OIG Did Not Identify Challenges in Implementing the Recovery Act

Neither the Office of Audit nor the Office of Investigation noted challenges in carrying out audit or investigative activities related to HUD's implementation of Recovery Act-funded programs.

The Office of Audit assigned the review of HUD's front-end risk assessments to various Regional offices. The Regional Office assigned also became the program expert for that area. The Office of Audit wanted to ensure that HUD complied with its own guidance as well as OMB's guidelines for the Recovery Act. In addition, the Office of Audit used prior audits of grantees to target capacity audits to determine whether grantees were capable of effectively

¹ OMB Memorandum for the Heads of Executive Departments and Agencies, M-09-021, dated June 22, 2009, provided initial guidance on the methodology for estimating and reporting job creation and retention.

² OMB Memorandum for the Heads of Executive Departments and Agencies, M-10-08, dated December 18, 2009, provided updated job creation and retention guidance.

administering the large influx of funds. The capacity audits gave the Office of Audit the ability to be proactive and recommend either reimbursement of Recovery Act funds due to lack of capacity or enhanced monitoring by HUD.

OIG participated in several training and outreach sessions with Recovery Act recipients and discussed the importance of conducting Recovery Act audits to prevent fraud, waste, and abuse with members of the recipient community. These outreach efforts were conducted to educate personnel of participating entities concerning programs and to ensure that fraud allegations were reported to OIG.

RECOMMENDATIONS

This memorandum is informational in nature and contains no recommendations.

METHODOLOGY AND SCOPE

We summarized key points pertaining to HUD that we obtained from an interagency initiative that documented lessons learned from implementation of the Recovery Act.

We performed our work in support of this initiative at HUD and HUD OIG's Washington, DC, headquarters between March and August 2012. The review covered the period February 2009 to May 2012.

To accomplish our objective on the interagency initiative, we

- Selected for review the 5 program areas that received the highest amount of Recovery Act funding. Those five program areas were

- Public Housing Capital Fund
- Tax Credit Assistance Program
- Community Development Block Grant
- Homelessness Prevention and Rapid Re-Housing Program
- Neighborhood Stabilization Program

- Submitted the questions to each program area, allowing the Office of Strategic Planning and Management to be the point of contact, and compiled the responses.
- Submitted the questions to staff within OIG under the Offices of Audit and Investigation and compiled the responses.
- Reviewed financial data from the financial and activity report in Recovery.gov.
- Interviewed HUD OIG staff and HUD program staff.
- Entered information provided by program and OIG officials into the inter-OIG project SharePoint web site.

We conducted this work in accordance with the Quality Standards for Inspection and Evaluation, issued by the Council of the Inspectors General on Integrity and Efficiency.