

ENSURING PROGRAM COMPLIANCE

PJs are responsible for compliance with HOME Program rules.

When a participating jurisdiction (PJ) accepts HOME funds, it also accepts the responsibility to see that those funds are spent for the program purposes, and in accordance with all applicable Federal regulations and state and local laws. The PJ retains this responsibility even when it relies on *other housing partners* to carry out all or a portion of its HOME Program activities. Noncompliance with HOME Program rules by any entity can lead to any number of consequences, including the repayment of HOME funds to HUD by the PJ.

Monitoring can help ensure compliance.

Monitoring is a key tool for PJs to evaluate their operating procedures and systems, and those of their housing partners. Effective monitoring evaluates an organization's compliance with program requirements, and also identifies areas of strong performance and performance areas that need improvement. Monitoring can be used to evaluate several functions within a PJ's operational system, including *Financial and Administrative, Program Operations, and Projects*. Monitoring may uncover specific instances of noncompliance with important program rules, but it is generally focused on evaluating whether or not an organization has an effective flow of work, and has incorporated checks and balances into its operations, so that compliance is built into the standard operating procedures.

Monitoring can help PJs meet program goals.

PJs need to assess the way they and their housing partners do business, in order to improve program performance. Monitoring can uncover areas of inefficiency, or identify problems that interfere with program achievement. With this information, PJs can take actions to correct noted deficiencies, thereby improving program performance.

Monitoring can help prevent fraud and abuse.

Effective and active oversight provides PJ management with the information it needs to know that program funds are being used appropriately, and that operating systems are designed to minimize opportunities for fraud and abuse.

Monitoring ensures properties remain affordable over time.

The HOME Program imposes affordability requirements that must be met well beyond the initial investment of HOME funds. For rental properties, the HOME rules require ongoing monitoring of rents, tenant incomes, and property standards throughout the period of affordability. For-sale housing is generally secured through self-enforcing legal mechanisms, but may also require periodic PJ monitoring, to ensure occupancy as the owner's principal residence.

Learn more about the HOME Program.

To obtain more information on the HOME Program, visit the HOME Program website at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home>, or contact the Community Planning and Development (CPD) Office of U.S. Department of Housing and Urban Development. To locate the field office nearest you go to <http://www.hud.gov/directory/ascdir3.cfm>.

HOME PROGRAM COMPLIANCE Terms and Requirements

Several areas of performance must be monitored.

Monitoring compliance falls into three general areas:

- ❑ **Administrative and Financial Monitoring** ensures that the PJ, subrecipient, or state recipient is administering the program properly, with necessary fiscal controls. It involves the review of the rate of commitment and timely completion of projects, adherence to policies and procedures adopted by the PJ, enforcement of written agreements, compliance with administrative requirements, adequacy of internal controls, eligibility of partners (such as CHDOs), timely and accurate reporting to HUD, IDIS information and documentation of accomplishments.
- ❑ **Program Monitoring** determines whether the PJ, subrecipient, or state recipient has the proper procedures, forms, and files in place to carry out a program in compliance with HOME requirements. It involves the examination of HOME funds applications, policies and procedures, program files, financial files, project files structure and maintenance, and CHDO files. It is carried out for each of the program areas: homebuyer assistance, rental housing, tenant-based rental assistance (TBRA), and homeowner rehabilitation.
- ❑ **Project Monitoring** ensures that each funded project meets all project requirements such as subsidy levels, beneficiaries, and eligible properties. Project monitoring looks at sample files and units for homeownership, homebuyer, rental project or TBRA units. It involves the examination of project file structure and maintenance, individual project files, sample units, developer project files, CHDO financial and project files, and progress reports.

PJs must monitor themselves and other housing partners.

The PJ is responsible for appropriate expenditure of all HOME Program funds and it should monitor all entities involved in the expenditure of HOME funds, including itself. Administrative, financial, and program monitoring should be conducted for the PJ as well as any subrecipients or state recipients involved in carrying out HOME activities. Project monitoring for programmatic requirements typically involves additional housing partners, including for-profit and nonprofit developers, CHDOs, owners, sponsors, property managers, or contractors.

In addition, the lead entity of a consortium is responsible for ensuring that all member jurisdictions comply with HOME requirements through monitoring.

Effective monitoring is carried out on an ongoing basis.

In order to effectively monitor a project, a PJ should develop and implement a monitoring plan, identify overall monitoring objectives, conduct risk assessments, develop a monitoring strategy and procedures, staff, and schedule.

Typically, monitoring involves reviewing an organization's stated policies and procedures to determine if the policies have adequate controls to ensure program compliance, and then reviewing files to determine whether or not the policies and procedures are carried out. On-site visits to subrecipient offices, as well as construction site visits and post-construction site visits provide critical information about the accuracy of program files. Site visits should be performed at least annually.