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1. Introduction

The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) dramatically changed HUD's Office of Native American Programs' (ONAP) relationship with Native Americans communities. It replaced a myriad of funding programs with a single Indian Housing Block Grant (IHBG) program. The IHBG is now HUD's preeminent program in Indian Country. IHBG recipients, whether tribal housing subdivisions, departments, or Tribally Designated Housing Entities (TDHE), are now responsible for the design and implementation of housing assistance programs for their tribal members. IHBG recipients are also held accountable for their progress in obtaining self-defined housing goals and complying with NAHASDA's program requirements. Conversely, ONAP staff now monitor IHBG recipient progress by their ability to meet their housing assistance goals and comply with NAHASDA's program requirements.

The primary objectives of NAHASDA are:

- To assist and promote affordable housing activities to develop, maintain and operate housing in a safe and healthy environment on Indian reservations and in other Indian areas for occupancy by low-income families.

- To ensure better access to private mortgage markets for Indian tribes and their members and to promote self-sufficiency of Indian tribes and their members.

- To coordinate activities to provide housing for Indian tribes and their members and to promote self-sufficiency of Indian tribes and their members.

- To plan for and integrate infrastructure resources for Indian tribes with housing development for Indian tribes.

- To promote the development of private capital markets in Indian country and to allow such markets to operate and grow, thereby benefiting Indian communities.

The Indian Housing Block Grant (IHBG) program is formula driven where eligible recipients of funding receive an equitable share of annual appropriations made by the Congress. IHBG recipients must have the administrative capacity to undertake affordable housing activities, including the systems of internal control necessary to administer these activities effectively without fraud, waste, or mismanagement.

Under NAHASDA's implementing regulations, found at 24 CFR §1000.502, IHBG recipients are responsible for monitoring grant activities to ensure compliance with applicable federal requirements and performance goals under their Indian Housing Plan (IHP). IHBG recipients are responsible for preparing, at least annually:

- A performance report providing an assessment of IHBG program progress and goal attainment under the IHP
- A compliance assessment with NAHASDA's requirements, including an on-site inspection of assisted housing
- An audit consistent with the provisions of the Single Audit Act and OMB Circular A-133.

This guidebook provides IHBG recipients with guidance on conducting self-monitoring compliance assessments as required under NAHASDA's implementing regulations. Moreover, the material presented here goes beyond providing mere guidance on complying with NAHASDA's applicable requirements through a self-monitoring process. It includes suggestions and recommended management practices to make your IHBG assisted activities successful and sustainable. Monitoring how well your organization operates, how it responds to changing housing needs, and how it assesses and manages risk, will increase your organization's capacity to achieve NAHASDA's objectives with demonstrable results.

Self-monitoring activates the tribal self-determination framework envisioned under NAHASDA. The Act's guiding principles recognize the federal responsibility to provide financial assistance to Indian tribes to improve their housing conditions and recognizes the right of Indian self-determination and tribal self-governance by making such assistance available directly to Indian tribes or TDHEs. Within this relationship, recipients of assistance are expected to be accountable for their stewardship of NAHASDA resources. Self-monitoring strengthens Indian self-determination by demonstrating a willingness to be accountable for performance and to take proactive steps to address any shortcomings.

A self-monitoring system assists IHBG recipients to identify weak management practices that may lead to later consequences that could lessen the ability of the organization to provide affordable housing. Self-monitoring builds organization capacity by learning from mistakes and successes to improve the way NAHASDA-assisted housing activities and programs operate.

2. How to Use This Guidebook

The **Self-Monitoring Guidebook** covers the subject of monitoring your adherence to NAHASDA's programmatic and regulatory requirements from a practical, hands-on perspective. It presents the material so that someone who has never participated in a self-monitoring process will be able to do so with confidence. Even those IHBG recipients with internal audit or self-monitoring experience will find a great deal of helpful information.

A top priority as we developed the **Self-Monitoring Guidebook** was to make it useful and relevant to readers at all levels of organizational management experience. Nevertheless, your own professional experience, familiarity with administering federal block grant programs, and role within the IHBG-recipient organization will determine how you can best use this guidance. To help you determine how your organization might use this guidebook, we have included descriptions and suggestions on how IHBG recipients in different situations might approach and benefit from the self-monitoring guidance.

This **Self-Monitoring Guidebook** can be used by all IHBG recipients, whether you are a tribe or a TDHE. In order for it to fit the type of organization you represent, we have used some generic language throughout the guidebook, which you would apply accordingly. When we refer to "Director", it could either be the head of a Tribal department or the Executive Director of a TDHE. "Governing board" refers to a tribal council or board of directors/commissioners. Only in those instances where it is only one or the other will you see the specific term used.

If you are a relatively small IHBG recipient, especially one with just one or two programs, this guidebook will be most valuable to senior staff, especially the Director, the senior financial manager, and governing board members. If you are a larger IHBG recipient with multiple programs and sources of income, this guidebook will also be useful to senior staff and Directors. Use it to educate governing board members, especially new ones, on their role in overseeing the self-monitoring process. If you are a TDHE, use it to inform tribal council members of their monitoring responsibilities as contemplated by NAHASDA. Additionally, this guidebook will be an excellent tool for educating newly hired staff on the breadth of NAHASDA's programmatic and regulatory requirements.

You can use this guidebook to establish your self-monitoring process from beginning to end. However, the material covered in this guidebook is not intended as a "one-size fits all" model. Rather, IHBG recipients should feel free to emphasize monitoring in one topical area over another depending on their assisted housing activities. Moreover, the compliance checklists offer suggested questions for determining your adherence to the program requirements. Not all questions will be pertinent to your situation. In addition, there may be activities you engage in that are not covered by the checklist questions. You have the flexibility to tailor the compliance questions to fit your organization's specific needs.

2.1 Checklists, Tools and Templates

This guidebook contains a number of checklists, tools and templates intended for your use. The templates provide suggested models for crafting documents, policies or other information. The checklists provide detailed questions related to specific requirements that will allow you to assess your adherence to the standards. These checklists provide questions with "Yes," "No," "Not Applicable," and "Recommendations/Notes" response fields.

There will be instances where it may be difficult to provide "yes" or "no" responses. Your response, in practice, may be "usually" or "sometimes." In these instances, use your best judgment in determining the degree and frequency of adherence to the requirement when deciding whether to indicate a "yes'" or "no" response. The "source / documentation" column is intended for you to comment on who you could speak to or what documents you would review to help respond to the assessment question. Also, remember that the applicable requirement may vary by the size and type of your organization. Recommendations should lead to the development of a **Management Improvement Plan (MIP)** to remedy significant compliance deficiencies. Conversely, recommendations may identify exemplary approaches or practices that you will want to share within your organization or other tribal housing organizations. Additionally, you can insert notes or other comments that help qualify your "yes" or "no" response. You should make copies of these checklists for future reference and reuse. You should plan on keeping this guidebook and completed checklists for your records as compliance assessment source documentation.

ONAP intends to provide IHBG recipients with self-monitoring guidance and compliance checklists that will reflect changes to regulatory requirements, identification of IHBG recipient best practices, or emphasize management areas where our monitoring indicates that recipients need to pay increased attention.

2.2 Topics Covered

This guidebook is structured into five topical parts that address the following general questions:

1. Why should we conduct self-monitoring?

2. How should we conduct self-monitoring?

3. What is the relationship of self-monitoring to the Annual Performance Report (APR)?

4. What are the statutory and regulatory requirements with which we must comply?

5. How can we improve our housing services by:

    - Applying audit results
    - Using financial indicators
    - Conducting physical assessments
    - Reducing customer complaints?

Why should we conduct self-monitoring?

- Chapter 3 – Creating the Management Control Environment, provides an overview of developing an organizational framework to control and manage risk.

How should we conduct self-monitoring?

- Chapter 4 – Monitoring Roles and Responsibilities, provides guidance for establishing monitoring roles and responsibilities for Tribes, IHBG recipients, subrecipients, and ONAP.

- Chapter 5 – Implementing the Self-Monitoring Process, discusses approaches to conducting self-monitoring, developing a Management Improvement Plan, and reporting on self-monitoring assessments through the APR.

What is the relationship of self-monitoring to the APR?

- Chapter 6 – APR Development and IHP Monitoring, provides guidance on assessing compliance with your IHP.

What are the requirements with which we must comply?

- Chapter 7 – Organizational Control Environment, suggests effective management and organizational control practices.

- Chapter 8 – Resident Eligibility and Service Standards, provides guidance on adhering to NAHASDA assisted housing program requirements related to resident eligibility and certifications of housing-related standards.

- Chapter 9 – Fiscal and Financial Management, provides guidance to comply with NAHASDA's financial reporting requirements.

- Chapter 10 – Procurement and Contract Administration, provides guidance on adhering to Federal procurement and contract administration standards.

- Chapter 11 – Labor Standards and Construction Management, discusses applicable Federal labor standard requirements and suggested practices for construction management.

- Chapter 12 – Environmental Review, provides guidance on complying with Federal environmental laws, related authorities, and regulations applicable to NAHASDA assisted housing programs.

How can we improve our housing services by applying audit results, using financial indicators, conducting physical assessments, and reducing customer complaints?

- Chapter 13 – Audit Reports, explains what's in an audit report and how to use it.

- Chapter 14 – Financial Health Assessment, presents six indicators to assess your organization's finances.

- Chapter 15 – Physical Assessment, shows ways to comply with NAHASDA requirements and improve housing quality.

- Chapter 16 – Complaint Management, explains how to handle complaints received and how to reduce the number of future complaints.

For detailed information on NAHASDA, view the NAHASDA home page through the Internet at www.codetalk.us. Throughout this guidebook, references are made to HUD publications or notices. These references can be accessed through the Internet at: www.hudclips.org.

3. Creating the Management Control Framework

This chapter provides an overview of developing an organizational framework to achieve program and financial results, assess and manage risks, and safeguard the integrity of IHBG-assisted programs. This chapter includes the following topic:

- Internal Controls

3.1 Introductory Overview

What does "control" mean? It means anything that helps people achieve the objectives of their organization. Management or internal controls are intended to provide reasonable assurance that program goals and objectives are met; resources are adequately safeguarded and efficiently used; reliable data are obtained, maintained and fairly disclosed in reports; and policies and regulations are complied with. Control activities are the policies and procedures that help ensure that management directives are carried out. These activities occur throughout an IHBG recipient housing entity, at all levels and in all functions.

3.2 Internal Controls

Control documents, such as this NAHASDA **Self-Monitoring Guidebook**, are tools to help IHBG recipients achieve program and financial results as well as to safeguard the integrity of their programs. The importance of controls is addressed in many statutes and documents. *OMB Circular No. A-133* defines management controls as the organization, policies, and procedures used to reasonably ensure that "(i) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported and used for decision making."

The basic objectives of internal controls fall into the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations.

Internal controls consist of five interrelated components, which are derived from the way management runs an organization and are integrated with the management process. The components are:

- ***Control Environment****:* Includes the integrity, ethical values, organization structure, and reporting relationships of the people and the environment in which they operate.

The control environment, as established by the organization's administration, sets the tone of and influences the control awareness of its staff. Similarly, leaders of each department, or functional area, set up a local control environment. This is the foundation for all other components of internal control, providing discipline and structure. Chapter 7, Organizational Control Environment, provides further guidance on effective management and organizational control practices for IHBG recipients.

- ***Risk Assessment****:* The entity must be aware of and deal with the risks it faces: it must establish mechanisms to identify, analyze, and manage these risks.

Every IHBG recipient faces a variety of risks from external or internal sources that must be assessed. A prerequisite for assessing these risks is to understand the relationships among your IHP five-year goals and one-year objectives. Risk assessment is the identification and analysis of relevant risks to achieve IHP objectives. This process forms the basis for deciding how the risks should be managed.

- ***Control Activities****:* Control policies and procedures must be established and executed to help ensure that the actions identified by management as necessary to address risks to the achievement of the entity's objectives are effectively carried out.

Control activities usually involve two elements: a policy establishing what should be done and procedures to effect the policy. Policies can be communicated orally or established formally in writing. Unwritten policies can be effective mainly in smaller organizations where the policy is a long-standing and well-understood practice. All policies must be implemented thoughtfully, conscientiously, and consistently.

- ***Information and Communication****:* This enables the entity's staff to capture and exchange the information needed to conduct, manage, and control its operations.

Pertinent information must be identified, captured, and communicated to appropriate personnel on a timely basis through both manual and computerized information systems. Information systems produce reports containing operational, financial, and compliance-related information and the quality of this information influences the quality of management decision-making.

- ***Self-Monitoring****:* The entire process must be monitored, and modifications made as necessary. This ensures that the system can change as conditions warrant.

Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of self-monitoring depends primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. This guidebook provides a comprehensive approach for IHBG recipients to use in monitoring adherence with NAHASDA requirements and assessing the strength of internal control practices.

An IHBG recipient's environment reflects the organization's philosophy, attitude, and demonstrated commitment to establishing a positive atmosphere for the implementation and execution of well-controlled business operations. A control structure which provides for clear delegation of authority and assignment of responsibility facilitates the execution of Director/governing board relationships, the development of reliable and relevant feedback, and the ability of outside stakeholders (i.e. tenants, homebuyers) to have faith in the day-to-day operations of the housing entity.

The proper stewardship of NAHASDA resources is a fundamental responsibility of tribal council, tribal housing subdivisions or departments, and TDHE board members and staff. IHBG recipient employees must ensure that housing resources are used efficiently and effectively to achieve intended program results. Resources used must be consistent with the recipient's mission, in compliance with laws and regulations, and employed with minimal potential for waste, fraud, and mismanagement.

4. Monitoring Roles and Responsibilities

This chapter provides guidelines for establishing monitoring roles and responsibilities for IHBG recipients, subrecipients, and ONAP. It includes the following topics:

- APR and Compliance Assessment requirements
- Statutory and regulatory requirements for tribes and TDHEs
- Statutory and regulatory requirements for subrecipients
- ONAP monitoring
- ONAP review of self-monitoring

Key Terms

- APRs
- Self-Monitoring (SM)
- Subrecipient Monitoring

4.1 Introductory Overview

IHBG recipients may be tribes or tribally-designated housing entities (TDHE). IHBG recipients that are TDHEs are required to report to and be monitored by the beneficiary tribes. Every recipient of IHBG funding is responsible for monitoring its grant activities, monitoring any subrecipients, ensuring compliance with applicable federal requirements, and monitoring its five-year and one-year goals and objectives under the IHP. Recipient self-monitoring is not a regulatory requirement for non-IHBG programs, however, it is beneficial and recommended for all organizations to identify and confirm good practices and where improvements can be made.

4.2 Annual Performance Reporting Requirements

IHBG recipients are required to review and report on the progress made on their IHP to their constituents and to HUD (NAHASDA §404) once a year, within 60 days of the end of their program year. The report they submit to HUD is the APR. HUD-ONAP must review and comment on all APRs within 60 days of receipt (24 CFR §1000.521). ONAP may request additional information from the recipient during that 60-day review and comment period.

4.3 Self-Monitoring Requirements

IHBG recipients are required to complete a self-monitoring assessment of adherence to IHBG program requirements and applicable statutes and regulations at least once a year. This monitoring requirement includes conducting an on-site inspection of all housing units assisted with IHBG funds. Reporting on self-monitoring assessments are required elements of the APR. IHBG recipients, therefore, should incorporate sufficient time in their business planning cycles to complete the self-monitoring assessment prior to the end of their program year.

4.4 IHBG Tribal Recipients

If the tribe is the IHBG recipient, it is responsible for monitoring grant activities to ensure compliance with applicable federal requirements and monitoring performance goals under the IHP. Under 24 CFR §1000.502, the tribe is responsible for preparing and submitting to HUD:

- An APR within 60 days of the end of the program year
- An OMB Circular A-133 Single Audit Act audit within 9 months after the end of the program year, if required

IHBG tribal recipients may request assistance from other tribes and/or TDHEs to help meet their performance goals or self-monitoring requirements under NAHASDA. Timeliness of report submission reflects on the organization's administrative capacity. Monitoring reports submitted on time indicate the tribe has incorporated these assessment processes into its annual business planning cycles. Costs incurred with completing the APR, SM and Audit reports are allowable under the IHBG program.

4.5 IHBG Tribally-Designated Housing Entity Recipients

Where the recipient is a TDHE, the tribe, as the grant beneficiary, is still responsible for monitoring programmatic and compliance requirements of the IHP and NAHASDA by requiring the TDHE to prepare periodic progress reports, including:

- An APR within 60 days of the end of the program year
- In Part II, Section A – Monitoring of the APR, a description of their self-monitoring (SM)
- An OMB Circular A-133 Single Audit Act audit within 9 months after the end of the fiscal year, if required

The TDHE must provide the tribe, as the grant beneficiary, with a copy of self-monitoring assessments, APRs, and audit so that the tribe can carry out its oversight responsibilities under NAHASDA. This tribal oversight relationship contemplated under NAHASDA may change the character of prior tribal and housing authority relationships. Often, housing authorities operated with mutually-agreed to autonomy from the tribal government. In practice, this sometimes led to instances where housing authorities were not perceived as accountable to the tribe for their management of housing assistance programs.

Tribal councils now have a more affirmative responsibility to exercise their oversight responsibilities over tribally designated entities, such as TDHEs. TDHEs and tribal governments should seek to enhance the flow of information and communication between both bodies to better address IHBG monitoring requirements. One way to accomplish this is to have a member of the tribal council serve on the board of a TDHE as either a voting or ex-officio member.

4.6 Subrecipient Monitoring

Within the IHBG program, subrecipients may be private, nonprofit, or other tribally-chartered entities that have a contract, memorandum of agreement, or memorandum of understanding with a recipient to undertake and manage specified projects and activities. IHBG recipients are required to monitor all of their subrecipients to ensure compliance with written contracts or memoranda.

In general, subrecipients must comply with the same statutory and regulatory requirements as IHBG recipients. Tribal beneficiaries and/or TDHEs should seek to institute subrecipient monitoring procedures that would accompany contracts or memoranda. It is good practice to incorporate these monitoring requirements into subrecipient contracts and agreements and require that subrecipients periodically report on their adherence to applicable regulations. Moreover, IHBG recipients should perform on-site visits with their subrecipients to review any issues of apparent noncompliance.

4.7 ONAP Monitoring

The APR, SM, and Audit monitoring process is intended to help ONAP fulfill its public trust responsibilities by ensuring that HUD grants are implemented in a timely manner and in compliance with all applicable requirements. Specific objectives of the monitoring process include:

- Collecting data from grant recipients that will help HUD assess recipient risk based on more complete information on performance
- Validating and/or refining technical assistance needs as defined in the risk assessment process
- Identifying additional technical assistance needs
- Identifying and initiating HUD actions that will reinforce, improve, supplement, and correct recipient performance

- Identifying and analyzing patterns of recipient activity that indicate superior, satisfactory, and deficient performance, which then can be used to improve HUD programs and increase overall recipient success rates.

These monitoring guidelines are based on and adhere to the monitoring standards and procedures that govern that program. For additional information on the IHBG monitoring process, consult 24 CFR §1000.522, 1000.526, and 1000.528.

ONAP is responsible for creating a draft report and a final report for each recipient monitored. The monitoring report is an objective assessment of recipient performance that highlights both the strengths and weaknesses in the recipient's practices and programs. In addition to identifying findings and recommending corrective actions, the report may identify concerns and offer suggestions to improve performance. ONAP may also refer concerns to the grant beneficiary for monitoring and corrective action as part of its monitoring responsibility under NAHASDA.

4.8 ONAP Review of Self-Monitoring

As part of its ongoing monitoring process, ONAP Grants Evaluation staff will conduct summary reviews of IHBG recipient self-monitoring practices and results as reported in the APR. While ONAP does not require IHBG recipients to submit compliance assessment checklists, all checklists and supporting documentation should be maintained for on-site review. Moreover, Area ONAP offices may require recipients where performance deficiencies or non-compliance issues have been identified, to prepare and submit self-monitoring compliance assessments as part of a more intensive monitoring strategy. ONAP staff will assess whether the recipient:

- Has adopted a self-monitoring policy or practices as part of the organization's policies and procedures

- Has conducted self-monitoring on a consistent and reoccurring basis

- Conducted the self-monitoring assessment in an objective arms-length relationship with the evaluator

- Has submitted self-monitoring summary results with the program year APR

- Has made available to the public the results of its self-monitoring assessments

- Incorporated corrective actions to address deficiencies identified in the self-monitoring evaluation in a Management Improvement Plan to be completed during the following program year

- Has made progress from year to year in addressing control deficiencies identified in the self-monitoring assessments.

Along with the APR and Audit reports, self-monitoring assessments will help IHBG recipients and ONAP in identifying both best practices and technical assistance and training needs. In many cases, where program performance issues arise in an APR or financial management deficiencies are found in an audit report, the problems can be traced back to the topics covered in this self-monitoring guidebook.

5. Implementing the Self-Monitoring Process

This Chapter provides guidance on conducting the self-monitoring process for IHBG recipients. It includes the following topics:

- Selecting areas for self-monitoring assessments
- Approaches to conducting a self-monitoring assessment
- Frequency of conducting self-monitoring assessments
- Developing a Management Improvement Plan
- Reporting on self-monitoring assessments through the APR

Key Terms

- Self-Monitoring
- Management Improvement Plan

Tools and Templates

- Management Improvement Plan Template

How will this chapter help you?

This chapter will help identify relevant areas for self-monitoring and suggests three approaches to conducting the compliance assessment. It also discusses how to use the assessment findings to develop recommendations for improvement. Finally, this section provides guidance on how to report on compliance assessment activities on the APR.

5.1 Introductory Overview

Not all areas included in this self-monitoring guide will be relevant to each IHBG recipient. In instances where the recipient receives a minimal amount of IHBG funds, resource constraints may inhibit the recipient's ability to undertake the full scope of monitoring activities. Conversely, where recipients receive significant amounts of IHBG funds and undertake many housing assistance program activities, they should consider the full breadth and scope of topical areas covered in this guidebook.

5.2 Identifying Areas for Self-Monitoring

Whether you receive a minimal or large amount of IHBG funds, compliance with IHP monitoring, resident eligibility and service standards, and fiscal and financial management requirements have predominant importance. Regardless of size, all recipients should undertake an assessment of their IHP compliance, resident housing certifications, and financial management controls at least once a year.

The compliance assessment checklists found in Chapter 6 – APR Development and IHP Monitoring, Chapter 8 – Resident Eligibility and Service Standards, and in Chapter 9 – Fiscal and Financial Management, complement the data to the financial information reported in Table II (Uses of Funds) in your APR.

If you engage in a material level of procurement activities in a program year, you should review the topics covered in Chapter 10 – Procurement and Contract Administration, to assess your adherence to requirements applicable to your procurement circumstances. Similarly, if you are undertaking new construction, housing rehabilitation activities, or site acquisition and development projects, you should review the topics and checklists provided in Chapter 11 – Labor Standards and Construction Management, and Chapter 12 –Environmental Review, to evaluate your compliance with applicable practices and standards. In any event, it is recommended that you test a sample of instances or transactions to assess whether a procurement action, for example, adheres to the required procedures provided in these three chapters.

TDHEs and large tribal housing subdivisions or departments should begin their self-monitoring practices by undertaking a review of their organizational control environment as suggested in Chapter 7 – Organizational Control Environment. Additionally, these entities should anticipate using all the topics provided in this guidebook to assess their compliance with applicable statutes and regulations.

5.3 Approaches to Conducting the Self-Monitoring Assessments

It is critical to conduct your self-monitoring with an objective and impartial perspective. Assigning individuals within your organization that perform day-to-day housing program activities to perform the assessment may yield subjective or biased responses to compliance questions. This may be especially the case for small IHBG recipients with few staff. Conversely, large IHBG recipients with significant numbers of positions will be able to identify individuals within the organization who could assume an air of impartiality in performing an assessment. Regardless of size, the key is not to review one's own work. For example, an individual whose duties focus on land titling might be a candidate for doing the assessment of financial practices or a financial manager could assess environmental reviews. All other things equal, it is preferable to establish an arms-length relationship between the tribal housing subdivision or TDHE and the self-monitoring evaluator.

For TDHE self-monitoring activities, one approach is to engage an individual with the tribal government who has familiarity with internal audit concepts, such as personnel affiliated with the treasurer's office or tribal administrator. Another approach is to solicit the assistance of individuals associated with other tribally designated entities, such as health care clinics, hospitals, or colleges to perform the self-monitoring reviews. Finally, TDHE board members such as the treasurer or secretary should be considered for this role by virtue of their knowledge of the organization's objectives. However, they may have less familiarity with day-to-day business practices.

Tribal recipients should also consider retaining the services of an independent auditor to conduct self-monitoring activities as an additional service in support of their audit engagements. Additionally, employing the services of another tribe or inter-tribal organization would constitute an arms-length relationship.

Conducting the self-monitoring assessments can be achieved through:

- Management interviews
- Facilitated sessions
- Standard operating procedure reviews

Management Interviews. An evaluator can complete the self-monitoring checklists by conducting one-on-one interviews with tribal housing program or TDHE managers to obtain their insights into how they adhere to specific compliance questions. Interviews with the organization's Director, deputy directors, divisional or departmental managers would provide sufficient corroborating information for the evaluator to exercise his/her judgment in determining the consistency and degree of adherence to internal controls and applicable regulatory requirements.

Facilitated Sessions. Another approach to undertaking the self-monitoring assessment is to convene a working session of IHBG recipient managers and program and/or administrative staff facilitated by an independent third-party to talk through the monitoring checklist questions as a group. Known as a self-assessment workshop, this approach has the added benefit of gaining everyone's input with open and frank communication. Moreover, individuals who perform a specific administrative task understand that task better than anyone else and usually have thoughtful ideas for improving the way "things get done." The role of the facilitator is to lead the group's discussion and bring the group to consensus on the appropriate response to compliance questions.

Standard Operating Procedure Review. A third approach to undertaking a self-monitoring evaluation is to review the organization's standard operating procedures—codes of conduct, personnel policies, financial management, procurement, and construction contract policies and procedures to assess the existence and use of internal controls. To assess how well staff adhere to the established procedures, an evaluator can select a random sample of transaction files and determine whether the instant cases comply with the housing entity's customary operating practices. If all or most of the case files conform with the standard operating procedures, then the evaluator can reasonably reach a judgment on the entity's consistency in adhering to applicable requirements.

5.4 Frequency of Self-Monitoring Activities

NAHASDA's implementing regulations require IHBG recipients to prepare a self-monitoring compliance assessment at least annually. In practice, it will be beneficial for most IHBG recipients to conduct self-monitoring on a more frequent basis. Larger IHBG recipients may consider reviewing specific topical areas on a quarterly basis before proceeding with projected program activities. For example, if a TDHE plans to release construction bids during the second or third quarter of their program year, conducting an evaluation of the entity's labor standard and construction procedures during the first quarter would allow time to remedy any practices not in compliance with self-monitoring checklist standards.

As a starting point, IHBG recipients should attempt to conduct their first self-monitoring assessment at the end of the first six months of their program or fiscal year. Compliance shortcomings identified can begin to be addressed throughout the remainder of the year. At the end of the year, a second self-monitoring assessment can be performed to indicate how well progress has been made on fixing procedural deficiencies and what issues continue to remain outstanding.

5.5 Developing a Management Improvement Plan

Based on the results of completing the compliance checklists, IHBG recipients should concentrate on improving operational performance and strengthening management practices in those compliance areas found to be at greatest risk for control deficiencies. It is not expected that IHBG recipients will be able to address any and all compliance shortcomings in a single year. Rather, the areas indicated by the self-monitoring assessments with the greatest number of negative responses to checklist questions should be the first candidates for developing a Management Improvement Plan.

The point of self-monitoring is to make improvements to your organization. The plan for making improvements is outlined concisely in your Management Improvement Plan. Schedule a one-day workshop to make decisions, using the completed checklists and information gathered during self-monitoring, to write your Management Improvement Plan. The workshop should include the Board, senior management, and those individuals who assisted with your self-monitoring assessment.

A Management Improvement Plan is a tool by which the IHBG recipient can document compliance problems and plan a course of action to remedy the deficiencies. This plan focuses on a single topical area—procurement, for example. If the self-monitoring assessment indicates a lack of adherence to procurement regulations and procedures, the IHBG recipient should identify the problem(s), the reason(s) or cause(s) for the lack of control, budget implications, and a detailed strategy or plan of action to come into compliance within a specific timeframe. A Management Improvement Plan Template is provided at the end of this chapter.

5.6 Reporting on Self-Monitoring Assessments through the APR

IHBG recipients should report on their self-monitoring activities on Part II, Section A – Monitoring, of their APR. Recipients are required to respond to the following descriptions:

- The SM systems and internal control procedures you used and implemented
- The activities you monitored, the results of each monitoring activity, and any required improvements/corrections to your operations
- Any monitoring activities you conducted of your sub-recipients

Tribal governments, as the grant beneficiary, have an affirmative duty to periodically monitor an IHBG recipient's progress made towards implementing the IHP and their adherence to NAHASDA's implementing regulations. Therefore, the TDHE, in addition to answering the above questions, are also required to describe the following:

- The procedures the Tribe used to monitor your affordable housing activities
- The activities the Tribe monitored, the results of that monitoring, and any required corrective action
- Any issues that were referred to the tribe by HUD, an auditor, etc. and your responses to them.

ONAP does not require the submission of self-monitoring compliance assessment checklists with the APR. Rather, IHBG recipients should provide summary information on:

- How they conducted the self-monitoring assessment, who was the self-monitoring evaluator, how was an arms-length relationship established, and how often were the assessments completed
- Their overall adherence to applicable compliance topics, identification of areas of significant compliance deficiencies, and corresponding Management Improvement Plan strategies to enhance management practices

Management Improvement Plan Template

Compliance Assessment Area: ______________________________ **For Program Year:** ________________________

Compliance Deficiencies	Improvement Target	Action Steps	Responsibilities	Budget Implication(s)	Target Date(s)

6. APR Development Process and IHP Monitoring

This chapter provides IHBG recipients with guidelines to assess their compliance with their five-year IHPs. It includes the following topics:

- Statutory and regulatory requirements
- ONAP review process
- APR development process

Key Terms

- Five-year and one-year goals and objectives
- Required APR elements

6.1 Introductory Overview

Assessing progress on the IHP is one of the self-monitoring components required by NAHASDA. Monitoring how well you are meeting your goals and objectives also helps you determine where your organization is headed and how to redirect it in order to achieve its stated mission.

What kinds of questions does this self-monitoring activity answer?

- Are we on track to accomplish our IHP goals and objectives?
- Are we complying with the statutory and regulatory requirements that will enable us to continue to receive IHBG funds?

How will this chapter help you?

This section will provide guidance to help you better complete the APR. It will also help you assess your organization's performance and use this data to improve the delivery of your housing assistance programs. This chapter will guide you in monitoring your progress in achieving your IHP objectives more consistently.

6.2 Statutory and Regulatory Requirements

NAHASDA §404 and its implementing regulations require recipients of IHBG funds to review progress made in carrying out the activities described in their IHPs. APRs must be submitted within 60 days of the end of the recipient's program year. Submittal of the APR is a condition for compliance under NAHASDA.

It's the Law

> "Not less frequently than annually, each recipient shall review the activities conducted and housing assisted under this Act to assess compliance with the requirements of this Act. Such review shall include onsite inspection of housing to determine compliance with applicable requirements."
>
> *§403(b) of NAHASDA*

NAHASDA's implementing regulations at 24 CFR §1000.502 state: "The recipient is responsible for monitoring grant activities, ensuring compliance with applicable Federal requirements and monitoring performance goals under the IHP. …The recipient's monitoring should also include an evaluation of the recipient's performance in accordance with performance objectives and measures."

6.3 HUD Review Process

Once the recipient submits the APR, ONAP will review it for completeness and accuracy. This review is incorporated into the Overall Performance Assessment that ONAP will be conducting on the recipient each year. Once this assessment is complete, ONAP Grants Evaluation staff will send the recipient an Overall Assessment Report with the results of the assessment. This report will include any performance deficiencies identified in the APR and/or recommendations for improvement. ONAP should provide this report within 60 days from receipt of the APR. ONAP may request additional information from the recipient during that period.

The objectives of the ONAP's APR review are to:

- Fulfill public trust responsibilities by ensuring that IHBG programs are implemented in a timely manner and in compliance with all applicable requirements
- Identify individual examples of superior, satisfactory, or deficient performance among HUD grant recipients
- Recommend actions to reinforce, improve, and/or correct performance

What is HUD looking for?

HUD has the authority to develop performance measures which the recipient must meet as a condition for compliance with NAHASDA. These performance measures, found at 24 CFR §1000.524 are:

1. Within two years of grant award under NAHASDA, at least 90 percent of the grant must be obligated.

2. The recipient has complied with the required certifications in its IHP, and all policies and the IHP has been made available to the public.

3. Fiscal audits have been conducted on a timely basis and in accordance with the requirements of the Single Audit Act, as applicable. Any deficiencies identified in audit reports have been addressed within the prescribed time period.

4. Accurate APRs were submitted to HUD within 60 days after the completion of the recipient's program year.

5. The recipient has met the IHP goals and objectives in the one-year plan and demonstrated progress on the five-year plan goals and objectives.

6. The recipient has substantially complied with the requirements of 24 CFR §1000 and all other applicable federal statutes and regulations.

6.4 APR Development Process

NAHASDA's implementing regulations require recipients to submit the APR within 60 days of the end of the recipient's program year. Since timely submission is essential, and the APR takes a substantial commitment of time and effort, it is important to begin preparing this report before the end of your program year. Waiting to start just before the deadline will not give you the best time to fully assess your progress or to direct your future operations. It takes a significant amount of time to prepare and develop a comprehensive APR. Characteristics of responsive APRs include:

- Internal consistency among all data
- Accurate reporting of accomplishments and performance barriers
- Detailed information to allow a reviewer to draw the same conclusions as that stated in the APR

Submission of the APR serves several purposes:

- As a recipient of IHBG funds, you are required to monitor your grant activities. The preparation of the APR is the final step in monitoring the implementation of your grant.

- The APR is one of HUD's primary resources for achieving its mandate to review recipient's performance under NAHASDA.

- The information contained in the APR is used to respond to inquiries from the Congress, other Federal agencies and the public regarding the economic impact of the IHBG program. For this reason, it is critical that all requested data and information is entered into the APR where applicable and it is reported accurately.

In the event you do not submit an APR within the required timeframe, the Area ONAP office will send you a letter of warning notifying you that the APR is past due and that future payment requests through the Line of Credit Control System (LOCCS) will require you to submit the LOCCS Payment Voucher, Form HUD-50080 - IHBG, with detailed supporting documentation each time a payment request is made. This documentation may include copies of billing documents, contract register, project expenditure register, staffing documentation, etc. In other words, you will be required to submit information to substantiate that the IHBG funds you are requesting will be used to implement the goals and objectives of your IHP and that the activities you are conducting are in compliance with statutory and regulatory requirements. This letter will also advise you that if the APR is not received within 30 days of the date of the letter, HUD will consider taking necessary actions to enforce the statutory submission requirement.

Quarterly Self-Monitoring

Although the APR is required to be submitted once a year, it is helpful to engage in some of the self-monitoring activities more frequently. If you only assess progress on your goals after the end of the year, you will only be able to report on performance objectives that were not fulfilled. However, if you monitor your progress quarterly, you will be able to see where you are falling behind, and devise a plan to correct this before the end of the program year. This substantially increases your chances of attaining your annual objectives.

6.5 Components of APR

The APR is comprised of the following components.

Cover Sheet – General Information on the tribe or TDHE
Grant ________
PART I – Reporting on the One Year IHP
TABLE I – Sources of Funds
TABLE II – Uses of Funds
Not Grant Specific
PART II – Reporting on Program Year Accomplishments
SECTION A – Monitoring
TABLE III – Inspection of Assisted Housing
SECTION B – Audits
SECTION C – Public Accountability
SECTION D – Jobs Created by NAHASDA
TABLE IV – Jobs Created by NAHASDA

The essential components of the APR are: Part I detailing progress on the goals, objectives, and performance objectives of each open grant; Tables I, II, and III; and Part II Section A – Monitoring.

Part I (including Tables I and II) is grant specific; and therefore, a separate part must be submitted for each open grant.

There is one optional section of the APR, Section D: Jobs Created by NAHASDA, which is an important component to understand the economic impact of NAHASDA resources on the local community.

The NAHASDA website allows you to download a copy of the MS Word template in order to fill out the APR. The web address is: http://www-domino.hud.gov/ihp/newhome.nsf/templatedownload?ReadForm

Part I – Reporting on the One-Year Indian Housing Plan

Part I provides space to list the goals, objectives, and performance objectives stated in the IHP's one-year plan for all IHBG activities during the program year, to describe accomplishments made in attaining these goals and objectives as they relate to the performance objectives, to explain why the goals and objectives were not met, and to explain what will be done to ensure completion of the activities.

It is most helpful to be as specific as possible in assessing what kind of measurable progress you have made. Stating that an "ongoing year-round effort" is underway is too vague; you should describe some of these specific efforts and with what frequency they occur. Stating that "work was started" does not give a complete picture; write what specifically has taken place, as well as what remains to be done, and in what timeframe you propose to accomplish it.

Identifying the reasons why progress was not made towards meeting the goals and objectives is an essential step towards success. If you identify the reasons for slippage every quarter, you can also identify ways to address them within the current program year. When you complete your final APR, you will likely have fewer unmet goals.

It is impossible to attain goals without a plan of action. When you set your goals for your one-year plan, you will want to design an implementation plan for meeting those goals. The implementation plan would include the interim steps that must be taken in order to meet the overall goal, who will be responsible for them, and the timeframe in which they will be accomplished. It would also include a benchmark comparison to help you lay out where you want to be at different points in the year, toward the fulfillment of your goals.

Also in Part I, you are asked if your program is on schedule to meet your IHP's five-year goals, and if not, to explain the causes for the delays and your plan to modify your program in order to meet those five-year objectives. You are also asked to describe how you might change your programs based on your experience in implementing NAHASDA.

Table I – Sources of Funds

Table I asks for a listing of funds you planned or expected to receive from any source for NAHASDA activities, which is taken from the IHP for that grant, as well as the actual amounts awarded from those sources. Actual amount awarded means the funds committed to all housing activities in the IHP rather than the funds specifically received by the recipient during the year. For example, the recipient planned to receive a $100,000 grant from the Indian Health Service to develop a water system to support its planned housing development. This amount would be reported as the actual amount awarded if the grant is approved even though it may not be in the recipient's bank account during the reporting period. If, however, the planned funds were not realized, you are to explain in Table I the reasons for the non-award.

Table II – Uses of Funds

Table II contains a description of the uses of IHBG funds received and information on activities involving housing units and family assistance. It asks you for the raw number of units constructed, rehabilitated, or acquired, and the number of families assisted. 24 CFR Section 85.20(b)(2) requires recipients to maintain financial records showing the obligated and unobligated balances. You would enter the percentage of obligated IHBG funds for each activity under each open grant on Table II. Also, you are asked to identify the purpose for placing funds in Reserves, if applicable; to explain any unexpected cost overruns associated with the IHBG funds; and specific information if you are investing any of your IHBG funds.

This part is not grant specific. A single Part II consisting of Sections A through D (including Table III), is to be prepared and submitted at the end of each program year and will cover all open grants.

Section A – Monitoring

This section is divided into two sets of questions, I. Self-Monitoring and II. Inspection of Units (including Table III – Inspection of Assisted Housing).

In section I, you describe:

- The self-monitoring systems and internal control procedures you used and implemented during the program year
- The results of your monitoring, including any improvements/corrections to your operations to comply with §403(b)
- If you are a TDHE, the procedures the Tribe used to monitor your affordable housing activities, the activities monitored, and the results of the tribe's monitoring including any corrective action required
- If you are a TDHE, any issues that were referred to the tribe by HUD, an auditor, etc. and your responses

- Any monitoring activities you conducted of your sub-recipients

This guidebook will help you to respond to these questions. If you use the checklists and templates in this guidebook, indicate this in Section A. Chapter 5 provides further guidance on completing Section A-Monitoring.

Section II focuses on your unit inspection system. Section 403(b) of NAHASDA states that a monitoring program must include an on-site inspection of all housing units under operation by the recipient. In Table III, include the results of periodic monitoring of assisted units, including:

- 1937 Housing Act funded units
  - Mutual Help
  - Low Rent
  - Turnkey III
  - Other
- NAHASDA funded units
  - Owned or managed by the recipient
  - Assisted, but not owned or managed by the recipient

You are asked to describe your plan of action for complying with your inspection policy, to explain why all units were not inspected (if applicable), and to describe your process for inspecting units assisted with IHBG funds which you do not own or manage.

Section B – Audits

NAHASDA (§1000.544) requires that IHBG recipients comply with the requirements of the Single Audit Act and OMB Circular A-133. Recipients that expend $300,000 or more in a fiscal year in federal funds must submit an annual audit to HUD within 30 days after receipt or nine months after the end of the audit period (whichever is soonest). If you have not submitted the audit prior to APR submission, it must accompany the APR. This section of the APR asks questions related to your compliance with the audit requirements and seeks to determine whether or not audits are being performed, as required.

Guidance for preparing for an audit is included in Chapter 9, under 9.4.

Section C – Public Accountability

NAHASDA requires that the APR be made available to all citizens in the Indian area in sufficient time to permit comments prior to APR submission to HUD, and that a summary of any comments received be included in the report. Section C asks for a description of how the APR was made available and a summary of comments.

Suggested methods of dissemination include: local radio stations, local newspapers and newsletters, community meetings, presentations to local groups, etc. Citizens should be given an easy way to comment on the APR. If there is an open forum or time for questions or comments, appoint someone to take minutes to be transcribed or summarized later. Some citizens will be more hesitant to speak in public; they should be provided with blank forms on which to make written comments.

Section D – Jobs Created by NAHASDA

This section of the APR, which is optional, includes Table IV – Jobs Created by NAHASDA. You are asked to indicate the number of permanent and temporary positions created by IHBG assistance and the number of positions needed to implement NAHASDA.

6.6 Compliance Checklist

The following checklist provides detailed questions related to these specific NAHASDA requirements and general management practices that will allow you to assess your adherence to the standards. These checklists provide questions with “Yes,” “No,” “Not Applicable,” and “Recommendations/Notes” response fields. Although the checklist is designed to facilitate questions that the reviewer may use, it is intended that the checklist be answered by the reviewer through interviews, observation, or document review.

APR Development Process and IHP Monitoring Self-Monitoring Checklist for Program Year ________________

APR Development Process and IHP Monitoring	Yes	No	N/A	Source/ Documentation
1. Are activities consistent with the approved IHP?				
2. Is progress consistent with the one-year goals and objectives in the IHP?				
3. Is program progress consistent with progress reported in the APR?				
4. Is the number of low-income families being assisted consistent with the IHP?				
5. Is there evidence that the number of families in the jurisdiction or the number of low-income families in the jurisdiction is consistent with the IHP or formula allocation?				
6. Is available data consistent with the recipient's description of the housing market?				
7. Is there evidence that the recipient has coordinated NAHASDA activities with other governmental agencies?				
8. Is there evidence that the recipient has coordinated with welfare agencies?				
9. For 1937 Act units that have been demolished or disposed of, has one of the following conditions been met? a) A financial analysis was done and demonstrates cost-effectiveness; b) The unit was condemned by the government with authority over the unit; c) The unit was an imminent threat to the health and safety of residents; or d) Continued habitation of the unit was inadvisable due to cultural or historic considerations.				
10. Was HUD notified of any planned demolition or disposition prior to any action being taken?				
11. For disposition of 1937 Act units, were sale proceeds maximized or, alternatively, was the unit sold to a low-income Indian family?				
12. If 1937 Act units have been disposed of or conveyed, have they been reported as such for Formula Current Assisted Stock (FCAS) purposes?				
13. Are financial resources other than HUD-funded grants available as stated in the IHP?				
14. Has the recipient executed a local cooperation agreement with all appropriate local governments?				

Reviewer ____ Date of Review _______________________

7. Organizational Control Environment

This chapter provides guidance on effective management and organizational practices. Management determines the character, direction and philosophy of an organization. Topics covered include:

- Integrity and Ethical Values
- Organizational Structure and Reporting Relationships
- Organizational Bylaws
- Governing Bodies
- Policies and Procedures
- Records Management
- Self-Monitoring

Key Terms

- Control Environment

Tools and Templates

- Organizational Control Environment Checklist
- Self-Monitoring Policy Template

7.1 Introductory Overview

The control environment sets the tone for an organization's adherence to accepted policies, procedures, and practices. This environment influences behaviors and provides the foundation for all other components of an internal control system. The quality of this environment cascades downward from the governing board to the Director, and onto staff. Key factors that define the control environment are:

- Integrity and ethical values
- Organizational structure and reporting relationships
- Skills, knowledge, and abilities of the organization's staff
- Leadership and management styles

What questions does this self-monitoring topic answer?

- How do we create an operating environment that encourages structure and discipline in adhering to internal controls?

How will this chapter help you?

This chapter will help you assess the state of your operating environment and provide you ideas for enhancing your organizational practices to include better internal controls. Throughout this chapter, reference is made to governing bodies. Governing bodies includes tribal councils and tribal housing subdivisions or TDHE boards of directors.

What are the characteristics of effective management?

- Appropriate organization structure
- Knowledgeable governing board members
- Objectives of the organization clearly stated and understood
- Policies and procedures in place
- Communication up and down the organization
- Effective and timely reporting of major functions
- Use of performance standards and goals

7.2 Integrity and Ethical Values

The most effective way of transmitting a message of ethical behavior is by example. People tend to imitate the behavior of leadership. However, setting a good example is not enough. Codes of conduct or ethics need to be clearly defined in written policy and should include issues such as conflicts of interest (see 24 CFR §1000.30), explicit prohibitions, or otherwise improper activities. Codes of conduct should be reviewed by the governing board and the Director annually to assess whether they reflect the mores of the community, address emerging business issues and potential conflicts, and reflect the values of the organization's leadership.

7.3 Organizational Structure and Reporting Relationships

Proper structure is important to the operation of any organization because it defines the relationships, responsibilities, and authorities of the positions in the organization. Form follows function. A TDHE or tribal housing subdivision's structural alignment should correspond to the core housing functions performed by the IHBG recipient. For example, organizational units should be organized around processes related to resident eligibility and service standards, construction management and labor standards, and financial management, procurement and contract administration. IHBG recipients should maintain a published organizational chart that outlines the organization's reporting relationships and the number of employees by position and function.

IHBG recipients, whether tribal divisions or TDHEs, should assess whether their current organization of departments, offices, or sub-units are best aligned to manage IHBG requirements. Typically, entities continue to operate under

NAHASDA as they were structured under earlier Housing Act programs. It may be time to revisit the functional relationships within your organization to better align with IHBG requirements and core housing delivery processes.

In general, flatter organizations have better flows of communication than highly compartmental structures with multiple layers of offices, divisions, and departments. Periodically, the IHBG recipient should review the organization structure and unit interrelationships and compare them with the objectives of the organization.

7.4 Organizational Bylaws

Bylaws are the organization's primary governing document. They establish the rules by which the organization will conduct business and outline how governing board members will be elected or appointed, how governing board meetings will be conducted, and what responsibilities governing board members and staff must each uphold. Elements of bylaws include:

- The mission of the organization
- The geographic area served by the organization
- Selection of governing board officers, duties and voting privileges
- Delegations of authority to a Director and other staff
- Composition of committees
- Rules of order, procedures, and meeting frequency
- Fiscal year of operation, books, and records
- Procedures for amending the Bylaws

IHBG recipient bylaws should be reviewed periodically to assess adherence to tribal ordinances regarding the submission of financial documents, procurement, and employment practices. Often, tribal councils require that TDHEs or tribal housing subdivisions or departments periodically submit reports that indicate the entity's financial position.

7.5 Governing Boards

Boards govern on behalf of persons who are not seated at the table — families and households that benefit from IHBG housing assistance. This is the trust inherently placed in board leadership.

Boards of directors are critical to providing leadership and direction to an organization. The board should bring experience and diversity of background, monitor the progress of the IHP objectively, and initiate and approve plans to keep the organization growing and healthy. Ideally, the board will include individuals who can bring forth viewpoints and experiences of other tribally designated organizations.

No single relationship in the organization is as important as that between the board and its Director. The Director accomplishes expectations set out by the board in its policies and ensures staff does not engage in means which the board has prohibited. Ideally, boards should maintain written guidelines for individual board member conduct clearly stating that no single board member has authority over the Director. The board as a body should establish explicit criteria by which to assess the performance of the Director. Director performance evaluations should be conducted annually based on information that directly addresses these criteria.

To uphold its fiduciary responsibilities, boards must review the APR prior to submission to ONAP. Depending on the size of the organization and the amount of IHBG funds received, the board may want to appoint a self-monitoring committee to oversee the consistent implementation of the self-monitoring processes discussed at Chapter 5 in this guidebook.

7.6 Policies and Procedures

Policies and procedures provide for consistent and cohesive action on the part of an organization. A policy is the value or perspective that underlies actions. It generally explains the desirable direction and establishes the broad parameters of a particular function of the TDHE or tribal housing subdivision. A procedure establishes the specific manner in which a function is to be performed, assigns responsibility, and describes specific actions, including forms and report preparation.

In addition to the topics covered in this Self-Monitoring Guidebook, good management practices rest on the foundation of personnel policies and procedures. Personnel policies should be as comprehensive as practicable. All staff positions should have written descriptions with clearly defined functions. A regularly scheduled performance appraisal system needs to be in place along with a documented policy for handling staff grievances. Additionally, a process for documenting compensation comparability of staff positions should be maintained. Reimbursements for staff travel should be explicitly defined. Finally, personnel should make periodic confirmations that they understand and comply with the organization's code of conduct.

Self-monitoring helps inform the development of policies and procedures. The process of self-evaluation provides feedback for changes needed in policies and procedures.

7.7 Records Management

24 CFR §1000.552 requires IHBG recipients to maintain financial and programmatic records, supporting documents, and statistical records of assisted families. These records are considered confidential. Records must be retained for

three years from the date the recipient submits the APR that covers the last expenditure of grant funds under a particular grant. If any litigation, claim, negotiation or audit involving the records has been started before the expiration of the three-year period, the records must be retained until the outstanding issues are resolved.

Under these regulations, HUD and the U.S. General Accounting Office have the right of access to any documents and records pertinent to NAHASDA assistance in order to conduct audits and examinations. Recipient records are not subject to the provisions of the Federal Freedom of Information Act (FOIA) or the Federal Privacy Act. However, there may be other applicable state and tribal access laws or recipient policies that may apply.

7.8 Self-Monitoring Policy

Internal control systems need to be monitored — a process that assesses the quality of the system's performance over time. Internal control systems change over time. The way controls are applied may evolve. Effective procedures can become less effective due to the arrival of new personnel, varying training and supervision practices, time and resource constraints, or additional pressures. Moreover, circumstances for which the internal control system was originally designed also may change. Because of changing conditions, TDHEs and/or tribal housing subdivisions need to determine whether the internal control system continues to be relevant and able to address new risks. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two.

As noted in Chapter 6, IHBG recipients are required to prepare at least annually a compliance assessment in accordance with §403(b) of NAHASDA. This responsibility includes self-monitoring and monitoring of subrecipients. To incorporate this requirement into your control environment, IHBG recipients should affirmatively adopt and make accessible to the public a self-monitoring policy. While this guidebook outlines an annual monitoring strategy for the tribe or TDHE to establish in completing the recommended monitoring evaluations and performance improvement plans, the self-monitoring policy needs to:

- Identify monitoring roles and responsibilities
- State what entity will perform the self-monitoring assessment
- Establish a regular schedule to conduct the self-monitoring evaluations

7.9 Compliance Checklist

The following checklist provides detailed questions related to these specific NAHASDA requirements and general management practices that will allow you to assess your adherence to the standards. These checklists provide questions with "Yes," "No," "Not Applicable," and "Source / Documentation" response fields. Although the checklist is designed to facilitate questions that the reviewer may use, it is intended that the checklist be answered by the reviewer through interviews, observation, or document review.

Self-Monitoring Policy Template
Tribal Council or TDHE Board Resolution

Whereas, the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) assists and promotes affordable housing activities to develop, maintain, and operate housing in a safe and healthy environments on Indian reservations and in other Indian Areas for occupancy by low-income families;

Whereas, recipients of NAHASDA Indian Housing Block Grant (IHBG) funds are responsible for monitoring grant activities, ensuring compliance with applicable federal requirements and monitoring performance goals under the Indian Housing Plan (IHP);

Whereas, NAHASDA §403(b) requires IHBG recipients to prepare a compliance assessment at least annually;

Whereas, the (*Name of Grant Beneficiary if recipient is a tribe*) or (*Name of TDHE if recipient is a tribally designated housing entity*) received IHBG funds for the current program year to support the affordable housing goals and objectives of our IHP;

Therefore, be it resolved, it is the policy of the (*Name of Grant Beneficiary if recipient is a tribe*) or (*Name of TDHE if recipient is a tribally designated housing entity*) to conduct an annual assessment of our adherence to NAHASDA's applicable federal requirements through a self-monitoring process; that the self-monitoring process will be conducted by an impartial reviewer; that results of this assessment will be made accessible to the public; and that recommendations to improve areas of significant compliance deficiencies will be developed and implemented during the proceeding program year.

In witness whereof, this Resolution is made as of this ____day of __________, 200__.

Organizational Control Environment Self-Monitoring Checklist for Program Year _______________

Organizational Control Environment	Yes	No	N/A	Source/ Documentation
Integrity and Ethical Values				
1. Does the organization maintain a written code of conduct or ethics?				
2. Do all staff make annual confirmations that they understand and comply with the code of conduct?				
Organization Structure and Reporting Relationships				
3. Does a published organization chart exist in the TDHE or tribal housing department?				
4. Are reporting lines clear to avoid duplicate responsibilities?				
5. Is there the proper delegation of authority and responsibilities?				
6. Does the organizational structure support internal controls?				
7. Is the recipient's staffing adequate?				
8. Is there evidence of frequent staff turnover?				
9. Are staff receiving adequate training?				
Organizational Bylaws				
10. Does the TDHE operate with Bylaws adopted by a Board?				
11. Are the Bylaws consistent with tribal ordinances and practices?				
Governing Board				
12. Are Board meetings held in accordance with the Bylaws?				
13. Are Board resolutions and minutes maintained and available for public access?				
14. Are Board members provided quarterly financial statements and progress reports?				
15. Does the Board maintain established criteria to evaluate the performance of the Director?				
16. Does the Board conduct a performance evaluation of the Director on an annual basis?				

Organizational Control Environment	Yes	No	N/A	Source/ Documentation
Policies and Procedures				
17. Do written policies and procedures exist that encompass personnel, financial management, procurement, and housing assistance program areas?				
18. Is there an established process for documenting compensation comparability of staff positions?				
19. Are reimbursements for staff travel explicitly defined?				
20. Are personnel position descriptions accurate and current?				
Records Management				
21. Are records maintained for a period of 3 years from the last APR submission?				
Self-Monitoring Policy				
22. Has a written self-monitoring policy been adopted by the organization?				
23. Do tribal officials monitor HUD grants without undue interference?				
24. Does the organization conduct self-monitoring on a regular basis?				
Monitoring of Subrecipients				
25. Was there a budget established for the project?				
26. Does there exist a written agreement with each subrecipient?				
27. Does the contract or agreement clearly address or establish:				
a) a statement of work?				
b) an operating budget?				
c) reporting requirements for self-monitoring?				
28. Does the recipient monitor subrecipients on site at least annually or more often if the contract requires it?				
29. Does the recipient follow up on any findings to assure that corrective measures or actions were taken?				
Complaint and Grievance Resolution				

Organizational Control Environment	Yes	No	N/A	Source/ Documentation
30. Does the organization have written policies and procedures for addressing complaints and formal grievances?				
31. Is there a method to track complaints and formal grievances to ensure timely follow up and response?				
32. Do formal grievance procedures provide for a hearing before an impartial hearing official or panel?				
33. Is there a method to ensure that the cause of validated complaints and grievances are addressed to prevent reoccurrence?				
Open Findings				
34. Are there any open findings in this area identified by either HUD and/or auditor?				
a) If yes, summarize the finding(s):				
b) What entity (or organizational unit) has been assigned the responsibility for clearing the finding(s)?				
c) What is the current status of the finding(s) as of the date of this evaluation?				
d) What is the tribe's/TDHE's target date for responding to HUD or auditor findings?				

Reviewer ____ Date of Review _______________________

8. Resident Eligibility and Service Standards

This chapter provides guidance on fulfilling requirements related to resident eligibility and service standards for the provision of affordable housing. It includes the following topics:

- Statutory and Regulatory Requirements
- Eligibility
- Selection
- Rent and Payment Determination
- Occupancy
- Maintenance and Inspections
- Public Dissemination and Complaint Review
- Collections
- Lead-Based Paint
- Temporary Relocation and/or Acquisition

Key Terms

- Certification of Compliance

Tools and Templates

- Compliance Checklists

8.1 Introductory Overview

As an IHBG recipient, the funds you receive are for the specific purpose of assisting certain beneficiaries. As such, you are required to serve only those residents that are eligible, and must follow certain policies on selection of beneficiaries, determination of their rent or payments, occupancy, maintenance, and the like.

What kinds of questions does this self-monitoring topic answer?

- Are we in compliance with the eligibility requirements for families receiving IHBG-assisted housing?
- Do we have written and publicly available policies in place to address NAHASDA's statutory requirements for housing service standards?

How will this chapter help you?

This chapter gives an overview of the requirements related to resident eligibility and services for residents. It will help you assess if you are in compliance and identify areas for improvement.

8.2 Statutory and Regulatory Requirements

NAHASDA and its implementing regulations require recipients of IHBG funds to certify that they have written policies on eligibility, tenant selection, rent or payment determination, admission, occupancy, and maintenance. Further, recipients are required to maintain adequate insurance coverage for housing units that are owned, operated, or assisted with grant funds from NAHASDA. Certifications are required on an annual basis as part of your IHP.

It's the law

"CERTIFICATION OF COMPLIANCE – Evidence of compliance which shall include, as appropriate –

(c) a certification that policies are in effect and are available for review by the Secretary and the public governing the eligibility, admission, and occupancy of families for housing assisted with grant amounts provided under this Act;

(d) a certification that policies are in effect and are available for review by the Secretary and the public governing rents charged, including the methods by which such rents or homebuyer payments are determined, for housing assisted with grant amounts provided under this Act; and

(e) a certification that policies are in effect and are available for review by the Secretary and the public governing the management and maintenance of housing assisted with grant amounts provided under this Act."

§102 par.5 of NAHASDA

8.3 Eligibility

NAHASDA's implementing regulations require recipients to verify that the IHBG-assisted families are income eligible based on anticipated annual income. You are required to maintain documentation on which the determination of eligibility is based. To do so, you may require a family to periodically verify its income through the submission of tax returns, W-2 statements, or payroll statements.

HUD periodically publishes median income limits for various Indian areas, by county. If the income limit for a county within your Indian area is lower than the United States median, you must use the United States median income limits.

Income limits are derived by multiplying the median family income in the United States by 80 percent, which is then adjusted for family size. Using 2002 as an example, the median family income for a household with 4 persons is $54,400. NAHASDA income limits for this median family are calculated as follows:

Family Size	Income
1	$30,450
2	$34,800
3	$39,150
4	$43,500
5	$47,000
6	$50,500
7	$53,950
8	$57,450

Current median family income and income limits for your area can be found on the Internet at: http://www.huduser.org/datasets/pdrdatas.html.

8.4 Selection

NAHASDA's statutory language requires the owner or manager of affordable rental housing assisted with IHBG funds to adopt and utilize written tenant and homebuyer selection policies and criteria that:

- Are consistent with the purpose of providing housing for low-income families
- Are reasonably related to program eligibility and the ability of the applicant to perform the obligations of the lease; and
- Provide for –
  - ➢ The selection of tenants and homebuyers from a written waiting list in accordance with the policies and goals set forth in the IHP
  - ➢ The prompt notification in writing to any rejected applicant, of that rejection and the grounds for that rejection.

8.5 Rent and Payment Determination

NAHASDA requires that each recipient develop written policies governing rents and homebuyer payments charged for dwelling units assisted with IHBG funds. The rent or homebuyer payment for a unit assisted with IHBG funds occupied by a low-income family may not exceed 30 percent of the adjusted income of the household.

8.6 Occupancy

Each recipient must develop a written occupancy policy that establishes requirements for continued occupancy and grounds for termination of a housing lease. This policy must be consistent with the lease requirements from §207 of NAHASDA. In general, the occupancy policy should:

- Not contain unreasonable terms and conditions
- Require the property manager or owner to maintain the housing compliance with applicable housing codes
- Require the property manager or owner to give adequate written notice of lease termination or eviction
- Establish terms and conditions for termination and eviction

8.7 Maintenance and Inspections

As a recipient, you are required to develop written policies which define responsibilities of homebuyers, tenants, and the tribe/TDHE for maintenance of units assisted with IHBG funds. Annual onsite inspections of all NAHASDA-assisted units are required by §403(b) of NAHASDA.

8.8 Public Dissemination and Complaint Review

To ensure accountability to tribal members, your written policies should be readily available to the public for review and comment. Although not statutorily required, it is good management practice to have an established written grievance policy. Providing families receiving housing assistance a formal process of lodging complaints also protects you because there is a fair mechanism in place to hear both sides of the issue to resolve the dispute.

8.9 Collections

A key component of resident service standards pertains to delinquent collections. IHBG recipients need to develop a written collections policy that outlines what steps will be taken to deal with payment delinquencies.

8.10 Lead-based paint

Lead poisoning can cause permanent damage to the brain and many other organs, and can result in behavioral problems. Lead can also harm the fetus. More than 800,000 children younger than 6 years old living in the United States have lead in their blood that is above the level set by the Centers for Disease

Control and Prevention. Many of these children are in low-income families living in old homes with heavy concentrations of lead-based paint. The most common sources of childhood exposure to lead are deteriorated lead-based paint and lead-contaminated dust and soil in the residential environment.

In 1978, lead-based paint was banned nationwide for consumer use. Housing built prior to this year, however, may contain lead-based paint, which can be detrimental to residents, particularly children. IHBG recipients must follow regulations on treatment of housing with lead-based paint, as set forth in 24 CFR §1000.40.

If you are using IHBG funds for rehabilitation, acquisition, tenant-based rental assistance, or the provision of assistance to households to acquire existing housing and the housing to be assisted or occupied was built before January 1, 1978, there are certain actions specified in 24 CFR Part 35 which must be taken. The nature of the actions required depends upon the type of assistance, for e.g., rehabilitation, that you are providing.

8.11 Temporary Relocation/Acquisition

There are certain relocation and real property acquisition policies that apply to programs developed or operated under NAHASDA. These are contained in 24 CFR §1000.14 and 49 CFR Part 24. Some of the requirements are outlined here.

If you do not have the authority to acquire the real property through condemnation, before you discuss the purchase price, you must inform the owner of the amount you believe to be the fair market value of the property. This amount must be based on at least one appraisal prepared by a qualified appraiser. You must also tell the owner that you will be unable to acquire the property if negotiations do not result in an amicable agreement. You must request HUD approval of the proposed acquisition price before executing a firm commitment to purchase the property if the proposed acquisition payment exceeds the fair market value.

You must take all reasonable steps to minimize displacement of persons (households, businesses, nonprofit organizations, and farms) as a result of a project assisted by IHBG funds. If temporary relocation is necessary, you must provide residential tenants and homebuyers with:

- Reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation, including the cost of moving to and from the temporarily occupied housing and any increase in monthly housing costs (e.g., rent/utility costs).

- Appropriate advisory services, including reasonable advance written notice of:

- The date and approximate duration of the temporary relocation
- The location of the suitable, decent, safe, and sanitary dwelling to be made available for the temporary period
- The terms and conditions under which the tenant may occupy a suitable, decent, safe, and sanitary dwelling in the building/complex following completion of the repairs, and
- The provisions for reimbursement.

If relocation is necessary, you must provide relocation assistance for displaced persons at the levels described in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA) (42 U.S.C. 4601-4655) and implementing regulations at 49 CFR Part 24.

You must certify that you will comply with the URA, the regulations at 49 CFR Part 24, and the requirements of 24 CFR §1000.14. You must maintain records in sufficient detail to demonstrate compliance with these regulations.

8.12 Compliance Checklist

The following checklist provides detailed questions related to these specific NAHASDA requirements and general management practices that will allow you to assess your adherence to the standards. These checklists provide questions with “Yes,” “No,” “Not Applicable,” and “Source / Documentation” response fields. Although the checklist is designed to facilitate questions that the reviewer may use, it is intended that the checklist be answered by the reviewer through interviews, observation, or document review.

Resident Eligibility and Service Standards Checklist for Program Year ________________

Resident Eligibility and Service Standards	Yes	No	N/A	Source/ Documentation
Statutory/Regulatory Requirements				
1. Is adequate insurance coverage maintained on all units owned, operated, or assisted with IHBG funds?				
2. Has the useful life been defined for all applicable units?				
3. Are units receiving NAHASDA assistance maintained as affordable during their useful life?				
Eligibility				
4. Is there a written policy on family income eligibility readily available to staff and posted for public access?				
5. Are the most current HUD-determined income limits being used for eligibility criteria?				
6. If no, has no more than 10% of IHBG funds been used to assist families whose incomes fall within 80% to 100% of the median income?				
7. Are only low-income Native American families determined eligible?				
8. Are you in compliance with the requirements, with no exceptions?				
9. If there are exceptions, why? (e.g., non-low-income families require HUD approval)				
10. If assistance was provided to a non-Indian family, is there documentation that the presence of the family is essential to the well-being of Indian families and the need for housing for this family cannot otherwise be met?				
11. Does the family income eligibility review include rent-paying habits and/or credit checks?				
12. Are applicants adequately counseled on IHBG program requirements?				
13. Is the waiting list adequately maintained and documented and dated with offers?				

Resident Eligibility and Service Standards	Yes	No	N/A	Source/ Documentation
14. Are applicants determined to be "ineligible" notified of reasons and options available to them?				
Selection				
15. Is there a written policy on selection preferences, if any, readily available to staff and posted for public access?				
16. Are the admissions of selected participants documented adequately to reflect compliance with Board policies? For example, signed and dated rating forms for each selection?				
17. Are incomes verified to be within the income limits prior to execution of a housing assistance contract or agreement?				
18. Are all "contracts for housing assistance" between the recipient and the participant signed and dated and maintained in a unique confidential household file?				
19. Are selected participants counseled on their housing assistance responsibilities?				
Rent and Payment Determination Checklist				
20. Is there a written policy on rent and payment determination readily available to staff and posted for public access?				
21. Are payments calculated according to policy requirements?				
22. Are all IHBG-assisted families paying 30% or less of their adjusted gross income for housing assistance?				
23. Are verifications of income properly documented in unique household files?				
Occupancy Do you have a written occupancy policy that:				
24. Does not contain unreasonable terms or conditions?				
25. Requires the owner or manager to maintain the housing in compliance with applicable housing codes and quality standards?				
26. Requires the owner or manager to give adequate written notice of termination of the lease, which shall be the period of time required under state, tribal, or local law?				

Resident Eligibility and Service Standards	Yes	No	N/A	Source/ Documentation
27. Specifies that, with respect to any notice of eviction or termination, notwithstanding any state, tribal or local law, a resident shall be informed of the opportunity, prior to any hearing or trial, to examine any relevant documents, records, or regulations directly related to the eviction or termination?				
28. Requires that the owner or manager may not terminate the tenancy, during the term of the lease, except for serious or repeated violation of the terms or conditions of the lease, violation of applicable federal, state, tribal, or local law, or for other good cause?				
29. Provides that the owner or manager may terminate the tenancy of a resident for any activity, engaged in by the resident, any member of the household of the resident, or any guest or other person under the control of the resident, that –				
a) Threatens the health or safety of, or right to peaceful enjoyment of the premises by, other residents or employees of the owner or manager of the housing?				
b) Threatens the health or safety of, or right to peaceful enjoyment of the premises by, persons residing in the immediate vicinity of the premises?				
c) Is criminal activity (including drug-related criminal activity) on or off the premises?				
Maintenance and Inspections/Management				
30. Are all participant files properly documented per required Policy actions?				
31. Are inspections of applicant units fully completed and documented in files?				
32. For Rehabilitation programs:				
a) Have policy standards for the type, cost-effectiveness and cost of rehabilitation of a home been followed?				
b) Was the Scope of Work (work order) for rehabilitation completed within budget and timeframes for each unit?				
c) Is there follow-up on rehabilitation work completed to ensure quality workmanship?				
33. For homeownership programs:				
a) Have policy standards for the type, cost-effectiveness and cost of new homes been followed?				

Resident Eligibility and Service Standards	Yes	No	N/A	Source/ Documentation
b) Was the Scope of Work (work order) for new construction completed within budget and timeframes for each unit?				
c) Is there follow up on construction work completed to ensure quality workmanship?				
d) Are post-occupancy inspections conducted?				
Public Dissemination				
34. Do you have a written eligibility policy that is publicly available?				
35. Do you have a written selection policy that is publicly available?				
36. Do you have a written rent or payment determination policy that is publicly available?				
37. Do you have a written occupancy policy that is publicly available?				
38. Do you have a written maintenance policy that is publicly available?				
39. Do you have a written grievance policy that is publicly available?				
40. Do you have a written collections policy that is publicly available?				
Collections				
41. Are all provisions of the tribe/TDHE collections policy enforced consistently?				
42. Are delinquency notices sent out consistently at the beginning of each month?				
43. Does the Tribal Council evidence support of collection efforts for delinquent payments?				
44. What is the current balance for delinquencies from assisted households?				
45. Is this an increase within the last six months?				
Lead-based paint				
46. Are you assisting dwelling units constructed before 1978? If no, please proceed to question 55				
47. Have these dwelling units been visually inspected for defective paint surfaces by a qualified lead-based paint inspector?				
48. Did the inspection find any defective paint surfaces?				
49. If yes, were such surfaces treated within 30 calendar days of the visual evaluation?				

Resident Eligibility and Service Standards	Yes	No	N/A	Source/ Documentation
50. Do you have any dwelling units constructed before 1978 that is occupied by a family with a child under the age of six years with an identified elevated blood lead level (EBL)?				
51. If yes, has a qualified lead-based paint inspector tested chewable surfaces for lead-based paint using an X-ray fluorescence analyzer or by laboratory analysis of paint samples?				
52. If yes, have the paint surfaces been treated since the paint testing report?				
53. Have you taken appropriate action to protect residents and their belongings from hazards associated with treatment procedures?				
Temporary Relocation/Acquisition				
54. If you do not have the authority to acquire the real property through condemnation, did you inform the owner of the amount you believe to be the fair market value of the property before discussing the purchase price?				
55. Did you have the property appraisal prepared by a qualified appraiser?				
56. Did you tell the owner that you will be unable to acquire the property if negotiations fail to result in an amicable agreement?				
57. If the proposed acquisition payment exceeds the fair market value, did you request HUD approval of the proposed acquisition price before executing a firm commitment to purchase the property?				
58. Did you take all reasonable steps to minimize displacement of persons (households, businesses, nonprofit organizations, and farms) as a result of a project assisted by IHBG funds?				
59. Did you provide temporarily relocated residential tenants and homebuyers with reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation, including the cost of moving to and from the temporarily occupied housing and any increase in monthly housing costs (e.g., rent/utility costs)?				
60. Did you provide temporarily relocated residential tenants and homebuyers with reasonable advance written notice of:				
a) The date and approximate duration of the temporary relocation?				

Resident Eligibility and Service Standards	Yes	No	N/A	Source/ Documentation
b) The location of the suitable, decent, safe, and sanitary dwelling to be made available for the temporary period?				
c) The terms and conditions under which the tenant may occupy a suitable, decent, safe, and sanitary dwelling in the building/complex following completion of the repairs?				
d) The provisions for reimbursement?				
61. If relocation was necessary, did you provide relocation assistance for displaced persons at the levels described in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA) (42 U.S.C. 4601-4655) and implementing regulations at 49 CFR part 24?				
62. Did you certify that you will comply with the URA, the regulations at 49 CFR part 24, and the requirements of 24 CFR §1000.14?				
63. Did you maintain records in sufficient detail to demonstrate compliance with these regulations?				
Open Findings				
64. Are there any open findings in this area identified by either HUD and/or auditor?				
a) If yes, summarize the finding(s):				
b) What entity (or organizational unit) has been assigned the responsibility for clearing the finding(s)?				

Resident Eligibility and Service Standards	Yes	No	N/A	Source/ Documentation
c) What is the current status of the finding(s) as of the date of this evaluation?				
d) What is the tribe's/TDHE's target date for responding to HUD or auditor findings?				

Reviewer ______________________________________ Date of Review ______________________

9. Fiscal and Financial Management

This chapter provides you with guidance on setting up sound fiscal and financial management policies and procedures, not only to comply with NAHASDA regulations and requirements, but also to ensure that your organization functions as smoothly as possible. It includes the following topics:

- Statutory and Regulatory Requirements
- Reporting
- Audits
- Budget Execution
- Drawdowns
- Accounting Records
- Internal Controls/Cash Management
- Investment/Banking
- Insurance
- Allowable Costs

Key Terms

- Single Audit Act
- Budget
- Internal Controls
- Allowable Costs

Tools and Templates

- Fiscal and Financial Management Checklist

9.1 Introductory Overview

Sound fiscal and financial management systems are extremely important to the success of your housing organization and to the provision of high quality housing to your customers. A good financial management system will help you keep track of your funds, which will help you make business decisions based on sound financial information. The scope of financial and fiscal management includes reporting, funding drawdown, accounting records, internal controls and cash management, budget control, investments, and audits.

IHBG recipients who expend federal funds from all sources in excess of $300,000 annually are required to obtain an audit every year to ensure financial integrity in the management of public funds. A copy of this audit must be submitted with the APR.

What kinds of questions does this self-monitoring topic answer?

- Are we in compliance with the federal regulations on financial management systems?
- Are our financial management systems functioning effectively to help us manage our operations and make sound, effective business decisions?

How will this chapter help you?

This chapter will help you establish and maintain sound financial and fiscal management systems. This is important for three reasons:

(1) **Clean audit.** The auditor will evaluate your fiscal and financial management system, accounting processes, internal controls and compliance with programmatic requirements, and express an opinion if a third party may rely on the information presented in the financial statements.

(2) **Continuing eligibility to receive IHBG funds.** If you have a history of unsatisfactory performance, are not financially stable, have a management system which does not meet the management standards set forth by regulations, or have not conformed to terms and conditions of previous awards, sanctions may be taken.

If your financial system is in order, it is more likely that you will be financially stable and able to meet the requirements of your award. This will ensure that you have the maximum freedom in administering your program.

(3) **Better delivery of housing services.** When your financial processes are operating smoothly and efficiently, the quality of housing services you provide will be enhanced. You will be able to count on continued eligibility to receive IHBG funds. You will be able to make use of your budgeting data and source documentation to plan ahead for new programs and projects.

What are the characteristics of an effective fiscal and financial management system?

- Financial reporting is conducted frequently and in a timely manner, with sufficient depth and clarity.
- Roles and responsibilities related to fiscal and financial management and accounting are clearly defined. Backup personnel are trained and available for use when needed.
- Budget comparisons are conducted for the current year and current quarter.
- Capital expenditures are reviewed and analyzed.

- Through good records, timely processing, and effective procedures, the system provides for controls over cash, working capital, and organizational assets.
- Where possible, the fiscal and financial management and accounting functions are automated to reduce the clerical burden.

9.2 Statutory and Regulatory Requirements

NAHASDA and its implementing regulations set forth certain administrative requirements that provide for the review of the recipient's fiscal and financial management systems and procedures. These requirements are found in NAHASDA's statutory language, as well as in 24 CFR §1000.26; applicable provisions of 24 CFR Part 85, Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments; and OMB requirements set forth in Circulars A-87 and A-133.

9.3 Reporting

NAHASDA's regulations require that "accurate, current, and complete disclosure of the financial results of financially-assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant" (24 CFR §85.20(b)(1)). As an IHBG recipient, you are required to submit the HUD Form 272-I, Federal Cash Transactions Report ONAP. This report will be used by HUD to monitor cash advanced to you and to obtain disbursement information for each grant.

If you have subrecipients, you may be required to report the amount of cash advances in excess of three days' needs in the hands of these subrecipients. You may be asked to provide short narrative explanations of actions taken on your part to reduce the excess balances.

You must submit the HUD-272-I report no later than 15 working days following the end of each quarter. However, if you receive an advance either by letter of credit or electronic transfer of funds at an annualized rate of one million dollars or more, HUD may require the report to be submitted within 15 working days following the end of each month.

There are also other financial reports that, while not statutorily required, you will want to generate for your own management decisions. Financial reports and statements present a clear picture of financial results and condition, which is valuable information. For example, you may want to prepare reports that compare:

- Current month and year-to-date activity expenditures versus budget projections
- Current month versus same month prior year actual expenditures
- Current year-to-date versus prior year-to-date expenditures
- Exception reporting of variances in expenditures in excess of predefined percentages or dollar amounts

9.4 Audits

If you expend $300,000 or more in federal funds in any given year, you must obtain an annual audit, called an A-133 audit (under OMB Circular A-133) or a single audit (under the Single Audit Act). The A-133 audit looks for compliance with general and specific government audit requirements, which cover both financial and non-financial factors such as program effectiveness, client eligibility, efficiency with which resources are used, etc. Another key element of the audit is a rigorous test of internal control procedures, to make sure that adequate systems are in place for complying with the requirements of the grant money. The auditor may meet with staff members or ask that they fill out a questionnaire to document the procedures related to spending and receiving money and other resources, complying with laws, donor restrictions and regulations, maintaining property and equipment, and recording financial information in the books.

While the following is not a complete list, it is representative of the information the auditor will likely request:

- Assets
  - Accounts Receivable – Who owes you money, how much, when it is due, collection efforts, and approximate realizable value of the account?
  - Property and Equipment (fixed assets) – When acquired, how much you paid, how long they are expected to last, how much they are depreciated each year, and how much has been depreciated to date, where located, responsible staff member, and latest inventory?
- Liabilities, such as Accounts Payable – Who you owe money to, how much you owe each individual/organization, when it is due, are you current with the debt? Copies of invoices or loan agreements.
- Revenue
  - Grants and Contributions – Grantor/donor names and addresses, grant period, grant amount, when received, restrictions, and copies of the grant letters and grant applications
  - Donated services and materials – Estimated dollar value of contributions of certain services and materials
  - Special events and benefits – Income and expenses, documentation for the value of goods or services which donors received

   - Documentation – e.g., contracts and invoices, names and addresses, registrations, etc. for fees from memberships, tuition, performances, and other services
- Expenses, such as payroll records, including federal and state tax returns related to payroll, vacation records.
- Board minutes
- Leases and other contracts
- Bank statements, bank reconciliations, checkbooks, and canceled checks
- Financial files for paid bills and deposits
- Components of the accounting system - chart of accounts, journals and ledgers, printouts if the system is computerized, trial balance, etc.
- Budget for the fiscal year being examined

Many of these schedules can be prepared by the auditor with the information you give to them.

As you can see, there is a great deal of financial data required for an audit. It is helpful to assign one person to be the audit coordinator, such as the bookkeeper or Director. This person should have access to all information the auditors may need, and should plan to be available to the auditors while they are on site.

Timeliness of audit submission to ONAP is critical to adhere to monitoring requirements. Depending on the size of IHBG recipient and number of housing assistance activities, completion of an A-133 audit may take anywhere from 3 to 6 months. Accordingly, IHBG recipients should plan on closing their books within 90 days of the end of their fiscal year and providing their Independent Public Accountant with financial statements and source documents to begin their audit engagements. This recommended timeframe will allow sufficient time for the auditor to prepare and submit their findings to the IHBG recipient. Depending on the auditor's opinion and findings of material weaknesses, the IHBG recipient may have to prepare a Corrective Action Plan describing in detail the necessary steps to remedy audit identified management deficiencies.

9.5 Budget Execution

Federal regulations require that actual expenditures or outlays be compared with budgeted amounts for each grant or subgrant.

> "Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible."
>
> *-24 CFR §85.20(b)(4)*

What is a budget?

A budget is a realistic estimate of the operating revenue and expenditures to be incurred in connection with the prudent operation of any project during the specified period, broken down according to a classification of accounts. Put more simply, it is a plan for getting and spending money to reach specific goals by a certain time. The budget should be prepared on a program basis; each program you administer should have a separate internal budget.

A good budget is a road map that shows you how you will attain your goals with the resources you have. It is also an important tool to ensure accountability and make sure your organization is following its priorities, as established in your mission or IHP goals. In short, a budget is the best way to stay solvent, which should be the goal of your organization.

By developing a clear and accurate budget, your organization will be better able to:

- Make decisions, guide the organization
- Adjust plans, activities, and spending
- Spend money cost-effectively
- Attain the goals it has set
- Receive “clean” audits
- Avoid incurring disallowed costs or cost overruns

Budgets allow you to measure and guide your immediate and long-term financial health and operational effectiveness. They anticipate operational expense and identify income to pay for these, and help control spending and avoid deficits.

An important thing to remember is that a budget is only as good as the time, effort, and information that has been put into it. Managers of all the various affected functions of the organization should participate in the development of the budget, collaborating and exchanging information as needed. Also keep in mind that budgets are not static, done once and forgotten; they must be monitored and changed as time goes on. By monitoring actual income and expenses against what was budgeted, you can assess your overall financial situation, and adjust your plans as needed.

Budget Control

Someone in the organization, usually the Director, is responsible for the efficient and effective use of budget appropriations and the control of costs in relation to each program budget. Obligations should not be made that exceed the amount appropriated for the major spending category of a program budget, except in emergency situations as determined by the Director. The Director should present to the governing board budget reports comparing the budgeted revenue and the actual expenditures.

A budget is most telling when you compare the budgeted amounts versus actual expenditures. This will help you ascertain where you have problems and where funds may need to be re-allocated, or where activities need to be redirected. **The information provided in the IHP tables, while a type of budget, is not adequate to function as a tool for managing your housing operations.** Detailed budgets for each planned activity and overall budget of all activities is considered essential for planning and control of your housing organization.

9.6 Drawdowns

Appropriate control procedures for drawdowns are necessary to ensure that:

1. Program income funds are expended before funds are drawn down from the Treasury
2. Funds are available to pay for expenses actually incurred
3. Payments are issued within 3 days of receipt of deposit of funds
4. Amounts requested are supported by receipts and other documentation
5. Drawdowns are approved prior to execution
6. Drawdowns are recorded properly in the general ledger

9.7 Accounting Records

Regulations require recipients and subrecipients to maintain records that adequately identify the source and application of IHBG funds. These records must contain information on the grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. (24 CFR §85.21(b)(2)

Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Not only is it a regulatory requirement to maintain accurate records, it is also a good management practice. Having accurate accounting records will help you keep track of your activities, hold your staff accountable, and help you draw up your new budget or other financial reports.

9.8 Internal Controls

The objective of internal controls for cash disbursements is to ensure that cash is disbursed only upon proper authorization of management, for valid business purposes, and that all disbursements are properly recorded. The following practices increase the likelihood that this will be accomplished:

Segregation of Duties

Segregation of duties keeps a financial transaction from being handled from beginning to end by only one person. For cash disbursements, this might mean that different people authorize payments, sign checks, record payments in the books, and reconcile the bank statements. If your organization is small, you may want to involve a member of your Board to review disbursements, bank statements, and canceled checks on a monthly basis. Also, the organization should refrain from employing relatives in positions that have a reporting relationship to avoid the appearance or actual instances of conflicts of interests.

Authorization and Processing of Disbursements

You should develop policies on who in your organization can authorize payments, such as the Director or department heads. Usually, once the Board approves the budget, it does not need to authorize individual purchases within that budget. However, unbudgeted purchases would require the governing board additional approval. In some organizations, the governing board must authorize significant expenditures, such as purchases for computers or other long-lived assets. In these cases, it is important to formally define what constitutes a significant expenditure and how these purchases will be handled.

All disbursements should be accompanied by adequate documentation, in the form of receipts or an invoice. Cash withdrawals should never be made via Automatic Teller Machine (ATM) cards.

Managing Restricted Funds

IHBG funds are restricted funds; as the funder, HUD has restricted them for a specific use—affordable housing activities. By having a separate budget and separate accounts for IHBG funds, you will be able to manage them and comply with their restrictions by using them only for allowable costs.

Check Signing

It is useful to require two signatures on checks, especially for purchases over a certain amount. This amount should be defined by the organization. Even though checks require two signatures, three or four people might have check signing authority to ensure that two signers are available to make disbursements. The number of authorized signers should be kept to a minimum, while ensuring that daily business is not unnecessarily constrained. Also, avoid using signature stamps or machines.

The purpose of this internal control is to make sure that there are deliberate decisions made about who to pay, how much to pay, and when to pay bills.

Having one or more checks that are pre-signed by one of the two required signatories defeats that purpose.

9.9 Cash Management

It is important to manage your cash receipts and cash disbursements so you have a careful accounting of your organization's income and expenditures.

Whenever advance payment procedures are used, you must follow procedures for minimizing the time elapsing between the transfer of funds and disbursement. When advances are made by letter-of-credit or electronic transfer of funds methods, you must make drawdowns as close as possible to the time of making disbursements.

If you have subrecipients, you must establish reasonable procedures to ensure the receipt of reports on subrecipient's cash balances and cash disbursements in sufficient time to enable you to prepare complete and accurate cash transactions reports to HUD. You must monitor cash drawdowns by your subrecipients to assure that they conform substantially to the same standards of timing and amount as apply to advances to you.

Cash Receipts Guidelines

- There should be adequate separation of responsibility in the receipt, recording, and deposit of cash receipts – the same person should not conduct all of these activities.
- Cash funds should be secured.
- All funds should be deposited at least weekly.
- Pre-numbered cash receipts in numerical order should be used.
- All cash receipts should be accounted for.
- Deposit slips should be free of erasures or alterations.
- If staff are replaced, appropriate security measures should be taken regarding former employee(s) handling cash transactions (e.g., LOCCS authority, safe combinations).
- There should be no employee IOU notes or personal checks other than cash receipts for legitimate housing payments.

Cash Disbursements Guidelines

- All disbursements, except those from petty cash, should be made by pre-numbered checks.

- If program income is received, this income should be disbursed on affordable housing activities.

- All expenditures should be supported by invoices, contracts, purchase orders, etc.
- All direct salaries and wages of employees should be supported by time records.
- Direct salaries that are prorated should be supported by time distribution records.
- If the cash disbursements system is computerized, the system security should be adequate.
- No checks should be missing, voided, or altered.
- Any authorized petty cash and/or change fund(s) should reflect what is on the general ledger.
- Cash counts should be done randomly, with documented regularity.
- There should be a written prohibition against signing checks in advance.
- Larger checks should require two signatures.
- All expenditures should be approved in advance by authorized persons.
- Unpaid invoices should be maintained in an unpaid invoice file.
- Invoices from unfamiliar or unusual vendors should be reviewed and approved for payment by authorized personnel who are independent of the invoice processing function.
- If the organization keeps an accounts payable register, payments should be promptly recorded in the register to avoid double payment.
- A cash disbursement voucher should be prepared for each invoice or request for reimbursement that details the date of check, check number, payee, amount of check, description of expense account (and restricted fund) to be charged, authorization signature, and accompanying receipts.
- A cash disbursement journal should be prepared monthly that details the date of check, check number, payee, amount of check, and columnar description of expense account (and restricted fund) to be charged.
- Advance payments to vendors and/or employees should be recorded as receivables and controlled in a manner which assures that they will be offset against invoices or expense vouchers.

9.10 Investments/Banking

You have the option of investing cash in excess of immediate need with prior ONAP approval. You may invest IHBG funds for the purposes of carrying out affordable housing activities in investment securities and other obligations as long as you fulfill two requirements:

1) Your most recent annual audit (under the Single Audit Act) must have been free of significant and material audit findings or exceptions,
2) You are a self-governance Indian tribe or have the administrative capacity and controls to responsibly manage the investment.

IHBG funds may only be invested in:

- Obligations of the United States; obligations issued by Government sponsored agencies; securities that are guaranteed or insured by the United States; mutual (or other) funds registered with the Securities and Exchange Commission and which invest only in obligations of the United States or securities that are guaranteed or insured by the United States; or

- Accounts that are insured by an agency or instrumentality of the United States or fully collateralized to ensure protection of the funds, even in the event of bank failure.

You must keep IHBG funds in one or more accounts separate from other funds. Accounts must be insured by an agency or instrumentality of the U.S. or fully collateralized to ensure protection of the funds even in the event of bank failure. Accounts are subject to an agreement in a form prescribed by HUD sufficient to allow HUD to exercise its rights of suspending funds disbursed in cases of substantial noncompliance. HUD Notice PIH 99-4 provides additional guidance on investing IHBG funds.

9.11 Insurance

NAHASDA requires you to provide adequate insurance against loss from fire, weather, and liability claims for all housing units you own or operate. Insurance is considered adequate if it is a purchased insurance policy from an insurance provider or a plan of self-insurance in an amount that will protect your financial stability.

There is no insurance required on units of privately owned housing if there is no risk of loss or exposure to you as the recipient, or if the assistance you are providing is less than $5,000. You must also require contractors and subcontractors to either provide insurance covering their activities or negotiate adequate indemnification coverage to be provided in their contract with you.

You may want to use an Insurance Register to track all insurance activity, including (1) the name of the insurer, (2) the insurance type (e.g., automotive), (3) the period of coverage, (4) the total amount of the premium, and (5) the insurance payment date.

9.12 Allowable Costs

IHBG funds are only to be used for certain allowable activities, as spelled out in OMB Circular A-87, 24 CFR §85.22, and 24 CFR Part 1000. Use the checklist at the end of this chapter to find out whether you are adhering to these standards.

9.13 Compliance Checklist

The following checklist provides detailed questions related to these specific NAHASDA requirements and general management practices that will allow you to assess your adherence to the standards. These checklists provide questions with “Yes,” “No,” “Not Applicable,” and “Source / Documentation” response fields. Although the checklist is designed to facilitate questions that the reviewer may use, it is intended that the checklist be answered by the reviewer through interviews, observation, or document review.

Fiscal and Financial Management Checklist for Program Year _______________

Fiscal and Financial Management	Yes	No	N/A	Source/ Documentation
Reporting				
1. Are reports (e.g., HUD-272-I Federal Cash Transaction Report, quarterly submission) submitted in a timely manner?				
2. Are you notice-free (no notices from HUD on the accuracy of the reports submitted)?				
3. Have you always maintained access to LOCCS due to timely reporting?				
4. Do financial reports and statements present a clear picture of financial results and condition?				
5. Are data available for the preparation of reports on:				
a) Current month and year-to-date activities versus budget?				
b) Current month versus same month prior year actuals?				
c) Current year-to-date versus prior year-to-date?				
d) Exception reporting of variances in excess of predefined percentage or dollar amount?				
Audits				
6. Do you maintain all of the information and data needed for an annual audit?				
7. Did you submit your last annual audit in a timely manner?				
8. Are you taking steps to prepare in advance for your upcoming annual audit?				
Budget				
9. Have detailed budgets been estimated for each activity?				
10. Do accounting records allow and provide for the comparison of actual expenditures with budgeted amounts for each grant?				
11. Is there evidence that the grant recipient periodically (at least once a quarter) compares actual to budgeted expenditures?				

Fiscal and Financial Management	Yes	No		Source/ Documentation
12. Do accounting records include tracking of expended/unexpended and obligated/unobligated balances?				
13. Are program budgets revised and approved, when necessary, in accordance with program requirements?				
14. Does a regular budget control review occur, covering areas of:				
a) Administrative expenses?				
b) Labor overtime?				
c) Direct and indirect labor?				
15. Do managers of all the various affected functions of the organization participate in the development of budgets?				
16. Is adequate information available at the time budgets must be prepared in order to develop meaningful budgets?				
17. Are data reported against budgets accurately (if actual) or fairly (if allocated)?				
18. Does the recipient have a separate budget and separate accounts for IHBG funds?				
Drawdowns				
19. Does the release of the check for payment of program costs occur within 3 days of the deposit of funds?				
20. Are Request Vouchers for payment:				
a) Prepared?				
b) Accurate?				
c) Documented?				
21. Are the established internal controls for requesting funding followed?				
Accounting Records Checklist				
22. Do the accounting records adequately identify the source and application of funds provided in the following areas:				
a) Obligations?				
b) Unobligated balances?				
c) Assets?				

Fiscal and Financial Management	Yes	No	N/A	Source/ Documentation
d) Liabilities?				
e) Outlays/expenditures?				
f) Income?				
g) Subrecipient awards or obligations?				
23. Are cash receipts/cash disbursement journals current and accurate?				
24. Are bank statements reconciled monthly and in a timely manner?				
25. Are bank reconciliations free of discrepancies?				
26. If discrepancies exist, are they investigated and resolved?				
Internal Controls				
27. Is there segregation of duties in terms of financial transactions?				
28. Do you have a policy on who in your organization can authorize payments?				
29. Are all disbursements accompanied by adequate documentation, in the form of receipts or an invoice?				
Cash Management — Cash Receipts				
30. If the cash receipts process is computerized, is system security adequate?				
31. Is there adequate separation of responsibility in the receipt, recording, and deposit of cash receipts?				
32. Are cash funds secured?				
33. Are all funds deposited at least weekly?				
34. Do you use and issue pre-numbered cash receipts in numerical order?				
35. Are all cash receipts accounted for?				
36. Are deposit slips free of erasures or alterations?				
37. If staff handling cash transactions have been replaced within the last 6 months, were appropriate security measures taken regarding former employees; e.g., LOCCS authority, safe combinations?				
38. Are there employee IOU notes or personal checks (exclusive of cash receipts for legitimate housing payments)?				

Fiscal and Financial Management	Yes	No	N/A	Source/ Documentation
39. Do you have a separate budget and separate accounts for IHBG funds?				
Cash Disbursements				
40. Are all disbursements, except those from petty cash, made by pre-numbered checks?				
41. If program income is received, is this income disbursed on affordable housing activities?				
42. Are all expenditures supported by invoices, contracts, purchase orders, etc.?				
43. Are all direct salaries and wages of employees supported by time cards?				
44. Are direct salaries that are prorated supported by time distribution records?				
45. If the cash disbursements system is computerized, is the system security adequate?				
46. Are all of the checks in order (i.e., not missing, voided, or altered?				
47. If authorized, do petty cash and/or change fund(s) reflect what is on the general ledger?				
48. Are cash counts done randomly, with documented regularity?				
49. Do the on-site cash counts of petty cash and/or change fund show that these are free of discrepancies?				
50. Is there a written prohibition against signing checks in advance?				
51. Are all expenditures approved in advance by authorized persons?				
52. Are unpaid invoices maintained in an unpaid invoice file?				
53. Are invoices from unfamiliar or unusual vendors reviewed and approved for payment by authorized personnel who are independent of the invoice processing function?				
54. If the organization keeps an accounts payable register, are payments promptly recorded in the register to avoid double payment?				
55. Is a cash disbursement voucher prepared for each invoice or request for reimbursement that details the date of check, check number, payee, amount of check, description of expense account (and restricted fund) to be charged, authorization signature, and accompanying receipts?				

Fiscal and Financial Management	Yes	No	N/A	Source/ Documentation
56. Is a cash disbursement journal prepared monthly that details the date of check, check number, payee, amount of check, and columnar description of expense account (and restricted fund) to be charged?				
57. Are advance payments to vendors and/or employees recorded as receivables and controlled in a manner which assures that they will be offset against invoices or expense vouchers?				
Investments/Banking				
58. Are IHBG funds in one or more accounts separate from other funds?				
59. Are accounts insured by an agency or instrumentality of the U.S. or fully collateralized to ensure protection of the funds even in the event of bank failure?				
60. Do you have an executed General Depositary Agreement?				
61. Is cash in excess of immediate need identified and invested?				
62. Are funds invested in instruments or obligations that meet the requirements of 24 CFR §1000.58(a), including: Obligations of the United States; obligations issued by Government-sponsored agencies; securities that are guaranteed or insured by the United States; mutual (or other) funds registered with the Securities and Exchange Commission and which invest only in obligations of the United States or securities that are guaranteed or insured by the United States; or accounts that are insured by an agency or instrumentality of the United States or fully collateralized to ensure protection of the funds, even in the event of bank failure.				
Insurance				
63. Have you provided adequate insurance against loss from fire, weather, and liability claims for all housing units you own or operate?				
64. Do you require contractors and subcontractors to either provide insurance covering their activities or negotiate adequate indemnification coverage to be provided in their contract with you?				
65. Do you use an Insurance Register to track all insurance activity?				

Fiscal and Financial Management	**Yes**	**No**	**N/A**	**Source/ Documentation**
Allowable Costs				
66. When you do a periodic check of expenditures, do you find that all expenditures were necessary and reasonable for proper and efficient administration of the program, as related to:				
a) Salaries and related costs?				
b) Administrative service contracts (e.g., legal, account, audit, consulting)?				
c) Travel expenditures?				
d) Other administrative costs?				
67. Does a review of program expenditures reveal compliance with rules regarding unallowable costs as addressed in Attachment A of OMB Circular A-87, or identified in attachment B of that circular, including in the areas of :				
a) Entertainment?				
b) Contributions and donations?				
c) Fines and penalties?				
d) General governmental expenditures including salary and expenses of staff and Commissioners?				
e) Other (Please Specify)				
68. Do you ensure that no costs related to political activities are charged to the IHBG program?				
69. Do you subtract all applicable credits before charging costs to the IHBG program?				
70. Are all costs charged to the IHBG program allocable to the program and not included as a cost of any other federally-financed program in either the current or a prior period?				
71. Are indirect grantee costs charged to the IHBG program only with support from an indirect cost proposal/cost allocation plan?				
72. If there is staff working on non-NAHASDA program activities, is the allocation of their salaries computed appropriately?				
73. Is the percentage of IHBG funds used for administrative costs the same as the percentage stated in the IHP?				

Fiscal and Financial Management	Yes	No	N/A	Source/ Documentation
74. Does a review of program activities establish that all IHBG funds were spent or obligated for affordable housing activities as defined in Section 202 of the Act?				
Open Findings				
75. Are there any open findings in this area identified by either HUD and/or auditor?				
a) If yes, summarize the finding(s):				
b) What entity (or organizational unit) has been assigned responsibility for clearing the finding(s)?				
c) What is the current status of the finding(s) as of the date of this evaluation?				
d) What is the tribe's/TDHE's target date for responding to HUD or auditor findings?				

Reviewer ______________________________ Date of Review ____________________

10. Procurement and Contract Administration

This chapter provides IHBG recipients with guidance on complying with procurement and contract administration requirements. It includes the following topics:

- Procurement Planning
- Conflicts of Interest
- Procurement Types
  - Small purchases
  - Competitive sealed bids
  - Competitive proposals
  - Noncompetitive proposals
  - General provisions
  - Bonding and insurance
  - Procurement preferences
- Contract Administration

Key Terms

- Conflict of interest
- Invitation for bid

Tools and Templates

- Procurement and Contract Administration Compliance Checklists

10.1 Introductory Overview

As an affordable housing entity, you will have to procure goods and services from time to time. The types of procurement cover the purchase, lease, or rental of supplies, materials, equipment, and services necessary for economical operation, maintenance, development, and rehabilitation of IHBG-assisted housing. The procurement procedures to be followed by IHBG recipients encompass a wide range of activities, from simplified small purchases to complex, multi-million dollar construction projects. Smaller IHBG recipients may be able to rely on small purchase procedures for most of their needs, while larger IHBG recipients will likely need to use most of the procedures covered in this guidebook. The regulations governing procurement can be found in 24 CFR §85.36. The standard for IHBG recipient procurement is to conduct all procurement by fair and open competition to allow all responsible sources to compete.

It should be noted that HUD procurement regulations require IHBG recipients to maintain records in sufficient detail to document the history of each procurement.

Such documentation is particularly important in the event a protest is lodged against the IHBG recipient. It will also be helpful in speeding up future similar procurements since the IHBG recipient has cost estimates, sample RFPs, and other documents which do not have to be recreated.

How will this chapter help you?

This chapter will give you an overview of the rules and regulations on procurement to help you ascertain whether you are in compliance. If there are areas where you are not or have not been in compliance, this chapter will help you address these shortcomings.

What kinds of questions does this self-monitoring activity answer?

- Are we complying with rules and regulations on procurement?
- Are we complying with rules and regulations on contract administration?

10.2 Procurement Planning

An essential part of managing the procurement function is to plan for upcoming contract needs. For a small IHBG recipient with no major repair projects, this may be as simple as examining the inventory of maintenance supplies, estimating the upcoming year's requirements, budgeting the amount needed to purchase supplies, and selecting the appropriate method of procurement. In many cases, small purchase procedures (purchase orders) may be used to buy whatever is needed.

The procurement method used will depend on the expected dollar value of the procurement. Before starting a procurement, it is recommended that the IHBG recipient make an independent cost estimate of what it expects the required item(s) to cost. For small purchases, this process may be as straightforward as reviewing the price paid for the same or similar item(s) or calling potential vendors for cost estimates of commercial off-the-shelf items. For larger contracts, this process may be more complex, involving a written analysis of the estimated labor categories and hours required and materials needed.

10.3 Conflicts of Interest

As a recipient or subrecipient, you must maintain **a written code of standards of conduct** governing the performance of your employees engaged in the award and administration of contracts. This code prohibits anyone with a conflict of interest from participating in the selection, award or administration of a contract supported by federal funds.

A **conflict of interest** would arise when the employee, officer or agent (or any member of his or her immediate family, or his or her partner, or any organization which employs or is about to employ any of the above) has a **financial or other interest in the firm selected for award.**

Your officers, employees, or agents may not solicit or accept gratuities, favors, or anything of monetary value. As the awarding agency, HUD may provide additional prohibitions relative to real, apparent, or potential conflicts of interest.

10.4 Procurement Types

Small Purchases

Small purchases are those services, supplies, or other property that do not cost more than $100,000 (the current "simplified acquisition threshold" fixed by law) or whatever amount the governing body has adopted and established within that legal threshold. Small purchase procedures are relatively simple and informal. Typically, this involves obtaining oral or written quotations from an adequate number of qualified sources. After evaluating the quotations, the IHBG recipient normally awards a purchase order to the source with the lowest acceptable quote.

Competitive Sealed Bids (Formal Advertising)

For construction contracts and routine supplies above the small purchase limitations, the IHBG recipient should prepare an independent cost estimate and specifications and publicize the upcoming procurement. Under the sealed bids or formal advertising method of procurement, bids are publicly solicited and a firm-fixed-price contract is awarded to the responsible bidder whose bid is the lowest in price (conforming with all the material terms and conditions for the invitation for bids). This is the preferred method for procuring construction goods and services.

In order for sealed bidding to be effective, the following conditions should be present:

- A complete, adequate, and realistic specification or purchase description is available

- Two or more responsible bidders are willing and able to compete effectively for the business

- The procurement lends itself to a firm-fixed-price contract and the selection of the successful bidder can be made principally on the basis of price.

If you use sealed bids, you must adhere to the following requirements:

- The Invitation for Bids (IFB) must be publicly advertised and bids must be solicited from an adequate number of known suppliers, providing them sufficient time prior to the date set for opening the bids.

- The IFB must include any specifications and pertinent attachments and must clearly define the items or services in order for the bidder to properly respond.

- All bids must be publicly opened at the time and place prescribed in the IFB.

- All bids should be assessed against the same award evaluation criteria.

- A firm fixed-price contract award must be made in writing to the lowest responsive and responsible bidder.

- Any or all bids may be rejected if there is a sound, documented reason.

Competitive Proposals

Sealed bidding is the preferred method for conventional construction contracting. It is, however, inappropriate for some other procurements, such as contracting for professional services (i.e., A/E services). Under the competitive proposals method, both technical and price factors are considered in awarding the contract. The process is usually conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded.

If you use this method, you must adhere to the following requirements:

- A Statement of Work must be prepared describing the procurement needs.

- Requests for proposals (RFP) must be publicized and identify all technical and price evaluation factors and their relative importance. You must honor, to the maximum extent practical, any response to publicized RFPs.

- Proposals must be solicited from an adequate number of qualified sources.

- You must have a method for conducting technical evaluations of the proposals received and documenting the selection of awardees.

- Awards must be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

- You may use competitive proposal procedures for qualifications-based procurement of A/E professional services in which you select the most qualified competitor, subject to negotiation of fair and reasonable compensation. Remember to document the basis for this negotiation. This method can only be used in procurement of A/E professional services. In all other instances, price must be used as a selection factor.

Noncompetitive Proposals

The standard for IHBG recipient procurement is to conduct all procurement by fair and open competition to allow all responsible sources to compete. In exceptional cases, the noncompetitive proposals method may be used, provided a written justification is prepared and HUD regulations are followed.

This method may only be used when the award of a contract is infeasible under small purchase procedures, sealed bids, or competitive proposals, and one of the following circumstances applies:

- The item is available only from a single source
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation
- HUD authorizes noncompetitive proposals
- After solicitation of a number of sources, competition is determined inadequate.

If you use this method, you must conduct a cost analysis, which involves verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits.

You may be required to submit pre-award review procurement documents to HUD, such as RFPs or IFBs, independent cost estimates, etc.

10.5 Contractor Qualifications

Obtaining quality workmanship and products from contractors is critical given limited NAHASDA resources. It is essential that IHBG recipients do business only with contractors who are considered responsible. Responsible contractors are those who have the ability to perform the required work, both financially and technically, and who have a satisfactory record of integrity, past performance, and compliance with applicable rules and regulations. An IHBG recipient is not required to do business with a non-responsible firm, even if that firm is the lowest bidder. If a firm has been suspended or debarred, IHBG recipients <u>may not</u> do business with that contractor.

10.6 General Provisions/Procedures

The following are some general provisions and procedures related to procurement that you should keep in mind:

- There should be a rationale in the file for:

1. The selection of the method of procurement
2. The selection of contract type
3. The contractor selection or rejection
4. The basis for the cost or price of the contract.

- Contract pricing should never be based on the "cost-plus-a-percentage-of-cost" method.

- Purchase orders and contracts should be signed by an authorized program official.

- When items are delivered and paid for, you should check to ensure that they are consistent with the items contained in the corresponding purchase order and/or contract.

- Vendors should be paid in a timely manner once requested orders have been delivered, inspected, and accepted and payment of the vendor has been approved.

- A cost or price analysis should be performed in connection with every procurement action, including contract modifications.

- The contract provisions listed in 24 CFR §85.36(i) should be included in the grant-assisted contracts.

- Staff should be able to document a system of contract administration for determining the adequacy of contractors' performance.

- If applicable, the staff should be able to show that the subrecipients are required to follow applicable procurement policies and procedures in the administration of their contracts and purchase orders.

10.7 Bonding and Insurance

For construction or facility improvement contracts or subcontracts greater than $100,000, HUD may accept the bonding policies and requirements of the recipient or subrecipient provided HUD has made a determination that its interest is adequately protected.

24 CFR §85.36(h) sets forth the minimum requirements:

(1) *A bid guarantee from each bidder equivalent to five percent of the bid price.* This is a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his or her bid, execute such contractual documents as may be required within the time specified.

(2) *A performance bond on the part of the contractor for 100 percent of the contract price.* This is executed in connection with a contract to secure fulfillment of all the contractor's obligations under the contract.

(3) *A payment bond on the part of the contractor for 100 percent of the contract price.* This assures payment as required by law of all persons supplying labor and materials in the execution of the work provided for in the contract.

24 CFR §1000.26(a)(11) states that there may be circumstances under which the bonding requirements above are inconsistent with other responsibilities and obligations of the recipient. In such circumstances, acceptable methods to provide performance and payment assurance may include:

(1) Deposit with the recipient of a cash escrow of at least 20 percent of the total contract price, subject to reduction during the warranty period, commensurate with potential risk.

(2) Letter of credit for 25 percent of the total contract price, unconditionally payable upon demand of the recipient, subject to reduction during any warranty period commensurate with potential risk.

(3) Letter of credit for 10 percent of the total contract price unconditionally payable upon demand of the recipient subject to reduction during any warranty period commensurate with potential risk, and compliance with the procedures for monitoring of disbursements by the contractor.

10.8 Procurement Preferences

Indian Preference

To the greatest extent feasible, IHBG recipients should give preference in the award of contracts for NAHASDA-assisted projects to Indian organizations and Indian-owned economic enterprises. As an IHBG recipient, you must certify to HUD that your adopted policies and procedures will provide preference in procurement activities consistent with the requirements of section 7(b) of the Indian Self-Determination and Education Assistance Act. If you have an Indian preference policy previously approved by HUD, it will meet this requirement. Additionally, you may want to consider using a two-stage preference procedure where bids or proposals are first limited to qualified Indian organizations or Indian-owned enterprises and are only then opened up to non-Indian contractors if the initial submissions are deemed non-competitive or non-responsive to technical requirements.

Contracting With Small and Minority Firms, Women's Business Enterprises and Labor Surplus Area Firms

You must take all the necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible. This includes:

- Placing qualified small and minority businesses and women's business enterprises on solicitation lists whenever they are potential sources.
- Assuring that such businesses, when identified, are solicited whenever they are potential sources.
- Dividing procurement requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by such businesses.
- Establishing delivery scheduled, where the requirement permits, which encourage participation by such businesses.
- Using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.

10.9 Contract Administration

The primary function of an IHBG recipient in administering contracts is to monitor the contractor's work – ensuring proper receipts of the work being performed, inspecting the work, and accepting or rejecting the work, as appropriate. Once the contract is awarded, the IHBG recipient needs to ensure that supplies, services, or construction under contract are performed in an acceptable manner. Failure to closely monitor progress and work performance can result in unnecessary additional costs and time delays. IHBG recipients should notify the contractor promptly whenever unacceptable work is done. Only acceptable work should be paid for.

10.10 Compliance Checklist

The following checklist provides detailed questions related to these specific NAHASDA requirements and general management practices that will allow you to assess your adherence to the standards. These checklists provide questions with "Yes," "No," "Not Applicable," and "Source / Documentation" response fields. Although the checklist is designed to facilitate questions that the reviewer may use, it is intended that the checklist be answered by the reviewer through interviews, observation, or document review.

Procurement and Contract Administration Checklist for Program Year ________________

Procurement and Contract Administration	Yes	No	N/A	Source/ Documentation
Procurement Planning				
1. Do you engage in periodic procurement planning, including independent cost estimates?				
Conflict of Interest				
2. Do you have a **written code of standards of conduct** governing the performance of your employees engaged in the award and administration of contracts?				
Small Purchases				
3. Can staff document receipt of an adequate number of price or rate quotations from qualified sources for procurements of $100,000 or less?				
Competitive Sealed Bids (Formal Advertising)				
4. Did the staff receive at least two responsive bids from responsible bidders for each procurement transaction?				
5. Did the procurement lend itself to a firm-fixed-price contract and could selection of the successful bidder be made principally on the basis of price?				
6. Did staff advertise the Invitation For Bid (IFB) in a publication of general circulation?				
7. Were bids solicited from an adequate number of potential bidders?				
8. Did the IFB, including specifications and pertinent attachments, clearly define the items or services needed in order for the bidders to properly respond to the invitation?				
9. Were all bids assessed against the same award evaluation criteria?				
10. Were all bids opened publicly at the time and place stated in the IFB?				
11. Was the contract awarded to the lowest responsive and responsible bidder?				

Procurement and Contract Administration	Yes	No	N/A	Source/ Documentation
Competitive Proposals				
12. Was this procurement method utilized only when conditions were not appropriate for the use of competitive sealed bids?				
13. Were the proposals solicited from an adequate number of qualified sources, consistent with the nature of the procurement?				
14. Did the staff publicize the RFP and honor reasonable requests by parties to compete to the maximum extent practicable?				
15. Did the RFP identify all significant evaluation factors, including price or cost where required, and their relative importance?				
16. Did staff use a method for conducting technical evaluations of the proposals received and documenting the selection of awardees?				
17. Did staff make awards to the most responsive and responsible offerors whose proposals would be most advantageous to the recipient after price and other factors were considered?				
18. If proposals involving A/E professional services were evaluated with respect to factors other than price, did staff document the basis for negotiation of fair and reasonable compensation?				
Noncompetitive Proposals				
19. Can the staff show that another method of procurement (small purchases, sealed bids or competitive proposals) was not feasible because: the item was only available from a single source; or, a public exigency or emergency was of such urgency to not permit use of competitive solicitation; or, after solicitation of a number of sources, competition was determined inadequate?				
20. If the answer is No, was approval given by HUD for use of this method?				

Procurement and Contract Administration	**Yes**	**No**	**N/A**	**Source/ Documentation**
Contractor Qualifications				
21. Do you do business only with responsible contractors who have the ability to perform the required work, both financially and technically, and who have a satisfactory record of integrity, past performance, and compliance with applicable rules and regulations?				
General Provisions/Procedures Checklist 22. To ensure that you are following the general procedures for procurement, pull a sample of procurement case files (three to five, depending on your organization's procurement activity). Spot check these to answer the following questions:				
23. Was there a rationale in the file for:				
a) The selection of the method of procurement?				
b) The selection of contract type?				
c) The contractor selection or rejection?				
d) The basis for the cost or price of the contract?				
24. Is contract pricing always based on a method other than the "cost-plus-a-percentage-of-cost" method?				
25. Are purchase orders and contracts signed by an authorized program official?				
26. Are items that are delivered and paid for consistent with the items contained in the corresponding purchase order and/or contract?				
27. Are vendors paid in a timely manner once requested orders have been delivered, inspected, and accepted and payment of the vendor has been approved?				
28. Is a cost or price analysis performed in connection with every procurement action, including contract modifications?				
29. Were the contract provisions listed in 24 CFR §85.36(i) appropriately included in the grant-assisted contracts?				
30. Can staff document a system of contract administration for determining the adequacy of contractors' performance?				

Procurement and Contract Administration	Yes	No	N/A	Source/ Documentation
31. If applicable, can the staff show that the subrecipients are required to follow applicable procurement policies and procedures in the administration of their contracts and purchase orders?				
Bonding and Insurance				
32. If contracts have been awarded for construction or facility improvements under the grant program(s), did the staff:				
a) Follow its own requirements relating to bid guarantees, performance bonds, and payment bonds for construction contracts or subcontracts valued at or below $100,000?				
b) Meet the minimum federal requirements for bid guarantees, performance bonds and payment bonds (24 CFR §85.36(h)) or the alternatives set forth in 24 CFR §1000.26(a)(12) for construction contracts or subcontracts valued above $100,000?				
Procurement Preferences				
33. Have you certified to HUD that your adopted policies and procedures will provide preference in procurement activities consistent with the requirements of section 7(b) of the Indian Self-Determination and Education Assistance Act?				
34. Has the staff attempted, to the greatest extent feasible consistent with Indian Preference requirements, to award contracts for work to be performed under the programs to business concerns which provide economic opportunities to low- and very low-income persons who are residents of NAHASDA-assisted housing or who live in the metropolitan or non-metropolitan county in which the programs are undertaken?				
35. Do staff take affirmative steps to use small, minority-owned, and women-owned businesses in grant funded contracts such as:				
a) Including such businesses on solicitation lists whenever they are potential sources?				
b) Ensuring that such businesses, when identified, are solicited whenever they are potential sources?				
c) Dividing procurement requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by such businesses?				

Procurement and Contract Administration	Yes	No	N/A	Source/ Documentation
d) Requiring prime contractors when subcontracts are let, to take affirmative steps to select small, minority-owned and women-owned businesses in grant funded contracts?				
Contract Administration				
36. Once the contract is awarded, do you ensure that supplies, services, or construction under contract are performed in an acceptable manner?				
37. Do you notify the contractor promptly whenever unacceptable work is done?				
38. Do you only pay for acceptable work?				
Open Findings				
39. Are there any open findings in this area identified by either HUD and/or auditor?				
a) If yes, summarize the finding(s):				
b) What entity (or organizational unit) has been assigned the responsibility for clearing the finding(s)?				
c) What is the current status of the finding(s) as of the date of this evaluation?				
d) What is the tribe's/TDHE's target date for responding to HUD or auditor findings?				

Reviewer ____ Date of Review ________________________

11. Labor Standards and Construction Management

This chapter provides guidance on federal labor standard requirements that apply to IHBG recipients and suggests management practices for NAHASDA-supported construction activities. This chapter includes the following topics:

- Labor Standards
- Construction Management

Key Terms

- Davis-Bacon Act wage rates
- Force Account construction
- Pro Forma financial statements

Tools and Templates

- Labor Standards and Construction Management Checklist

11.1 Introductory Overview

Many IHBG recipients engage contractors and subcontractors to perform construction and rehabilitation projects in support of their affordable housing activities. In general, IHBG recipients must ensure that their general contractor and associated subcontractors adhere to applicable federal labor standards.

Although there are no specific requirements in NAHASDA or related regulations as to how recipients must manage construction projects, there are some good business practices that lead to better construction outcomes. This chapter covers two such practices, force account and pro formas.

What kinds of questions does this self-monitoring activity answer?

- Are we complying with federal labor standards?
- Are we managing our development and construction projects in an effective and cost-efficient manner?

How will this chapter help you?

If you are procuring construction services for any project, this chapter will help you ascertain whether you are in compliance with requirements. If you are engaged in a construction project, this chapter will introduce you to two ways you can better manage it.

11.2 Labor Standards

Statutory and Regulatory Requirements

NAHASDA requires IHBG recipients and any contractors or subcontractors hired by them to abide by certain labor standards requirements, found in 24 CFR §1000.16. If an IHBG recipient acts as prime or general contractor, it is responsible for the full compliance of all employers (contractor, subcontractors, and any lower-tier relationships) with the labor standards provisions applicable to the project.

Davis-Bacon Act (DBA) Prevailing Wage Rates

Contracts and agreements for assistance, sale, or lease under NAHASDA must require that prevailing wage rates be paid to laborers and mechanics employed in the development of affordable housing. An exception to this general rule is if prime contracts are less than $2,000. Prevailing wage rates are determined by the U.S. Department of Labor (DOL) and can be found in Title 29 CFR Parts 1, 3, 5, 6, and 7. Part 1 explains how the DOL establishes and publishes prevailing wage determinations and provides instructions on how to use the determinations. DOL regulations are available on-line at www.dol.gov/dol/esa/public/regs/cfr.

When NAHASDA assistance is only used to assist homebuyers to acquire single-family housing, DBA wage rates apply to the construction of the housing only if there is a written agreement with the owner or developer of the housing that NAHASDA assistance will be used to assist homebuyers to buy the housing.

Each contract subject to DBA labor standards requirements must contain contract provisions containing labor standards clauses and a DBA wage decision. These documents are normally bound into contract specifications.

The labor standards clauses describe the responsibilities of the contractor concerning DBA wages and obligate the contractor to comply with the labor requirements. The labor standards clauses also provide for remedies in the event of violations, including withholding from payments due to the contractor to ensure the payment of wages or liquidated damages. The **DBA wage decision** is a listing of various construction work classifications such as Carpenter, Plumber, and Electrician and the minimum wage rates (and fringe benefits, where prevailing) that people performing work in the those classifications must be paid. The prime contractor will be responsible for posting a copy of the wage decision (of the Project Wage Rate Sheet) and a copy of the DOL poster called *Notice to Employees* at the job site.

HUD-determined Wage Rates

Contracts and agreements for assistance, sale, or lease under NAHASDA must require prevailing wages determined or adopted by HUD. This applies to maintenance laborers and mechanics employed in the operation of affordable housing and architects, technical engineers, draftsmen, and technicians employed in the development of affordable housing.

Contract Work Hours and Safety Standards Act (CWHSSA)

According to the CWHSSA, contracts greater than $100,000 to which DBA or HUD-determined wage rates apply must provide that all overtime hours must be compensated at a rate not less than one and one half times the regular basic rate of pay. Overtime is defined as hours worked in excess of 40 during any workweek. In the event of overtime violations, the CWHSSA renders the contractor liable to the underpaid workers for wage restitution.

Exemptions for Volunteers

Wage exemptions for the use of volunteers on projects subject to DBA and HUD-determined wage rates must be obtained from HUD in accordance with 24 CFR Part 70.

Other Laws and Issuances

Recipients, contractors, subcontractors, and other participants must comply with HUD Handbook 1344.1 ("Federal Labor Standards Compliance in Housing and Community Development.")

11.3 Contract Administration

When procuring construction services, it is good business practice to maintain documents and information for your records and in case of any conflicts or problems. Your files should contain:

- Construction start dates
- Contract award dates
- Contract bid specifications with labor standards provisions
- Pre-construction conference minutes (optional)
- Records pertaining to violations and wage restitution (if applicable)
- Apprentice/Trainee registration records (as needed)
- Records of employee interviews
- Certified payrolls maintained by project
- Evidence of certified payroll review

Additionally, the contract file should contain:

- Proper wage decision in contract/specifications
- Labor standards provisions in the contract/specifications
- Evidence of contractor eligibility verification
- Additional classifications and wage rates processed as needed
- The contract, including:
    - Project number designation
    - Name of contractor
    - Description of work
    - Bid opening date
    - Contract award date
    - Contract amount
    - Start of construction date

11.4 Investigations and Enforcement

From time to time, conflicts and complaints may arise. Worker complaints should be handled and resolved in a timely manner, and investigations conducted where appropriate. When using contractors who will hire additional subcontractors, it is good practice to establish escrow accounts or to withhold funds to cover labor standards violations. In cases of underpayments by a contractor or subcontractor totaling $1,000 or more, you must submit an enforcement report to HUD. Note that the $1,000 threshold refers to the underpayments of a single employer to his/her entire workforce and not to individual employees.

11.5 Construction Management

Construction Project Pro Formas

A pro forma is a forecasted project development and financing statement based on a set of assumptions. A pro forma statement can help IHBG recipients understand all of the variables that impact the total cost of providing affordable housing. They attempt to capture all the direct construction and indirect construction financing costs to provide aggregate total and per unit cost figures. Conversely, pro formas help to align financing sources with steps in the construction process. Generally, pro formas should reflect development costs associated with:

- Acquisition
- Pre-development activities (environmental reviews and A/E services)
- Other soft costs (insurance, legal, and accounting services)
- Hard construction costs (roads, foundations, etc.)

Force Account

Force account is an alternative to conventional construction management with its built-in checks and balances. In force account work, an IHBG recipient acts as the general contractor and assumes the risks of executing the following tasks:

- Engaging A/E services
- Retaining subcontractors
- Financing the project
- Coordinating the contractors
- Inspecting the work

The benefit of using force account will be your ability to control local hiring, the budget, time, and to some extent, cost. You also may save money and build skills for future projects. However, there are also risks associated with force account – you will have responsibility for time, budget, and the quality of work. There will be no "fixed" price, and no performance bond or other security. Managing a construction project requires a certain level of knowledge and sophistication to handle problems that will invariably emerge. There may be cost overruns, work may not be completed on time, or there may be conflicts with contractors. Be sure you are prepared and equipped to deal with these contingencies.

Although the force account method does not need specific HUD approval, the IHBG recipient using this method should demonstrate to itself that it has the technical and administrative capabilities to complete the project within the projected time and budget. It should make sure that:

- It has carried out or can carry out successfully a project of the size and scope of the proposal.

- It has obtained or can obtain adequate supervision for the workers to be used.

- It has information showing that the workers to be used are, or will be, listed on the tribal payroll and are employed directly by a unit, department, or other governmental instrumentality of the tribe or village.

- Insurance coverage for force account workers and activities shall, where applicable, include worker's compensation, public liability, property damage, builder's risk, and vehicular liability.

- It has specified and applied reasonable labor performance, construction, or renovation standards to work performed under the force account.

- It has applied the contracting and procurement standards set forth in 24 CFR §85.36 to material, equipment, and supply procurement from outside vendors.

11.6 Compliance Checklist

The following checklist provides detailed questions related to these specific NAHASDA requirements and general management practices that will allow you to assess your adherence to the standards. These checklists provide questions with "Yes," "No," "Not Applicable," and "Source / Documentation" response fields. Although the checklist is designed to facilitate questions that the reviewer may use, it is intended that the checklist be answered by the reviewer through interviews, observation, or document review.

Labor Standards and Contract Administration Self-Monitoring Checklist for Program Year _____________

Labor Standards and Contract Administration	**Yes**	**No**	**N/A**	**Source/ Documentation**
1. Are we paying Davis-Bacon wage rates when required?				
2. Are we paying HUD-determined wage rates when required?				
3. Do we pay overtime at a rate of at least time and a half on contracts greater than $100,000 to which Davis-Bacon or HUD-determined wage rates apply?				
4. When we use volunteers on projects subject to Davis-Bacon and HUD-determined wage rates, do we obtain wage exemptions from HUD in accordance with 24 CFR Part 70?				
5. Are we in compliance with HUD Handbook 1344.1 (Federal Labor Standards Compliance in Housing and Community Development)?				
Assessment of Labor Standards Administration				
6. Are the following documents or information maintained:				
a) Labor standards enforcement files for each construction project?				
b) Construction start dates?				
c) Contract award dates?				
d) Contract bid specifications with labor standards provisions?				
e) Pre-construction conference minutes? (optional)				
f) Records pertaining to violations and wage restitution? (if applicable)				
g) Apprentice/Trainee registration records (as needed)?				
h) Records of employee interviews?				
i) Certified payrolls maintained by project?				
j) Evidence of certified payroll review?				
7. Are Semi-annual Labor Standards Enforcement Reports submitted to HUD Labor Relations?				

Labor Standards and Contract Administration	Yes	No	N/A	Source/ Documentation
Labor Standards Compliance, Individual Construction Contracts				
The reviewer should make a random selection of construction contracts. List the contractors and dollar amounts for these contracts. a) ______ b) ______ c) ______				
Contract Components				
8. Are the following elements included in each contract being reviewed?				
a) Project number designation				
b) Name of contractor				
c) Description of work				
d) Bid opening date (/ /)				
e) Contract award date (/ /)				
f) Contract amount ($)				
g) Start of construction date				
Contract Documents				
9. Are the following documents included in the contract file?				
a) Proper wage decision in contract/specifications				
b) Labor standards provisions in the contract/specifications				
c) Evidence of contractor eligibility verification				
d) Additional classifications and wage rates processed as needed				
Payroll Review				
a) Are payrolls submitted in a timely manner?				
b) Are payrolls signed by employer or authorized representative?				

Labor Standards and Contract Administration	Yes	No	N/A	Source/ Documentation
c) Are discrepancies/violations noted?				
d) Is there evidence of payroll review?				
e) Are discrepancies/violations followed through to full resolution?				
Employee Interviews				
10. Were employee interviews conducted by the recipient?				
11. Were a representative number of trades and workers covered?				
Investigations and Enforcement				
12. Are worker complaints handled and resolved in a timely manner, and investigations conducted where appropriate?				
13. Are escrow accounts established and funds withheld to cover labor standards violations?				
14. Are enforcement reports submitted to HUD where underpayments total $1,000 or more?				
Open Findings				
15. Are there any open findings in this area identified by either HUD and/or auditor?				
a) If yes, summarize the finding(s):				
b) What entity (or organizational unit) has been assigned the responsibility for clearing the finding(s)?				

Labor Standards and Contract Administration	Yes	No	N/A	Source/ Documentation
c) What is the current status of the finding(s) as of the date of this evaluation?				
d) What is tribe's/TDHE's target date for responding to HUD or auditor findings?				

Force Account Construction	Yes	No	N/A	Source/ Documentation
16. Do you have an adequate system of written controls over force account activities to ensure that assets are protected, used only for authorized purposes, and in accordance with program requirements?				
17. Do you have an adequate number of qualified workers to complete the planned work?				
18. Do you have the necessary tools and equipment to complete the project on time and within budget?				
19. Do you have a system to manage and maintain equipment and tools?				
20. Do you have qualified staff and procedures to procure materials and manage material distribution and storage?				
21. Does your financial system have the capacity to process and track the anticipated payroll and material expenditures?				
22. Do you have an experienced construction supervisor to supervise the construction crew(s)?				
23. Do you have an experienced project superintendent who can manage the project including budgets, schedules, sequencing, contract management, material management, quality control, and problem resolution?				
24. Do you have clear plans and specifications which are reasonable in scope for development by force account?				
25. Do you have arrangements for independent inspections to verify the quality of work and compliance with the plans and specifications?				
26. Do you have arrangements for independent monitoring of progress and costs to ensure the force account construction is on track?				
27. Do you have an adequate budget for contingencies to address unforeseen delays, the cost of changes, and budget overruns?				
28. Do you have a management system to ensure compliance with labor requirements including the maintenance of records?				

Force Account Construction	Yes	No	N/A	Source/ Documentation
29. Do you have a budget and plan to resolve development deficiencies including warranty problems?				
30. Do you have adequate insurance to protect you from loss and liability including workmen's compensation, property damage, builder's risk, and vehicular liability?				

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12. Environmental Review

This chapter deals with your environmental review responsibilities as an IHBG recipient. The law requires that the environmental effects of activities carried out with NAHASDA assistance must be evaluated before you may acquire, rehabilitate, convert, lease, repair, or construct property, or commit HUD or local funds in conjunction with NAHASDA-assisted activities. Environmental review responsibilities may be assumed by the tribe or retained by HUD, at the tribe's request.

This chapter includes the following topics:

- Statutory and regulatory requirements
- Assuming environmental review responsibilities
- Declining environmental review responsibilities

Key Terms

- Environmental review record (ERR)
- Environmental assessment (EA)
- Environmental impact statement (EIS)

Tools and Templates

- Checklist for a tribe that assumed environmental review responsibilities
- Checklist for a tribe that declined to assume environmental review responsibilities

12.1 Introductory Overview

NAHASDA allows tribes to assume environmental review and decision-making responsibilities. The entity that assumes HUD's environmental responsibility for the project under 24 CFR Part 58 is called the Responsible Entity (RE). Environmental responsibility includes responsibility for environmental reviews, decision-making, and action. Because the RE will be responsible for the project's environmental consequences (if necessary) in Federal court, an entity must have general governmental capabilities in order to be legally qualified to be an RE. Please note that whether you are a tribe or a TDHE receiving IHBG funds, only an Indian tribe can assume the environmental responsibilities.

For tribes that assume responsibility as RE, there are a number of requirements. This chapter will give an overview of these requirements, as well as those that apply to tribes that decline environmental review and decision-making responsibilities. As an overview, this chapter does not provide the level of detail that can be found in the National Environmental Policy Act of 1969 or its implementing regulation, 24 CFR Part 58 or HUD Notice PIH-99-37. Knowledge of this statute and regulations is still necessary. In addition, HUD has produced and made available a Guidebook for Performing Environmental Reviews.

What kinds of questions does this self-monitoring activity answer?

- Are we complying with the environmental review requirements of our IHBG funds?
- If we opted to conduct the environmental review and decision-making, are we in compliance with the requirements?
- If we declined environmental responsibilities, are we in compliance with the requirements?

How will this chapter help you?

Environmental regulations, requirements, and procedures can be confusing. This chapter provides an overview summary of the responsibilities associated with environmental review, whether the tribe assumes the role of the RE or not.

12.2 Statutory and Regulatory Requirements

As stated earlier, the law requires that the environmental effects of activities carried out with NAHASDA assistance be evaluated before a recipient may acquire, rehabilitate, convert, lease, repair, or construct property, or commit HUD or local funds in conjunction with NAHASDA-assisted activities.

Activities subject to environmental review

Activities **subject** to environmental review include:

- Any activity that may have a significant impact to the human environment including: (a) new construction, (b) conversion of land use (including demolition) from non-residential to residential or from residential to non-residential use; and (c) acquisition of undeveloped land, including acquisition for future development;
- Major rehabilitation and improvement of existing structures;
- Minor rehabilitation and repair of existing structures;
- Acquisition of existing structures; and
- Leasing or rental assistance involving existing structures.

Activities not subject to environmental review

Certain activities **do not** require environmental review, but do require documentation/written determination of exemption. These activities include, among others:

- Information and financial advisory services
- Administrative and management expenses
- Public and supportive services that will not have a physical impact or result in any physical changes
- Inspections and testing of properties for hazards or defects
- Engineering or design costs
- Technical assistance and training
- Tenant-based rental assistance
- Operating costs, including maintenance, security, operation, utilities, furnishings, supplies, staff training and recruitment, and other incidental costs
- Housing pre-development costs, including legal, consulting, developer, and other costs related to site options, project financing, administrative costs and fees for loan commitments, zoning approvals, and other related activities which do not have a physical impact.

12.3 Assuming Environmental Review Responsibilities

If the tribe assumes environmental review responsibilities, it must have a Certifying Officer who will be legally responsible for the content of the environmental review, for implementation of the subsequent action, and who, if necessary, will represent the RE in Federal court. The Certifying Officer should be the tribal chairperson, (Chief Executive Officer of the jurisdiction) or a person delegated environmental responsibilities by the tribe.

The RE must follow the requirements of 24 CFR Part 58. If you assume environmental review responsibilities, it is imperative that you become familiar with and understand 24 CFR Part 58.

One important requirement is that no funds, either HUD or non-HUD, may be obligated to a grant activity or project before the completion of the relevant required environmental review and/or approval by HUD of the request of release of funds and related certification. Any project or grant activity where HUD funds will be used, no matter the amount of HUD funds or the stage that the HUD funds will be used in the project or activity, will be subject to this requirement. The purpose of these limitations is to avoid biasing the environmental review through the amount of work completed in a desired direction or the potential loss of funds and labor by disapproving an in-process project.

You must maintain a written environmental review record (ERR). The ERR contains all of the documentation which was produced during the review and which has been used as evidence for compliance and decision-making. This should include:

- Project description and the activities that you have determined to be part of the project, including, when applicable, geographic boundaries and all related HUD or non-HUD funded activities proposed.

- Evaluation of the effects of the project or the activities on the human environment.

- Document compliance with applicable statutes and authorities, in particular those cited in 24 CFR §§58.5 and 58.6.

- Written determinations in those cases in which the recipient claims that projects or activities are "exempt" under 24 CFR §58.34 or "categorically excluded" under 24 CFR §58.35.

The ERR should also contain verifiable source documents and relevant base data used or cited in environmental assessments, environmental impact statements, or other project review documents.

Once you complete the requirements in 24 CFR Part 58, you must:

- Certify the completion

- Submit the responsible entities' certification of completion, if applicable

- Submit a RROF if required. The Certifying Officer attests to the performance of the environmental assessment by a qualified person and its compliance with NEPA and HUD requirements. (This submission is not required in cases in which the applicant determines, in accordance with Part 58 that its program components are exempt.)

HUD will not release grant funds if you (or any other party) commit grant funds (i.e., incur any costs or expenditures to be paid or reimbursed with such funds) before you submit and HUD approves your RROF.

12.4 Declining Environmental Review Responsibilities

If you select HUD to fulfill the environmental review responsibilities, you must meet fewer requirements, but must still follow regulations. If you decline environmental responsibilities, you must submit an environmental assurance in accord with 24 CFR §50.3(h).

The environmental assurance records a guarantee that you will:

- Not enter into a contract for, or otherwise commit HUD or local funds for, acquisition, rehabilitation, conversion, lease, repair, or construction of property to provide housing under the program, prior to HUD's completion of the review and approval of the project;
- Supply HUD with information necessary for HUD to perform any applicable environmental review when requested under 24 CFR Part 50; and
- Carry out mitigating measures required by HUD or ensure that alternate sites are utilized.

You must provide separate data for each property or community area. If available, you may also provide HUD with previously issued environmental reviews prepared by other local, State, or Federal agencies for the subject property. You are encouraged to obtain outside information at the earliest possible stage, because late submission of information may delay the environmental review process and thereby the implementation of your affordable housing activities.

For further information, please consult “Indian Housing Block Grant Program: Guidance and Procedures If Tribes Do Not Assume Environmental Review Responsibilities under 24 CFR Part 58,” PIH-ONAP Notice 99-37.

12.5 Compliance Checklist

The following checklist provides detailed questions related to these specific NAHASDA requirements and general management practices that will allow you to assess your adherence to the standards. These checklists provide questions with “Yes,” “No,” “Not Applicable,” and “Source / Documentation” response fields. Although the checklist is designed to facilitate questions that the reviewer may use, it is intended that the checklist be answered by the reviewer through interviews, observation, or document review.

Environmental Review Checklist for Program Year ________________

Tribes Assuming Environmental Review Responsibilities	Yes	No	N/A	Source/ Documentation
1. Is there a separate Environmental Review Record (ERR) for each project?				
2. Was the current HUD-recommended (or an equivalent) format used for the ERR?				
3. Does each ERR contain the following:				
a) Project description and the activities that you have determined to be part of the project, including, when applicable, geographic boundaries and all related HUD or non-HUD funded activities proposed?				
b) Evaluation of the effects of the project or the activities on the human environment?				
c) Documented compliance with applicable statutes and authorities, in particular those cited in §§58.5 and 58.6?				
d) Written determinations in those cases in which the recipient claims that projects or activities are "exempt" under §58.34 or "categorically excluded" under §58.35?				
e) Finding of No Significant Impact (FONSI)? (If a negative response is based on the fact that the recipient found that a significant impact may occur, please go to number 4 below to continue the review)				
f) Copy of published Notice of FONSI or a Combined Notice of FONSI and Notice of Intent to Request a Release of Funds (NOI/RROF)?				
g) Copy of published of NOI/RROF or a Combined Notice of FONSI and NOI/RROF?				
h) Form HUD 7015.15, Request for Release of Funds and Certification?				
i) HUD 7015.16, Notice of Removal of Grant Conditions signed and dated by HUD, indicating that at least 15 days were allowed for objections?				
4. Do records show that:				
a) With the exception of exempt activities, no grant funds were obligated or spent prior to the receipt of the HUD 7015.16 (or the date specified in the HUD 7015.16, if earlier)?				

Tribes Assuming Environmental Review Responsibilities	Yes	No	N/A	Source/ Documentation
b) With the exception of categorically excluded activities determined to be exempt under the provisions of §58.34(a)(12), no physical development activities began prior to the receipt of the HUD 7015.16 (or the date specified in the HUD 7015.16, if earlier)?				
c) Identify the source of the information used to answer 4a and 4b.				
Open Findings				
5. Are there any open findings in this area identified by either HUD and/or auditor?				
a) If yes, summarize the finding(s):				
b) What entity (or organizational unit) has been assigned the responsibility for clearing the finding(s)?				
c) What is the current status of the finding(s) as of the date of this evaluation?				
d) What is the tribe's/TDHE's target date for responding to HUD or auditor findings?				

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Tribes Declining Environmental Review Responsibilities	Yes	No	N/A	Source/ Documentation
1. Did you either supply HUD in a timely manner all available, relevant information necessary for HUD to perform for each property any environmental review required by 24 CFR Part 50 **or** prepare for an Environmental Assessment for HUD review and evaluation?				
2. (If applicable) Did you carry out mitigating measures required by HUD as a consequence of its review?				
3. (If applicable) Did you select an alternative property rather than carry out mitigating measures?				
4. Did you not acquire, rehabilitate, convert, lease, repair or construct property, nor commit local funds for these program activities with respect to any eligible property until HUD approval of the property was received?				
Open Findings				
5. Are there any open findings in this area identified by either HUD and/or auditor?				
a) If yes, summarize the finding(s):				
b) What entity (or organizational unit) has been assigned the responsibility for clearing the finding(s)?				
c) What is the current status of the finding(s) as of the date of this evaluation?				

Tribes Declining Environmental Review Responsibilities	Yes	No	N/A	Source/ Documentation
d) What is the tribe's/TDHE's target date for responding to HUD or auditor findings?				

Reviewer ______________________________ Date of Review ____________________

13. Audit Reports

13.1 Overview

Despite the humor auditors inspire, audits play an important role in the operations of most NAHASDA grantees. While your audit may never be as much of a page-turner as a good novel, audits can be interesting if you know what to look for. This module will help you to understand the requirements, terms, organization, and message of your annual audit so that you can use it to improve your operations.

Your annual audit is more than a requirement for NAHASDA funding; it can be a great basis from which to understand the status of your organization. Audits are important because they provide:

- Reliable figures to use to assess your financial situation, such as through the tools presented in the Financial Assessment chapter
- The basis for outside organizations to assess the risk of doing business with you (e.g. grants, loans, or partnerships)
- An outsider's professional opinion of how your organization's management practices stack up and what you need to do to improve

There are five major parts to your organization's audit report. The auditor's opinion comes first and summarizes whether the auditor believes that your financial statements fairly present your organization's financial situation. The auditor will also present an opinion on the schedule of Federal award expenditures regarding whether it is a fair presentation, considering the financial statement as a whole. Next, are the actual financial statements, which give you specific figures regarding your revenues, expenses, cash flow, and overall financial position for the past fiscal year. The financial statements are followed by footnotes which give a summary of your organization, your accounting system, and other relevant information. Supplementary information provides some additional financial analysis not covered in the financial statements. Lastly, the audit provides findings and recommendations regarding how you manage your programs and finances.

This module will first review NAHASDA audit requirements. Secondly, it will discuss the five major sections to an audit and help you understand what to look for in each.

13.2 Audit Requirements

Any non-federal entity that expends $300,000 or more in a fiscal year in federal funds must submit an annual audit that complies with Office of Management and Budget (OMB) Circular A-133. These are referred to as independent public auditor (IPA) audits.

As a grant recipient, you are responsible for contracting for your required audits and submitting the audits to the appropriate agency for compliance review. In general, HUD requires that recipients obtain a single audit that covers all grant funds, in compliance with the Single Audit Act (SAA). If you elect to have multiple program-specific audits, then you may not use grant funds for the additional audits.

Agency Roles and Responsibilities

Recipients expending more than $25 million in federal awards a year shall have a cognizant audit agency. The cognizant agency will be the Federal agency providing the largest amount of funds unless the Office of Management and Budget makes a specific assignment. Among other things, the cognizant agency is responsible for obtaining or conducting quality control reviews and coordinating management decisions for audit findings. Recipients expending less than $25 million in federal awards shall have an oversight agency. The oversight agency will be the Federal awarding agency that provides the largest amount of funding. The oversight Federal agency will assume all or some of the responsibilities of the cognizant audit agency.

For Tribes, any of the various Federal agencies could be the cognizant or oversight agency responsible for conducting the A-133 compliance review and ensuring that the Tribe addresses the audit findings. In most cases, ONAP will assume all of the cognizant audit agency responsibilities for TDHEs.

Audit report submission requirements

The NAHASDA regulations at 24 CFR §1000.548 require that IHBG recipients submit a copy of their latest audit to the Area ONAP with their APR. Also, if you are a TDHE, §1000.550 requires that you submit a copy of the audit to the Tribe so that it can carry out its oversight responsibilities with NAHASDA.

In addition, you must submit the audit report and OMB data collection form SF-SAC to the Federal Audit Clearinghouse. The Clearinghouse will:

- Distribute audit reports
- Maintain a database of completed audits
- Provide appropriate information to federal agencies

- Follow up with recipients that have not submitted the required data collection forms and reporting packages

The Federal Audit Clearinghouse's address is:

Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

Until the Federal Audit Clearinghouse receives an acceptable audit report and SF-SAC Form, the recipient does not receive credit for meeting the audit requirement.

Audit due date

You must submit a complete audit report and data collection form within 30 days after receipt of the auditor's report or 9 months after the end of the audit period, whichever is earlier. The agency responsible for compliance review may agree in advance to extend the submission period.

Sanctions for noncompliance with audit requirements

In cases of continued inability or unwillingness to complete an A-133 audit, HUD may impose sanctions as authorized at 24 CFR §§1000.532 and 538. Any sanctions will be implemented following the requirements in Subpart F of NAHASDA.

13.3 Opinion

The purpose of an audit is to have an unbiased outsider express their opinion about whether an organization's financial statements may be considered accurate. The audit is the investigative process the auditor goes through to be able to form an opinion on whether the financial statements fairly present the organization's financial situation. For example, private corporations need audits so that investors feel comfortable investing their money. Organizations that deal with the Federal government need audits so that the government feels comfortable providing funds. The auditor stakes his professional reputation (and his livelihood) on being able to support his opinion.

Because this is such a delicate matter (both for the auditor and for your organization), the letter expressing the audit opinion is usually very formal. However, within the letter, the auditor will say very clearly their opinion and, briefly, why. There are four opinions which an auditor might express in this letter. From best to worst, these are:

- **Unqualified**: The auditor has no reservations as to the fairness of presentation of an organization's financial statements and results of operations in conformity with generally accepted accounting principles. This is also known as a "clean" opinion.

- **Qualified**: The auditor's judgment that, "except for" something, the financial statements fairly present the financial position and operating results.

- **Adverse**: The auditor's judgment that the financial statements do not present fairly the financial position, results of operations or changes in financial position, or are not in conformance with generally accepted accounting principles. The choice between qualified and adverse depends upon the significance, or materiality, of the shortcomings in the financial statements. A decision to issue a qualified opinion would indicate that the auditor believes that the deficiencies, although significant, were not so material as to invalidate the financial statements viewed as a whole.

- **Disclaimer**: The judgment rendered by the auditor when the auditor is unable to determine the overall fairness of the financial statements. This type of result might occur if the audit revealed the system of internal control to be grossly inadequate, or if the auditor for any reason did not perform sufficient work to have a basis for an opinion. However, if an auditor knows that the financial statements do not constitute a fair presentation, they will not disclaim an opinion, but issue an adverse opinion. The fact that the audit was not complete would not justify the auditor disclaiming an opinion of financial statements which they knew to be misleading.

The terms used by auditors in the letter may need some explanation:

- **"free from material misstatement":** In audit language, "material" means something that has a significant enough impact to affect evaluations or decisions by users of financial statements. So, this phrase is a way of saying that something, such as a financial statement, is accurate.

- **"generally accepted accounting principles"**: These are standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements. Often this phrase is shortened to the abbreviation GAAP. Many NAHASDA grantees use a different accounting system than GAAP accounting and, when this is the case, the auditor will issue a qualified opinion and explain the departure from GAAP further in the footnotes.

13.4 Financial Statements

There are three separate financial statements that are most commonly used: Statement of Financial Position, Statement of Activities, and Statement of Cash Flows. Although you will see some of the same figures on these statements, each really shows a different perspective on your finances.

Statement of Financial Position

This statement reports the assets, liabilities, and equity of an organization at a particular point in time, usually the end of an accounting period. It is like a "snapshot" of your finances, in this case, taken on the last day of your fiscal year. The statement is organized around the basic accounting equation:

Assets = Liabilities + Equities

This statement is also commonly known as a Balance Sheet because the two sides of this equation must equal each other or balance. We are probably familiar with this equation from our personal finances. While we may own a house and a car, we probably took out loans or mortgages to purchase these assets. If we subtract the liabilities (the loan's outstanding principal) from the asset's value, we obtain the amount we really own, that is, our equity. The balance sheet is useful to financial statement users because it indicates the resources the entity has and what it owes.

Assets are presented first, at the top of the statement. Assets will include the following categories at a minimum: Cash, Investments, Accounts Receivable (Tenant Receivables may be broken out under this figure), Deferred Charges, and Land, Structure, and Equipment (also known as Fixed Assets). The dollar value of each category is listed and their sum is presented at the bottom of the Assets section (usually as Total Assets).

Liabilities are presented next. Liabilities are amounts payable in dollars (e.g., accounts payable) or future services to be rendered (e.g., warranties payable). Liabilities will usually include: Cash Overdraft, Accounts Payable, Loans, Trust and Deposit Liabilities, and Deferred Credits. Again, all of the individual figures are summed at the bottom of the Liabilities section, as Total Liabilities.

Last, the Equity portion is presented. Equity sometimes goes by the name Surplus or Net Assets. The final line of the Statement is the sum of Equity and Total Liabilities. This figure always equals the Total Assets figure. The auditor usually puts both the Equity and Total Liabilities figure and the Total Assets figure in bold with a double underline. The auditor is emphasizing the accounting equation to the reader-- Total Assets equals Total Liabilities plus Equity.

Sample Statement of Financial Position

	Assets	
Cash		$ 301,452
Investments		427,903
Accounts Receivable		1,152,469
Deferred Charges		225,503

Land, Structures, and Equipment	61,625,828
TOTAL ASSETS	**$63,733,155**
Liabilities and Equity	
Cash overdraft	16,438
Accounts payable	273,679
Loan	51,600
Trust and Deposit Liabilities	1,075,414
Deferred Credits	44,934
TOTAL LIABILITIES	1,462,065
EQUITY	$62,271,090
TOTAL LIABILITIES AND EQUITY	**$63,733,155**

Statement of Activities

As the name implies, this statement shows what happened financially over the past year through your housing operations or "activities." While the Statement of Financial Position looks at your status on the last day of the fiscal year, this statement sums up what happened over the whole fiscal year. It goes by some other names: Income Statement, Statement of Income and Expenses, or, in the private sector, Profit-and-Loss Statement. Just like on the Statement of Financial Position, this statement is organized around a key equation:

Operating Revenues – Operating Expenses = Net Income (Loss)

This statement first presents your operating income. Commonly, Operating Income includes the following categories: Tenant Rental Income, Interest on Investments, and Other Income. Here, Tenant Rental Income is the cumulative amount billed to tenants (but not necessarily received) during the past fiscal year. In contrast, the Tenant Accounts Receivable amount on the Statement of Financial Position shows the cumulative amount billed to tenants which is not yet paid and may include amounts billed previous to the fiscal year in question. A third Tenant Rental Income figure is shown on the Statement of Cash Flows, which we present below. That figure represents the tenant rental amounts actually collected.

Next, the statement presents operating expenses you incurred. Operating Expenses usually includes the following categories: Administration, Tenant Services, Operation and Maintenance, Utilities, and General Expenses. The break down here can vary some depending on how your organization has organized its accounts. Some other categories might be: Inspections, Non-ordinary Maintenance, and a separate category for Capital Expenses. Capital Expenses refers to new construction, equipment purchases, or major replacements which occur at irregular intervals (e.g., roof replacement).

The next section subtracts Total Operating Expenses from Total Operating Income to calculate Operating Income or, if negative, Loss. Because NAHASDA grantees are subject to strict limits regarding tenant incomes and how much rent they can charge, it should come as no surprise that most grantees operate their housing at a loss. Most statements then include a final category, Other Credits. This is where the portion of the NAHASDA grant dedicated to operating subsidy is listed. The subsidy is what balances out the operating income/loss calculation so that the organization does not go bankrupt. When the Other Credits figure is added to the Operating Income (Loss) figure the result is Net Income (Loss).

The last part of the statement helps to put the operating results which it presented in some perspective. It shows the Net Assets (or Equity) at the beginning of the fiscal year and Net Assets at the end of the fiscal year. The difference between these two figures equals the Net Income or Loss figure which the statement has just calculated. This makes sense: we all know that businesses which incur losses year after year eventually go bankrupt. This last section shows how a loss basically eats into the organization's equity; and when the equity is all used up, an organization must declare bankruptcy.

Sample Statement of Activities

Operating Income	
Tenant Rental Income	$ 501,116
Interest on Investments	22,858
Other Income	3,540
TOTAL OPERATING INCOME	527,514
Operating Expenses	
Administration	416,785
Tenant Services	894
Operation and Maintenance	82,257
Utilities	99,984
General Expenses	24,152
TOTAL OPERATING EXPENSES	624,072
OPERATING INCOME (LOSS)	(96,558)
Other Credits (Charges)	
NAHASDA Grant	354,179
NET INCOME (LOSS)	257,621
NET ASSETS AT BEGINNING OF YEAR	62,013,469
NET ASSETS AT END OF YEAR	**62,271,090**

Statement of Cash Flows

The Statement of Cash Flows is like a look at your organization's checkbook register: it shows uses of cash (what would be the checks you write in a checkbook) and sources of cash (what would be deposits in a checkbook). The most important difference between this Statement and the Statement of Activities is that, if there is no cash transaction, it is not measured by this Statement. Additionally, this Statement is organized differently; it relies on the idea that there are three major sources of cash for an organization: ongoing operations, financing activities, and investment activities. The Statement of Cash Flows then examines your organization's cash flows in each of these three categories.

Cash Flows from Ongoing Activities is normally listed first. This category includes a combination of the operating expenses and income categories we saw previously, such as, Dwelling Rental, Administrative Expense, Maintenance and Operations, etc. Because expense and revenue categories are mixed together, it is important to pay attention to whether the figure is positive or negative. The sum of all these figures is listed as Net Cash Provided (Used) By Operating Activities.

Cash Flows from Financing Activities is often listed as the next category. Your NAHASDA grant and any other grants, loans, or insurance proceeds would be listed here. This category is often associated with major capital improvements, such as new construction, major replacements, as well as losses (e.g., of a vehicle or building). The sum of all these figures is listed as Net Cash Provided (Used) by Financing Activities.

The last category is Cash Flow from Investing Activities. Often this category is not significant for most NAHASDA grantees, as they tend to have low-risk, short-term investments which accumulate only modest interest.

The sum of the Net Cash figures for all three categories is listed at the bottom of the Statement as Net Increase (Decrease) in Cash. Then, similar to the Statement of Activities, the Cash Balance for the first day of the fiscal year is listed and the Cash Balance for the last day of the fiscal year is listed. The difference between these two figures is, of course, the Net Increase (Decrease) figure which the Statement has just calculated. Interestingly, the Net Cash for the last day of the fiscal year is the sum of the Cash and Investment figures under the Assets category on Statement of Financial Position.

Sample Statement of Cash Flows

Cash Flows from Operating Activities	
Tenant Rental Income	$ 214,748
Administration	(416,785)
Tenant Services	(894)
Operation and Maintenance	(82,257)
Utilities	(99,984)
General Expenses	(24,152)
Other Income	3,540
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(405,784)
Cash Flows from Financing Activities	
NAHASDA Grant	354,179
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	354,179
Cash Flows from Investing Activities	
Interest on Investments	22,858
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	22,858
NET INCREASE (DECREASE) IN CASH	(28,747)
CASH BALANCE AT BEGINNING OF YEAR	758,102
CASH BALANCE AT END OF YEAR	729,355

13.5 Footnotes

As you review a financial statement, you may notice a note at the bottom of the page which says something like, “The accompanying notes are an integral part of these financial statements.” Financial statements are concise, usually one page, documents which get right to the point; however, they often will raise more specific questions in the reader’s mind. As you read a financial statement, you may wonder:

- What kinds of investments are in the Investment category?
- How many units do they operate?
- Who owes the organization so much money?

The notes are the auditor's opportunity to go into detail about the organization and their financial statements. Answers to questions like these, as well as much other information, can be found in the notes.

The notes are organized as a series of numbered topics, each about a different aspect of the organization, their operations, and accounting. Typically, the first note is a Summary of Significant Accounting Policies. Here the auditor will explain whether the entity uses GAAP accounting or another system and some major points about how their accounting system works. The rest of the notes vary by organization and auditor; however, they tend to deal with these major issues:

- **Cash and Investments** explains what types of deposits are considered cash and what types are considered investments. The auditor may give a break down of amounts by each type of cash and investment category.

- **Land, Structures, Improvements** is also called Fixed Assets. The auditor will explain any details of how these assets have been valued and any change in value over the past year through depreciation, sale, loss, or new construction.

- **Accounts Receivables** may give a break down by type of receivable, including tenant receivables from homebuyers, tenants still occupying their unit, and tenants that have since vacated their unit. As many organizations have high tenant receivables, this note can be a key way to understand the problem.

- **Accounts Payables** may give a break down by type of payable (e.g., vendors/contractors, HUD, tenant security deposits).

- **Contingencies** give information about pending lawsuits, investigations, and other threats to the organization.

- **Risk Management** includes information about the risks the organization is exposed to and insurance coverage in particular.

- **Retirement Plans/Compensated Absences.** Because costs associated with employing staff is a significant portion of grantees' budgets, the Notes often discuss specific non-salary costs, such as retirement plans, medical insurance, and compensated absences.

- **Related Parties.** Audits of NAHASDA grantees will often discuss the entity's relationship with HUD in one way or another. Details on the amounts of grants may be given and the fact that the entity depends on HUD funding in large part. A note on Related Parties may also deal with the entity's relationship with the Tribe and any partnerships which the entity may have formed.

13.6 Supplementary Information

While the financial statements and their footnotes tell us a lot about an organization, often the reader has questions which still are not answered by these documents. The Supplementary Information section follows the footnotes and gives an opportunity for the auditor to provide a different kind of analysis of the organization's numbers, which is often more custom-fitted to the organization's particular accounting system or situation. Some of the common analyses which you might see in this section are:

- **Schedule of Federal Expenditures**: This chart shows the grantee's outstanding federal grants, their identification numbers, their original amount, the amount expended during the accounting period, and the cumulative amount expended. This page is useful for assessing whether you are spending your grants within HUD's prescribed time limits and assist in closing completed grants (see also its use in the Financial Assessment module).

- **Budget Comparison**: This chart shows the amounts the grantee budgeted for various operation categories, the actual amounts, and the difference between the two. This type of analysis is an extremely useful one for planning at your organization—it should be one which you already use internally. To outsiders, this analysis is a way to see some basic information about your organization's management and planning.

- **Analysis of Surplus**: This analysis breaks down your organization's surplus funds into a variety of categories such as, Unreserved, Operating Reserve, Cumulative HUD Contributions, Donations, Interest, and Conveyance of Properties. These categories can help you make sense of where money came from and where it went, similar to a Cash Flow Statement.

13.7 Findings and Recommendations

As we noted in the Overview, audits are a requirement of the NAHASDA regulations. Those regulations make reference to government-wide requirements for how audits are to be conducted, which are stated formally in two documents, the Single Audit Act and a document called, OMB Circular A-133. They require two reports from the auditor in addition to all of the components we have already discussed. Officially, and in the audit's Table of Contents these reports are known as:

- Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

- Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Similar to the Opinion component we discussed earlier, these reports are formal letters which present the auditor's opinion regarding each of these subjects. They often make reference to a list or "schedule" of findings and recommendations. The findings and recommendations deal with weaknesses in your management practices which the auditor came across while conducting the audit.

These reports put the findings into two different contexts. The first report deals with your accounting and general management practices and whether these may have an impact on the numbers in the financial statements. It will classify findings as "reportable conditions" if the practice is weak but probably does not have a "material" or significant impact. However, findings which might have a material impact are classified as "material weaknesses" and are more serious. The second report has a different focus; it looks at whether your practices are in compliance with HUD's program requirements. It classifies the findings as reportable conditions or material weaknesses based on the impact the practice has on program compliance.

The Schedule of Findings is great information for you as a manager of a NAHASDA grantee organization. It gives an unbiased outsider's opinion of "how you're doing" and what you can do to improve. The format for each finding is similar:

- **Condition**: A brief, factual description of what the finding is about.
- **Questioned Costs**: Where applicable, a numerical estimate of the financial impact of the finding.
- **Effect**: Explains how this finding affects or could affect the organization.
- **Cause**: The auditor's estimation of the cause, where one is known.
- **Auditor's Recommendation**: The auditor gives a simple, factual recommendation of how to resolve this finding.

Because of the importance of this section of your report, it is important to be a savvy reader. Both small issues, as well as major issues which threaten your organization's viability and credibility, can be findings and may take up the same amount of space in the audit. Dealing with the minor issues might be accomplished in a day, while truly dealing with major ones may take many months.

For instance, a finding may deal with the fact the same staff member opens the mail and makes deposits. Although this appears to be a small fact that most people would not take notice of, it makes a difference in terms of internal control. The resolution often is straightforward and involves adjusting or rotating duties.

In contrast, a common finding deals with poor collections and its impact on tenant receivables. This is an issue which can take a major toll on an organization, constraining cash flow and rippling through maintenance, plans for new projects, and harming your relationship with HUD. Often, this is the sort of problem that takes years to develop and will take some serious effort to make changes to collection practices and turn around tenant expectations.

Ultimately, the audit can be as useful as you want to make it. Because it is a NAHASDA requirement, you can count on it taking up some of your management time. If you look at it as a required professional service, which you can leverage to improve your organization, it can be time well spent.

Audit Report Checklist	Yes	No	N/A	Source/ Documentation
1. Do you review expenditures from all federal funding sources at the end of your fiscal year to determine if they exceed $300,000 and require submission of an audit?				
2. When an audit is required, is the final audit report prepared within 9 months after the end of the program year?				
3. Do you provide necessary information to the auditor and review the audit to ensure it reports on all programs, liabilities, assets, etc.?				
4. Is the audit report sent to the Federal Audit Clearinghouse and HUD within 9 months after the end of the fiscal year?				
5. Is the audit report sent to HUD with the APR?				
6. Do you distribute the audit report among the Board and senior management to discuss the findings and their implications?				
7. Do you respond to all audit findings to ensure timely resolution?				
8. If TDHE, was a copy of your audit submitted to Tribe?				

Reviewer ____ Date of Review _______________________

14. Financial Health Assessment

14.1 Overview

This module will present six financial indicators that can help you assess your organization's financial health. Financial health is important because it allows your organization to achieve the housing goals it has established for itself. When an organization is "unhealthy" financially, every unexpected event puts it into crisis: project cost overruns, late rent payments from tenants, employee turnover. When organizations have frequent crises, it is difficult to achieve goals; the "goal" often is simply to resolve the crisis. To be successful, NAHASDA grantees need tools to help them anticipate problems and prevent them from becoming emergencies.

Imagine yourself as a pilot of a small airplane. If all of the instruments of your aircraft were covered over, you would probably feel very uncomfortable. Even though you are airborne now, you would not be able to say if you had enough fuel or if you were losing altitude. With only one instrument you would know more, but still not enough to feel completely comfortable. These six financial indicators are similar to gauges on an aircraft: each one tells only part of the story, but together they can help you decide what you need to do to keep your organization "aloft" financially.

You can use these six indicators as part of your yearly self-monitoring process. The results you obtain are especially useful when you compare them to the previous year's results. You can use the data from your audited financial statements to calculate the indicators. Your auditor may be able to guide you in the calculation of these indicators using the financial statements of your organization. However, as with gauges, only checking them once a year might not be frequently enough. Producing these indicators quarterly or every six months will allow you to identify trends, foresee growing problems, and react before they become crises. These indicators are an excellent way for a Director to communicate results to the governing board and to show progress on goals.

The six indicators each tell a different part of your financial story:

- **Timely Use of Funds** is a basic indicator which shows whether you are obligating and expending your NAHASDA grant without long delays.
- **Current Ratio** measures the liquidity of your organization and its ability to cover current liabilities.
- **Tenants Receivables Outstanding** shows the average number of days it takes your organization to collect rent from tenants.

- **Occupancy Loss** shows whether your organization is making the most of its units through high occupancy.

- **Management Expense per Unit** shows how much overhead expense your organization incurs in the delivery of housing.

- **Net Operating Income** reflects the relationship between operating expenses and operating income—it is "what's left over."

14.2 Timely Use of Funds

What It Shows

This indicator measures whether you are obligating and expending your NAHASDA funds without long delays. One way to understand what NAHASDA grantees do, is that they are in the "business" of turning grant dollars into safe, decent, occupied housing. If a sawmill has problems with its operations, we might expect to see a huge pile of trunks and little lumber being produced. Similarly, some grantees find themselves in the position of having a lot of funds but few expenditures on housing. This indicator will help alert you to whether you are beginning to have a backlog and what to do about it.

This indicator uses two ratios:

- Percentage of Funds Over Three Years Old Unexpended
- Percentage of Funds Over Two Years Old Unobligated

An obligation is a firm commitment or encumbrance placed against funds, in the form of purchase orders, contracts, or agreements, to cover a later expenditure required when goods are delivered or services rendered. An expenditure is the cost of goods delivered, or services rendered, which are recorded as charges to the accounts of an activity or department.

The data to calculate these ratios should come from the systems and documents you use to track your grants. As HUD grantees, you should follow the regulation at 24 CFR §85.20(b)(2), which requires grant recipients and subrecipients to maintain financial records that show award, sub-award authorizations, obligations, unobligated balance, assets, liabilities, outlays or expenditures, and income.

How to Calculate It

To calculate the Percentage of Funds Over Three Years Old Unexpended, take the following steps:

1. Find all open NAHASDA and 1937 Housing Act grant awards, their original amounts, and their grant years; list them with the most recent first. Open grants are those which have a positive balance.

2. Research and add to your list the amount your organization has expended on each grant; add this number in a separate column beside each grant on your list. Sources to find this information include financial grant records, Financial Cash Transaction Reports (HUD-272-I), and the APR

3. Find amount remaining on each grant from financial grant records and verify for each by subtracting the expended amount (Step 2) from total grant award (Step 1).

4. Divide grant amount remaining (Step 3) by total grant award (Step 1) and convert to a percentage by multiplying by 100. Do this for each grant on your list.

To calculate the Percentage of Funds Over Two Years Old Unobligated, take the following steps:

1. Find all open NAHASDA and 1937 Housing Act grant awards, their original amounts, and their grant years; list them with the most recent first. Open grants are those which have a positive balance.

2. Research through your financial records the amount your organization has obligated on each grant; add this number in a separate column beside each grant on your list.

3. Find unobligated amount on each grant and verify for each by subtracting obligated amount (Step 2) from open grant award amount (Step 1).

4. Divide unobligated amount (Step 3) by open grant amount (Step 1) and multiply by 100 to convert to a percentage. Do this for each grant on your list.

For all open grants more than 3 years old:

$$\text{\% Funds Over 3 Yrs Unexpended} = \frac{\text{Amount Remaining}}{\text{Original Grant Amount}} \times 100$$

For all open grants more than 2 years old:

% Funds **Amount Unobligated**

Over 2 Yrs Unobligated	=	**Original Grant Amount**	**x 100**

You can use a spreadsheet to help in your calculation of both numbers. Organizing the information in this way will make it easier to analyze the results.

Grant#	Year	Original Amount	Amount Expended	Amount Unexpended	% Un-expended	Amount Obligated	Amount Unobligated	% Un-obligated
001H0000000	2000	689,529	124,128	565,401	82%	351,659	337,869	49%
991H9999999	1999	424,477	287,578	136,899	32%	390,518	33,958	8%
981H8888888	1998	379,880	361,189	18691	5%	379,880	379,880	0%

How to Use the Number

In general, it is better to have a lower percentage for each of these indicators for the grants that are over three years old. NAHASDA regulations state that no less than 90% of a NAHASDA grant must be obligated within two years (24 CFR §1000.524(a)). However, it is important to remember that this is a fairly rough measure of your organization. That is, expending funds without long delays does not always mean success at turning money into safe, decent, occupied housing. However, organizations with problems, such as staff turnover or procurement problems, often tend to have difficulty in spending their grant money.

There are a variety of comparisons you might do to understand the results better:

- Compare the Percentages Unexpended for each grant and the Percentages Unobligated for each grant. Each of these percentages should get smaller as you look from the most recent to oldest grant. That is, you should be using the oldest grants first.

- Look at the Percentage Expended or Obligated by grant year: are you on track to expend and obligate funds on schedule? That is, have you expended at least 67% of a two-year-old grant? Have you obligated at least 50% of a one-year-old grant? Looking at the numbers in this way can alert you to potential future problems.

- Compare the results you just calculated to the results calculated previously (last year, last quarter, or six months ago): is the percentage unexpended and unobligated steadily decreasing?

- Speak with colleagues at other organizations that have NAHASDA grants. Find out whether they are obligating and spending their funds in a timely way and how they avoid falling behind.

Analysis: Key Questions and How to Improve Results

If you find that you currently have a high percentage in either of these indicators (over 20%) or you can foresee problems unless you take action, consider the following suggestions:

- Analyze what is causing slow obligation and/or expenditure. Some common problems are:
  - Lack of staff with the right skills to manage large special projects, such as the development of new housing.
  - Slow response hiring staff to fill vacated positions.
  - Lack of administrative capacity to manage both existing housing and take on the additional work of a new project (e.g., procurement tasks, environmental review, project cost estimation, etc.).
  - Uncertainty or confusion over grant usage and requirements (e.g., invoicing procedures, procurement procedures, draw-downs, etc.).
  - Weak project or program planning such as lack of implementation schedule and budget.
- If money is being expended and/or obligated slowly because of a future large project, is that project on schedule? Consider taking actions to make sure that the project stays on schedule and will not have an impact on your finances. Draw up realistic implementation schedules and budgets and use these on an ongoing basis to manage the project.
- Is the number of activities planned appropriate to the grant size?
  - Consider planning more projects (using your IHP as a guide) if your planned projects will not adequately spend your grant.
  - On the other hand, if you have more projects planned than funds, consider focusing your energy on the most important projects and making sure they stay on schedule.

These suggestions are intended to point the way towards identifying areas of your organization's operations which may cause delays in obligating and spending funds. How you deal with what causes your delays will depend on your specific circumstances. It may involve confirming requirements and procedures, requesting technical assistance, training staff, hiring new staff, re-organizing staff duties, or planning new projects.

14.3 Current Ratio

What It Shows

Current Ratio measures the liquidity of your organization and its ability to cover current liabilities. It is calculated by dividing current assets by current liabilities.

In less technical language, the word "liquidity" refers to assets which can be easily converted into cash. For instance, a car is an asset but cannot be used to pay a debt without selling it first, so it is much less liquid than money in your checking account. Your organization's assets are what it owns or is owed (i.e., the housing, offices, computers, tenant rents, funds in the bank, etc.). Current assets are those assets that are most liquid or easily converted into cash: cash on hand, accounts receivable, short-term investments. Your organization's liabilities are claims against its resources. Current liabilities are those which are payable in a year, such as, accounts payable, employee salaries, and loan payments.

So by dividing current assets by current liabilities, we determine the number of times which your current assets, those which are easily converted into cash, can cover the liabilities which you need to pay in the near future. This information is often needed by lenders before extending a loan to a business; and so the current ratio often goes by the name, "banker's ratio." The higher the ratio, the more assurance the lender has that current liabilities, like loan payments, can be paid.

How to Calculate It

Calculating your current ratio is easy; simply divide the dollar amount for current assets by the dollar amount for current liabilities. Take care to include all the appropriate fund categories for current assets. These include:

- Cash (includes petty cash and checking account balances)
- Investments (includes CDs payable in a year or less, money market accounts, and other interest-bearing accounts)
- Accounts Receivable (includes tenant rent payments and other bills which are due your organization)

Make sure you exclude from your calculation your fixed assets, that is, office furniture and equipment, land, structures, and equipment. These are not current assets because they cannot be easily converted into cash to pay debt.

Similarly, take care to include all the appropriate fund categories for current liabilities. These include:

- Accounts Payable (bills for goods and services that your organization will pay)
- Accrued Expenses
- Deposits (includes tenant security deposits)

Current Assets

$$\textbf{Current Ratio} = \frac{\qquad\qquad}{\textbf{Current Liabilities}}$$

How to Use the Number

In general, a higher current ratio is better because it means your organization is more solvent. If you have a current ratio of one or less, that is usually too low: if bills come due or tenants move out and need their security deposits, you will have a cash flow problem. On the other hand, a current ratio of 10 or greater might be too high. Some of these resources might better be moved to longer-term investments, where the return is greater. The best ratio for your organization will depend partly on your size; larger organizations can get by with a smaller current ratio than smaller organizations.

Your current ratio is in constant flux as you go about the normal business of your organization, consuming goods and services and billing tenants. Calculating current ratio only once a year during the self-monitoring process might not be frequent enough for it to be a good management tool. You might start calculating current ratio on a monthly or quarterly basis to get a feel for your current ratio now and to see how it varies and what sorts of events affect it. Doing so will allow you to foresee potential cash flow difficulties in the future and plan ahead.

Colleagues at other NAHASDA grantee organizations might provide some insight on what they consider to be a good current ratio. Because we are dealing with a ratio and not the actual dollar amounts, the exact services your colleagues' organizations provide and their size are less important. Those serving on the governing board of an organization receiving NAHASDA funds might consider looking at the current ratio as part of their oversight responsibilities.

To get a better sense of the current ratio for organizations similar to yours, consider the following current ratios from Public Housing Authorities. Organizations with current ratios in these ranges get the highest score in the Public Housing Assessment System (PHAS).

PHA Size	# of Units	Current Ratio (CR) Range
Very Small	0-49	4.9<CR<14.0
Small	50-249	2.8<CR<8.0
Low Medium	250-499	2.5<CR<5.9
High Medium	500-1,249	2.1<CR<4.9
Large	1,250-9,999	1.8<CR<3.9

Analysis: Key Questions and How to Improve Results

If you find that you have a low current ratio and/or occasional cash flow problems, consider the following suggestions:

- Some immediate actions you can take are to convert long-term assets to current assets, for example, by cashing out investments. You can also try to convert short-term liabilities to long-term liabilities, which would involve making arrangements with creditors or service providers.

- Look at your TRO (see next topic). Accounts receivables are considered current assets for the purpose of calculating current ratio; however, billing a tenant is not the same as having cash in hand to pay liabilities. If your current ratio seems fine, but you still have cash flow problems, dig deeper into TRO to see if this is the source of your cash flow problems.

- Calculate your current ratio for a series of periods (months or quarters). Chart current ratio over time on a line graph and remember what was happening during the periods that the current ratio gets lower. Once you link events with an effect on your current ratio, you can begin to manage your cash in such a way as to maintain an acceptable current ratio as you predict and foresee the events which will affect it.

14.4 Tenant Receivables Outstanding (TRO)

What It Shows

For most NAHASDA grantees, property management is the "business" at the heart of their activities. Most of the tasks your organization performs--tenant selection and admission, contracting for capital improvements, work-order response, rent collection, and so on--are the same as your counterparts in private sector property management companies. And as in the private sector, tenant receivables is where the rubber meets the road and you realize revenue for your activities. This indicator shows the average number of days it takes your organization to collect rent from tenants and is a good test of your organization's capacity as a property manager.

Your financial viability depends on your ability to collect the revenue you are owed. Above, in the discussion of current ratio, we mentioned how high TRO can hide within a respectable current ratio and cause cash flow problems. When this happens, organizations avoid cash flow problems by tying up resources in current assets rather than investing them. That is, an organization which has a TRO figure of 30 days will need much more working capital (current assets minus current liabilities) than one which has a figure of 4 or 5 days. We all understand this concept from our own personal finances: if you cannot count on getting paid, you need a good "cushion" in your checking account or you won't be able to pay your own bills. This section will show how to calculate your TRO figure and how to use it to monitor your management.

How to Calculate It

To calculate TRO for the previous year, take the following steps:

1. Find total tenant revenue for the year; this information should be readily available from your rent roll or billing system.

2. Divide total tenant revenue (Step 1) by 365 to calculate average daily total tenant revenue.

3. Find gross tenant accounts receivable. For the first year that you are calculating this figure use the actual year-end balance. For subsequent years find the average between the balance at the beginning of the year and the year-end balance.

4. Divide gross tenant accounts receivable (Step 3) by average daily total tenant revenue (Step 2).

FIRST STEP:

$$\text{Daily Total Tenant Revenue} = \frac{\textbf{Total Tenant Revenue for Year}}{\textbf{365}}$$

SECOND STEP:

$$\text{Tenant Receivables Outstanding} = \frac{\textbf{Gross Tenant Accounts Receivable}}{\textbf{Daily Total Tenant Revenue}}$$

How to Use the Number

In general, a lower number for this indicator is better. The advantage of this indicator is that it is easy to understand quickly: it tells you the average number of days your organization takes to collect rent payments from tenants. If you calculate 30 for this indicator, it would mean that it takes a month, on average, to collect tenant receivables. Not very good performance.

It is important to remember that this indicator calculates an average. If, for example, at one organization most tenants pay their rent on time but there are a few "bad apples" that have not been evicted and are months behind, the TRO might be 15. At another organization where almost all tenants pay but are consistently one to three weeks late, their TRO might also be 15. Even though these two organizations have the same average, they have different payment problems and would go about solving their problems in different ways. It is important to understand the problems causing your TRO result to determine what you can do about it.

This indicator should react fairly quickly to changes in late payment policies which are clearly communicated to tenants. You can track the effectiveness of your policy by calculating the figure for each quarter. To calculate this indicator for a quarter rather than a year, follow the instructions above, but

- Determine total tenant revenue for the quarter rather than the year

- Divide by the number of days in the quarter rather than 365 to find average daily total tenant revenue

- Use the average between gross tenant accounts receivable at the beginning of the quarter and at the end of the quarter for gross tenant accounts receivable.

This indicator is an excellent tool for Directors to use to communicate the results of initiatives and new payment procedures to governing board members. Similar to other indicators, comparing notes with colleagues in other NAHASDA grantee organizations may help generate ideas for your own organization.

As a reference, consider the following TRO results from Public Housing Authorities. Organizations with averages below these thresholds get the highest score in the PHAS.

PHA Size	# of Units	TRO
Very Small	0-49	TRO<1
Small	50-249	TRO<2
Low Medium	250-499	TRO<4
High Medium	500-1,249	TRO<5
Large	1,250-9,999	TRO<7

Analysis: Key Questions and How to Improve Results

If you find that your TRO result is too high (over 5), consider the following questions and suggestions:

- What are your late payment policies? Are they being enforced?

- Do you have a waiting list? If enforcement of eviction policies is lacking, consider whether “deadbeat” tenants are taking the place of families who would happily pay rent on time for the chance to receive subsidized housing.

- Is your billing system capable of incorporating payment penalties and generating reports quickly? If not, improvements in this area may help you understand your problem better and implement new policies.

- Calculate the percentage of charges collected in the last month by dividing last month's collections by last month's billed amount. This percentage can give a quick indication of whether a high TRO is due to long past due charges or whether it is a current problem which is accumulating.

- Generate ideas to improve payment performance; some examples are:

  - Hire additional housing counseling staff
  - Give an incentive to management by tying a bonus for the Director to improvement of TRO results
  - Deduct the rent for tenants who are also tribal or housing entity employees directly from their paycheck.
  - Hire deadbeat tenants for your force account crew and deduct rent directly from their paychecks
  - Investigate ways to create more urgency among tenants to pay bills on time such as charging interest on bills or flat late payment penalties.

14.5 Occupancy Loss

What It Shows

This indicator shows whether your organization is making the most of its units through high occupancy. In private sector property management organizations, occupancy loss is a key measure to see if the managers have done a good job marketing the properties and handling the transition from one tenant to the next. It measures whether the managers have used the property to generate as much revenue as possible. While NAHASDA grantees operate as not-for-profit ventures, it is also important that they make the best use of their housing to house tribal members in safe and decent environments.

Occupancy loss is calculated by dividing the number of leased unit-months by the number of potential unit-months and multiplying by 100 to get a percentage. Vacant units and slow transition times between tenants result in higher occupancy loss percentages.

How to Calculate It

It would be fair to ask at this point, "what is a unit-month?" A unit-month is the number of months during a period which a unit is leased or available for lease. For instance, a unit available for lease over a whole year would have 12 potential unit-months. It would be possible to calculate occupancy loss by simply dividing the number of rented units during a year by the total number of units. However, some units are only rented for 11 months, some for 7 months, and so on. The unit-month measure allows us to be more precise about the amount of time units are leased or available for lease.

To calculate Occupancy Loss, first find the number of leased unit-months. Use your rent roll or billing system to determine the number of monthly rental charges you have billed during the year. Next, find the total number of potential unit-months. Start by multiplying the number of units you operate by 12. Then subtract units that were demolished or under renovation; subtract the number of months each unit was offline for either reason from the total.

Then,

- Divide the number of leased unit-months by the number of potential unit-months
- Multiply the number you calculated in Step 1 by 100
- Subtract the number arrived at in Step 2 from 100.

$$\textbf{Occupancy Loss} = \textbf{1.00} - \left(\frac{\textbf{Leased Unit-Months}}{\textbf{Potential Unit-Months}} \right) \textbf{x 100}$$

How to Use the Number

In general, a lower percentage is better. An Occupancy Loss of 0% would mean that all units not under renovation were always occupied. Occupancy Loss is a good test of your organization's capacity as property managers because it reflects several factors such as:

- The accuracy of your waiting list
- Your check-out and admissions policies and procedures and whether they are practical, streamlined, and efficient
- The efficiency of your maintenance department and whether it is well integrated with the rest of the organization

Organizations which require tenants to give sufficient notice before moving out and act quickly on that information to prepare to admit the next tenant on the waiting list, tend to have lower occupancy loss percentages. There are several ways to understand your results better:

- Track occupancy loss over several periods (quarters or six-month periods). If you have made changes to admission policies and procedures, trained staff, or worked to improve your maintenance department's performance, Occupancy Loss is one area where you should begin to see results and improvement.

- Speak with colleagues at other organizations that have NAHASDA grants. Ask them about their Occupancy Loss percentages and, if low, find out about their waiting list practices, admissions policies and procedures, and maintenance department to see if there are ideas you can adopt.

To better understand your Occupancy Loss percentage, especially the first time you calculate it, consider the following percentages from Public Housing Authorities. Organizations with Occupancy Loss percentages below these thresholds get the highest score in the PHAS.

PHA Size	# of Units	OL
Very Small	0-49	OL<1%
Small	50-249	OL<3%
Low Medium	250-499	OL<5%
High Medium	500-1,249	OL<5%
Large	1,250-9,999	OL<6%

Analysis: Key Questions and How to Improve Results

If your Occupancy Loss is high (over 10%), consider the following suggestions:

- Calculate your average turnaround time. Turnaround time is the number of days between the last day for which the departing tenant pays rent and the first day the new tenant begins to pay rent for the same unit. If this figure cannot be calculated from your rent roll with ease, take a few examples during the past year and calculate the average.

- Talk to staff about their experiences:

  - contacting names on the waiting list and its accuracy
  - checking tenants out and the process to return security deposits
  - admitting new tenants and the paperwork requirements
  - doing routine maintenance (painting, plaster repairs, cleaning) between tenants

  These conversations may help you pinpoint one area which is mostly responsible for slow turnaround times.

- Calculate the average amount of time a family spends on the waiting list. To do this, look at all (or a sample) of families admitted over the past year and calculate the difference between the date admitted to the waiting list and the date offered housing. Then find the average. Many organizations make adjustments to the documents they require to get on the waiting list and the documents they require to be admitted based on the average wait on the waiting list. Changing these requirements can help speed the admission process.

If the average wait is short (less than 6 months), then much of the documentation can be processed up front when the family is put on the waiting list. If the average wait is long (over 6 months), then it makes sense to do most of the documentation during the admission process; this might imply having policies which require departing tenants to notify you of their departure earlier.

- Although most organizations have a waiting list, if you do not, marketing your housing (for example, through posters, newspapers, and radio) can help reduce your Occupancy Loss from vacant housing.

14.6 Management Expense Per Unit

What It Shows

This indicator shows how much overhead expense your organization incurs in the delivery of housing. It goes without saying that it costs money to properly manage housing. Offices, computers, and copiers, as well as tools, materials, and vehicles, all are needed and cost money. Oh yes, you also need people to administer the housing and, of course, people are paid salaries.

Unlike many of the other indicators, it is probably just as bad to spend too little on managing housing, as it is to spend too much. NAHASDA grants are meant to help provide housing to people of low incomes and with the grant comes a variety of control and reporting requirements. Successfully administering NAHASDA funds requires management expense. If by lowering management expense, you put at risk the successful completion of grant requirements, it is better to rethink your cost-cutting strategy. However, with that said, it is clear that some organizations are less efficient in their delivery of housing than others.

This indicator measures the management expense per unit. It is calculated by dividing your total management expenses by the number of leased units. The amount of expense is highly dependent on the size of your organization and your location. For instance, large organizations may be able to invest in an excellent computerized accounting system that can provide all sorts of timely reports. In contrast, a smaller organization may use a fee accountant sparingly. Even though the large organization has a much more convenient system, the management expense due to their accounting system is probably lower than that of the small organization. Fixed costs, such as accounting services, are spread over many more units for large organizations than for small ones. Location plays a part because salaries vary a good deal from region to region.

How to Calculate It

Operating expenses generally include the categories: administration, general expenses, tenant service expense, maintenance and operations expense, and utilities. This measure will only consider administration and general expenses, as these are the areas most prone to becoming “top-heavy.” The process for calculating Management Expense Per Unit is:

1. Find the amounts for the past year for administration and general expenses. If these expenses are broken out on your audited financial statements, they are generally on the Statement of Activities.

2. Sum the administration and general expense amounts. If you also administered special projects (e.g., developing new housing), you will need to subtract the administration and general expense amounts attributable to special projects from the totals. If some staff work exclusively on special projects, this should be fairly straightforward; if not, get staff to estimate the percentage of time they dedicate to special projects.

3. Find the total number of leased unit-months for the past year from your rent roll or billings system (see above for more detail). This is the total number of monthly charges that you billed tenants.

4. Divide the total number of leased unit-months (Step 3) by 12 to get the total number of leased units.

5. Divide the administration and general expense sum (Step 2) by the total number of leased units (Step 4).

$$\textbf{Management Expense Per Unit} = \frac{\textbf{Admin + General Expenses}}{\textbf{Total \# of Leased Units}}$$

How to Use the Number

As we pointed out above, lower management expense is generally better, but only if the quality of housing and grant administration can be maintained at acceptable levels. However, on its own this indicator cannot tell you anything about the quality of housing and grant administration.

For instance, consider an organization where an administrative staff person leaves her position during the year and a replacement is not quickly found. There is a salary expense savings while the position is open and this fact is reflected in a lower management expense per unit for the year. But what if this staff person had years of experience and was the one that new staff turned to with questions. After she leaves, forms are filed incorrectly and procedures are not followed. While management expense has improved, other indicators may tell a different story.

Therefore, it is important to view this indicator alongside the other indicators presented here. It is definitely possible to make improvements in other areas and, at the same time, in management expense. Sometimes the best solutions result not only in better housing and grant administration results, but also lower costs.

Consider the following suggestions to understand your results better:

- Calculate this indicator every year using financial statement results; compare year-to-year results and try to understand the factors that influenced management expense over the past year:
  - Are increases tied to improvements in another area?
  - Are decreases tied to greater efficiencies, new processes, better staff?
  - Have you subtracted from total costs a realistic amount for the administration of special projects?
- Use management expense as a tool to put staff salary discussion and hiring strategies in perspective: sometimes better trained staff cost more but their work requires less supervision and they are more productive. Management Expense per Unit can help you make sense of the trade-off between higher salaries and better performance when staffing.
- Can you show sustained improvement in other indicators and at the same time reduce management expense? If so, these are the sorts of results which can highlight your success as an Director in front of your governing board.

Analysis: Key Questions and How to Improve Results

If you find that management expense is high or is increasing, ask yourself these questions:

- If management expense has increased, are there good reasons for the increase?
  - Have you hired new staff to administer special projects?
  - Have you hired more qualified staff at higher salaries?

- Most businesses today recognize that inefficiency often is not about employee productivity but about the processes that employees are instructed to use:
  - Talk to staff to find out how they carry out certain tasks
  - Re-design processes to make these tasks take less time, freeing staff to handle more or different tasks
  - Consider whether technology can be added to the process to make it more efficient

14.7 Net Operating Income

What It Shows

This indicator is calculated by subtracting operating expenses from operating income. When the result is negative, it is called a loss, when positive, income. Private sector property management firms live and die by their Net Operating Income (NOI) performance. Pursuit of the highest NOI possible is behind most of their management decisions. NOI summarizes their performance on a variety of factors. A few of their major concerns which are reflected in NOI are:

- keeping vacancies low through marketing and improvements to retain tenants
- control of maintenance costs
- determination of rents

The use of NOI as an indicator for NAHASDA grantees is relevant because it also summarizes the organization's performance on some of the indicators discussed above, TRO, Occupancy Loss, and Management Expense Per Unit. To use NOI for NAHASDA grantees, however, requires some significant adjustments in its calculation.

How to Calculate It

Your audited financial statements will often contain a number which reflects the relationship between operating revenues and operating expense on the Statement of Activities or Income Statement. In some cases, it may actually be called "Net Operating Income." Unfortunately, there are many reasons why this number may be misleading as an indicator of your performance.

In this section, we will explain a way to calculate a number which you can use as a management tool to track your performance over time. It should be noted from the start, that the first year you calculate this NOI, you will not be able to make any judgments about your performance. This NOI calculation will be useful only as compared to a first year, or baseline, calculation.

The basic formula used to calculate NOI is as follows.

	Potential Gross Rental Income (PGRI)
minus	**Vacancy Loss (VL)**
minus	**Collection Loss (CL)**
	Effective Gross Income (EGI)
minus	**Operating Expenses (OE)**
	Net Operating Income (NOI)

Potential Gross Rental Income (PGRI)

The first step is to calculate PGRI. The basic problem is that in NAHASDA grantee housing, tenants do not usually pay a fixed rent based on the unit but pay rent based on their individual income. This is a significant difference from the private sector and causes havoc in calculating a useful NOI. To get around this problem, we need a stand-in rent as if this were a private sector unit. Stand-in rents should be the same for all units of the same type and are unrelated to what the tenant actually pays. You should use the same stand-in rent as you calculate NOI from year to year, so that changes in NOI can be compared. Choose a reasonable value for each type of unit you operate; if you can, use a rough estimation of what the unit would go for in the private market. In the end, any reasonable round number will do.

1. Make a list of unit types and the number of each type of unit you operate
2. In the next column record the stand-in rent for each unit type
3. Multiply the stand-in rent by the number of units of each type and record that figure in a fourth column
4. Total the figures you recorded in Step 3

A spreadsheet can assist you in this; a finished spreadsheet for a small fictitious organization might look like this:

Western Tribe TDHE: Calculation of PGRI

Unit Type	# of Units	Stand-In Rent	PGRI
Scattered Site 3BR	45	$550	$24,750
Duplex 2BR	32	$400	$12,800
Totals	**77**		**$37,550**

Vacancy Losses (VL)

The next step, Vacancy Losses, is easy because we have already calculated what we need under the Occupancy Loss indicator. Simply multiply the percentage you calculated for Occupancy Loss by PGRI. That is,

PGRI X OL = VL	**PGRI**	**=**	**Potential Gross Rental Income**
	OL	**=**	**Occupancy Loss**
	VL	**=**	**Vacancy Loss**

For instance, continuing with the example from above, if Western Tribe's Occupancy Loss was 6%, the calculation would look like:

$37,550 X .06 = $2253

Collection Losses (CL)

Now we need to calculate Collection Losses. To do so, we can re-use some of the figures we collected under TRO.

1. Find total tenant revenue for the year; this information should be readily available from your rent roll or billing system
2. Determine the total of all monthly rent charges during the past year from your rent roll or billing system
3. Divide total tenant revenue by the total of all monthly rent charges
4. Multiply the number from Step 3 by 100
5. Subtract the number from Step 4 from 100
6. Multiply the number from Step 5 by PGRI; the result is Collection Losses

Continuing with the Western Tribe example from above, if the result you calculated in Step 5 was 10%, you would have a CL of $3755 ($37,550 X .10 = $3755).

Operating Expenses

For our purposes, operating expenses can usually be pulled directly from your audited financial statements. Operating Expenses are normally found on the Statement of Activities. If a significant portion of your operating expenses is due to special projects, subtract that portion as we described above under Management Expense Per Unit.

Calculate NOI

The last step is to put all of the pieces together per our original formula. To complete the Western Tribe example, let's assume Western Tribe's Operating Expenses were $55,000 for the past year.

Potential Gross Rental Income (PGRI)	$37,550
Vacancy Losses (VL)	-$2253
Collection Losses (CL)	-$3755
Effective Gross Income (EGI)	$31,542
Operating Expenses	-$55,000
Net Operating Income (NOI)	-$23,458

How to Use the Number

The number we calculated above for the fictitious Western Tribe TDHE shows a loss. Does that mean they are managing their housing poorly? Not necessarily. We could have chosen different stand-in rents in the first step, which would have had a big impact on the final NOI calculation.

This initial calculation of NOI sets a starting place from which an organization can begin to measure the effect of their management decisions in the future. NOI is a tool to combine three indicators, Occupancy Loss, TRO, and Management Expense in a rough way to measure how well an organization is managing its housing overall. If in the next year, this fictitious organization controls its expenses more and reins in collection losses, it may find that its NOI loss has decreased to $15,000. The fact that it is still a "loss" does not matter, what matters is that the organization is managing its housing better than the previous year.

- Calculate NOI using financial statement data on a yearly basis

- View changes in NOI over time in conjunction with Occupancy Loss, TRO, and Management Expense. These other indicators can help explain why NOI has increased or decreased.

Analysis: Key Questions and How to Improve Results

If you find a trend of less and less NOI or greater and greater losses, you might make small adjustments to your stand-in rent assumption. Most expenses increase from year to year from inflation so you might make similar increases to your stand-in rents. However, it is critical that you do not create completely new stand-in rents each year or your NOI calculation will not be comparable from year to year.

NOI is a product of the stand-in rents you choose (described above) and Occupancy Loss, TRO, and Management Expense. For ideas on how to improve in these areas, please review the "Analysis" sections under each of these indicators.

Financial Health Assessment Checklist	Yes	No	N/A	Source/ Documentation
General				
1. Did you calculate figures for all six indicators?				
2. Do the results you calculated indicate a need to make changes in operations?				
3. If yes, have you planned changes to your operations?				
Timely Use of Funds				
4. Do you obligate at least 90% of your grants within two years?				
5. Are you obligating and expending your oldest grants first?				
6. Do you have specific activities planned appropriate to the size of your open grants?				
Current Ratio				
7. Do you include only current assets and current liabilities in your current ratio calculation?				
Tenant Receivable Outstanding				
8. Do you communicate to new and existing tenants the consequences of paying their rent late?				
9. Do you enforce your late payment policies, including eviction?				
Occupancy Loss				
10. Do long delays occur between one tenant moving out and the next tenant moving in?				
Management Expense Per Unit				
11. Have you excluded administrative expenses for special projects (salaries, materials) from your management expense total?				
12. Do inefficient processes contribute to a high management expense per unit?				
Net Operating Income				
13. Do you use fictitious stand-in rents, rather than real rents in your calculation?				
14. Do you use the same or very similar stand-in rents for each year's calculation?				

Reviewer ____ Date of Review ________________________

15. Physical Assessment

15.1 Overview

The onsite inspection of the housing you operate is a requirement of NAHASDA under Section 403(b): “Not less frequently than annually, each recipient shall review the activities conducted and housing assisted under this Act to assess compliance . . . Such review shall include onsite inspection of housing to determine compliance with applicable requirements.” The Code of Federal Regulations repeats the requirement in §§1000.502(a) and 1000.512(a) where it states that the result of the assessment must be sent to HUD. These requirements include the inspection of 1937 Act units.

While following laws and regulations is often a good enough reason to do something, in this case there are some other good reasons as well. In the business world, businesses own assets which help them produce a product or service. A construction contractor owns tools and equipment and a store might own the building it sells its goods from. Businesses are constantly “assessing” their assets to determine maintenance needs and when to replace components. If a business were to ignore this assessment, the tools, equipment, or buildings which are needed to produce revenue would soon fail and they would lose the ability to make money.

The same applies for the most part to the housing operated by NAHASDA grantees. Physical assessment is a tool which your organization can use to identify maintenance needs and determine when to replace components. Frequent assessment allows ongoing and preventative maintenance, which extends the life of the housing and its components. To fail to assess affects your ability to generate revenue through rents and increases the cost to maintain your organization’s housing assets.

There is a third reason why physical assessment is important, which gets to the heart of the mission of most NAHASDA grantee organizations. NAHASDA’s objective is to assist and promote housing in “safe and healthy environments.” When housing is in good condition, tenants avoid injury and disease, but also tend to feel better about where they live and about themselves. While there are good business reasons to assess, it is hard to put a number to tenants’ dignity. The only way to make sure that the housing NAHASDA funds help provide remains in good condition is to go and inspect it.

Most physical assessment systems have four basic components. This module will explain how to design or improve each of these components:

- **Inspection Policy and Procedures** makes physical assessment an integral part of your organization’s management.

- **Inspection Standards** help inspectors to judge deficiencies along the same scale for each inspection, which helps you make decisions about maintenance priorities.

- **Tracking Mechanism and Inspection Schedule** allows you to complete your inspection of all units annually in an efficient way.

- **Maintenance Follow-up** helps make sure that the deficiencies found through inspections don't "gather dust" but result in improved housing.

15.2 Inspection Policy and Procedures

When the management of an organization introduces a new initiative, the first step is to "write it up", formalize it, and put it into written policy. Most NAHASDA grantees are likely to have done this for their onsite inspection policy. They carry out the §403(b) inspection requirements and include their results with their APR submission to HUD.

The more difficult part of a new initiative is to actually integrate it with the normal operation of your organization. To be successful, procedures must be written which say exactly how the staff will carry out the policy. For example, some inspection procedures might be:

- Whenever a unit becomes unoccupied, we will conduct an inspection between tenants.

- For occupied units, we will notify tenants of upcoming inspections in writing at least five days before the inspection.

- Copies of inspection reports will be directed to the organization Director and the Director of the Maintenance Department for follow-up.

- Maintenance will put high priority on fixing health and safety deficiencies found during inspections and respond within 48 hours.

15.3 Inspection Standards

Inspection standards are guidelines which help the people who carry out the inspections classify their results in the same way each time. There are important benefits for the maintenance manager when he can look at a series of inspection results and compare them even though different people conducted the inspections or they were conducted at different times. Inspection standards help the manager to:

- prioritize maintenance needs across all inspections
- look across time to see if there is any improvement in inspection results

Being able to look for improvement is key when you try to evaluate whether your latest idea to improve maintenance is working or not.

Usually organizations do not design their own standards but adopt ones already developed by experts. One common set of standards used by some NAHASDA grantees is the Housing Quality Standards (HQS) from HUD's Housing Choice Voucher program (see http://www.hud.gov/offices/pih/programs/hcv/forms/guidebook.cfm and download Chapter 10 for the complete standards).

Whatever set of inspection standards your organization adopts or modifies for use, it is important that the standards do three things:

- Divide the property into separate components to help organize and analyze inspection results. For example, these components might be: yards, unit interior, unit exterior, HVAC systems, plumbing, etc.
- Rate the severity of the deficiency along a standard scale.
- Designate whether a deficiency is a health and safety problem (which would need to be resolved more quickly).

The forms used by inspectors should be designed with these three guidelines in mind to help analyze the information and perform follow-up.

15.4 Tracking Mechanism and Inspection Schedule

Your written policy should state that you will inspect all units annually. Your procedures give you guidelines on how you carry out your policy, but ultimately you need a tool to make sure that all the inspections get done. A tracking mechanism and inspection schedule has just such a purpose.

The tracking mechanism is basically a list of all of your units, which allows you to "check-off" and date when inspections are performed. To the basic list you can add a variety of information to help you track results. The list could contain columns for each component of your properties (unit interiors, exteriors, yards, etc.) to record the condition of each. Organizing this information well will help you prepare your APR submission. The list could also contain columns to record follow-up actions to fix the deficiencies found during the inspections. While a paper list could function well for a small organization, larger organizations should use a computerized list in a spreadsheet or create a small database.

The tracking mechanism helps you know, at any point in the year, how many inspections have been done to date. An inspection schedule, on the other hand, is the plan for when the inspections will be done and by whom. The inspection schedule should plan inspections efficiently, like for example, inspecting all units located near each other at the same time.

The mechanism should also be flexible. Inspectors often have other maintenance duties, so setting a general timeframe (a month or a week) with a target number of inspections may be the most practical. This way your inspectors can fit inspections in around higher priority work. Lastly, sometimes inspections are done between tenants and because move-outs are hard to predict, this may throw off the schedule. A flexible schedule should make sure you do not fall behind during the year, but allow inspectors the flexibility to work around other tasks and take advantage of vacated units.

Maintenance Follow-Up

Let's return to the business world for a moment. Can you imagine a store owner who identifies a leak in his storeroom, writes down "fix leak" on a notepad, and then forgets about it? Yet, that is more or less what happens with some organizations' inspection results: deficiencies identified through the inspection process are not followed up with repairs.

The maintenance department usually has a lot to do: how can it also follow up effectively on inspection results? The key to making inspection results count is to make inspection follow-up part of your day-to-day maintenance work rather than just a HUD requirement. Copies of inspection results should be directed to the maintenance department. The repairs identified in the inspection may be entered as work orders to help the department simplify its daily task assignment process. Health and safety problems might be identified as emergency work orders, other repairs as non-emergency work orders.

While the process of finding and fixing deficiencies takes place mostly in the maintenance department, there are other uses of these important results. Often a manager's time is dominated by high-level, high-priority tasks: reports for the governing board, budget estimations, contract negotiations. It is easy to lose touch with what is "happening on the ground." However, it is important to understand that reality is key to planning appropriate projects and focusing energy on the most needed internal improvements.
The inspection process gives you an opportunity to get an understanding of the "on the ground" reality which you cannot afford to pass up. Here are four ways in which managers can use inspection results:

- Evaluate how tenants are treating the property. Usually leases spell out consequences for abuse of the property, including eviction. Inspection results are your primary tool for enforcing those provisions in the lease. The judgment of whether a deficiency is the result of abuse or normal wear and tear may be obvious (holes in the wall) or may be more of a judgment call (broken linoleum tiles). A comments section on the inspection form should be used to gather inspector input on the cause of the deficiencies.

- Evaluate your preventative maintenance plan. You might find that gutters should be cleaned more frequently or that Brand X of paint does not last as long as you thought.

- Focus your capital improvements budget. Your inspection results may reveal that the units built 15 years ago should have their roofs replaced soon. The condition of most of these units' roofs is "poor" according to the latest inspection.

- Do a spot-check on your work-order response. You may find deficiencies in your inspection that were called in as work orders by the tenant. The inspection gives a good spot-check on your work-order performance.

Physical Assessment Checklist	Yes	No	N/A	Source/ Documentation
Inspection policy and procedures				
1. Is there a written policy on inspections readily available to staff?				
2. Are there procedures to ensure that all units are inspected on an annual basis?				
3. Are there procedures to notify tenants of upcoming inspections?				
4. Are there procedures to ensure that inspection results are stored and directed to the appropriate department or person for follow up (e.g., maintenance, capital planning, preventative maintenance)?				
Set of inspection standards				
5. Is there a set of inspection standards used to determine deficiencies during inspections?				
6. Do the inspection forms refer to the standards to help the inspector classify and rate deficiencies?				
7. Do the standards allow the inspector to highlight health and safety concerns as opposed to less urgent concerns?				
8. Is the inspection staff trained in the standards to help standardize results?				
9. Do the inspection forms have space for inspector input regarding tenant treatment of the property?				
Tracking mechanism and inspection schedule				
10. Is there a mechanism for tracking and scheduling inspections for all units?				
11. Do inspectors follow the schedule and update the tracking system after inspections?				
Maintenance follow-up				
12. Do you have a written policy readily available to tenants and staff that describes maintenance actions to fix deficiencies found after inspections?				
13. Does your policy clearly distinguish between repairs which must be paid for by tenants and repairs which are paid for by the grantee?				
14. Do inspection results reach the appropriate internal departments to take follow-up actions?				

Physical Assessment Checklist	Yes	No	N/A	Source/ Documentation
15. Are procedures in place to give health and safety deficiencies found during inspections high priority?				

Reviewer ______________________________________ Date of Review ______________________

16. Complaint Management

16.1 Overview

This module deals with the complaints you receive from residents, contractors, and the community as you go about your work providing housing assistance. It will look first at ways to reduce the number of complaints you receive in the first place—the most effective "complaint management system" available. It will also present a process for handling complaints fairly, efficiently, and in a way that can help your organization improve its delivery of services. Lastly, it will present creative ideas to help your organization be better attuned to its customers (residents and applicants) and be perceived as a customer-friendly organization.

Unresolved complaints can cripple the work of an organization in many ways. Consider a simple complaint such as someone on the waiting list who believes that they should have received an offer of housing before someone else. If the complaint lingers and is not resolved in a way that is perceived as being fair, other residents and applicants may begin to question your organization's authority on all matters. Simple, routine business may be questioned by residents and take longer to explain and justify. Residents may begin to file their own complaints because they believe that the organization is routinely unfair.

When complaints are unresolved, they often have a way of finding their way outside of the organization to the press, tribal representatives, and HUD field offices. This situation leads to a second sort of crippling effect: your organization must divert significant resources to defend itself in front of a third party. This diversion of resources can be quite significant because often it is the Director and upper level staff who must respond; these are the members of the organization whose time is most in demand for other important matters.

Lastly, unresolved complaints can be very divisive in small communities and can have an important negative effect on your organization in work unrelated to the complaint. In those divisive situations, any public meeting you hold may become a forum for the community to talk about the unresolved complaint. You may have difficulty getting applicants for positions or bids for contracts because the community is divided by the unresolved complaint.

In summary, unresolved complaints can:

- Reduce your organization's authority, complicating small matters with applicants and tenants
- Divert high level resources to respond to third parties
- Be divisive and impact your ability to carry out other important matters

16.2 How to Reduce the Number of Complaints

In general, there are three types of complaints that are made to NAHASDA grantee organizations. The good news is that your organization can reduce the number of each type by focusing on your fundamentals. By fundamentals, we mean the parts of your organization which you probably have in place already, but which may not be working properly.

16.3 The "Need for Information" Complaint

The example given above, of a complaint from someone who believes that they should have received an offer of housing before someone else, is a classic "Need for Information" complaint. Though it may not sound like it, the complainant is actually asking you, "explain to me your waiting list policy, using my case as an example." If your organization finds it a challenge to respond to this request, then it needs to look at fundamentals. You probably have policies and procedures which govern how you manage your waiting list. Ask yourself,

- Is our policy specific enough to help us with the majority of applications we see?
- Is it a fair policy or will it be perceived by the community as being unfair?
- Do our staff know and follow the procedures we have developed to carry out the policy?
- Do we communicate our policy clearly to those we do business with?
- Do we have sufficient documentation to know that we have followed the policies and procedures?

These questions apply equally to the policies and procedures you have developed for contract bids and even internal matters concerning promotions and dismissals.

16.4 The "I'm/We're Dissatisfied" Complaint

A common area in which residents will express dissatisfaction and file complaints is in the provision of quality housing. Residents may complain about slow work-order response or delays in the completion of capital projects (for e.g., roof replacement). These sorts of complaints also relate to fundamentals. If you have in place adequate quality control systems, these sorts of complaints should be minimal. For instance, in the case of work orders,

- Do you have a system for tracking work orders?
- Do you have standards for response times based on work-order severity?
- Does your staff produce quality repairs?

Again, it is much easier to respond to a complaint when you have documentation to validate what the complainant is saying. For instance, if the complainant claims their air conditioner has not worked for two weeks, the ability to check when the work order was filed will greatly help you judge whether your organization has responded slowly or whether the complainant delayed filing a work order.

Sometimes complaints of dissatisfaction are more general and relate to the type of programs and services being provided or which are seen as missing. These sorts of complaints relate less to a particular case and to your tracking mechanisms and documentation. Involving community members in the IHP planning process and giving opportunities for feedback in the APR process can be a constructive way to either channel these complaints or help avoid them in the first place.

Often, these sorts of complaints come from people who care about the community and their living environment and might be willing to help improve it, given the chance. When an organization has an open and fair way to listen to complaints and does not automatically reject complaints, it might be able to turn complainants into collaborators and volunteers to improve the situation.

16.5 The "Incompetence/Favoritism" Complaint

This sort of complaint is usually a product of poor performance in the other two types of complaints. When your organization routinely responds inadequately and leaves matters unresolved, a blanket complaint regarding competence or fairness may arise. If your organization's fundamentals are in place, you can normally avoid complaints from reaching this level or defuse them when the complainant substantiates their claim. To know if your fundamentals are adequate, look at the different areas of your organization, especially those which deal with external organizations, residents, and applicants and ask:

- Do we have detailed and fair policies and procedures and do we follow them?
- Do we have quality control systems to make sure we deliver what we promise?
- Do we adequately document our decisions?
- Do we provide opportunities to listen to our residents?

16.6 The Complaint Management Process

Above, we examined how strengthening the fundamentals of your organization can pay off by reducing the number of complaints you receive over time. Strengthening your organization in this way can also help you respond to the complaints you do receive. But to fully harness your improved ability to respond to complaints, you also need a good process for complaint management. In this section, we will present a complaint management process made up of three parts:

1. Intake
2. Processing
3. Closure and Review

16.7 Intake

Intake refers to the ways in which a resident or other individual external to your organization can formally express a complaint. Many public sector and private sector organizations tend to discourage customers from making complaints. The organization's representatives are cold and unresponsive to criticism and if a complaint box exists, it is usually tucked away where people won't see it. However, over the past decade or so, some organizations have begun to look at complaints as a great opportunity. These organizations seriously believe that the customer is doing them a favor by complaining.

For them, complaints are signals that their performance in some area might need improvement. They suspect that if one person is complaining about something, many others probably agree but just never took the time to complain. In these organizations, complaints are summarized and reach upper management, where managers redesign policies and procedures and identify poor performance to make sure that this complaint can be avoided in the future. Even when a complaint does not signal a problem, these organizations would prefer the opportunity to show the customer that they were not treated unfairly, but that the same policy applies to everyone. They worry most about the customer who resents something and, through the grapevine, gives the organization a bad reputation.

Many of these same ideas can apply to NAHASDA grantees as well. Complaints can help identify problems and they are also an opportunity to defuse a claim of unfair treatment which, especially in small communities, can take a toll on an organization. For these reasons, giving customers some clear options to make complaints can actually help you reduce complaints in the future. Some options are:

- **Complaint box** located in the main office in a visible location
- **By phone** to an organization staff member
- **Directly** to counter staff

It is critical that however the complaint is received, you enter it on the same form so that all complaints can be tracked with the same process and the information is not lost. The form should include:

- Date and time of complaint

- Space for name and contact information of complainant if follow-up is desired
- Nature of complaint
- Space for your organization to enter actions taken and whether the complainant is satisfied with the resolution

Once staff or a customer fills in the form, it should enter a "tickler file" to allow it to be tracked until it is resolved. Larger organizations may consider whether a small computer database may be a more effective way of tracking complaints.

16.8 Processing

Processing refers to the period from when the complaint form is completed and submitted to the time when the complaint is resolved. The first step in processing is to route the complaint form to the appropriate part of your organization according to the nature of the complaint. The procedures for routing complaints should be clear to everyone in your organization. Designating one representative from each department (e.g., tenant admissions, maintenance, billing, etc.) can help you make sure that the complaint does not "fall through the cracks." Additionally, clear standards for the amount of time it takes to respond to complaints (e.g., 48 hours) can help make responsibilities clear to staff and improve your success rate at resolving complaints: people tend to be more receptive when the complaint receives prompt attention. The date and time you initially entered on the complaint form will help you monitor the response time.

For most complaints involving individual cases, routing the complaint form to the department designee should be sufficient. Obviously, some complaints are broader and more serious and staff should route these immediately to senior management or the Director. These sorts of complaints might include questions from a large contractor regarding a decision on a major contract or the broad "Incompetence/Favoritism" complaints mentioned above, which can seriously undermine an organization if not resolved.

The major decision the person responding to the complaint must make is whether staff followed normal procedures and met standards. Good documentation is critical in being able to make this decision. If staff followed policies and procedures and met performance standards, then explaining the situation in a friendly and firm way to the complainant is usually sufficient. On the other hand, where the organization has failed to live up to its standards or procedures or the staff did not follow them, it is important that the person responding to the complainant admit that there was a problem and choose a way to resolve the problem.

Often resolving the problem is clear. If a complaint involves a work order that is not resolved after two weeks and your standard is to respond to work orders within 72 hours, then the resolution of the complaint is to commit to a time to fix the work order and follow through. Other times, especially when procedures are not followed, it is difficult to "right" a situation immediately. These cases may need the judgment of senior management. While it is important to maintain a reputation for being responsive to avoid festering problems and resentments, it is also important not to establish a precedent which you will not be able to repeat when another similar complaint occurs. Whatever resolution you reach should be entered on the complaint form.

Finally, whether you resolve the complaint by clarifying your policies and procedures with the complainant or try to remedy the problem, there are always some cases where the complainant will still not be satisfied. Leaving open an option to allow the complainant to explain their complaint to either a higher authority or an impartial third party can do much to ensure that complaints are truly resolved and do not cripple your organization.

16.9 Closure and Review

The complaint form was a critical mechanism for routing complaints, tracking the response time, and recording the resolution of the complaint during the Intake and Processing steps. While the form is very useful for making sure complaints receive a timely resolution, its most important use comes after the complaint has been resolved. A file of resolved complaints is a treasure trove of management information for your senior management. Summarizing the complaints which are made again and again can give you a clear indication of the problems in your organization.

Do a short analysis to summarize a file full of complaints. One easy way to do this is to code each complaint by department (maintenance, admissions, resident services, billing, etc.) and then by a more specific code, which describes the nature of the complaint. For instance, for maintenance the codes might be:

1. Work order response time
2. Repair unsatisfactory
3. Major project delays
4. Damage done in unit by repair crew

Make your codes as specific as you need them to be to diagnose a problem, but not so specific that each category has only one complaint. Your complaint form might include space to record codes in one corner.

After you record codes for each complaint, enter the information into a spreadsheet. The spreadsheet should include a unique complaint number (to track it back to the original form), date complaint received, date complaint resolved, and the codes, at the very least. Then, find the number of complaints by department and by more specific codes. You should start to see some interesting patterns.

For instance, consider the complaint made by the person on the waiting list who believes they should have been offered housing and were not. Your summary shows that this same complaint occurred several times and that staff followed procedures. This information should make you look closely at your waiting list admission process:

- Do your brochures and handouts do a good job of explaining your policies?
- Do your counselors give applicants false hope about waiting times?
- Is there something about your policies that people see as unfair?

16.10 The Importance of Training

If your organization is new to managing complaints with a formal process, the process described above will only be successful if you invest in staff training. Training is critical because managing complaints successfully requires the cooperation of many parts of your organization. Staff must fill-in and file complaint forms correctly and route them to the appropriate person in each department. It is also important that the governing board members be trained on the policies and procedures on a regular basis. If you are a TDHE, it would also be beneficial for Tribal Council members to receive this training. With these new members being appointed every couple of years or so, they need to be able to understand the policies and procedures since they are also approached by the public.

Perhaps, what is often most important is a reorientation in staff attitudes for those who deal directly with complainants. It is difficult to listen to criticism, especially when the criticism is "wrong"—staff acted as they should have. One lesson from customer service efforts in the private sector is that it's, "not what you say, but how you say it." An open attitude, a friendly tone, and good listening skills can go a long way to calming people down and establishing some good will. In that atmosphere, it is much easier for staff to explain your policy clearly or to satisfy a resident with a simple solution. Some basic training in customer service and complaint management skills can give staff a lot of help in dealing with complainants.

16.11 Ideas for Becoming a Customer Service Organization

Up to this point, we have reviewed ways to reduce the number of complaints you receive and a process to make sure complaints are handled promptly and appropriately. This section will present a way to help you measure whether your efforts are improving residents' satisfaction and some creative ideas to improve your service to your residents.

Surveying How Residents Perceive You

Above, we discussed how summarizing the complaints you receive can be a great help in understanding your organization's problems. Yet, as we mentioned, many times people may feel that they were treated unfairly or are dissatisfied with services but do not take the time to actually make a formal complaint. A survey can help you get a better idea of what residents see as problems in a broader way than a summary of complaint forms. Surveys do not have to be complicated to be useful. It is important, however, to follow some basic guidelines to make sure that you can trust the survey's results.

Choosing Whom To Survey. You can either have residents fill out the survey on their own or you can interview them. If residents fill out the survey on their own, you will probably not get responses from everyone. You might include the survey in the monthly rent bill, if you mail a rent bill each month. If you choose this option, be sure to include an addressed, postage-paid envelope to make it easy for residents to drop the survey in the mail with their rent check. If most of your residents pass through your office to pay bills, you might have counter staff direct them to fill out a survey on their way out. If you decide to interview residents, you probably will not have the time to visit each unit. The best way to visit less than the full number is to do it systematically: visit only even or odd number units, or visit every fifth unit (e.g., Units 5, 10, 15, etc.)

What to Ask On the Survey. You can get a lot of information with only a few questions. Public Housing Authorities measure their residents' satisfaction through the RASS (Resident Assessment Subsystem) survey. This survey is an excellent model, which you can see at: http://www.hud.gov/reac/pdf/reasveng.pdf. This survey has the following categories: Overall Satisfaction, Maintenance and Repair, Communication, Safety, Services, Housing Development Appearance, Conclusion, General Information.

The best way to ask questions is to give the respondent a variety of answers to choose from rather than to let them write a response. The resident can check whichever box they agree with. The advantage of having standard answers that residents can choose from is that it allows you to summarize the results much more easily. For example, on the RASS, the first question is:

How satisfied are you with your unit/home?

- ❑ Very Satisfied
- ❑ Satisfied
- ❑ Dissatisfied
- ❑ Very Dissatisfied

❑ Does Not Apply

How to Use the Survey. When you receive all of your results, you should summarize the responses question by question in a spreadsheet. The first survey that you do can help you establish a "baseline." This will allow you to compare results from one year to the next to see if any new initiatives have improved residents' satisfaction. Make sure that you use the same survey each year, otherwise you will not be able to compare the results easily.

Ideas to Improve Your Customer Service

Public housing authorities, city governments, and many businesses have spent much time thinking about how to improve their customer service. They have used the following ideas to improve their customer service; these ideas may work in your organization too.

- Mail a newsletter periodically (quarterly, semi-annually, annually) to residents to let them know about new policies, remind them of existing policies, advise them of construction projects, and introduce them to new employees.
- Conduct a "town hall" style meeting in each development, headed by your organization's Director to get feedback and give yourself an opportunity to explain policies.
- Meet directly with groups critical of your organization to listen to criticism and, if appropriate, enlist their help on some of the problems.
- Provide staff who deal directly with residents a few hours of customer service training to improve their skills handling angry residents, polish telephone etiquette, and review policies and procedures.
- Look at whether or not it is difficult to "get through" when someone phones your office. If you have a call routing system, is it difficult to speak to a live person?
- Provide all staff that answer phones or work the counter a pad of complaint forms. Reward staff for recording complaints that they hear with a small token.
- Provide applicants for housing with a "map" of the process from initial sign-up to move-in. Such maps help customers understand what to expect and help avoid complaints regarding delays and excessive paperwork.
- Use a "mystery shopper" to call your organization to test telephone etiquette and staff's responses to various routine requests, such as getting on the waiting list, reporting a work order, or reporting a disturbance.

- Recognize employees for morale, phone etiquette, or other customer qualities that you want to promote.

Complaint Management Checklist	Yes	No	N/A	Source/ Documentation
How to Reduce the Number of Complaints				
1. Do you have detailed and fair policies and procedures for your dealings with applicants, tenants, bidders, and contractors?				
2. Does your staff understand and follow your policies and procedures?				
3. Do you have quality control systems in place (e.g., inspections, work order tracking) to make sure you deliver what you promise?				
4. Do you adequately document your decisions (e.g., evictions, eligibility, procurements)?				
5. Do you provide opportunities to get feedback from residents (IHP planning meetings, APR review meetings, town hall meetings with Director, surveys)?				
The Complaint Management Process				
6. Are there easy ways for tenants to place complaints?				
7. Do you use a standard form to track complaints that includes information on response time and actions taken?				
8. Is there a clear workflow (e.g., a complaint designee in each department) and target timeframes for following up on complaints?				
9. Do you store completed complaint forms and analyze them for patterns?				
10. Has your staff been trained in the basics of customer service for listening and responding to complaints?				

Reviewer ________________________________ Date of Review ____________________